

# CHALLENGING PERCEPTIONS

*MYTHS VERSUS MARKET REALITY IN  
CHINESE ECOMMERCE*

CHALLENGING  
PERCEPTIONS

## ABOUT US



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Samarkand regularly advises beauty brands on their China market entry strategy and we know there are many misconceptions about the main sales and social media channels. In this handy guide Jack and Julia challenge some of these China eCommerce perceptions.



# CHALLENGING PERCEPTIONS: CHAPTER 1

## MYTH:

"TAOBAO IS THE HOME OF GREY MARKET AND COUNTERFEITS"

## MARKET REALITY:

TAOBAO IS A CRUCIAL PLATFORM FOR  
LUXURY NICHE BEAUTY BRANDS

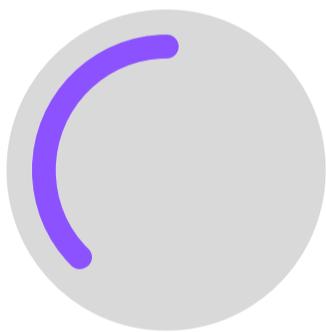
### TAOBAO ALONE MAKES UP 15% OF GLOBAL ECOMMERCE

Taobao is Alibaba's consumer-to-consumer retail marketplace. Years ago, it was an unregulated marketplace dominated by stores often selling counterfeit products. Today, Taobao is the home of innovative and desirable brands that are new to the market.



### 35% OF YOUR BRAND'S CHINA BUSINESS

We encourage our partners to opt for a multi-channel approach to the China market. For an established brand, we recommend that Taobao represents roughly a third of total sales. For a newer brand, this share could be even higher.



### 1 MILLION+ FOLLOWERS

Savvy consumers look up to premium Taobao boutique owners as tastemakers or curators able to discover and source new, niche brands. Some have become hugely influential with millions of followers.



## TAOBAO IS A DIFFERENT MARKETPLACE THAN 10 YEARS AGO.

Brands have a good understanding of Tmall as a leading BtoC cross border eCommerce platform in China, but many have an outdated view of Taobao, Alibaba's CtoC marketplace. Taobao alone owns 15% of global eCommerce. In comparison, Tmall and Amazon account for 14% and 13% respectively. When Chinese cross-border eCommerce was in its infancy, Taobao was mostly unregulated and dominated by stores often selling counterfeit products. This perception lingers in the minds of many brands, however, today, Taobao is the home of innovative and desirable brands.

Existing Taobao listings are a reliable indicator of a brand's potential. At Samarkand, when evaluating a brand's product-market fit, we always check for existing, organic Taobao listings, which are a reliable indicator of popularity in the market. Often, if a brand is successful and trending in its home market, professional shoppers ("daigous" 代购) will purchase products overseas and resell them through their store. This is how a lot of consumers will initially be introduced to a brand.

Taobao attracts discerning niche beauty consumers. Some Taobao boutique owners have become highly influential, amassing millions of followers. Savvy consumers look up to them as tastemakers and go to their stores to shop for niche brands not available in mainstream distribution channels. The store owner also has a strong relationship with their consumers: they play the role of curator and personal shopper, often making recommendations in private group chats, and therefore helping brands generate awareness among a key consumer group.

At Samarkand, we make sure our brand partners are everywhere the Chinese consumer wants to shop. For niche beauty, many of these transactions are happening on Taobao, which represents on average 30 to 35% of our partners' sales, and sometimes more for smaller brands just entering the market. There are many things to consider when launching a brand on the Taobao ecosystem. Our first step is to assess which boutiques are the best fit for the brand - from a category specialisation, price positioning, and brand-adjacency perspective. We have built a network of 150 trusted stores, many of whom have been our customers for years, allowing us to easily match brands to the perfect store. Please reach out if you'd like to discuss further!

## CHALLENGING PERCEPTIONS: CHAPTER 2

### MYTH:

"PEOPLE ONLY BUY CHEAP PRODUCTS ON DOUYIN"

### MARKET REALITY:

DOUYIN SHOULD PLAY A CENTRAL PART IN  
BEAUTY BRANDS' DISTRIBUTION STRATEGY

OVER \$3B  
GMV IN H1 2022



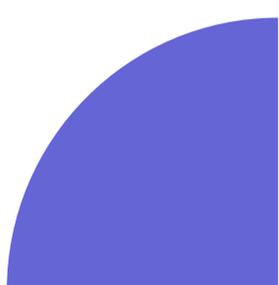
The new home of livestreaming eCommerce, Douyin reached ¥22B (\$3.28B) in GMV for the first half of 2022, surpassing its annual target of ¥20B and total sales of 2021.

¥420 - £53  
AVERAGE ORDER VALUE

Douyin attracts a large, engaged group of luxury shoppers. The AOV on our multi-brand prestige beauty store is £53 and the best-selling brand is the one with the highest price-point.



15-20% OF YOUR  
CHINA BUSINESS



Six months after launch, Douyin sales represent roughly a fifth of our brand partners' sales in the market. The platform has helped them address a new, younger consumer demographic spread across tier 1, 2 and 3 cities.

## **DOUYIN IS STEALING ALIBABA'S CROWN AS THE HOME OF LIVESTREAMING ECOMMERCE.**

Recent headlines broke the news that Tiktok would stop its expansion into eCommerce in Europe and the US as the feature did not generate sufficient consumer interest. The opposite is true for China's Tiktok, Douyin. In China, the short video and live-streaming platform reached ¥22B (\$3.28B) in gross merchandise volume (GMV) for the first half of 2022, surpassing its annual target of ¥20B as well as total sales of 2021. The platform now plays a central role in Chinese eCommerce, and aims to account for more than 50% of industry growth in the coming years. Its consumer reach extends beyond major cities.

While platforms like Tmall mainly target traditional luxury consumers in Tier 1 and 2 cities, Douyin's consumer reach is more extensive. With its interactive content, Douyin speaks to a younger Gen-Z audience born in the 1990s and 2000s who is addicted to short videos and livestreaming. These consumers live in Tier 1, 2, 3 cities, tend to be quite impulsive in their shopping behavior, and eager to discover trending, niche products rather than purchase more established brands.

There is a large group of avid luxury beauty shoppers on Douyin. The industry was initially sceptical of Douyin users' willingness and ability to purchase luxury products. Samarkand Global's experience of launching premium beauty brands on Douyin has shown the opposite. We opened the first and only multi-brand cross-border beauty store on Douyin, featuring six premium brands. Since launch, our average order value has been around ¥420 or £53. We also witnessed the resilience of the Douyin consumer when the channel was the first to bounce back from the demand decline during China's spring lockdowns.

At Samarkand, we help our partners succeed on Douyin by connecting them with the relevant livestreamers and identifying with them the appropriate, visually-impactful hero products that will generate the most engagement. Within less than a year, Douyin sales already represent ~15% to 20% of our clients' China business, and we expect to see that figure to grow considerably in the coming year.

## CHALLENGING PERCEPTIONS: CHAPTER 3

### MYTH:

"BRANDS NEED A MINI-PROGRAM TO SELL ON WECHAT"

### MARKET REALITY:

BRANDS CAN LAUNCH ON WECHAT  
THROUGH INFLUENCER-LED STORES

3 MILLION  
ACTIVE  
USERS



In the past years, a number of influencers and celebrities have linked their product recommendations with their own WeChat stores.

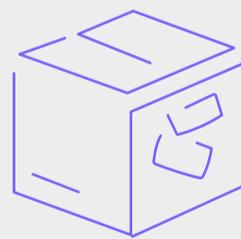
Some of the most popular stores have millions of active shoppers and have become the preferred destination for discerning, niche beauty consumers.

15-20% OF OUR  
PARTNERS' CHINA  
BUSINESS



These stores offer brands a cost-effective way to generate significant sales within the WeChat ecosystem without establishing a direct-to-consumer presence on the platform.

20K+ UNITS  
SOLD IN  
YEAR 1



Samarkand has developed strong partnerships with the owners of these stores, allowing our brand partners to grow quickly and sell thousands of units within the first year on the platform.

## **PRODUCT SEEDING IS THE BEST MARKETING DOLLAR YOU'LL SPEND IN CHINA.**

Official brand accounts often fail to inspire trust among Chinese consumers. Brands posting too frequently can actually do more to repel consumers than to engage them. Instead, recommendations from trusted vendors, friends, influencers, consumers, or other credible sources are crucially important as part of the purchasing journey – and this is reflected in the average 8 touch points required by a Chinese consumer before making a purchase decision. To increase consumer trust and brand awareness, we encourage our brand partners to focus their marketing efforts on product seeding – getting their products into the hands of KOLs to create authentic content.

WeChat KOL-led stores are innovative social commerce channels. Beyond creating content, a number of these influencers have developed their own WeChat stores, allowing them to link the products mentioned in their posts to their personal online boutiques. These storeowners do not only have millions of followers, but also have a reputation for being tastemakers. For instance, Yu Xiaoge, the ex editor-in-chief of Harpers Bazaar in China runs one of the most successful WeChat beauty mini-programs. Selling products on these stores helps brands increase awareness among a group of discerning beauty shoppers and generate qualified traffic to their product listings with little investment. For our brand partners, this distribution channel represents ~15% to 20% of their China sales and offers a cost-effective way to enter the WeChat ecosystem without establishing a direct-to-consumer presence.

This content ecosystem facilitates conversion. Content created by the influencer/storeowner across the WeChat platform serves a different purpose at each stage of the consumer journey. While blog articles generate awareness and consideration, product pages in the mini-program help drive conversion. These professionally-designed product pages feature thorough information, including impactful visuals, key ingredients, numerical claims etc. For consumers, this is an integrated shopping experience, seamlessly enabling discovery and purchase within a single app.

At Samarkand Global, we believe in harnessing the power of social commerce and have a team based in Shanghai focused on growing our brands in this channel and managing relationships with the team running these WeChat stores.

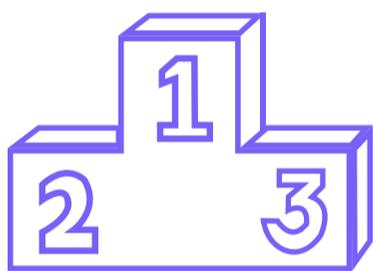
## CHALLENGING PERCEPTIONS: CHAPTER 4

### MYTH:

"CHINESE BEAUTY CONSUMERS ONLY SHOP ON TMALL"

### MARKET REALITY:

MORE AND MORE CHINESE SHOPPERS ARE CHOOSING TO BUY FROM INTERNATIONAL WEBSITES



### THE 2ND MOST POPULAR CHANNEL

Buying directly from international overseas websites has become the 2nd most popular cross-border shopping channel in China. However, it is too often overlooked by brands in favour of other channels.

### A BAD SHOPPING EXPERIENCE

There are significant barriers for consumers wanting to buy on international sites, including slow website loading, impossibility to use Chinese payment methods, slow clearance process, unpredictable duty levels, slow delivery and more.



### 20X CONVERSION RATE

Our SaaS product Nomad Checkout enables an eCommerce website to transact and ship easily into China. Some brand partners have seen their Chinese consumers' conversion rate multiplied by 20 and their parcels to China cleared by customs seamlessly 99% of the time, with delivery times shortened to 7 working days.

REACH OUT TO [JULIA@SAMARKAND.GLOBAL](mailto:julia@samarkand.global)  
WITH ANY QUESTIONS

## THERE IS MORE TO CHINA ECOMMERCE THAN TMALL

Buying directly from international overseas websites has become the 2nd most popular cross-border shopping channel in China. However, it is often neglected in favour of local players like Tmall. While Tmall is still a crucial channel for brands with significant budgets or merchants wanting to establish an official branded storefront, the perception that a large number of users will lead to massive sales is outdated. In the past 18 months, the number of Tmall stores in the skincare category increased by 8% and the number of listed SKUs surged by 49%. Meanwhile, monthly YOY sales shrank by 3% on average in the past 18 months, and by 10% in the past 6 months, indicating that competition on the platform has significantly intensified and highlighting the need for a diversified channel mix.

### **Your brand .com website might be getting significant China traffic.**

Our brand partners are often surprised by the amount of traffic they get from China. Brands distributed in the market often get an influx of China traffic on their international sites as consumers want to discover more unique products that are not available locally. Global brands without a China presence may also get China traffic as distribution in high-profile retailers (think Harrods, Selfridges, Galeries Lafayette...) generates noise on Chinese social media.

Brands are offering a poor experience to some of their most high-value customers. Often this China traffic remains unconverted as consumers are met with a frustrating experience littered with obstacles, including:

- Slow website loading
- Inability to use Chinese payment methods
- High shipping costs, taxes and duties
- Slow delivery
- High currency exchange rates

Far from the high-touch experience premium brands want to provide to the world's most demanding consumers.

**There is a solution to convert your China traffic into sales.** Our SaaS product **Nomad Checkout** enables an eCommerce website to transact and ship easily into China. It combines China specific solutions for payments (AliPay and WeChat pay), site speed optimisation, trackable logistics and automated cross border customs clearance. Alongside a better on-site experience, post-purchase customer experience is improved through faster delivery times, clear returns process and reducing customs stoppage rates.

Our team would be happy to evaluate and quantify the size of your China DTC opportunity, so get in touch today!

