

HD **Austrade chief warns SMEs missing out on “once in a millennium opportunity” in China**

BY by SmartCompany

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The general manager of growth and emerging markets at Austrade says SMEs need to wake up to the opportunities in China.

David Landers told SmartCompany Australian small businesses are in danger of missing out on a “once in a millennium opportunity”.

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The most recent numbers from the Australian Bureau of Statistics show 5638 Australian businesses exported to China in 2012-13 with a total value of \$77 million.

But Landers says there is huge untapped opportunity in e-commerce in China for Australian SMEs.

“This should be a key consideration for any business targeting what we call the ‘new Asian consumer’,” he says.

Austrade’s research identifies the new Asian consumer as wealthy, with income between \$20,000 and \$50,000 plus.

In China, 200 million people currently fit into this category with projections of 500 million by 2022.

“Beyond being wealthy, it is important to understand that they are aspirational and their primary concern is safety,” Landers says.

These consumers are increasingly shopping online. In 2014 there will be \$400 billion in online sales, while by 2020 online sales in China will reach about \$700 billion.

“The foundation on which e-commerce growth is happening in China is off a base of 632 million mobile internet users,” Landers says.

“There’s an incredible breadth and depth of a mobile subscription base in China.”

E-commerce in China has been growing at a rate of 120%, but Landers says it is only going to grow further as China still has half a billion citizens without internet access.

Landers points to recent successful pilot promotional programs by Austrade on Chinese online platforms Yihaodian and JD.com as indicating the appetite for Australian products in the market.

The Yihaodian promotion, held in December last year, featured more than 400 Australian products, including established brands such as Devondale, Blackmores and Leggo’s, and brands new to China, including Beechworth Honey, Cripps Newbake and Jonesy’s Farm Milk with sales revenue over the 25 days of RNB 10.9 million (\$2 million).

Landers acknowledges entering the Chinese market is a daunting prospect for many SMEs but emphasises the assistance available through Austrade.

“It does look daunting, it looks like you are standing at the foot of a very steep icy mountain with lots of dangerous craggy bits, the important thing is to take that first step,” he says.

“The challenge makes the opportunity. It is not insurmountable.”

Landers tips for SMEs looking to tap into **China**'s e-commerce market are:

1. Choose your e-commerce model carefully

Some e-commerce players bundle up e-commerce with their offering such as JD.com whereas Alibaba offers an unbundled option.

"You have to make a choice about which e-commerce model to deal with," Landers says.

2. Have an offline strategy as well

Landers says businesses need to have an online and offline strategy in **China** as so many consumers do not have internet access.

"How does e-commerce fit within your overall strategy?" he says. "It's unlikely e-commerce alone will build you a sustainable **business** in **China**."

3. Get on top of logistics and compliance

Logistics and compliance for exporting to **China** can often act as a barrier for SMEs, according to Landers.

He says businesses need to consider import licences, quality testing and inspections, **China** compliant labelling, regulatory approvals, handling inbound shipping and returns.

"You have to have the ability to be a reliable source for your own product and prove to the online provider you are working with that if people **buy** online there is going to be a product there to deliver," Landers says.

4. Adapt your product to the market

Landers says SMEs need to be prepared to adapt their product to the **Chinese** market.

"This includes labelling, how to promote it in the **Chinese** market in a way that will appeal to the aspirations of the online consumer," he says.

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