



HOW TO BOOST SALES AND WIN CHINESE CUSTOMERS

A White Paper on
Digital Marketing in China

Contents

Introduction	3
Aims of the white paper	5
Terminology	5
Participating brands & agencies	6
China's digital landscape	7
Platform overview	9
The uniqueness of digital marketing in China	10
The importance of brand localization	12
Digital marketing trends in China	14
<i>Social commerce and livestream shopping</i>	15
<i>Key Opinion Consumer (KOC)</i>	17
<i>Group buying</i>	17
<i>New Retail</i>	18
Marketing & e-commerce agencies as partners	19
Insights from marketing & e-commerce agencies	21
<i>Recommendations for succeeding in digital marketing in China</i>	21
<i>Upcoming trends in digital marketing</i>	21
<i>Opportunities and challenges for Swedish companies</i>	22
<i>Key strategies for brands to attract Chinese businesses and consumers</i>	22
Views of the future	23
Conclusion and key learnings	25
About the authors	26
References	27

Introduction

This white paper on digital marketing in China has been created in cooperation between **The Swedish Chamber of Commerce in China** (SwedCham) and **Empress Consulting**.

China's digital market is the largest in the world, predicted to reach 3.17 trillion USD in e-commerce sales in 2023, which accounts for 47% of all retail sales in China, and it is estimated to continue growing.¹ Knowing how to navigate in this unique digital marketing landscape is essential for companies who want to convert Chinese online users to customers. With around 1.04 billion internet users² as of 2022 the Chinese market possesses massive domestic consumption power, making it a highly attractive market for Swedish companies to advertise their products and services to both Chinese consumers and businesses.

However, with the dominance of major players such as Alibaba Group (Taobao and Tmall) and JD.com, which together account for about 67% of the market share, competition in the Chinese e-commerce market is fierce.³ Furthermore, Chinese consumers are increasingly looking for high-quality and innovative products, with a growing preference for domestic brands over international brands.⁴ To stay up to date, international brands need to rethink their market propositions. Social media platforms such as WeChat, Weibo and Little Red Book (Xiaohongshu) are key channels for marketing and engaging with consumers, as these platforms are hugely popular in China. Mobile commerce is also a dominant force in China's e-commerce market, with most online purchases made through mobile devices.

The Chinese market can be challenging to navigate because of its sheer size, as well as its constantly evolving and changing trends. For many Swedish businesses, the rapid and dramatic impact that COVID-19 had on Sino-Swedish commercial relations have pushed brands to update their digital marketing strategies. As the pandemic swept across China, consumers were forced to stay indoors, leading to a surge in online shopping. This further stressed the shift towards e-commerce and thus the importance of online channels for businesses looking to reach Chinese consumers. In China's fast-changing digital landscape, it is necessary for companies to constantly adapt and rethink their online marketing methods.

In order to investigate the complex field of digital marketing in China, Empress Consulting and SwedCham China have conducted interviews with eight renowned Swedish companies active on the Chinese market. To achieve a greater breadth in our research we have included answers from both business-to-consumer (B2C) companies and business-to-business (B2B) companies.

A significant portion of Swedish companies rely on marketing- and e-commerce agencies to navigate the oftentimes culturally and socially unfamiliar Chinese market in a way that is conducive to promoting Swedish brands. For this reason, presenting some of the insights and experiences gained by such agencies that have hands-on experiences of working with Swedish brands in China is also one core component of this paper.



Our hope is that this white paper will aid Swedish companies seeking to market their brand online in China, as well as to hopefully gain inspiration by learning more about successful cases of promoting Swedish brands in the world's largest digital market.

/SwedCham China & Empress Consulting

Aims of the white paper

- Give an overview of China's digital landscape and present the platforms that are the most essential for Swedish companies conducting digital marketing in China.
- Share experiences gained by Swedish companies doing digital marketing in China.
- Discuss the uniqueness of digital marketing in China by presenting the relevance of marketing methods such as social commerce and livestreaming.
- Investigate how Swedish companies adapt their brand messaging and digital marketing methods when directed at a Chinese audience.
- Share examples of successful collaborations with marketing and e-commerce agencies and present the expert knowledge of agencies working in the Chinese market.

Terminology

- **Content Marketing**

A marketing strategy aiming to share content to a specific target audience through different types of media such as posts, videos, livestreaming, or newsletters.

- **Key Opinion Leader (KOL)**

A KOL is a person with many social media followers and who is known for their knowledge within a specific topic or category, for example beauty or fashion. KOLs can be compared to influencers but have a more targeted audience due to their niche interests.

- **Key Opinion Consumer (KOC)**

KOCs are pre-existing customers who share reviews and recommendations about products and services to their friend circles and followers through their social media channels.

- **New Retail**

The concept stands for an integration of online and offline in order to create a seamless shopping experience. In practice, it could mean intelligent mirrors for virtual try-on, QR-code scanning to receive product information or digital checkouts while being in a physical store.

- **Social Commerce**

The whole shopping journey taking place on a social media platform from product research to purchase and sharing reviews to its network.

- **Search Engine Marketing (SEM)**

SEM is paid marketing of search words or other type of ads to gain traffic to an online store or other digital channel.

- **Search Engine Optimization (SEO)**

SEO is the process of optimizing a website or webpage to increase visibility on search engines.

- **TP**

A TP stands for "Tmall Partner" or "Trading Partner" and is an e-commerce agency operating e-commerce stores on marketplaces.

Participating brands & agencies

NORD-LOCK
GROUP

CabinAir
Healthy air for the ride

 **Klättermusen**[®]

Happy Socks[®]

TRIPLEDIGIT
We run your China e-commerce

NBH

AIR/NUM

 **POWERCELL**

BabyBjörn


ENVAC

China's digital landscape

Following China's transition to a more market-oriented approach in the late 20th century and early 21st century, many private companies in the Chinese tech industry rose to prominence. These are companies such as Huawei and Lenovo, and in later years companies such as Alibaba, Tencent, Jingdong and ByteDance. In recent years, the Chinese tech- and e-commerce market has become one of the most globally significant.

Alibaba and JD are arguably the two most influential Chinese e-commerce companies, and they have helped pave the way for how online shopping is performed in the market – through marketplaces and one-stop-shop solutions.

Alibaba was founded in 1999 and is a Chinese multinational technology conglomerate that specializes in e-commerce, retail, and technology. It is one of the largest and most valuable e-commerce companies in the world and operates platforms such as Taobao and Tmall among others. Initially, Alibaba's main focus was on B2B (business-to-business) online marketplaces, which helped connect Chinese manufacturers with buyers worldwide. However, over time, the company expanded its services to include B2C (business-to-consumer) as well as expanding into other areas such as finance, logistics, and artificial intelligence, creating a comprehensive ecosystem of services for businesses and consumers alike.

Alibaba has enabled many types of brands and merchants to grow through its platforms by providing the infrastructure of virtual storefronts, logistics solutions, and traffic of millions of consumers.

The digital platforms provided by Alibaba allows for the sales and marketing of everything from fast-moving consumer goods (FMCG), brand-name items, and luxury products. In addition, Alibaba provides some of the most central platforms that enable the growing presence of B2B companies on e-commerce platforms in China and world-wide.

JD was founded in 1998 and is now one of China's largest and most successful e-commerce companies, with a focus on B2C (business-to-consumer) online retail. The company operates a comprehensive logistics and delivery network, which allows it to provide fast and reliable delivery to customers throughout China. It focuses on consumer electronics and high-value consumer goods, but is also strong in cosmetics, food, and fashion. Just like Alibaba, JD has been at the forefront of developing capabilities in logistics and supply chains and is especially known for its fast last mile delivery setup offering same day delivery.

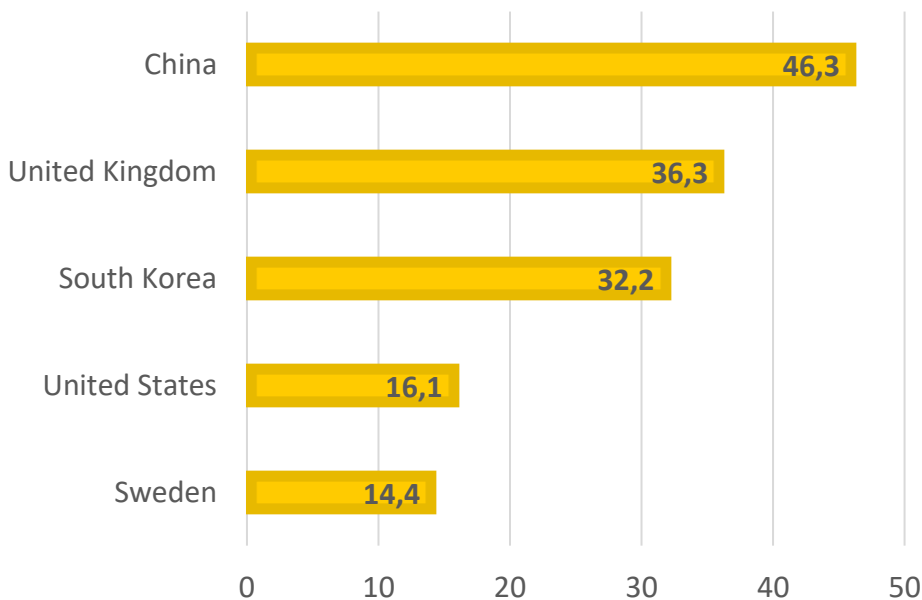


The Chinese e-commerce market, as a share of retail sales, is currently the world's largest, as shown in the figure below. A unique feature of China's digital landscape is in the way which it has developed its own self-contained ecosystem, shaped by end-to-end solutions meeting all kind of consumer demands without having to leave the app or the platform. The integration of e-commerce and different digital marketing methods such as livestreaming or elements of gamification has shaped a more entertaining shopping experience. This has transformed e-commerce from a transactional activity pushing for faster checkouts to a social activity, with consumers engaging with brands and each other in new ways. Understanding the digital infrastructure and the vast opportunities it provides, as well as knowledge of its many challenges, is important to achieve success in the Chinese online market.

A majority of the interviewed companies mentioned at least one digital platform that they utilize in their digital marketing strategy. WeChat, being the largest social media platform in China, is the number one choice for most brands when communicating with their customers, no matter if it is a B2C or B2B company. Not far behind comes Weibo – a traditional social media channel with Twitter-like features. More new platforms like Douyin (TikTok) and Little Red Book are gaining market shares and used by half of companies interviewed where the target audience is young and trendy.

On the next page there is an overview of the most important and popular Chinese platforms.

E-commerce as share of retail sales 2022 (%)



Source: Statista

Platform overview

Baidu

China's largest search engine for brands to drive traffic to their website or other digital channel such as e-commerce store on a marketplace.

Bilibil

Video sharing platform. Known for its educational content and popular among a younger crowd. KOL-produced content can link paid partnerships to external e-commerce stores through the comment section (so-called Danmu) placed on top of the videos.

Douyin

The Chinese version of TikTok. Video sharing platform with e-commerce functions. Strong in livestreaming and popular among Gen Z, especially in low-tier cities. Highly used by KOLs.

JD.com (Jingdong)

China's second largest e-commerce platform for official stores and brands. Strong in sales of home appliances and electronics. Tend to have a more male-dominated customer base compared to Tmall.

Kuaishou

Videosharing platform with livestreaming and e-commerce features. Higher market share in low tier cities and was originally targeting rural China. Most of the users are born after 1995. Popular among KOCs.

Little Red Book (Xiaohongshu)

Lifestyle platform built on customer reviews. Attracts a younger, female crowd in first-tier cities looking for product and pricing advice as well as inspiration. Hosts e-commerce stores and provides advertising opportunities for brands. Have numerous KOL and KOC accounts.

Pinduoduo

Group buying platform rewarding team purchases and utilizes social media channels like WeChat for customers to create shopping teams.

Taobao

China's number one e-commerce platform for C2C and B2C sales used by individual sellers or smaller merchants. Stores on the platform have access to Alibaba's marketing platform Alimama to run SEO, SEM, and social media advertising. The platform also has its own livestreaming technology – Taobao Live.

Tmall

China's largest B2C-platform for official brand stores. Most users access Tmall through the Taobao app and brands can also utilize Alimama's marketing tools. Known for its authenticity.

WeChat

Social media platform used by most Chinese netizens. Instant messaging app including social media features, e-commerce, livestreaming, payment solution, and more. Brands run official accounts on the platform for content sharing, mini-programs (sub-applications), lead-generation and advertising.

Weibo

China's Twitter where at least half of China's netizens have a registered account. Brands have official accounts for advertising opportunities.

1688

Alibaba's major B2B platform for brands to sell to Chinese buyers. Popular among industrial brands looking to expand their online sales or generate leads in the Chinese market.

The uniqueness of digital marketing in China

China's internet users have surpassed a billion, and the smart phone is the main device used. The digital ecosystem is primarily built on a mobile-first strategy, creating opportunities for digital marketers to utilize social media channels and platforms to promote their products and services.

Digital marketing in China is heavily focused on social approaches, with an emphasis on KOL (Key Opinion Leader) and KOC (Key Opinion Consumer) marketing, customer feedback on social media, game sharing features, livestreaming, and video sharing. These approaches enable businesses to connect with consumers on a personal level, building brand loyalty and trust.

Due to the Great Firewall of China, many of the apps and platforms used in the West are blocked in China. Instead, platforms such as WeChat, Little Red Book, and Baidu are of utmost importance for digital marketing purposes. WeChat is one of the most popular social media platforms in China, with over 1.3 billion monthly active users.⁵ It combines the features of instant messaging, social media, and mobile payments all in one app, making it a vital tool for businesses looking to engage with Chinese consumers.

Navigating these platforms requires local expertise, language proficiency, and cultural knowledge. Businesses need to tailor their digital marketing strategies to the unique needs and preferences of Chinese consumers, including their language, customs, and values.

Swedish companies that conduct digital marketing in the Chinese market have a large toolbox of potential digital platforms and methods that are useful for different styles of marketing. In this section we present some methods used by the interviewed companies, which digital platforms that they have a presence on, and what brands do to leverage those platforms. Using the "right" tools in the toolbox and knowing how to engage on those platforms will create better chances to succeed with the digital marketing.

The companies interviewed emphasized the crucial role of digital marketing in China, as it is an essential way to reach a vast audience and potential customers. They also emphasized the importance of maintaining a strong presence on multiple platforms.

"Most of the marketing we do in China is digital. It is a good way of reaching a lot of people quickly. It is also a good way to see if our initiatives are working. As everything digital brings in data it is easy to see what the return on investment is. I think digital will continue to be important for the future." – **Klättermusen**

"Chinese consumers spend a lot of time in the digital space. To reach your target group, providing as many touchpoints in digital channels as possible is key." – **BabyBjörn**

“Digital marketing is getting more and more important in this era. Big data can deliver our message to potential customers that we can hardly meet face to face.” – **Nord-Lock**

However, with the abundance of options available, choosing the right digital platforms is crucial for effectively reaching your target audience and achieving your marketing goals. It is important to conduct thorough research and analysis to determine what platforms are most relevant to your industry, target market, and marketing objectives.

“We are present on a number of online sales channels, including Tmall, JD, WeChat mini-program, Kaola, and Little Red Book, with the majority of our on-site marketing activity focused on Tmall. We have branded accounts on all major social media channels to support brand communications including Weibo, WeChat, and Little Red Book channels.

We have also developed Douyin (TikTok) as an important sales channel for us, creating a branded live shopping channel as well as leveraging KOL partnerships on the channel for both marketing and sales.

Our work with KOLs via marketing started in 2016. Since then, we have worked with 5000+ local KOLs and influencers to help us build brand awareness and drive sales on key products and launches.” – **Happy Socks**

According to the interviewed B2B companies, SEO and SEM are both important digital marketing tools that can help businesses improve their online visibility and drive traffic to their websites, but they may not be the most efficient in the Chinese market. Instead, having engaging content on social media is in focus.

“The expense of doing SEO and SEM is large but we can generate leads in this way although qualified leads are limited.

By using Weibo, we can spread our company messages to a wider range of potential customers to increase awareness. For example, one of our posts regarding smart bolting generated more than 4 million readings.

WeChat is a private sphere and therefore the audience are limited but they are a targeted group who resonate well with us.” – **Nord-Lock**

“Envac is now conducting SEO, SEM, content marketing and social media in China. Among all the platforms, we found social media and content marketing the most cost-effective compared to the other two.” – **Envac**



The importance of brand localization

In today's global market, brand localization has become increasingly important, particularly in China where cultural differences can greatly impact consumer behavior. Adapting the brand message to better resonate with Chinese consumers is a crucial feature of brand marketing. However, a challenge that many international brands are facing currently is how to localize while still honoring their brand DNA and global approach? In general, it is best to separate the Chinese market from other markets and invest dedicated resources to build brand awareness with the help of local expertise and influencers. By incorporating the Chinese culture and its traditions in the marketing, companies can ensure a higher success rate.

One effective strategy for brand localization is to invest in building brand awareness in China through local expertise and partnerships with Chinese brands. Collaboration with local influencers and celebrities, KOLs or KOCs, can also be helpful in reaching a Chinese audience.

COS, an H&M-owned fashion label, recently hosted a Chengdu-style tea party at Chen Jin Teahouse. The event, titled "Looking for Chengdu in Chengdu", blended traditional Chinese culture with contemporary fashion and featured antique bamboo chairs, ceremonial teacups and local snacks. COS showcased its latest Autumn-Winter line, art installations, and a contemporary Sichuan opera show. The event gained attention on Chinese social media with trending hashtags such as "COS Urban Inspiration" and "COS 2022 Autumn Winter Series" on Weibo, with local KOLs promoting the event using COS handbags.

The event was a successful fusion of traditional Chinese culture with modern fashion.⁶

According to the companies interviewed, it is essential to tailor your brand and product messaging to effectively connect with a Chinese audience. China's extensive history and diverse culture have created unique frames of reference that differ significantly from the West. Therefore, many Swedish companies striving to succeed in digital marketing in China aim to blend their company's DNA, or the inherent qualities of their brand, with a more localized messaging approach. This way, they can resonate better with the Chinese market and achieve their marketing objectives.

"Our marketing content is a mix of "Nordic/Scandinavian" and "Chinese". Lifestyle images are more "Nordic/Scandinavian" to promote our heritage (clean air and nature and high-quality products), while the unique selling points need to be tweaked for the local market. Also, we have assets on JD that we should never have on our website outside of China, such as test reports, certificates etc. The Chinese platforms require many more assets and social media platforms need to be constantly updated with new content." –

CabinAir

“It is critically important to ensure all marketing communications both tell the story of the brand while creating product relevance for the consumer. We work to ensure we are building a campaign calendar that is timed with key buying moments to make the most of product and collection launches. This sometimes means creating specific products, for example, a special collection for Lunar New Year supported by a local marketing campaign to support the launch. Marketing messages are also localized, and we develop relationships with local celebrities and media to ensure product placement at key moments in social and media channels.” – **Happy Socks**

Companies with an international presence must consider the extent to which they will localize their business operations. Some may choose to localize only a few key aspects, while others may opt for a more comprehensive approach. However, one area that most companies prioritize for localization in the case of China is marketing. This is due to China’s unique digital landscape and local customer preferences.

“Up to 50 % of the content is locally designed for the Chinese market, and we foresee the percentage continuing to go up. As most of our case stories for the moment are coming from other markets, locally adapted content becomes more important. Most subscribers prefer to see local case stories, and therefore would have a higher interest of adopting our solutions if there is already a referral market in the Chinese market.

– **PowerCell**

“More than 80% of our digital marketing is localized. It is very important to adapt to local customers by localizing the language, way of thinking, and culture reflected in your marketing. And China has a very special internet environment, so our digital marketing is different from other regions in the world.” – **Nord-Lock**

We have localized 80% of the digital marketing in China since we see the Chinese market as unique, and the customer habits are totally different from European countries.” – **Envac**

While emphasizing the significance of localization, Airinum China also suggests that brands should not overlook the potential value of leveraging their origin country as a unique selling point:

“There are cultural differences, differences in shopping behaviors, different marketing channels etc. All these require a brand to localize. However, one thing that is worth mentioning is: in an age that every customer receives so much information online, it is important for a brand to be "different" and thereby stand out. As a Swedish brand, we naturally have an advantage. Leveraging our brand identity as well as the values behind it has become a key element in our marketing activities as well.” – **Airinum China**

Digital marketing trends in China



Digital marketing is a constantly evolving field, with new trends steadily emerging. One of the most notable trends in the Chinese market is the emergence of social commerce, which combines social media and e-commerce to create a highly engaging and interactive shopping experience for consumers.

Livestream shopping has become a particularly popular form of social commerce, allowing retailers, KOLs and KOCs to showcase products and engage with viewers in real-time. One example of this is ByteDance's app Douyin, the Chinese version of TikTok, which has disrupted tech giant Alibaba's dominance in e-commerce through the use of livestreaming. The popularity of livestreaming in China has increased over the past few years, with the phenomenon reaching

new heights in 2020. In 2022, as many as 68% of the Chinese internet users watched livestreamed content.⁷ In China, shopping is much more than just a transaction – it is entertainment, which makes livestreaming an ideal tool due to its high level of entertainment value.

Another strong and growing trend related to social commerce is the emergence of KOCs, pre-existing customers who are willing to share their thoughts and opinions about products amongst their friends and followers on social media. More and more brands in China have now started to apply KOC-strategies into their marketing, aiming for a wider reach but with less costs in comparison to KOL-marketing.

Two other trends that have been around in China for quite some time, but still are relevant, are group buying and New Retail. Group buying can be understood as communities coming together to shop in coordination, and "New Retail" is a concept which blends online and offline retail experiences to create a seamless shopping journey for consumers. These trends demonstrate the innovative and dynamic nature of the Chinese market.

Social commerce and livestream-shopping

The popularity of social commerce in China is driven by the country's massive social media user base, as well as the growing trend of mobile-first shopping. By integrating shopping into social media platforms, social commerce offers a seamless and convenient shopping experience that resonates with Chinese consumers.

“It has been a trend for quite some years that Chinese e-commerce platforms are bringing in social media features, and social media platforms start to equip themselves with e-commerce functions. In essence, digital traffic and users are getting more expensive to obtain, all platforms want to create a complete circle for their users, from seeding to shopping. This trend offers us more touch points to customers.

For brands, the key is not to chase trends, but to understand them, use them as tools. It is not about whether a tool is good or not, it is about your goal and if you choose the right tool.” – **Airinum China**

One of the key features of social commerce in China is the use of KOLs, also known as influencers, who can promote products to their followers and drive sales. Compared to generic product images and videos, KOLs can provide a more authentic and convincing description of a product.

In China, livestream shopping is widely used by both small and large retailers and takes place on a variety of e-commerce and social media platforms, including Alibaba's Taobao Live, Kuaishou, Douyin, and WeChat, and they often feature product demonstrations, Q&A sessions, and special promotions. Brands can choose to handle it by themselves or cooperate with professional livestreamers, KOLs, KOCs and celebrities. During shopping festivals such as Double 11 (Singles' Day), some brands run their livestreaming around the clock to boost their online presence and generating billions of dollars in sales. Livestream shopping has become particularly popular in the beauty and fashion industries, where influencers and celebrities are often enlisted to promote products and engage with viewers.⁸

Throughout the interviews, the companies mentioned that they have observed a stronger engagement among consumers when they collaborate with KOLs. By leveraging the synergies between their brand and that of the KOL's, they are able to effectively connect with a local audience and establish greater credibility.

“Our retail stores have been using WeChat mini-program to follow up with the end consumers from offline. We have adapted livestreaming on Taobao and TikTok with the collaboration with KOLs and celebrities. Social commerce like WeChat store and Kuai Tuan Tuan, group-buying service offered by the platform Pinduoduo, will be significant channels for the coming year.

We began livestreaming via our own Douyin (TikTok) channel several years ago. This has been an interesting channel as we can leverage KOLs in ways that drive both brand awareness and product sales. We are continuing to look at how we develop our strategy, as we see more noise from more brands and KOLs choosing to livestream.” – **Happy Socks**

“We have worked a lot with KOLs. This has given us good reach and local relevance. Also giving us credibility using the KOL’s brand.”

– **Klättermusen**

To celebrate its 60th anniversary in 2021, BabyBjörn collaborated with a prominent KOL. BabyBjörn also highlights the immense power social media has in connecting and bringing people together for different purposes, from keeping up with loved ones to doing research and shopping, all through the convenience of a single app:



“2021 was the 60th anniversary of BabyBjörn, along with the global campaign, we celebrated the anniversary in China as well, in all digital and physical sales channels with special designed packages and marketing materials. In April, BabyBjörn collaborated with Li Jia Qi who’s the livestreaming king in China to promote BabyBjörn on his livestreaming show.

We work closely with influencers to expand brand awareness and reach target groups. Livestreaming is like milk and bread. No one can ignore it. Social e-commerce is the new trend which will get more attention in coming three years.” – **BabyBjörn**

Key Opinion Consumer (KOC)

While KOLs are widely used, KOCs is a growing trend. A good example of why the use of KOCs can be an important addition to a marketing strategy is the case of Perfect Diary, a popular domestic makeup brand in China.

Perfect Diary has shaken up the cosmetics industry by becoming the bestseller on Tmall during Double 11-festival in 2019, surpassing big names like Estée Lauder and Lancôme.⁹ Its success can be attributed to its innovative marketing campaigns, which include targeting millennials and Gen Z consumers, an online-only sales model, and a heavy reliance on social media. Perfect Diary uses a mix of KOLs and KOCs to promote its products.

Unlike KOLs, KOCs have smaller social media followings, but they are more relatable to their followers, making them effective in reaching niche audiences and can be considered more trustworthy. A KOC-strategy involves engagement and rewards to members in a close community, for example in WeChat groups run by brands. Perfect Diary's use of KOCs has helped it to gain a loyal following and drive sales in China.

When a new brand is entering the Chinese market, it can be difficult and very costly to work with the biggest KOLs due to low brand awareness which makes KOC-marketing an attractive alternative. By using this type of marketing, brands are able to maintain close communication with the members of the community and gather both product feedback as well as buying signals. In exchange, the members

are rewarded with giveaways, discounts or latest brand news.

An upcoming trend within KOL- & KOC marketing is the use of virtual influencers – a computer-generated, fictional character who is communicating and engaging with followers. Big luxury brands like Louis Vuitton and Burberry have already partnered up with virtual influencers for marketing purposes, and the trend is expected to grow due to the Chinese consumers attraction to new and innovative technologies offering an entertaining experience.

Group buying

Group buying and collective gaming has become a strong trend in China in the past few years. The major group buying platform Pinduoduo was estimated to be the second biggest e-commerce platform in China in 2022 based on the number of monthly users.¹⁰ The platform focuses on its "group buying model", encouraging consumers to form shopping groups amongst each other in order to get a more favorable price.

This shopping trend has become particularly popular within the food industry, connecting millions of farmers with platform users. During certain shopping festivals, platforms such as Tmall has also launched interactive shopping games with group buying features allowing users to play games together in order to achieve higher discounts or rewards.

New Retail

"New Retail" is a term coined by Jack Ma, founder of the e-commerce giant Alibaba, to describe the integration of online and offline retail channels in China.¹¹ This concept refers to a seamless shopping experience that combines the convenience of online shopping with the sensory experience of traditional brick-and-mortar stores and pop-up events.

The rise of New Retail is driven by several factors, including China's rapidly growing middle class, the increasing popularity of e-commerce, and the use of mobile technology. In response to these trends, many retailers in China are adopting new technologies such as augmented reality (AR), facial recognition, and artificial intelligence (AI) to enhance the shopping experience and improve supply chain efficiency.

One of the most notable examples of New Retail is Alibaba's Hema supermarkets, which blends online and offline shopping. Customers can order groceries online for home delivery or choose to shop in-store, where they can scan QR codes to learn more about products and pay using facial recognition technology.¹² Hema supermarkets also feature live seafood tanks, on-site kitchens, and other immersive experiences.

Another example of New Retail is the Burberry "social retail store" that opened in Shenzhen in collaboration with WeChat's owner Tencent in 2021. Visitors can use the social media platform to scan QR codes and access features such as exclusive content, games, and personalised product recommendations. At the store opening a WeChat mini-program was created that

enabled customers to reserve one of three fitting rooms with different themes, select products beforehand, and play their preferred music while trying them on.¹³

Most of the service industry in China has also adapted New Retail-features into their businesses, where for example customers in restaurants access menus and place orders by scanning QR codes through a WeChat mini-program. Luckin Coffee is today one of China's biggest coffee chains thanks to its New Retail model. Customers must download the Luckin app or use its WeChat mini-program to place and pay for their orders. The chain operates more than 7000 outlets in China mainly focused on take out or delivery service.¹⁴ With its data driven model, customers receive daily special offers through push notifications.

Microsoft HoloLens and Alibaba have taken a bold step forward by partnering up to create a groundbreaking shopping experience.¹⁵ The result of this partnership is the Taobao Buy app, which merges the convenience of online shopping with the magic of augmented reality technology. This app allows users to bring 3D versions of their favorite products into the real world, creating a more immersive and interactive shopping experience.

Overall, the New Retail phenomenon in China represents a significant shift in the way consumers shop and interact with retailers. As technology continues to evolve and more retailers adopt these new strategies, the concept of New Retail is likely to become even more widespread in China and beyond.

Marketing & e-commerce agencies as partners

Operating on several of the Chinese digital platforms can be challenging due to their high entertainment level and the demand for engaging content. Keeping up with the latest trends and applying them requires a level of speed and expertise that only experienced marketers or e-commerce operators possess. To build content for a social media post or a product page on any of the marketplaces often require multiple skilled resources, something not all brands can provide inhouse. As a result, it is often more cost-effective to outsource marketing or e-commerce operations in China to a specialized agency or a third-party provider (TP) that can create the necessary content to attract followers and drive engagement.

Most brands share a post on WeChat once a week, typically featuring a longer article centered on a specific theme, aiming to stand out from other posts in the feed. Similarly, the B2C marketplace Tmall's product pages can be compared to a magazine spread - filled with inspirational and educational content designed to encourage purchases. Creating such content for these platforms is a time-consuming task, made even more challenging without external support. Many marketing agencies and third-party providers (TPs) also specialize in running KOL collaborations and livestreaming for brands, leveraging their larger databases and in-house studios to produce high-quality content.

For the brands that decide to run all social media marketing and e-commerce operations inhouse, there will be a need to assemble a multifunctional team capable of covering all the skill-sets and experiences required to operate effectively on those platforms.

The Chinese digital market differs significantly from Western markets in multiple ways. Beyond the obvious language barrier which hinders many Swedish companies from reusing its global communication for a Chinese audience, there also exists crucial differences in cultural concepts and consumer behaviors. Fortunately, marketing & e-commerce agencies with specialized knowledge of the Chinese digital market can provide valuable support and help overcome these obstacles. Given that Chinese consumers spend more time online than their Western counterparts, successfully navigating the Chinese digital landscape is essential for any Swedish company looking to increase their presence in China.

As shown in the figure on the next page, a majority of the participating companies collaborate with specialized marketing or e-commerce agencies when conducting digital marketing in China, particularly B2C companies.



In this section, we will present some of the benefits that Swedish companies can gain from working with agencies. There are mainly two reasons for working with an agency: either a company does not have, or only partly has, a China-savvy marketing and e-commerce team

inhouse. Or they are simply not able to produce enough to operate on a larger scale, limiting their growth potential.

“We use a marketing agency for SEO and SEM and inhouse team to do content and social media.” – **Envac**

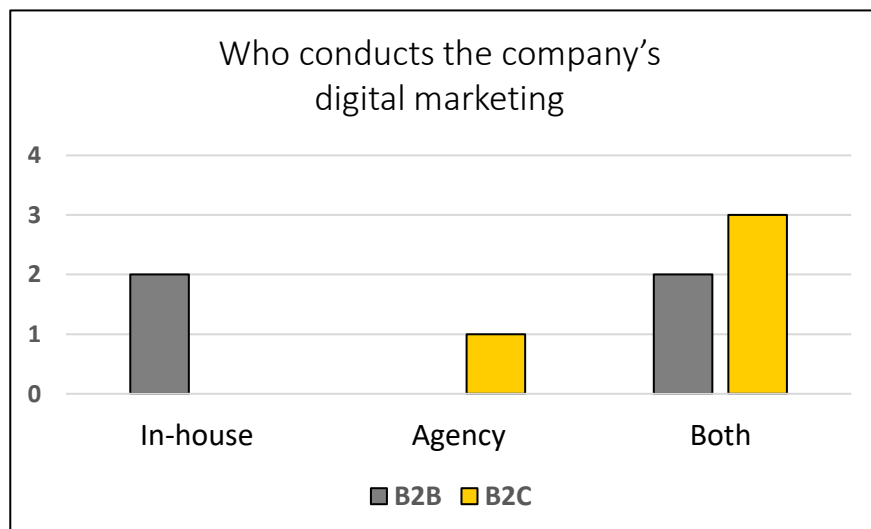
“Happy Socks works together with a marketing agency, managed by our in-house Brand Director. This setup allows us to have control over strategy and content, ensuring alignment to the global brand strategy while creating opportunities for localization in content and style. Working with an external partner also allows for more efficiency and scalability when we have limited resources in-house.”

– **Happy Socks**

“Inhouse department is in charge of company’s digital marketing. Pros: content creation is more in-depth and professional (deeper understanding of the brand). Cons: time consuming and poor page design. Lack of out-of-box campaign. If we would like to reach customers beyond industry, we need more cross-over campaigns.”

– **PowerCell**

“BabyBjörn’s marketing team oversees the planning and execution to keep one brand one message in all channels. We also collaborate with agencies on PR and event.” – **BabyBjörn**



As demonstrated in previous sections, marketing and e-commerce agencies play a crucial role for many Swedish companies that are engaged in digital marketing in China. To gain a deeper understanding of digital marketing trends and strategies for success in China, we will in this section present insights from two experienced China-based agencies: NBH and Triple Digit.

These agencies have a proven track record in promoting Swedish brands in China, and their firsthand experience will provide valuable information for those looking to enter or expand their presence in the Chinese market.

Recommendations for succeeding in digital marketing in China

NBH:

“Dos:

Focus on high-quality content and the right channels. Choose activities & platforms that reach out to your specific customer. Make sure that the content and images resonate with your Chinese audience, while still reflecting you as a brand. The Chinese customer wants high-impact content. Quality before quantity, mass impressions are not as relevant for China.

Don'ts:

Underestimate the importance of localized content. Do not use templates and uninteresting, boring content with bad visuals. In China, B2B and B2C use much the same strategies for their digital marketing.”

Triple Digit:

“For digital marketing, the most important factor to consider is to do campaigns that can be quantifiable. This means that you should be able to track and evaluate any digital marketing initiative you do in China. We have seen many cases where brands spend large budgets on campaigns based on what they are promised but afterwards produce bad outcomes. We would suggest spending around 20-30% of sales budget on digital marketing”.

Upcoming trends in digital marketing

NBH:

“China-specific webinars for B2B promoted through WeChat and other channels are getting more and more popular. Another trend is private domain groups on WeChat. Trending for B2C is for example livestreaming and Douyin campaigns, which drive visitors to sales channels for sales conversion.”

Triple Digit:

“Creating content and livestreaming on short video platforms such as Douyin. Working with innovative content creators with a large following on Douyin is a great way to create awareness of your brand. If the video goes viral the return on investment can be very high. Livestreaming is great because it translates into measurable direct sales which should be the ultimate outcome for all digital marketing campaigns”.

Opportunities and challenges for Swedish companies

NBH:

“One of the major challenges that we see is the lack of knowledge and comprehension about the digital landscape and online behaviors in China. The gap in knowledge among decision-makers makes it difficult to take the right actions and move forward with strategies for digital marketing.

For companies without a local team in China comes the challenge of dependency. Partners and distributors don't always do your brand justice.

The challenge that often comes with a local team is to align the global perspective with the demands and digital landscape of China. The China teams tend to live their own life, separated from the global brand.

Opportunities exist for those that can take advantage of the new digital trends with speed and correct actions. Those that can align global content and local resources.”

Triple Digit:

“Biggest challenge is to understand the local social media landscape. Due to lack of understanding from HQ side many good opportunities are missed due to ad hoc process in China vs Swedish long-term planning. China has an ecosystem that is very different from rest of the world and companies that manage to understand what the Chinese consumer likes can produce great results. There must be trust in the local Chinese team initiatives”.

Key strategies for brands to attract Chinese businesses and consumers

NBH:

“Being a global brand is not a clear benefit anymore. Chinese clients within all industries and markets are looking more and more at foreign companies with criticism. Therefore, it's even more important to show that you genuinely care about China. Stay localized and adopt a China-for-China approach. Companies should always have a tailored made strategy for digital marketing, clearly connected to support the growth and business objectives for China”.

Triple Digit:

“Brands need to understand what their target customer base in China is looking for. Many successful brands in China have done well because they are willing to adapt the marketing and products to fit Chinese consumer's taste. This is evident in the many collaborations international brands do with local Chinese brands”.



Views of the future

The Chinese economy and its prospects have been uncertain in recent years, causing many Swedish companies to reconsider their presence and operations in the country. Trade wars, decoupling, logistical issues, geopolitical tensions, and COVID-19 lockdowns have all contributed to a more unstable business climate than in previous periods. Nevertheless, China remains a crucial market for many Swedish companies. With COVID-19 restrictions ending, there appear to be brighter prospects in the short-term. Despite these challenges, the Chinese digital market continues to grow, providing numerous opportunities for Swedish companies seeking to break into the field or expand their business in the region.

While the COVID-19 outbreak has caused increased uncertainty and a slowdown in business activity, the situation has also spurred companies to become more innovative. New marketing tools are emerging, digital strategies are shifting, and companies are learning to do more with less. Despite the challenges, the pandemic has also provided an opportunity for the digital landscape to undergo an upgrade.

“Despite uncertainties and slower growth, the importance of digital marketing remains.


On the one hand it will push companies to be more creative in digital marketing, to reach good effect with a smaller budget, on the other hand, performance marketing will probably take a larger part in the budget. On the platforms’ side new marketing tools will emerge, the ones that are not working will be washed out. We might see an upgraded digital marketing landscape in China in the near future”. – **Airinum China**

“Many companies have more or less been forced to adapt their marketing strategy to China’s digital landscape. The main reason is China's Covid policy, but also local changes in consumer behaviours. We see this both within the B2C and B2B sectors.

The changing trends have affected traditional B2B companies the most. Traditional ways like events and business meetings have been cancelled due to the pandemic. Many companies now need to have a digital presence as their client base has adopted to online interactions. Not keeping up with the developments affects the company's image and opportunities to stay relevant. ”.

– **NBH**

The turmoil of the economy may have affected certain groups of people more than others, changing how people choose to shop. To appeal to a wider range of customers with varying levels of price sensitivity, it is important to offer a diverse pricing strategy. Sales festivals such as Double 11 can be a crucial strategy for businesses to capture more price sensitive and economically conscious customers. Additionally, during times of economic turmoil and changes in the digital landscape, it is more important than ever to focus on building customer loyalty. By prioritizing customer satisfaction and offering personalized experiences, businesses can retain customers and build long-term relationships. This is not only the case in China, but also on a global scale.



“The digital marketing spending will be the main driver for the sales conversion. Hence the budget level will be set based on the percentage of sales target. But since we just started the brand building in China, we will still have a positive strategy on the market growth with a relatively reasonable budget level for a short term and mid-term.

The challenging economic climate is of course impacting our customers across the globe. With challenges to disposable income, some consumers will postpone purchases while they wait for sales, or they may shift their purchase to more affordably priced alternatives. So, we need to consider how we can leverage important sales festivals such as Double 11.

We will look at our collection and overall product assortment to ensure we have products priced across a number of categories to ensure we can capture sales across price groups. We also will consider how we can protect customer loyalty”.

Happy Socks

“To navigate through the current phase of turmoil, we believe digital marketing could help us fill the information gap and understand each other better in terms of culture and technical solutions. We will increase our spending on digital marketing not just in China but also globally”.

PowerCell

Conclusion and key learnings

The Chinese market presents both challenges and opportunities for growth, making it an exciting yet complex space to operate in. With a constantly evolving digital landscape, companies must stay up-to-date with the latest trends and technologies. While the COVID-19 pandemic has added an extra layer of difficulty, it has also encouraged businesses to adapt and transform the digital landscape. The convergence of marketing and e-commerce has become increasingly evident and important in this market.

Due to the uniqueness of the Chinese digital landscape, Chinese consumers have different preferences and tastes than consumers in other markets. China is the most developed social commerce market in the world, with a high entertainment value. The fact that group buying has become a highly popular form of shopping among Chinese consumers is a prime example of this. There is also a growing demand for local brands, and being a global multinational company is not necessarily an advantage any longer. Western brands need to find a way to balance their brand strategy with Chinese elements to win over Chinese consumers. One way to connect with a local audience is by collaborating with KOLs and KOCs, creating entertaining and engaging content that can help businesses connect with Chinese consumers in a more authentic and meaningful way, which is essential for building trust and loyalty.

The trend of "New Retail", blending online and offline channels to enhance the shopping experience, has been widely embraced by consumers and has proven to be a game-changer for businesses. The trend of New Retail is not

just a passing fad but a fundamental shift in the way retail is done in China. Adopting this approach can help businesses stay ahead of the competition, meet customer expectations, and improve operational efficiency. For Swedish companies who seek to enter and grow in the Chinese market, a New Retail strategy can help boost consumer experience, and a smart way to implement the concept is to partner up with established platforms or already existing ventures.

In conclusion, understanding the digital landscape in China is crucial for businesses looking to succeed in this market. There is a wide range of popular Chinese platforms available to choose from, with entertainment and collaborations with KOLs and KOCs as key factors when developing a successful marketing approach. To succeed and maximize resources in this market, external assistance may be necessary to navigate the vastly different digital landscape and all the cultural nuances that differ from the West.

About the authors

Swedish Chamber of Commerce in China

The Swedish Chamber of Commerce (SwedCham China) is an independent member organization with 240 Swedish and Swedish-related member companies operating in China. Since the Chamber was founded in 1998, its main purpose has been to be the Information, Networking, and Facilitation Platform for the members. SwedCham China is a nationwide Chamber, with offices in Beijing and Shanghai.

Visit www.swedcham.cn for more information.



Empress Consulting

Empress Consulting is a Swedish-China based consultancy firm supporting brands who wants to enter and grow in the Chinese market. Empress Consulting educate companies about the market and local trends, perform market analysis and research as well providing consultancy and advisory services.

Visit www.empressconsulting.se for more information.

empress

References

1. <https://www.insiderintelligence.com/content/china-ecommerce-forecast-2022>
2. <https://www.statista.com/statistics/278417/number-of-internet-users-inchina/#:~:text=According%20to%20estimates%2C%20the%20Chinese,around%20307%20million%20in%2020>
3. <https://www.trade.gov/country-commercial-guides/china-ecommerce>
4. https://www.mckinsey.com/cn/~/_media/mckinsey/locations/asia/greater%20china/our%20insights/2023%20mckinsey%20china%20consumer%20report%20a%20time%20of%20resilience/2023%20mckinsey%20china%20consumer%20report%20en.pdf
5. <https://www.statista.com/statistics/255778/number-of-active-wechat-messenger-accounts/>
6. <https://daoinsights.com/news/cos-hosts-chengdu-inspired-teahouse-fashion-event/>
7. <https://www.statista.com/statistics/1061708/china-online-streaming-user-number/>
8. <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/its-showtime-how-live-commerce-is-transforming-the-shopping-experience>
9. <https://www.weekinchina.com/2019/11/from-kol-to-koc/>
10. <https://www.statista.com/statistics/1044676/china-leading-shopping-apps-monthly-active-users/>
11. <https://www.forbes.com/sites/deborahweinswig/2017/04/14/alibabas-new-retail-integrates-e-commerce-stores-logistics-is-this-the-next-gen-of-retail/?sh=5c19f76a767c>
12. <https://www.cnbc.com/2017/07/18/alibaba-hema-stores-blend-online-and-offline-retail.html>
13. [https://www.dezeen.com/2020/08/02/burberry-tencent-wechat-shop-shenzhen/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+dezeen+\(Dezeenfeed\)&](https://www.dezeen.com/2020/08/02/burberry-tencent-wechat-shop-shenzhen/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+dezeen+(Dezeenfeed)&)
14. <https://www.reuters.com/business/retail-consumer/chinas-luckin-plans-store-expansion-remains-committed-us-market-2022-08-09/>
15. <https://www.rocsearch.com/wp-content/uploads/Digital-Transformation-in-Retail.pdf>