Learn What Makes Chinese Sellers Tick When Selling On International Marketplaces

Chinese Seller Survey 2016
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INTRODUCTION

China is the world’s largest eCommerce market. In 2015, Chinese retail websites sold $589.61 billion worth of goods, an increase of 33.3% from last year, according to the National Bureau of Statistics in China.

Online sales of physical products in China grew 31.6% to $493.04 billion in 2015 over 2014, while web sales of virtual products increased 42.4% to $96.55 billion from 2014. China will soon become the largest economy in the world.

The opportunity for Chinese sellers working in a global market is growing rapidly. The stigma of “made in China” has quickly changed to “branded in China,” and global online marketplaces are offering more and more opportunities for China-based sellers.

Sellers who until a few years ago could barely reach buyers across their own country, can now utilize marketplaces to reach buyers across continents. Even small scale sellers can distribute their goods to large number of buyers, lowering barriers to entry and leveling the playing field for sellers of all sizes.

Payoneer surveyed over 900 Chinese sellers in order to uncover common business practices and growth patterns when selling on international marketplaces. We hope this information will help you better understand them: what matters to them most, what challenges they face and what characterizes a successful seller.
KEY FINDINGS

- 28% of respondents have revenues over $152K per year
- 59% of respondents sell on more than one marketplace and 33% on more than two
- 41% of those that sell on two or more marketplaces have annual revenues greater than $152K, compared with 17% of those that sell on just one marketplace
- 62% of the respondents sell on Amazon, 45% on Wish and 40% on Aliexpress
- Aliexpress and Wish are dominated by smaller sellers of less than $152K RMB while eBay and Amazon are more evenly split between smaller and larger sellers
- Amazon US and Amazon Europe are the marketplaces sellers want to join next
- Amazon’s chief appeal is its emphasis on good products
- The primary concern for Amazon sellers is having their selling privileges removed
- 45% of respondents cited an increase in Chinese sellers as the biggest challenge to selling globally
- Sellers view fulfillment as the most important aspect of their business
- 1688, Taobao, Tmall, and Aliexpress are the leading inventory sources
- While joint seasonal promotions and buying ads on marketplaces are the leading promotion methods, 16% of the respondents don’t use any promotions at all
- According to survey respondents, the most important factor when choosing a payment system is security, followed by low fees and speed of payment
- Over three quarters of sellers use Payoneer to receive payment on Amazon and 73% use it as their payment solution on other marketplaces
- Of the sellers that use Payoneer, 51% use it as the exclusive solution on Amazon and 44% on other marketplaces
METHODOLOGY

Survey results are based on the responses of a total of 900 eCommerce sellers throughout China and Hong Kong through an online questionnaire commissioned by Payoneer during January and March 2016.

While the sellers surveyed are active on a variety of marketplaces, the survey is focused primarily on Amazon sellers.
59% of all respondents have revenues of less than $76K per year while 28% have revenues over $152K per year.
59% of sellers focus their efforts on 2 marketplaces. 41% of the respondents sell on one marketplace, 33% on more than two.

SELLERS GO MULTI-CHANNEL

- 59% Selling on more than one Marketplace
- 41% Selling on 1 Marketplace
- 33% Selling on more than two Marketplaces
WHERE ARE SELLERS SELLING?

SIZE MATTERS WHEN DECIDING WHERE TO SELL

While Aliexpress and Wish are clearly dominated by smaller sellers, eBay and Amazon are more evenly split between smaller and larger sellers.
### TOP MARKETPLACES FOR CHINESE SELLERS

62% of the respondents sell on Amazon, 45% on Wish and 40% on Aliexpress. Other popular marketplaces include Shopify and qoo100.

<table>
<thead>
<tr>
<th>Marketplace</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon</td>
<td>62%</td>
</tr>
<tr>
<td>Wish</td>
<td>45%</td>
</tr>
<tr>
<td>AliExpress</td>
<td>40%</td>
</tr>
<tr>
<td>eBay</td>
<td>28%</td>
</tr>
<tr>
<td>Lazada</td>
<td>19%</td>
</tr>
<tr>
<td>JD.com</td>
<td>5%</td>
</tr>
<tr>
<td>Cdiscount</td>
<td>4%</td>
</tr>
<tr>
<td>Etsy</td>
<td>3%</td>
</tr>
<tr>
<td>Newegg</td>
<td>3%</td>
</tr>
<tr>
<td>Linio Jumia</td>
<td>2%</td>
</tr>
<tr>
<td>OTHER</td>
<td>8%</td>
</tr>
</tbody>
</table>
IS AMAZON STILL ON TOP?

AMAZON US IS THE PLACE TO BE

Of the 62% of respondents selling on Amazon, 91% are selling on Amazon US.
AMAZON ISN’T SLOWING DOWN

The share of sellers on Amazon as a percentage of all cross-border marketplace sellers has consistently increased over the years, with the biggest increase recorded in 2015.
Amazon US & Amazon Europe are the top marketplaces sellers want to join (if not already selling there).

### AMAZON IS THE TOP SALES STRATEGY

Amazon’s chief appeal is its emphasis on high quality products.

<table>
<thead>
<tr>
<th>Marketplace</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>amazon.com</td>
<td>26%</td>
</tr>
<tr>
<td>amazon.eu</td>
<td>23%</td>
</tr>
<tr>
<td>amazon.co.uk</td>
<td>12%</td>
</tr>
<tr>
<td>wish</td>
<td>8%</td>
</tr>
<tr>
<td>LAZADA</td>
<td>6%</td>
</tr>
<tr>
<td>ebay</td>
<td>5%</td>
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<tr>
<td>AliExpress</td>
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<td>Etsy</td>
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<td>JD.com</td>
<td>3%</td>
</tr>
<tr>
<td>Rakuten</td>
<td>3%</td>
</tr>
<tr>
<td>OTHER</td>
<td>8%</td>
</tr>
</tbody>
</table>

### AMAZON IS A TRUSTED BRAND

Amazon’s chief appeal is its emphasis on high quality products.
41% of those that sell on two or more marketplaces have annual revenues greater than $150K, compared 17% of those that sell on just one marketplace.
SELLING ON AMAZON CORRELATES WITH HIGHER REVENUES

Sellers that sell on Amazon are more likely to realize higher revenues per employee. On average, 35% of the Amazon sellers see annual revenues per employee of $150K or more, compared to 23% of those that don’t sell on Amazon.

CHINESE SELLERS ARE PROFITABLE

Over a third of the respondents (39%) have EBITA margin between 11-25%, with 35% showing lower profits and 26% with higher profits.

*EBITA margin is a measurement of a company’s operating profitability as a percentage of its total revenue. It is equal to earnings before interest, tax, and amortization (EBITA) divided by total revenue.
Electronics and accessories are the leading products sold on cross boarder marketplaces, cited by 45% of the respondents, followed by clothing accessories (40%) and home goods (37%).
SELLERS WANT SIMPLICITY

When asked about their primary strategy for choosing products to sell, 32% of the respondents felt the ability to send products directly from China was the top priority.

Products sent direct from China
- 32%

Low MR, high turn over items
- 19%

Low value products that don’t require original descriptions in the listing
- 15%

Less popular, niche products
- 15%

Random
- 11%

Large items that require transportation via sea
- 3%

Other
- 5%
69% of the respondents sell some private label or authorized products. 13% sell exclusively private label or authorized products.

*Private label, often referred to as OEM (Original Equipment Manufacturer) by Chinese sellers, describes the practice of ordering customized merchandise from a factory and selling it with a custom brand.*
AMAZON SELLERS SELL MORE PRIVATE LABEL PRODUCTS

76% of Amazon sellers sell private label/authorized products, compared to 58% of all other sellers.

SELLING PRIVATE LABEL PRODUCTS GENERATES MORE REVENUES

36% of the respondents that sell private label products have annual revenues over $150K, compared to 14% of the sellers that don’t sell private label products.
FULFILLMENT IS THE TOP PRIORITY

The vast majority of sellers view fulfillment as the most important aspect of their business.

Priority

- Fulfillment: 71%
- Receiving Payment: 17%
- ERP: 12%
WHERE DO SELLERS ACQUIRE THEIR INVENTORY?

1688, Taobao, Tmall, and Aliexpress are the leading inventory sources.

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customized/Self own factory</td>
<td>38%</td>
</tr>
<tr>
<td>Offline Purchase</td>
<td>28%</td>
</tr>
<tr>
<td>Exclusive selling privilege</td>
<td>13%</td>
</tr>
<tr>
<td>Distribution</td>
<td>8%</td>
</tr>
<tr>
<td>Vertical bulk purchasing website</td>
<td>6%</td>
</tr>
</tbody>
</table>

FULFILLMENT BY AMAZON MATTERS

72% of Amazon sellers get a portion of their revenues from Fulfilment by Amazon (FBA).
WHICH PROMOTION METHODS WORK BEST?

PROMOTIONS HELP GENERATE REVENUES . . .

Sellers that use affiliates and third-party ad agents have the highest revenues per employee compared to all other promotion methods.

<table>
<thead>
<tr>
<th>Promotion Method</th>
<th>&lt;$7.6K</th>
<th>$7.6K-15.2K</th>
<th>&gt;$15.2K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affiliates</td>
<td>31%</td>
<td>36%</td>
<td>33%</td>
</tr>
<tr>
<td>SEO</td>
<td>36%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Marketplace ads</td>
<td>38%</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Joint seasonal promotion</td>
<td>40%</td>
<td>28%</td>
<td>31%</td>
</tr>
<tr>
<td>Social media</td>
<td>41%</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Email campaigns</td>
<td>43%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>No promotion</td>
<td>49%</td>
<td>24%</td>
<td>27%</td>
</tr>
<tr>
<td>Third party ad agents</td>
<td>53%</td>
<td>13%</td>
<td>33%</td>
</tr>
</tbody>
</table>
While sellers that use email campaigns enjoy higher EBITA margins, those that use other promotion methods see lower margins than sellers that don’t use any promotions.

<table>
<thead>
<tr>
<th>Promotion Method</th>
<th>&lt;$7.6K</th>
<th>$7.6K-$15.2K</th>
<th>&gt;$15.2K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email campaigns</td>
<td>33%</td>
<td>27%</td>
<td>40%</td>
</tr>
<tr>
<td>No promotion</td>
<td>33%</td>
<td>35%</td>
<td>32%</td>
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<tr>
<td>Joint seasonal promotion</td>
<td>37%</td>
<td>38%</td>
<td>25%</td>
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<tr>
<td>Social media</td>
<td>36%</td>
<td>40%</td>
<td>24%</td>
</tr>
<tr>
<td>SEO</td>
<td>35%</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>Buy ads on marketplaces</td>
<td>32%</td>
<td>43%</td>
<td>24%</td>
</tr>
<tr>
<td>Third party ad agents</td>
<td>27%</td>
<td>60%</td>
<td>13%</td>
</tr>
</tbody>
</table>
MOST POPULAR PROMOTION METHODS
Joint seasonal promotions and buying ads on marketplaces are the leading promotion methods mentioned. 16% of the respondents don’t use any promotion at all.

- Joint seasonal promotion: 27%
- Marketplace ads: 15%
- No promotion: 16%
- Social media: 6%
- SEO: 5%
- Affiliates: 4%
- Email campaigns: 3%
- Third party ad agents: 2%

AMAZON SPONSORED PRODUCTS
Similarly, 35% of the Amazon sellers mentioned Amazon-sponsored products as their leading promotion method, followed by Amazon display ads (27%). 18% of the sellers on Amazon don’t use any sort of promotion.

- Amazon sponsored products: 36%
- Amazon displayed ads: 9%
- No promotion: 18%
- Social media: 5%
- Affiliates: 4%
- SEO: 2%
- Email campaigns: 2%
WHAT CHALLENGES DO SELLERS FACE?

LOCAL COMPETITION IS GROWING

Close to half of the respondents cited increasing numbers of Chinese sellers as the biggest challenge to selling online.

- More and more Chinese sellers: 45%
- Fees are too high and MR is low: 27%
- Following strict rules: 16%
- Tax policy and trading policy of the selling country: 11%
- Unstable payment method: 2%
HOW ARE SELLERS GETTING PAID?

SECURITY IS TOP PRIORITY

According to survey respondents, the most important factor when choosing a payment system is security, followed by low fees and speed of payment.
PAYONEER IS THE TOP CHOICE FOR RECEIVING FUNDS FROM MARKETPLACES

78% of sellers use Payoneer to receive Amazon disbursements. 73% use Payoneer to receive payment from other eCommerce marketplaces.

Zhou Li Fei
Online Seller on Amazon, Wish & Lazada
Real Payoneer Customer
Payoneer provides eCommerce marketplaces – such as Amazon, Lazada, Wish, NewEgg and more – with flexible APIs, allowing them to easily send mass payments to sellers in over 200 countries and regions, in over 150 currencies.

**HOW IT WORKS**

1. Payee signs up for Payoneer
2. Marketplace adds funds to their Payoneer Mass Payout Account
3. Marketplace sends payment request via API
4. Payee receives funds and withdraws the money in local currency

**FEATURE RICH PLATFORM**

- **Payoneer Ecosystem** - Millions of sellers worldwide already use Payoneer to pay and get paid, creating an unparalleled ecosystem in which you can network.
- **Tax Form Automation** - Payoneer’s Tax Form solution automatically collects W-8 and W-9 information from sellers and issues 1099 forms when necessary.
- **Secure and Compliant** - Payoneer is licensed and registered in the USA, EU, India and Japan and adheres to the highest compliance standards and security levels to help mitigate risk.
- **Simple, Powerful Integration** - Rich set of APIs and robust infrastructure ensure a seamless payment experience for sellers, right from your platform.
- **Dedicated Professional Services** - Our team of experts is there to help you with every step of the integration process and beyond.
- **Customer Support** - We offer 24/7 support in 35 languages for your sellers.

To learn more about expanding your global reach, visit the Payoneer Blog