Doing E-commerce in China: Advice and Best Practices

TAGS E-Commerce

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China has the highest number of internet users and online shoppers, as well as the greatest growth prospects in the worldwide e-commerce sector, surpassing the United States and Europe in almost all respects.

To date, the market is dominated by the “big players” such as Taobao, Tmall, JD.com and others. According to recent news reports on China Daily and other portals, however, many companies are setting up alternate channels due to internal competition and very expensive advertising rates. The most common of these alternatives are stand-alone e-commerce sites, which allow companies to maximize contact with consumers, monitor service levels, improve customer service and maintain brand image.

For European SMEs interested in doing E-commerce in China, here is a list of advice:

- Before entering the Chinese market, both online and offline, it is essential to first understand the Chinese culture and language, including their shopping habits and their attitudes to online purchasing.
- Before embarking on an e-commerce venture in China, the whole process – from the moment the customer first clicks “go to cart” to when the goods are delivered – should be given careful consideration.
- After-sales services (e.g. returns) should also be taken into account.
- As part of this process, particular attention should be given to the company’s logistics strategy. Which cities should be targeted? Which logistics providers will the company use to deliver to these cities?

- Take everything step by step. Bear in mind that projects in China are long term. Just as setting up e-commerce businesses in the respective European markets requires time for learning and consolidation, the same is true for China. Indeed, the situation here can be even more complicated.
- If you do not have a company incorporated in China, it is best to start by setting up the e-commerce business in Hong Kong. The Chinese market can then be approached more easily from here.
- Setting up the e-commerce business in Hong Kong is by far the easiest way to enter the Chinese market.
- For the project to be successful, it is essential to select an e-commerce provider with experience in China, Hong Kong and Europe. The business should be advertised on Baidu and other search engines using SEO and SEM, as well as other channels such as social media.
- The resources (time, capital, human) needed to develop and maintain an online business should not be underestimated. Whether you choose to start your online venture through third-party platforms or via a stand-alone platform, you will need a team (either internal or external) to carry out day-to-day monitoring and management.

Before making any large investments, we strongly recommend following the following quick steps in order to start selling online in China. If these are successful, you can then set up your business in Mainland China.

These are the minimum required steps to set up your online store for the Chinese market:

1. Set up a branch of your company in Hong Kong if you don't have a legal company in China.

2. Hire an experienced IT company to setup your e-commerce platform. Considerations here include:

- A software that accepts multiple languages (Chinese and English)
- Ability to generate "fapiao" (Chinese invoices)
- Connection to a Chinese payment gateway (Alipay) in order to accept UnionPay cards
- Information storage in a Hong Kong or Mainland China datacentre
- Requirement to adapt the look and feel of the e-commerce site to Chinese culture and tastes

3. Store your goods in Europe or in a FTZ. Deliver them as and when you get orders.

4. Hire an express delivery partner that can help you to import the goods and deliver them in China

5. Come up with online marketing strategies:

- SEO: natural positioning in Baidu and Qihoo
- SEM: pay per click services in Baidu and Qihoo

6. Set up an after-sales department that can speak Chinese.

7. Set up a Chinese speaking after-sales service in Hong Kong or outsource it to a specialized company based in Mainland China.

8. And start selling online!

To learn more about doing e-commerce in China, log in to download the Centre's full report here.

About the EU SME Centre

The EU SME Centre in Beijing provides a comprehensive range of hands-on support services to European small and medium-sized enterprises (SMEs), getting them ready to do business in China. We provide support in four areas – business development, law, standards and conformity and human resources. Collaborating with external experts worldwide, the Centre converts valuable knowledge and experience into practical business tools and services easily accessible online.

From first-line advice to in-depth technical solutions, we offer services through Knowledge Centre, Advice Centre, Training Centre, SME Advocacy Platform and Hot-Desks. The Centre is funded by the European Union and implemented by a consortium of six partners – the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the EUROCHAMBRES, and the European Union Chamber of Commerce in China.