



Issue 8 | Cross-border E-commerce (Import) Executive Summary

Cross-border e-commerce (CBEC) maintains stable development but at slower pace. China's CBEC (import) market has maintained stable development in recent years, fueled mainly by individuals upgrading their level of consumption. According to iResearch, the transaction value of the CBEC import retail market increased by 49.6% yoy to 111.3 billion yuan in 2017 and is expected to balloon to over 350 billion yuan by 2021. Hectic though growth has been for China's CBEC (import) market, the pace has, in fact, slowed over the past three years. This is due in part to the launch in late March and early April 2016 of new CBEC tax policies and a positive list for permitted imported goods, which might pose uncertainties for the future development of cross-border trade.

NetEase Kaola, Tmall Global and JD Worldwide continue to top the list among CBEC (import) players. NetEase's CBEC arm Kaola ranked first in the CBEC market by transaction value with 26.2% market share in 1H18, followed by Tmall Global with 22.4% market share and JD Worldwide with 13.4% market share.

Food, beauty and personal care products, and apparel, footwear and bags are the best-selling categories for CBEC (import). CBEC shoppers buy these products mostly from Japan, the U.S. and South Korea.

The Chinese government establishes more pilot zones for CBEC. As of August 2018, China has 35 CBEC Comprehensive Pilot Zones, 22 of which were approved by the State Council on 7 August, 2018. The State Council has also urged relevant government departments to support innovation and development in CBEC Comprehensive Pilot Zones, including streamlining logistics processes and custom clearance procedures, enhancing information sharing, promoting effective regulatory innovation, and pushing forward with international trade liberalization, facilitation and business innovation.

Emergence of new CBEC operation models. In recent years, some CBEC operators have trialed various ways to make shopping via CBEC (import) platforms more convenient and to provide customers with better shopping experiences. Two new operation models have emerged – the first is an **extension of the direct mail model, using overseas warehouses (the “direct mail + overseas warehouse” model)**; the second is the **modification of the bonded area import model, with the setting up of offline stores for transaction (the “bonded area import + offline store” model)**.

Players put more emphasis on product tracking system. Blockchain technology is becoming increasingly popular among CBEC operators as a method for tracking products. With this technology, leading CBEC platforms can collect, integrate and display product information to consumers in a more transparent way, thus gaining customer trust and loyalty.

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