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**EXPLORE E-COMMERCE STRATEGY IN CHINA**

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**ABSTRACT**

*A rapid developing online market, the customers of millions of willing shoppers, and the development of increasingly complicated platforms—there has never been a better time for retailers to start their virtual stores in China. To win in today's e-commerce, e-retailers and brands should focus on providing quality product and improving shopping experience to meet consumer needs. The way toward integration of social media should also be an important element of e-commerce strategy. Besides, China's Internet industry has taken a turn to focusing on the smart phone market. Mobile phone penetration is nearly at 100%. With smart phone penetration getting so high, the big e-commerce platforms are heavily promoting mobile shopping. Driven by rapid growth in e-commerce in China, Retailers need to be more digital-savvy, keeping pace with the latest trends in smartphone applications and social media so they can establish a stronger relationship with customers.*

**KEYWORDS**

e-commerce, social media, mobile commerce.

**INTRODUCTION**

Basically, China's large and growing middle-class have become used to making frequent e-commerce purchases. Besides, as in many longer-standing e-commerce markets, they are also developing brand awareness, an increasing tendency to buy high quality and individually satisfying products, and showing a commitment to brand loyalty and repeat business (Chiang, 2012).

The future development of China's e-commerce channel is closely linked to technology developments and also the behaviors of Chinese consumers, including the way they research and order products online, and their preference for speed and convenience (China 360, 2014).

**E-COMMERCE IN CHINA**

In the year 2000, China had virtually nothing in the name of e-commerce. But according to KPMG's research, in 2015 the total value of e-commerce transactions in China is estimated to touch \$540 billion, or 10% of total retail transactions. Further on, by 2020, China's e-commerce market is forecasted to be larger than those of the US, Britain, Japan, Germany and France combined (Neelima Mahajan, 2015).

E-commerce has become a lifestyle in China. Chinese customers can purchase anything online, from food to cars. They love shopping online because it is convenient and cheaper (Gravatar, 2014). Online launching is a way for brands to reach 300 million online shoppers. E-commerce offers a unique solution to start a business in China. Therefore, Chinese as well as foreign brands are coming to launch in China through their e-commerce strategy and benefited from it.

**E-COMMERCE PLATFORMS**

For evidence of the sophistication of the digital retail market in Asia, brands need look no further than e-commerce Alibaba. Not only does its brand-based online marketplace TMall allow businesses from the West to break into the market without the need to open physical stores—Costco is a great example of this. Its payment system Alipay is expanding its reach to the U.S. and beyond. About 80 percent of all online transactions in China are done through Alibaba, a collection of marketplaces for consumers and businesses with assorted Internet services.

Fashion brands like Zara, Uniqlo and Gap operate offline retail stores throughout China but have also built a significant presence online either through their own online sites or a store on a site like Tmall, or even both. Tesla, the iconic electric car company, chose to sell the Modes on Tmall on November 11, 2014, or Singles Day, China's annual online shopping festival.

Other car companies like BMW and Buick have Tmall stores. Even competition

--Amazon China—thought it wise to set up a virtual storefront on Tmall recently to sell things like clothing and home appliances.

Xiaomi, a mobile devices manufacturer, sells China's currently most popular smart phones. The company started its successful sales online alone at first; offline stores have recently begun to open (Gravatar, 2014).

**SOCIAL MEDIA IN CHINA**

Having the world's biggest Internet users, more than double users in the United States, China also has the world's most active circumstance for social media. More than 300 million people use it, from blogs to social-networking sites to microblogs and other online communities. That's approximately equal to the combined population of France, Germany, Italy, Spain, and the United Kingdom (Cindy Chiu, 2012).

**SOCIAL MEDIA PLATFORMS**

China's social media platforms have become an important additional driver or facilitator of e-commerce activity. With almost immediate feedback and easy-to-use interfaces, social media platforms have become principal in the life of Chinese e-consumers. Consumers in China use these platforms for immediate opinions, to post product reviews, and to look for product comments. According to recent e-commerce statistics in China, 40 percent of China's online shoppers read and post reviews about products—more than double the number in the US (Go Global, 2013). These social media platforms are increasing their integration into the e-commerce chain.

China's social media sector is very fragmented and local. Each social media and e-commerce platform has at least two major local players: in microblogging, for instance, Sina Weibo and Tencent Weibo. These players have different advantages, areas of focus, and geographic priorities. For marketers, this fragmentation increases the complication of the social media landscape in China and requires significant resources and expertise, including a network of partners to help guide the way. Competition is growing quickly—marketers looking for partners should closely observe development of the sector's platforms and players.



## A WINNING STRATEGY

China's social-media users not only are more active than those of any other country but also, in more than 80 percent of all cases, have many social media accounts, primarily with local player. The use of mobile technologies to approach social media is also increasingly popular in China. The number is estimated to grow by about 30 percent annually. Because many Chinese somewhat don't believe formal institutions and authority, users more value the advice of opinion leaders in social networks. An independent survey of skin care purchasers, for instance, observed that 66 percent of Chinese consumers depended on recommendations from friends and family, compared with 38 percent of their US counterparts (Cindy Chiu, 2012).

Starbucks China promotes the same message of quality, social responsibility, and community building across all of its social media efforts, as well as in its stores. And Durex set up a corporate account on Sina Weibo: it built a marketing team that both monitored online comments and cooperated closely with agency partners to create original, funny content. The company's approach is intended to interact meaningfully with fans and deepen customer preference with the brand.

Estee Lauder, a cosmetics brand from New York, is among the leading and prestigious brands in China for social media, digital marketing and online strategies. Estee Lauder has developed an efficient digital strategy in China owing to its strong social media presence, its complicated digital marketing strategy and its large presence on search engines.

Besides, the brand has included mobile platforms in its marketing strategy. Contrary to many of its rivals, Estee Lauder has developed mobile-optimized versions of its brand website. Estee Lauder owns different brands such as Origins, Bobbi Brown, Clinique, M.A.C., Aveda, Smashbox and many others. Each brand has its own social account and strategy.

In order to drive its growth in China, Estee Lauder has used several strategies, including e-commerce initiatives and creates social media accounts with the goal to ameliorate the relationship with its customers (Gravatar, 2015).

The sheer number of more than 300 million social media users in China creates unique challenges for effective consumer engagement. People expect responses to each post, for instance, so companies must develop new models and processes for effectively attracting customers in a way that communicates brand characteristics and values, satisfies consumer concerns and lead to positive evaluation.

## M-COMMERCE

Accompanying the rise of e-commerce in China is a clear trend towards mobile devices. In a few years, China has emerged as the country with the largest number of mobile based e-commerce transactions (EMarketer, 2013).

In China, online shopping done on smartphones, tablets, and other mobile devices reaches US\$334 billion in 2015—which means mobile shopping accounts for a record high 49.7 percent of e-commerce expenditure (Steven Millward, 2015).

China's mobile commerce market has greatly surpassed that in the U.S., with China's mobile sales exceeding the U.S.'s by 450 percent. According to and eMarketer study, mobile commerce will grow strongly in China, although at increasingly slower rates. By 2019, e-commerce spending on mobile will reach US\$1.41 trillion, when it will stand for 71.5 percent of all online retail (Hilary Milnes, 2015).

A report by iResearch finds that Alibaba Group continues to dominate the mobile shopping field. Taobao Wireless-mobile businesses under Alibaba's China marketplaces consisting of B2C platform Tmall.com, C2C platform Taobao marketplace and group-buying website Juhuasuan-make up 84.5 percent share of the mobile shopping market (Susan Wang, 2015).

Mobile purchasing cooperates with the Chinese consumer's desire for speed, and the convenience of any time shopping. The trend towards smarter and more functional phones and tablets, coupled with the rising use of social media platforms to inform and connect consumers, is likely to fuel the continued rise of so-called m-commerce transactions in the Chinese e-commerce market.

## COSTCO'S E-COMMERCE STRATEGY IN CHINA

The world's largest warehouse club operator, Costco, has performed strongly in North America helped by new outlet openings, low price credentials, well-known private label products and strong customer loyalty. The company is focusing on expansion into new markets, including Spain, France and China, in the latter country via e-commerce (Euromonitor International, 2015).

Costco started its activities in China not by investing heavily in brick-and-mortar stores, but by setting up a virtual storefront with E-commerce leader Alibaba's Tmall online platform. Joining Tmall gives Washington-based Costco—the second largest retailer in the U.S.—its first direct line to Chinese consumers, a growing and increasingly wealthy and Internet-savvy population (Heather Someville, 2014).

What is even more surprising is that Costco has never really been a big fan of Internet sales, focusing on its core warehouse concept (Nicolas Schriver, 2014). And unlike in the U.S., the customers needn't be Costco members to buy from its virtual store. But in China, this quite innovative approach is for sure a great idea. E-commerce is a \$175 billions business in China. This partnership with Alibaba's Tmall online platform allows Costco to enter the business at a low cost.

Costco is able to decrease a lot of the costs that come with traditional retail models. Without making expensive investment in offline stores, Costco reduces a lot of the risk involved.

Tmall, which is the biggest online B2C marketplace in China, already has a steady base of customers and the growing stably popular international brands like Nike, Reebok, Adidas, Gap, Converse, Nine West, Maybelline and Olay. Even high fashion brands like Burberry and Estee Lauder find it imperative to be on Tmall. Costco indirectly benefits from customers who come to Tmall for the other brands and then discover Costco, which is otherwise unknown in China.

Besides, before opening its first flagship store on Tmall, Costco had absolutely no presence in Mainland China. As we all know, it is very risky to sell online before building brand awareness, but Costco has so far been experiencing huge success. A possible reason for their success is that Costco is a well-known brand among Chinese customers outside China. This word-of-mouth strategy effectively builds brand awareness not only in the local Chinese customers in North America, but also helps build trust with customers in China (Lesley Ning, 2014).

Retail giants like Costco remain prevalent brands because of their strong value propositions and their economics of scale. By successfully utilizing digital marketing strategies like email marketing, e-commerce, social media and mobile marketing, the companies maximize results in terms of increasing online exposure, driving netizens to the online shops, generating leads, attracting the target audiences and ultimately increasing sales and brand awareness.

## CONCLUSION

A rapid developing online market, the customers of millions of willing shoppers, and the development of increasingly complicated platforms—there has never been a better time for retailers to start their virtual stores in China. For global brands looking to launch in China, an online-first approach may be a good idea. It is a low risk and high return strategy.

To win in today's e-commerce, e-retailers and brands should focus on providing quality product and improving shopping experience to meet consumer needs. It would be advisable to develop a strategy that includes a complete understanding of the target market, how consumers evaluate and purchase products, and how they prefer to use technology in the local market.

Finally, the way toward integration of social media should be an important element of e-commerce strategy. Besides, China's Internet industry has taken a turn to focusing on the smart phone market. Companies are gradually changing their businesses from PC to mobile owing to high mobile phone penetration rates in China. Mobile phone penetration is nearly at 100%.

With smart phone penetration getting so high, the big e-commerce platforms are heavily promoting mobile shopping by providing discounts to those making purchases via their mobile devices. Driven by rapid growth in e-commerce in China, retail condition is changing significantly. Retailers need to be more digital-savvy, keeping pace with the latest trends in smartphone applications and social media so they can establish a stronger relationship with customers. These digital platforms are the vital mediums of online retailing, which should be integrated into retailers' comprehensive channel strategies in order to acquire Online-to-Offline business opportunities.

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