



THE GATEWAY TO CHINESE CONSUMERS

A CROSS-BORDER E-COMMERCE GUIDEBOOK FOR
SWEDISH FOOD AND BEVERAGE EXPORTERS TO CHINA

INTRODUCTION

China's e-commerce market is undoubtedly one of the most profitable and fastest growing online industries in the world. Compared to other major markets, China's cross-border e-commerce (CBEC) market has big potential driven by a growing middle class, market size, and growth rate. In 2020, the total value of the country's imported B2C CBEC reached RMB 100 billion, up 8.9% from 2019. But there is still room for growth, as the e-commerce penetration rate was "only" 65% in 2020.

As more Swedish companies are interested in the opportunities and advantages of the Chinese e-commerce market, the importance of understanding the CBEC marketplace – established specifically for foreign entities selling their products directly to Chinese consumers – has become of utmost importance.

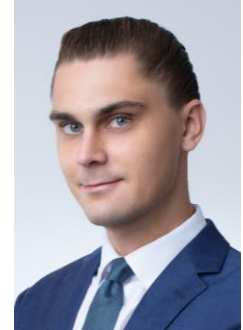
But despite being an easier way of reaching the Chinese consumer market compared to general trade, the complexity of CBEC is often seen as an obstacle for Swedish companies when it comes to product compliance, tax regulations, logistics solutions and third-party service providers.

The purpose of this report is to provide Swedish food and beverage companies without immediate Chinese business entities an introduction to the opportunities, as well as the risks and challenges, of the Chinese e-commerce market through:

- An overview of CBEC in China
- An overview of the legal framework for CBEC retail imports
- An overview of the development of Swedish F&B companies in CBEC
- A 6-step guide on how Swedish F&B companies can enter the market through CBEC

The report also introduces the Health by Sweden project, the Swedish national CBEC store on Tmall Global, and suggestions on how Swedish health companies can tap into the Chinese market through this initiative.

The report presents frameworks and processes based on currently available information, and they are being updated periodically and subject to change in the future.



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OVERVIEW OF CROSS-BORDER E-COMMERCE (CBEC)

DEFINITION OF CBEC

Cross-border e-commerce (CBEC) is defined as an international commercial activity in which transaction entities belonging to different customs borders complete transactions and payment through e-commerce platforms and deliver goods through cross-border logistics.

CBEC import can be classified into two different categories, retail and industrial. This report will focus on CBEC retail import, which refers to the purchases of overseas goods through CBEC platforms by customers in China, which are then imported via direct mail (code of customs supervision method 1960) or via bonded warehouses in pilot cities (code of customs supervision method 1210).

DIFFERENCE BETWEEN GENERAL TRADE AND CBEC

CBEC retail import differ from general trade (the traditional import method) when it comes to customs clearance, taxation, and supervision, and is currently not affected by General Administration of Customs (GACC) decree 248: The Regulations on the Registration and Administration of Overseas Producers of Imported Food. The table below outlines the main differences between the two trading methods.

Item	General trade (traditional trade)	Retail CBEC
Supervision pattern	Cargo / commodities	Personal articles
Pre-market application	Chinese legal entity	Overseas legal entity
Resale allowance	Allowed to resale	Only allowed for personal use
Trademark	Chinese trademark	International trademark
Labels	Chinese labels	No requirement on Chinese labels
Logistics	Goods shipped via traditional logistic solutions (Tariff and VAT paid upon product import)	Goods shipped to consumers through designated cross-border logistic providers (Favourable tax rate applied)
Sales volume	No limit	Single transaction limited to CNY 5,000. Annual limit CNY 26,000 per person
Commodity scope	All compliant commodities allowed	Categories specified in the CBEC retail import list of allowed products (the Positive List)

Commodities imported via CBEC channels are regulated as personal articles exempt from mandatory administration and are therefore exempt from requirements on licensing, registration, or filing, as well as from the need to add Chinese labels. For international brands who do not have a business establishment or partnership in China but intend to pursue business opportunities in the booming online retail market, CBEC thereby offers an easier market entry. However, also for CBEC returns still need to be managed.

Additionally, CBEC offer an opportunity for international brands to better understand China's market dynamics and consumer needs by leveraging insights gained from the data collected by e-commerce platforms. In this way, foreign brands will also have a chance to respond to market changes in a more timely manner.

POLICIES RELATED TO CBEC IMPORT RETAIL

E-COMMERCE LAW

Since the announcement of the first batch of five CBEC pilot cities in 2012, the Chinese government has made several updates to the regulatory regime for CBEC retail imports in recent years, suggesting that it sees the development of China's CBEC retail import market as important moving forward. These revisions and updates aim to rectify irregular business practices in the market, help protect consumers' rights and interests, and promote the development of CBEC retail imports.

In 2018, China introduced the E-Commerce Law, which came into effect on January 1, 2019. Apart from expressing the government's support for CBEC, the law also provides the legal framework for the supervision of CBEC activities by various government departments.

In addition to the E-Commerce Law, multiple ministries and commissions jointly issued in November 2018 the "Notice on Improving the Supervision of Cross-border E-commerce Retail Imports", clarifying the responsibilities of CBEC participants, as summarized in the table below.

Participant	Definition	Responsibilities
CBEC enterprise	Overseas-registered enterprise who sells retail products to domestic consumers through CBEC, and is the owner of the goods	<ul style="list-style-type: none">• Protect consumers' rights and interests• Establish a mechanism for prevention and control of quality and safety risks of goods, as well as a system of quality traceability of imported goods• Transmit electronic data of CBEC retail import transactions with electronic signatures to Customs in real time
CBEC platform	Operator who provides web space, transaction rules, information dissemination and other services, setting up platforms for both parties to conduct transactions	<ul style="list-style-type: none">• Complete customs registration and business registration in China• Transmit electronic data of CBEC retail import transactions with electronic signatures to Customs in real time, and verify the authenticity of transactions and consumer identity• Provide clear marks to differentiate CBEC retail imports from non-CBEC goods• Establish a system for addressing consumer disputes and protecting consumers' rights and interests• Establish a quality and safety risk prevention and control mechanism for goods• Prevent false transactions and re-sale of CBEC retail imports

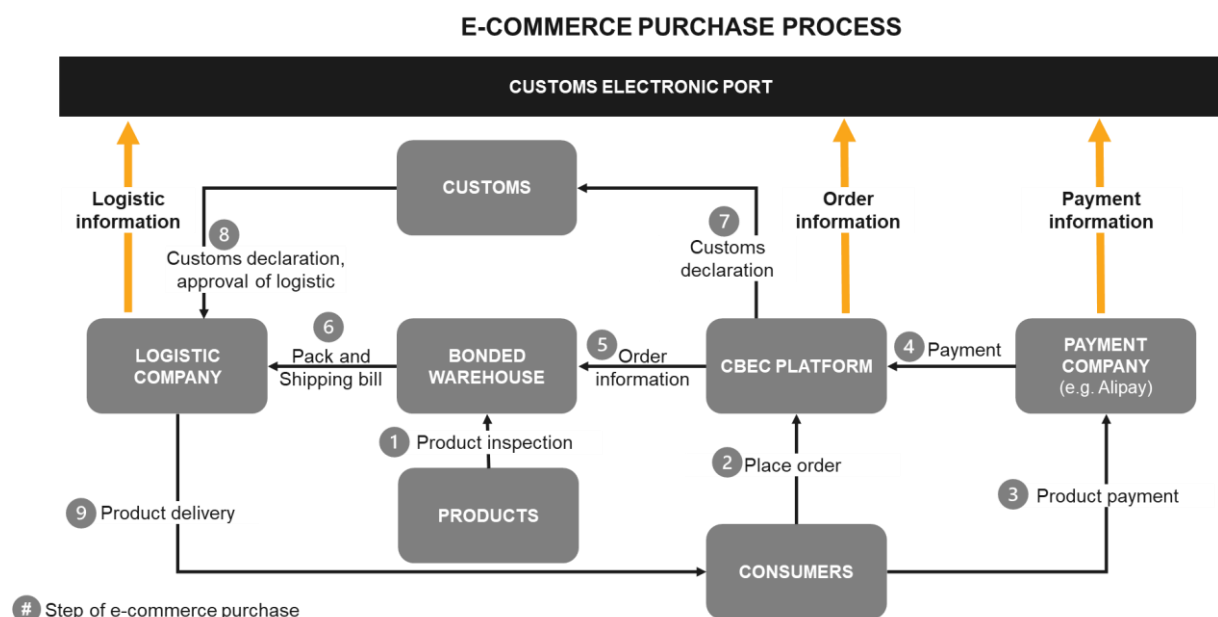
Domestic service supplier	Business entity engaged by CBEC enterprises to provide declaration, payment, logistics, warehousing, and other services, and accept follow-up supervision by Customs and other authorities	<ul style="list-style-type: none"> Complete Customs registration and business registration in China and obtain permits from the regulatory departments concerned. For instance, a logistics enterprise must obtain the Express Delivery Business License issued by the State Post Bureau Transmit electronic data of CBEC retail import transactions with electronic signatures to Customs in real time If the actual delivery information in China is inconsistent with the logistics information declared at the time of Customs clearance, the delivery in question shall be terminated and reported to Customs
Consumer	Domestic buyer of CBEC retail imports	<ul style="list-style-type: none"> Pay tax on the CBEC retail import goods Shall not resell the goods purchased through CBEC retail import

THREE-IN-ONE POLICY

Before the new regulations went into effect, lengthy inspection and quarantine procedures were required for the goods imported through CBEC.

Although CBEC platforms, logistics service providers, and payment service providers are still required to register with the local customs for reporting transaction, payment, and logistics information, the CBEC import procedure has become less burdensome after the introduction of the CBEC regulations and improvements of the system. This includes the introduction of the “unified declaration channel” (also known as the Customs Electronic Port) by the GACC in 2018.

The CBEC process falls under the supervision of the Chinese Customs in terms of order, payment, and logistics, according to the “Three-in-one” policy as shown in the chart below:



POSITIVE LIST

On April 7, 2016, 11 departments including the Ministry of Finance, GACC, the General Administration of Quality Supervision, Inspection and Quarantine, and the State Food and Drug Administration jointly issued the "Positive List of Cross-border Retail Imports for E-commerce (CBEC Positive List)".

Products on the Positive List do not need to obtain the first time import license (e.g. Food label in Chinese, Country of Origin and Sanitary Certificate are not required), which greatly speeds up the customs clearance process (under the new policy, customs clearance only takes a few minutes) and products can enter the Chinese market in a faster and more efficient way. The list includes categories such as food and beverages, fashion, accessories, household appliances, cosmetics, and products for moms and babies.

The current list, after expansions in 2016, 2018, 2019 and 2022, consists of 1441 HS articles. The most popular products in recent years, such as frozen seafood, gin, vodka, water heaters, TVs, and other imported products, are included in the latest version. As the government improves the CBEC regulatory system and domestic consumer demand grows, the Positive List is expected to expand further.

TAXATION OF CBEC

Under certain single and annual transaction limits, retail imported goods on the CBEC Positive List are deemed to be tax-exempt and import value-added tax and consumption tax (CT) are temporarily levied at 70% of the statutory tax payable.

Individual consumers who purchase CBEC retail imported goods are taxpayers, but the e-commerce service providers, or the logistic companies, will act as the withholding agent and pay tax on behalf of individual customers.

The actual transaction price (including the retail price of the product, freight, and insurance) is used as the duty-paid price. For general provisions:

- For single purchase value less than RMB 5,000 and annual purchase value less than RMB 26,000 the tariff rate is 0 and import value-added tax and consumption tax are levied at 70% of the legal taxable amount:

CBEC Comprehensive Tax Rate = $[(\text{VAT rate} + \text{Consumption tax rate}) \div (1 - \text{Consumption tax rate})] \times 70\%$

Example:

Ms. Li bought two bottles of shampoo which is RMB 85 per bottle

Tax rate = $[(0\% + 16\%) \div (1 - 0\%)] \times 70\% = 11.2\%$

Tax = RMB 85 \times 2 unit \times 11.2% = RMB 19.04

Total price = RMB 104.04

- For single purchase value exceeding RMB 5,000 but with annual purchase value less than RMB 26,000, the goods can still be purchased through the CBEC channel, but no tax exemption:

Tax Payable = Tariff + VAT + Consumption tax

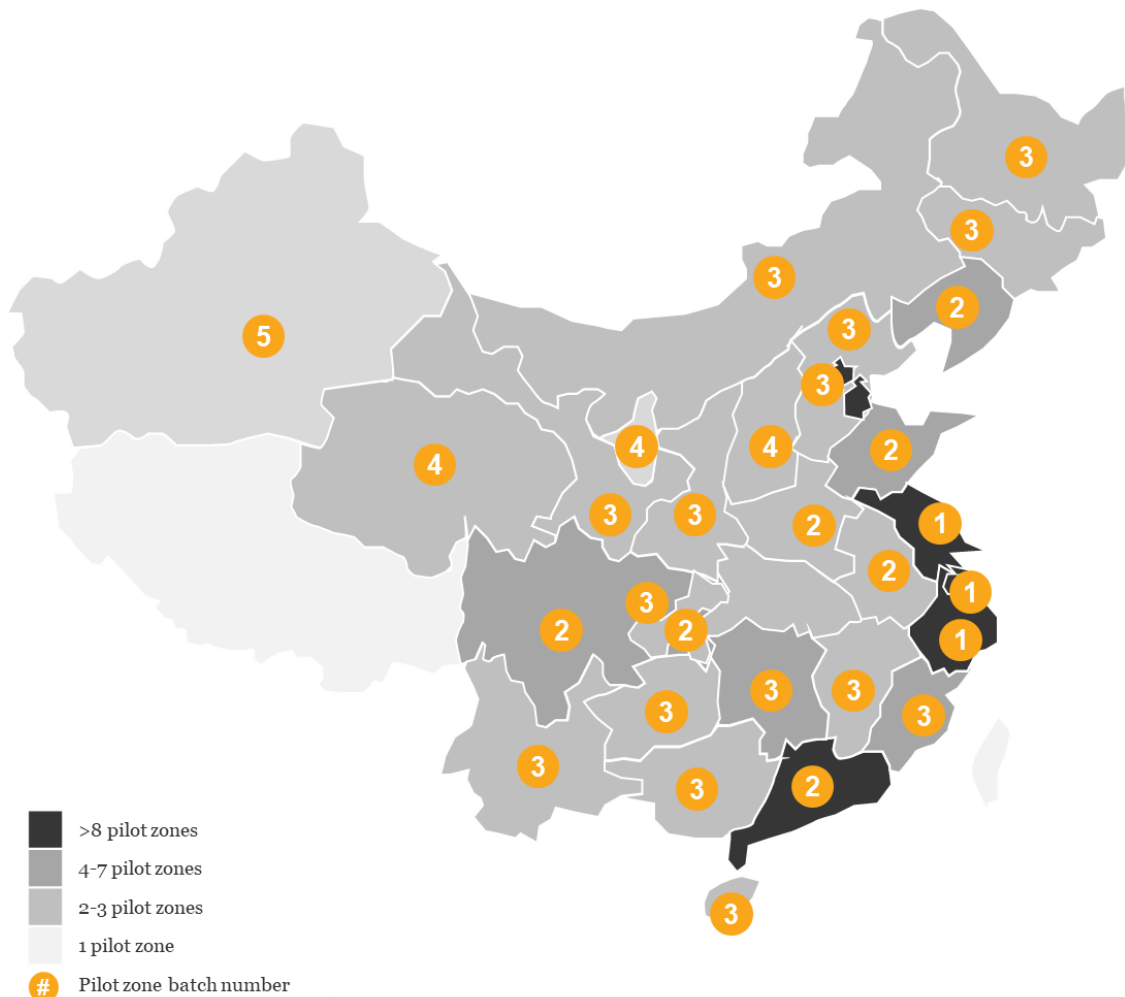
- For total annual transaction volume exceeding RMB 26,000, tax payable is managed in accordance with general trade standard:

Tax Payable = Tariff + VAT + Consumption tax

PILOT ZONE

CBEC is playing an increasingly important role in the Chinese economy. The government is supporting CBEC by developing new CBEC pilot zones and pilot cities for CBEC retail import, expanding the Positive List for the CBEC retail import and lowering taxes and tariffs for CBEC.

The State Council has so far approved five batches of 105 CBEC pilot zones, covering almost all the provinces except for Tibet. Most zones are located in the more developed coastal areas such as Beijing, Shanghai, and Guangdong province.



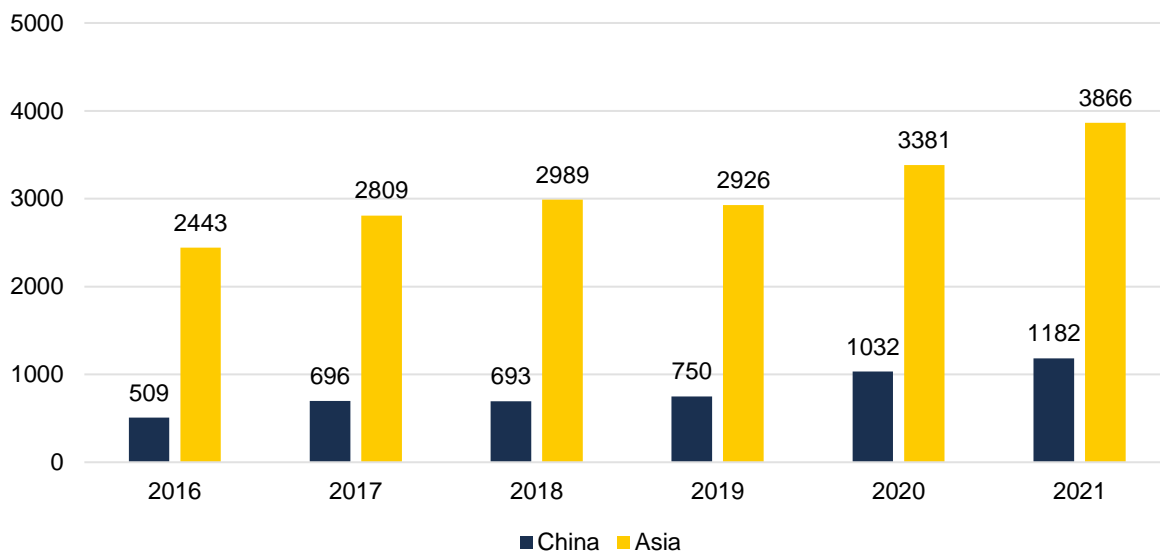
SWEDISH F&B EXPORT TO CHINA

SWEDISH F&B EXPORT

According to statistics released by Statistic Sweden (SCB), Swedish exports within the food and beverage sector¹ increased by 5.3% year-on-year in 2021 to SEK 104 billion. The most significant export market of food and beverage is EU27, accounting for 71% of the total export in the sector.

Despite its size, Asia however only accounts for 3.7% of total Swedish food and beverage export, valued at around SEK 3.9 billion. Among all the Asian markets, China is Sweden's largest F&B export destination, representing more than 30% of Sweden's F&B export to Asia. The Swedish export of F&B to China has seen an impressive growth during the last years, growing on average 18.3% per year 2016 to 2021, with a slight slowdown to 14.5% growth during 2021 after a 37% boost in 2020.

Swedish F&B export to Asia and China
(2016-2021, mn SEK)



SWEDISH F&B EXPORT TO CHINA

Among the different F&B categories, fats and oil was for several years the largest category, accounting for 35-40% of the total Swedish F&B export to China during 2016 to 2019. However, in 2021 export of dairy products saw a surge becoming the largest export category within F&B, growing 128% year-on-year to SEK 470 million, accounting for 40% of Sweden's total F&B export to China. The export of Swedish dairy product was mainly driven by export of infant formula, which has seen a strong demand from Chinese consumers due to concerns of food safety.

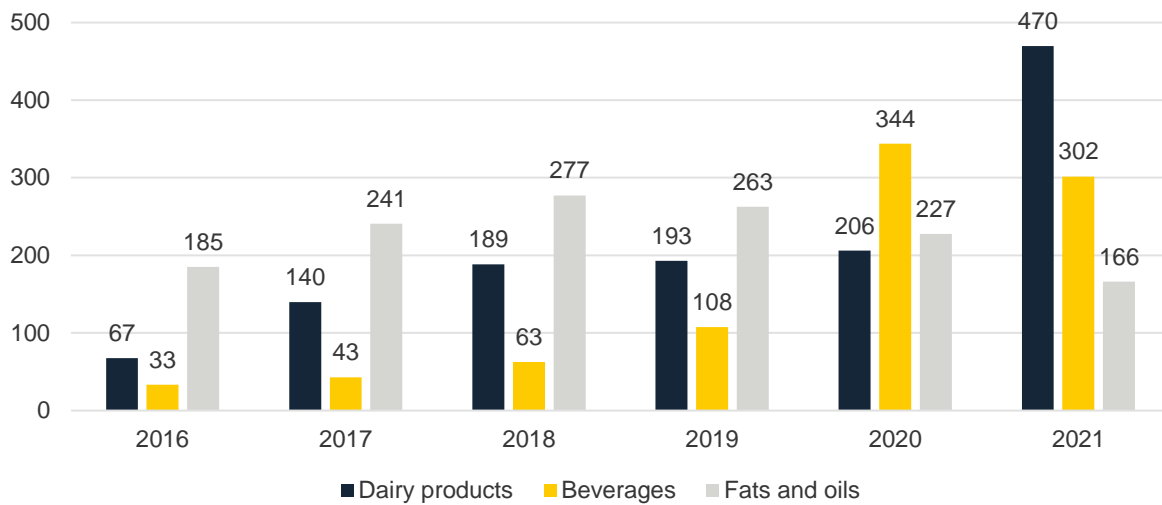
Export of preparations of cereal products², one of the strong suits of Sweden's F&B industry, has however decreased from SEK 81 million in 2017 to SEK 51 million in 2021. This despite the Chinese cereal market growing steadily with an average yearly growth rate of 10.37% from USD 972 million in 2016 to USD 1593 million in 2021, reaching a market size of SEK 12.9 billion in 2020 according to Euromonitor data. As such, Swedish F&B export has not managed to capture the market growth during the past years. Some of competitors' key

¹ Defined as HS code 1-24

² Defined as HS code 19

competitive advantages are their developed distribution network, aggressive marketing investment as well as more localized flavours.

Three main categories of Swedish F&B export to China
(2016-2021, mn SEK)



CBEC has been an important channel for Swedish F&B export to China, especially for products that require registration at Chinese authorities. According to interviews by Business Sweden, the CBEC export from Sweden to China is estimated to be ~25% of the total Swedish F&B export to China, an increase from 16% in 2016. This is mainly driven by an increased CBEC export of infant formula and supplements.

China is the most important trade partner for Sweden in Asia, and with increasing health awareness and upgrading of consumption, the CBEC export to China is expected to continue the positive growth also in the coming years.

6-STEP GUIDE FOR EXPORT TO CHINA THROUGH CBEC

UNDERSTAND THE MARKET

A market with 1.4 billion consumers is undeniable lucrative, but the challenges of entering such market should not be underestimated. This report aims to offer a step-by-step guide to the Swedish F&B companies looking to enter this lucrative online market.

For Swedish F&B companies who want to sell on China's e-commerce platforms, it is vital to understand relevant policies to ensure product compliance according to Chinese regulations.

The most important CBEC compliance policy is the Positive List (see link in Appendix). The Positive List brings a list of categories that are allowed to be sold as per their HS code, but further investigation of specific products under these categories is necessary. A good example is pet food which is included in the Positive List, but only pet food products from approved countries are allowed to be sold. Furthermore, special certification from GACC is required for pet food containing meat ingredients.

Secondly, a thorough preparation is suggested to investigate the competitor landscape and understand the consumer demography, demands and purchasing behaviour, and formulate a strategy based on this. Although a Chinese registered trademark is not required, it is still recommended to also look into having trademark registered in China to protect the IPR.

SELECT BUSINESS MODEL

There are several business models for the brands to choose from, each with its own unique advantages for CBEC. The most common business models are direct import by the platforms, selling through own flagship store and selling through 3rd party merchants. The table below outlines the features of the three business models.

It is worth mentioning that the CBEC platforms are highly selective for the platform direct import model. They are generally looking for well-known and bigger brands that have proven sales records. As such, it can be challenging for a new brand to be accepted as the supplier to the platform direct import.

Type	Direct import by the platforms	Flagship store	3rd party merchant
Description	<ul style="list-style-type: none">• Products are sold to the platforms directly• The platform owns the product and channel; they are the decision maker for price and promotion	<ul style="list-style-type: none">• Stores opened by brand owners or exclusive distributors directly authorized by trademark owners• The brand owner or the distributor of the brand owner owns the store	<ul style="list-style-type: none">• Products are sold through 3rd party-owned cross-border stores selling multiple brands
Advantages	<ul style="list-style-type: none">• Simplified model and lighter investment• Outreach to cross-category consumers• Lower upfront investment	<ul style="list-style-type: none">• Higher margin selling direct to consumers• Better control of pricing and branding	<ul style="list-style-type: none">• Access to existing customer base• No store operation required

Disadvantages	<ul style="list-style-type: none"> • Platforms are highly selective • Lower margin • Reliant on promotions and marketing • Limited control of price • Pressure for reaching the sales target 	<ul style="list-style-type: none"> • Higher cost structure • E-commerce operation knowledge, or TP/distributor required • Ownership vs. motivation 	<ul style="list-style-type: none"> • Lower margin • Less control over pricing/branding • Merchant coordination required • Continuous merchant performance assessment required
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Choosing the right e-commerce business model requires the consideration of a number of different decision-making points:

CHECK LIST – SELECT BUSINESS MODEL

Criteria	Questions to consider
Accessibility	Will the platform accept us to open a store? Is the platform / 3rd party merchant interested in purchasing my products?
Investment	What are the different levels of investment needed for the business model?
Resources	What are the different levels of resource and E-commerce operation knowledge required from the Swedish brands?
Price control	What is the price structure, and what level of pricing control do I have for the different models?
Profit margin	What are the different profit margins for the business models?
Risk profiling	What are the risks when choosing this model, and how do I mitigate them? Consider aspects such as branding and IPR.

SELECT PLATFORM

The Chinese e-commerce market is dominated by Alibaba and JD. Alibaba, with its CBEC subsidiary Tmall Global and Kaola (acquired by Alibaba in 2019) has around 53% of the market, followed by its e-commerce rival JD with around 20% in 2021.

- **Tmall Global**

The CBEC branch of Alibaba Group, founded in 2014 as China's first CBEC platform, has 846 million monthly active users (MAU). The platform offers products and services from more than 19,000 international brands from 75 countries.

- **JD International**

JD's CBEC platform JD International was founded in 2015 with a focus on direct imports. Instead of relying on a network of 3rd party partners to fulfil orders, JD took a heavy-asset approach to build its own logistics and transportation network from the ground up in 2007. The in-house logistic service ensures timely delivery to the consumers and has helped JD to outperform its peers during the COVID-19 pandemic.

Both Tmall Global and JD International adopt an invitation-only policy, meaning only companies that meet their criteria will be accepted to launch flagship stores. For small and medium sized companies, it might therefore be difficult to enter the above two large platforms as they normally require companies to show substantial sales in other Chinese platforms and/or visibility in social media platforms.

Due to the obstacles accessing the two leading platforms, some smaller platforms should also be considered:

- **RED (also known as Xiaohongshu or Little Red Book)**

Red is one of China's largest and fastest-growing social e-commerce apps, mainly targeting women under the age of 35. It has around 100 million MAU and is particularly popular among Generation Z (those born after 1995). Red's distinctive business model combines an Instagram-like social media platform with an Amazon-like marketplace, especially suitable for beauty, fashion, luxury, and lifestyle brands. Despite a relatively small market share, Red has become the leading social media marketing channel for brands

Smaller companies without ability to join the larger platforms, or brands that do not have sufficient resources to have its own e-commerce presence, cooperation with 3rd party merchants who often operate multi-brands e-commerce stores are recommended.

The platforms mentioned above follow a similar fee structure. A deposit is required upon the registration of the store to ensure that the brands operate according to the rules set by the government and platforms. However, the sales commission for F&B products differs among the platforms, ranging from 2% to 5%. In addition, a fixed fee of annual platform service fee is charged by both Tmall and JD.

	Tmall Global	JD International	Red
Platform deposit	USD ³ 24,000 or USD 47,000, depending on the type of products sold by the brand	USD 10,000 or USD 15,000, depending on the category of products	USD 3,500 or USD 8,000, depending on the category of products
	The deposit is paid upon store registration and is used to ensure that brands operate according to the platform's rules so that costs are covered if brands violate any regulations.		
	The deposit for the categories such as supplements falls to the higher end		
Annual platform service fee	USD 4,700 or USD 9,400	USD 1,000	No additional charge
Commission fee	0.5% - 5.5%, based on the category of the product sold F&B: 2% Supplements: 3%	2% - 10%, based on the category of the product sold F&B: 3% Supplements: 5%	5% of the monthly revenue above USD 1,500
	The product return is deducted from the sales revenue when it comes to commission calculation		
Payment service fee	1% commission per transaction via Alipay	No additional charge	No additional charge

³ Exchange rate USD: RMB = 1:6.4

CHECK LIST – SELECT PLATFORM

Criteria	Questions to consider
Product category	What are the focus categories of the platform? Is the platform portfolio relevant for your products?
Customer group	Does the customer group of the platform fit our targeting group?
Accessibility	Will the platform allow us to set up a flagship store on their platform, or operate as their supplier?
Resources	What are the resources required from us to operate the platform? Is it sufficient to run the business by ourselves or is a professional TP required?
Costs	What is the cost structure of the platform? Is the price structure and level in line with our budget?
Eco-system	Does the platform have a mature eco-system (tools and serviced such as logistics, payment, and marketing) to support our operation?
Marketing tool	What are the main marketing tools applied in the platform? Do the marketing tools fit in our marketing strategy? <i>Example of marketing tools: keyword pay per click</i>

FIND THE RIGHT PARTNER

The e-commerce operation is a full eco-system that requires substantial amount of detailed work, from warehouse and logistic, product description and marketing, to customer service and platform contact. With the emergence of e-commerce, a group of service providers known as Trade Partners (TP) have emerged to facilitate the brand's e-commerce journey.

As such, the TP is the most important partner for any brand's e-commerce operation, and it is critical to select TP carefully with consideration of different factors.

One of the primary considerations for choosing a TP is its industry focus. It is important to choose a TP with extensive experience in the brand's product segment to help with regulations overseeing for particular types of products as well as to leverage the resources of the TP in the segment.

Both of the e-commerce giants Tmall and JD have a ranking system for TPs based on the platforms' own algorithms that include aspects such as IT interface integration ability as well as sales performance. The platforms rank the TPs from 1-6 stars based on this information, with 6 as the top level. For Tmall, there are only a handful of 6-star TPs and a few dozen of 5-star TPs.

In addition to the ranking system, it is also important for SMEs to check the TP's ability to incubate a new niche brand through different measures, one being asking for a reference case.

Generally speaking, TPs charge a monthly or quarterly fixed fee to cover their cost invested in the operations. An additional sales commission is then charged based on the sales revenue as incentives for effective service. Some TPs can also quote a fixed service fee based on the number of standard product units (SPUs) the brand is going to launch, which in many cases can be a cost-efficient option for brands with few SKUs (Stock Keeping Units) / SPUs to be sold. The TP's fee level depends on various factors including the resource they committed to allocate, the scope of service they provide, and brand's bargain power.

CHECK LIST – FIND THE RIGHT PARTNER

Criteria	Questions to consider
Business model	Does the partner offer a business model that is in line with my ambitions in China?
Fee structure	Does the partner fee structure incentivize the partner to actively work to sell my products in China?
Branding	Does the partner have the right knowledge and capabilities to work with brand-building?
Specialisation	Is the partner specialized within my category and do they have experience working with other brands in the same category?
Interest level	Do I get along with my partner and will they be committed to promoting my brand?
Availability	Does the partner have the capacity and time to dedicate to my brand?
Risk profiling	What are the risks with choosing this partner and how do I mitigate them? Consider aspects such as ownership and data.

MERCHANDISE PLAN

Many brands engaged in CBEC may encounter a problem where some products that sell well in western markets that are not allowed to sell in China or don't see the same sales volume. Faced with China's growing personalization demands and market changes, SKU selection has become a key step in the operation.

Three steps are proposed to help Swedish companies in their SKU selection:

1. Understand market demands and platform features

SKU decision should be made based on research on market size and consumer demands. Companies need to pay attention to the target customer's customer profile, consumer demands as well as consumer trends which are useful to attract target customers.

Meanwhile, different platforms have different business models and target different consumer groups. Companies must understand the platforms they will open stores on and know which categories that are the best-selling categories, which categories have preferential policies, which categories are more recommended by the platform, and which categories are easier to be accepted by platform users. Based on this information, companies are recommended to research the market size, competitive landscape, and customer preference towards selected SKU at platform.

2. Select SKU portfolio

Companies can have four kinds of product portfolio: hero product, product used for inbound marketing, normal product, and profit product, each with different usage.

Although the profit of a hero product is relatively low, it is seen as a key step for building brand awareness which also have influence on product selling of other products. Products used for inbound marketing are instead used for bringing traffic to other products in the store, while profit products are seen as the main source of profitability. The normal products can be used to expand the offer to customers and be bundled with other products.

3. Use data and social listening methods to optimize product portfolio in a continuous process.

After the SKU selection, the next step is to define a traffic and marketing plan and also here three steps are proposed to help Swedish companies in their marketing efforts:

1. Segmentation and analysis of customer groups

Segment brand consumers and sort them into brand loyal customers, potential customers, and customers of competing products, and then analyse data through user profile analysis.

2. Customize effective content to different target groups

Create content defined to effectively communicate with the identified target groups by analysing users in-depth based on consumers' search, browsing, and purchase behaviours. Based on this information, reorganize consumers into different groups to find their more specific characteristics and formulate communication goals for each different group, creating specific core communication messages. The target of this step is to customize effective content to meet the real needs of targeted consumers.

3. Conduct tailored omni-channel marketing strategy to reach target customers

Disassemble the core communication content into topics like product efficacy, ingredient analysis, benchmark analysis, scenario using story, key opinion leader (KOL) recommendations, etc. Broadcast the content in appropriate marketing platforms, including on-platform channels (Taobao Live, advertisement, etc.) as well as off-platform channels (Red, Zhihu, Weibo, WeChat, etc.). Each platform has its particular user groups with their own characteristics as to how they interact with content. Brands need to be aware of these nuances when deciding to invest in marketing on a platform since it could impact how well the marketing efforts do.

PROJECT EXECUTION AND OPTIMIZATION

The first few months after the store launch can be regarded as a testing period of both the merchandise plan and the partner. The brand is during this period suggested to keep a close eye on operations and conduct a detailed evaluation in order to make improvements, primarily when it comes to three key dimensions:

1. Product and price

The best sellers in home market sometime cannot reach the expected volume in new markets, as the local customers have their own preference in terms of ingredient, package and flavour etc.

As for price, many Chinese consumers are knowledgeable about foreign products' pricing abroad given the information acquired through international travels, individual exporters (such as Daigou) and internet. Brands are therefore suggested not to overly markup the prices in China compared to those applied in overseas markets, especially when it comes to products shipped to China by private importers.

2. Marketing and sales activities

Content is one of the most important aspects of brand development in China. As product pages are in general longer and very rich in content in China, companies should make sure to include detailed information about brand and products, such as brand history, ingredients, functional benefits, as well as include an attractive product photography.

Brands should make sure to review the return of investment (ROI) of different marketing tools on a regular basis, benchmark with competitors' marketing activities and make adjustment accordingly to ensure that the product positioning is fitting to the target customer groups. Here, smart on- and off-platform promotions as well as sales campaigns are key activities to leverage to help drive sales.

However, if the first few months of marketing don't bring the anticipated results, there should not be a big break in time until a refined strategy is decided on. Strategy, marketing, and optimization should be ongoing with constant push, especially given the fierce competitor in the e-commerce landscape.

3. Partnerships

Brands are suggested to establish metrics to monitor and evaluate the service level of their TP and other e-commerce partners in order to identify and define best practices. A few key aspects such as customer satisfaction level, management of customer review, and preparation scripts for frequently asked

questions, are the most common evaluation parameters in this area.

Based on the outcome and the identified best practices, brands are suggested to review the store operation together with the partners and finetune the execution plan.

CHECK LIST – PROJECT EXECUTION AND OPTIMIZATION

Criteria	Questions to consider
Sales volume	Is the current sales volume in line with expectations? If not, what causes the gap?
Product assortment	Does the current product assortment meet the demand? Should the assortment be adjusted? (E.g. product bundling)
Price	Is the current pricing set correctly based on market demand? Is there any adjustment needed?
Marketing ROI	Is the ROI of marketing activities in line with expectations? Should any marketing resources be reallocated?
Product introduction	Is the product information page detailed enough? Is there any additional information required?
Customer service	What is the customer satisfaction level? Are there any customer inquiries that need extra information to be handled
Partnership	Do the partners deliver what they promised? Is there any improvement needed?

COST ESTIMATION FOR REGISTERING A CBEC FLAGSHIP STORE

There are primarily four key areas that needs to be invested into when looking at CBEC retail import: Platform charge, TP service fee, warehouse and logistic service, and marketing costs. Each of these are important but carry with them different cost levers that need to be considered.

1. Platform charge

The platform charge is generally built up of five sub-charges:

- Deposit: A one-time fee paid upon store registration, estimated to be USD 3,500 – 47,000, depending on platform and product category
- Annual platform service fee: A one-time yearly fee, estimated to be USD 1,000 – 9,500, depending on platform and product category
- Platform commission: A fee based on sales revenue, with the rate for F&B products generally falling between 2%-5%, depending on platform and product category
- Payment fee: Only Tmall Global charges for payments, currently at 1% of payment fee for each transaction by Alipay
- Other: Software for store backend: There are various software for data analysis, setting discount

etc. with the estimated costs per year is USD 5,000.

2. TP service fee

The TP service fee is generally built up of three sub-charges:

- Store set up fee: A one-time fee paid upon store registration, where it is common for TPs to charge a setting up fee equivalent to 1 month's fix fee.
- Monthly fixed fee: A fixed service charge paid on a monthly basis that can be highly variable, ranging from USD 4,000 to 20,000.
- Sales commission: A fee based on sales revenue, where a progressive commission rate is commonly used to set incentives for effective service, ranging from 3% to 10% of the sale revenue after deduction of product return.

However, the TP fee can be vastly different and the main factors affecting the fee are for example TP qualification, number of SKUs, service scope, resource allocated and operation complexity.

3. Warehouse and logistic services

In order to sell through CBEC and shorten the delivery time to the consumers, most brand choose to store their products in the bonded warehouse in the CBEC pilot zones, requiring payment for warehouse rent.

The rent of the bonded warehouse is mainly affected by the location, ranging from USD 0.5 – 1.5 per cubic meter per day.

The products are delivered from the bonded warehouse to the consumer by local courier companies, where the price per order per package below 1kg is USD 2 – 4 but depend on the location, courier company and package material used.

4. Marketing cost

Unlike traditional store, products sold through e-commerce is not easily seen, especially on platforms like Tmall Global that has hundreds of millions of SKUs.

Brands are suggested to set a minimum marketing budget of no less than 20% of the sales revenues for the first year. The marketing fee should be allocated both to on-platform marketing (such as keyword bidding), and off-platform marketing (such as cooperation with KOLs).

HEALTH BY SWEDEN, SWEDEN'S NATIONAL PRESENCE ON TMALL GLOBAL

Try Swedish! is the official concept and trademark owned by Business Sweden to promote Swedish food & beverages globally. The Try Swedish! Export Program is designed to help Swedish food & beverage companies increase global sales by entering and expanding in key markets.

To meet the demand of Chinese consumers, Business Sweden launched in Q1 2022 a store selling and marketing Swedish healthy food online under the trademark Try Swedish! on Alibaba's Tmall Global cross-border platform.

The Try Swedish! CBEC store is Sweden's national presence in China and has been registered and is operated by a designated TP selected by Business Sweden. The aim of the set-up is to establish a CBEC store that serves as a platform to facilitate for Swedish F&B companies entering the Chinese market.

The platform enables participating companies to leverage the store to enter the market, test their products, collect firsthand market feedback from consumers and establish a distribution network in China.

The store is co-financed by the Swedish government and participating companies. In addition to the fixed yearly participation fee, the participating companies will contribute a share of their sales revenue to cover the costs of warehouse and logistics, platform commission, sales commission to the TP as well as costs for platform marketing.

Business Sweden, the owner of the project, is setting the marketing and sales plan for the store, coordinating communication with the TP, the platform, and the participating companies, as well as set up merchandise plans for the individual participating companies.

The store is now open for the public, and we welcome more Swedish healthy brands to explore the opportunities of the Chinese consumer market with us!

Reach out to Business Sweden in China to learn more about how you can become a part of the store, and what opportunities exist in the market.

CONTACT US

Business Sweden China

Beijing & Shanghai

ask.china@business-sweden.se

<https://www.business-sweden.com/markets/asia-pacific/china/>

APPENDIX

DOCUMENTS REQUIRED FOR CBEC FLAGSHIP STORE REGISTRATION

Qualifications required for the enterprise opening the store:

- Registration documents of the main company of the store
- Statement of the authorized representative of the main company of the store
- Identity document of the authorized representative of the main company of the store
- Overseas bank account opening certificate or bank statement of the main company of the store

Brand qualification:

- A scanned copy of the original Trademark Registration Certificate or acceptance letter of the Trademark Registration Application shall be provided for each brand sold in the store
- If the acceptance letter of the Trademark Registration Application is provided, additional information on the non-registered trademark is required
- If the owner of the store is not a trademark holder, it is also required to provide an exclusive power of attorney issued by the trademark holder

POSITIVE LIST FOR CBEC RETAIL IMPORT (IN CHINESE)

- <http://images.mofcom.gov.cn/cws/202001/20200110143527533.pdf>
Note: The first 6 digits in column 2 refer to the products' HS codes

E-COMMERCE LAW OF CHINA

- http://www.npc.gov.cn/zgrdw/npc/lfzt/rlyw/2018-08/31/content_2060827.htm
(In Chinese)
- https://ipkey.eu/sites/default/files/documents/resources/PRC_E-Commerce_Law.pdf
(English translation)

STORE REGISTRATION PORTAL

- Tmall Global: <https://merchant.tmall.hk>
- JD Worldwide: <http://www.jd.hk/service/joinus.html>
- RED: <https://gaia.xiaohongshu.com/home/index>

