Fresh Fruit E-Commerce in China

A market research report for local agri-businesses in Cambodia, Lao PDR, and Vietnam

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Note on research methodology: The information presented in this report was gathered through a combination of interviews (with e-commerce company employees, fresh fruit traders and other members of the industry, and government officials), as well as extensive desk research consisting of reviews of existing industry research reports, official statistics and media reports. Some statistics cited herein were compiled by private research firms using proprietary databases and research methods which cannot be independently verified.

Note on currency conversions: USD 1 = RMB 6.7 ( Rounded InforEuro exchange rate for November 2020. USD is written as $ within the report.)
Foreword

In 2017 the Chinese Ministry of Commerce (MofCom) and the German Federal Ministry for Economic Cooperation and Development (BMZ) jointly established the Sino-German Center for Sustainable Development (CSD). It serves as a platform for both partners to work together regionally and globally for the benefit of third countries and foster sustainable development. In Asia, Germany works with China through regional networks to promote sustainable economic development. Emphasis is put on supporting smaller neighbouring countries of China in the fields of agricultural trade as well as textile and garment investment and production. Technical assistance is given to third countries through means of capacity development, knowledge sharing, and promotion of sustainability standards.

The BMZ project “Support of Regional Economic Cooperation in Asia (SRECA)” implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is part of the approach established by the CSD. SRECA works with four selected focus countries – Cambodia, Lao PDR and Vietnam in the framework of the ASEAN-China Free Trade Area (ACFTA), and Mongolia in the framework of the Greater Tumen Initiative (GTI) – together with the PR China as both, an economic and development partner. The project aims to improve the conditions for agricultural trade in the four focus countries. To effectively implement its measures, SRECA cooperates closely with its respective partners in the four focus countries. The project supports public stakeholders at the regional, national, and provincial level and gives direct capacity building to export-oriented business associations and small and medium enterprises in the field of agricultural trade.

MZ Marketing Communications (MZMC) is a full-service marketing, communications, and public relations firm specialized in China market development for imported agricultural products. It is also the owner and operator of Produce Report, one of the leading trade media for fresh produce industry professionals with a focus on China. MZMC provides expertise, resources, and talent to achieve highly impactful consumer and industry-targeted marketing campaigns. The multilingual team of Chinese and international experts brings together insight and experience from multiple disciplines including marketing, trade, economics, and journalism. This allows for designing and implementing creative, evidence-based market strategies based upon rigorous research and analysis.

The market research report for local agri-businesses in Cambodia, Lao PDR, and Vietnam regarding fresh fruit electronic commerce (e-commerce) in China intends to broaden the options for fresh fruit exporters from the three countries. While introducing the vast e-commerce landscape for fresh fruits in China it also gives advice on regulations, respective e-commerce actors, distribution and logistics channels as well as e-commerce payment services. As the e-commerce market in China grows extremely fast, so do digital solutions for trade and financial transfers. They offer new opportunities but also new challenges to smaller neighbouring countries wanting to access the Chinese agricultural market. The report serves as a first introduction into the topic of fresh fruit e-commerce and will be utilised by the SRECA project and its partners with earlier market access studies and specific product export guidelines for capacity building of local small and medium sized enterprises within the agricultural export sector in Cambodia, Lao PDR and Vietnam. Additionally, the developments in e-commerce in China can be used as examples for further development of the national fresh fruit e-commerce markets in the three countries as well as other Southeast Asian countries.
1 Executive Summary

The fresh goods e-commerce transaction volume in China was projected to reach RMB 404 billion ($60.3 billion) per year in 2020. The growth rate of fresh goods e-commerce in China has in recent years outpaced the overall growth rate of e-commerce. Chinese consumers are not only buying more fresh fruit and other fresh goods by e-commerce, but also are dedicating a higher ratio of their online expenditures to these products. With China's fresh goods e-commerce transaction volume projected to exceed RMB 800 billion ($119.4 billion) by 2023, the share of both China's domestic fruit production and its fresh fruit imports sold by e-commerce is set to continue growing in coming years.

When it comes to importing fresh fruits, compared to normal import channels, cross-border e-commerce is more complex and does not offer lower compliance standards regarding regulations. In the case of fruit originating from Southeast Asia, cross-border e-commerce also does not offer substantial tariff and tax savings. Cross-border e-commerce is thus not widely used as a direct importing channel for fresh fruit in general and especially fresh fruit from countries that are part of the ASEAN-China Free Trade Area (ACFTA).

Furthermore, e-commerce operators in China are more likely than offline retailers to comply with regulations that require fresh fruit to have documentation showing it was imported by standard import channels as opposed to border citizen trade. Thus, normal trade is the preferred import method for fresh fruit bound for e-commerce sales channels. For fresh fruit that has been imported to China by legitimate means, e-commerce then offers a multitude of opportunities to distribute and sell the fruits nationwide.

Much of China's coming growth in fresh fruit e-commerce will not be in the form of “traditional” e-commerce in which parcels are mailed to consumers from distant warehouses and can take several days to arrive. Instead, it will come in the form of “New Retail,” which melds together smartphone-based online ordering and payment technologies with geographically dispersed offline inventories and on-demand delivery services, allowing for delivery of fresh fruit and other groceries to consumers as quickly as 30 minutes after ordering.

Chinese technology giants like Alibaba, JD.com and Tencent and major national retail chains like Yonghui and Walmart have invested heavily to lure customers away from traditional wet markets, neighbourhood fruit shops and offline supermarkets and into their various New Retail channels. The fresh goods e-commerce sector is in a period of fierce competition, with new start-ups backed by venture capital funds, retailers, and tech companies frequently entering the marketplace.

Many international government export promotion agencies, industry associations and fruit brands have cooperated with e-commerce companies to advertise and otherwise promote their fresh fruit brands and products to consumers in China. These e-commerce companies tend to be highly organized and approach sales and marketing in a structured and planned manner. Engagement with and promotion via e-commerce channels should be planned far in advance.

In addition to introducing the broader fresh fruit e-commerce landscape in China, this report also examines the performance in e-commerce channels of eight specific fruits: banana, dragon fruit, durian, jackfruit, longan, lychee, mango, and watermelon.

Producers and exporters in Cambodia, Vietnam, and Laos of the eight relevant fruits might consider the following recommendations to increase sales and raise profits for their products in e-commerce channels in China:

- Reduce dependence on non-standard import methods, as e-commerce channels are more likely to be stringent about the legal status of imported fresh fruits sold therein.
  - In many cases, this means relevant government bodies will need to push for formal market access to China for more types of fruit.
- Governments and industry associations should actively and consistently engage with their counterparts in China's government and with Chinese e-commerce retailers.
- Invest in upgrading fruit varieties in response to consumer trends in China.
- Invest in upgrading cultivation methods, postharvest treatment, and packaging.
- Improve fruit product standardization and grading, which is especially important for e-commerce channels because those channels often sell by a uniform weight and customers cannot see or touch the product before they buy.
2 An Overview of Fresh Goods E-Commerce in China

Online sales of fresh goods, a category which includes fresh fruit, have grown from almost nothing in 2007 to now reach hundreds of billions of RMB per year. China’s market for fresh goods e-commerce grew at a rate of between 36 and 116% per year from 2015 through 2019, outpacing the growth rate of e-commerce in general. The market size of fresh goods e-commerce in China reached RMB 279.62 billion ($41.73 billion) in 2019.

The market for fresh goods e-commerce appears far from reaching saturation and to be capable of supporting substantial future growth: only 3.6% of China’s population is estimated to regularly buy fresh goods via e-commerce. Furthermore, despite rapid growth in recent years, the fresh goods category is believed to only account for less than 4% of China’s total e-commerce retail sales. It is estimated that the market size of fresh goods e-commerce in China exceeded RMB 400 billion ($59.7 billion) in 2020 and will further double to above 800 billion ($119.4 billion) by 2023.

In 2020, e-commerce channels—especially various types of fresh goods home delivery services—reported that the global Covid-19 pandemic spurred more consumers in China to try purchasing fresh produce online, and at least some of that increase in sales remained even as day-to-day life in China mostly returned to normal upon successful control of the pandemic domestically.

History of China’s Fresh Fruit E-Commerce Development

Looking today at the sophistication of Chinese tech companies and the size and rapid development of the e-commerce market in China, it can be easy to forget that e-commerce of any sort was largely non-existent in China before the year 2000, and was still rare by 2008, when it made up only 1.1% of total retail transactions (in 2019, the ratio had increased to 25%). One factor behind the early slow development of e-commerce in China was lack of internet access for much of the population well into the early 2000s. For example, in 2008 with approximately 300 million internet uses, less than a quarter of China’s population was online, with only just over 1/3 of those internet users having access to mobile internet. By 2020, China’s number of internet users had reached above 900 million, with a mobile internet penetration rate of more than 99%.

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1 This percentage is based on a comparison of data from two different sources: “China Online Retail Sales Volume” (中国网上零售额), Ministry of Commerce, 2019; and “China Fresh Goods E-commerce Market Transactions Size” (生鲜电商市场交易规模), iResearch, 2020.
• Early Period

China’s pioneering and most famous domestic e-commerce platform, Alibaba Group’s Taobao, was not launched until 2003 and was not used for selling fresh fruit or other fresh goods during its early years. From 2005 to 2012 some early players in fresh fruit e-commerce entered the market. These included Shanghai-based Yiguo, which was founded in 2005 and claimed to be China’s first fresh goods e-commerce company. Yiguo was later invested in by e-commerce giant Alibaba. Another early player was Fruitday, which was founded in 2009 and later received significant investment from another e-commerce giant, JD.com. State-owned agribusiness enterprise COFCO also got involved in 2009 with the launch of its Womai.com grocery e-commerce website.

Before 2012, mobile internet and electronic payments in China were still in their infancy. Therefore, much of this early stage of fresh goods e-commerce development was focused on traditional e-commerce, employing websites for customers to shop using their PCs. The year 2012 then roughly marked the beginning of a multi-year period of accelerated growth in both smartphone ownership and mobile internet penetration in China.

• Maturing and Going Mainstream

As China became an increasingly online and mobile-first society after 2012, fresh goods e-commerce transactions rose steadily. Inside of that growth, two trends were unfolding:

The first trend was the continued development and entrance into the consumer mainstream of fresh goods traditional e-commerce, which was accelerated by increasing investment and attention from China’s e-commerce and tech giants. In 2012, a new traditional business-to-consumer (B2C) e-commerce service called Benlai.com launched and achieved rapid growth. The same year, leading express shipping and logistics company S.F. Express launched its own B2C fresh goods brand, SFBest.com. Also in 2012, Walmart acquired a 51% stake in early grocery e-commerce entrant Yihaodian on the way to eventually acquiring the entire company.

Alibaba’s Tmall traditional e-commerce platform set a new precedent for fresh fruits e-commerce when it ran a promotion for fresh US sweet cherries in 2012. This promotion was widely covered in Chinese media and helped accustom wary consumers to the idea of buying fresh fruit online. Chinese fruit traders furthermore saw that fresh fruit e-commerce could in some cases be more profitable than other forms of retail due to containing fewer intermediary sales links.

Also in 2012, JD.com launched a fresh channel for consolidated browsing of products offered by fresh goods sellers on its platform. In 2013, JD.com followed up its fresh channel by announcing it would launch its own fresh division, JD Fresh, getting into the business of stocking and self-fulfilling e-commerce orders for fresh goods. In 2014, Alibaba’s Tmall launched its own fresh goods vendor channel called Miao Xiansheng.

During this period, in addition to developing their own fresh goods e-commerce products, big tech companies were also making significant investments in outside companies involved in this space. For example, starting in 2013, Alibaba participated in four rounds of investment in Yiguo, a company with expertise in fresh fruit e-commerce. This investment culminated in 2017 with a $300 million round of investment with Alibaba as lead investor. JD.com announced in 2015 a plan to invest RMB 10 billion over three years in a nationwide cold chain distribution network as well as a $70 million investment in Fruitday.

• The Rise of “New Retail”

At the same time fresh goods traditional e-commerce was entering a mature stage under increasing investment and competition between tech giants, technological development and newly emerging companies were setting the stage for the

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2 Traditional e-commerce refers to online sales where the order is shipped to the customer by express courier, which can take multiple days to arrive. For more discussion about this and other e-commerce sales models, see section 3 of this report.
rise of “New Retail” as the next driver of growth for fresh goods e-commerce in China (see next section for a definition and examples of New Retail).

In 2013, Alibaba upgraded its digital wallet, Alipay, to allow consumers to use it for making payments in offline stores, and Tencent launched its WeChat Pay digital wallet. These payment services, which allow for fast and convenient payment by mobile phone, have been key to the development of new smartphone-based e-commerce apps with low transaction friction.

New tech companies operating in other sectors were also emerging during this period. On-demand ride hailing service Didi entered the market in 2012 and Meituan’s “Waimai” food delivery platform launched in 2013. These services spurred the deployment of digital technologies (delivery route creation and optimization algorithms, big data analysis, etc.) at the heart of grocery e-commerce services operating in China today under the category of New Retail.

3 China E-Commerce Models for Fresh Goods

China’s contemporary e-commerce ecosystem is very complex, particularly the fast-growing and fast-evolving fresh goods e-commerce segment. A multitude of companies, brands and products simultaneously compete in some endeavours and cooperate in others. The major technology companies have their ‘fingers in many pies,’ with various divisions and investees operating under different e-commerce models.

Amidst this confusing landscape it is helpful to examine where the fresh product being transacted starts its journey to the consumer. Viewed from this perspective, fresh fruit e-commerce in China can be roughly grouped into the following business models:

- Traditional e-commerce
- New Retail
  - Home delivery
    - Platform-based grocery delivery
    - Online-to-Offline (O2O)
    - Forward warehouse-based grocery delivery
  - Community pickup station

These models are introduced in detail in the following sections:

Traditional E-Commerce Model

Centralized warehousing for each seller, with fulfilment by express courier and little to no interplay with brick and mortar retail.

**Examples:** Taobao/Tmall (Alibaba Group), JD.com, Pinduoduo

**Strengths/Advantages**
- Delivery area covers virtually all of China
- Massive choice of sellers and stock keeping units (SKUs) for consumers

**Weaknesses/Disadvantages**
- Slow delivery time
- High packaging/shipping costs
- High potential for damage/spoilage
In “traditional” e-commerce, orders are shipped to customers via express courier, which can reach almost any consumer anywhere in China. In most cases, every traditional e-commerce parcel for a particular product is shipped from a single fulfilment centre, regardless of the location of the end consumer. Delivery times can range from one to several days depending on the place of shipment and place of receipt.

Traditional e-commerce comes in a few different flavours. One type is self-fulfilment—in which the operator of the e-commerce channel also lists and sells products to the end user. The other type is the platform (or “marketplace”), where the e-commerce operator provides a means for third-party companies to establish a digital storefront to sell products. In practice, many traditional e-commerce channels in China are hybrids, with both self-fulfilled and third-party products presented to the consumer alongside each other.

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3 JD.com, which has at least 11 regional fulfilment centres for its self-operated fresh goods, is a notable exception.
Taobao/Tmall, the JD.com marketplace and Pinduoduo are the dominant traditional e-commerce platforms in China. Hundreds of sellers specializing in fresh fruit have opened shops on these platforms. Generally, the fresh fruit sellers with the highest sales volumes sell a wide range of different types of fruit, mostly of domestic origin. There are also many smaller shops focused on more specific categories or types of fruit, such as apples from one of China’s major domestic growing regions or imported Vietnamese fruit like jackfruit and mangos. In addition to fruits sold over its platform, the JD Fresh division of JD.com also offers self-fulfilled fresh fruits managed by JD.com itself.

The volume and diversity of sellers on traditional e-commerce platforms translates into a huge amount of choice for the consumer. Practically any type of fruit can be found for sale by traditional e-commerce and a given platform may have thousands of stock keeping units (SKUs) for a given fruit species. Price and quality vary widely. Consumers therefore need to pay careful attention to factors like the seller location and rating, customer reviews, and the express courier provider and shipping cost.

Most of the drawbacks of traditional e-commerce as a means of selling fresh fruit are due to its fundamental reliance on express courier shipping, which typically has multiday delivery times. Packages may be subject to extremely rough handling during shipping. Most parcels are shipped outside the cold chain, although sellers occasionally try to compensate by using insulated packaging and/or cold packs. During peak shipping times, such as major e-commerce sales promotions, high package volume can slow down shipping and leave packages of fresh fruit sitting for days in warehouses or on trucks.

Some sellers may address issues like rough handling and lack of temperature control by shipping highly underripe fruit, which could also leave the consumer unsatisfied with his or her purchase.

Due to the aforementioned obstacles to quality, sellers on traditional e-commerce platforms specializing in fresh fruit have lower average customer feedback scores compared to the overall food and health products category.4

Traditional e-commerce of fresh fruit in China tends to have low fixed costs, but high costs and low profit margins on each order compared to the models discussed in subsequent sections of this report. The average cost of shipping a package via express courier is higher than the local delivery services used in “New Retail” models outlined in the next section—perhaps around 2.5 times the cost on average. Packaging costs are also high due to the need for a sturdy cardboard box and protective materials such as air bags, styrofoam, bubble wrap, and foam netting.5

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4 This is partially a subjective assessment by the researchers based on years of experience examining fresh fruit e-commerce product listings. Additionally, a search was conducted for “fresh fruit” on the Taobao platform. The top results were filtered to select the first 10 shops specializing in fruit (as opposed to merely selling some fresh fruit among other food items). Each of the shops had a below average score for the metric of “product received matches product described.” Nine of 10 shops had below average scores for customer service. And eight out of 10 stores had below average scores for shipping/logistics.

5 Aside from cost, the conspicuous use of large volumes of packaging materials in traditional e-commerce of fresh fruit may become a liability in the future as consumers in China continue to develop more awareness of environmental sustainability issues.
Traditional e-commerce is a popular sales model among Chinese domestic fruit producers. During the peak of their production season, they can use e-commerce to sell directly to consumers and ship straight from the orchard or packing house to customers’ doorsteps. This cuts out middlemen at exactly the time when supply is the largest and downward price pressure the highest, thus raising profit margins (or cutting losses if it’s a tough season) and easing oversupply problems. Major platforms like Taobao/Tmall and JD.com support this model of “farm to consumer” sales by allowing for pre-ordering of products, which can help farmers plan their harvest and have buyers lined up ahead of time.

For fruits which have significant China domestic plantation, during certain times of the year, imported fruits may be competing on traditional e-commerce against domestic fruits being offered directly by farmers at very low prices. Examples of these species include mangos, dragon fruit, watermelon, lychee, and longan.

During the early development of fresh goods e-commerce in China, some companies sprang up specifically dedicated to traditional e-commerce of fresh fruit and/or groceries which operated their own e-commerce sales channels, such as websites and, eventually, apps. Most of these companies eventually failed, pivoted to other business or were subsumed by Chinese tech giants who were trying to build out their own fresh goods e-commerce capabilities. By 2020, traditional e-commerce of fresh fruit is mostly or completely controlled by a handful of large comprehensive e-commerce platforms.

Due to the nationwide reach of express shipping, traditional e-commerce is still the only means of purchasing fresh fruit online that is available to residents of some smaller cities and many rural areas. Due to this and the wide selection of SKUs available to consumers, sales of fresh fruit by traditional e-commerce are expected to continue to grow in the future, although at a slower pace compared to newer e-commerce models. The “New Retail” models discussed in the next sub-section of this report are on the verge of overtaking traditional e-commerce in terms of fresh fruit sales volume. New Retail models will be drivers of growth in fresh fruit e-commerce moving forward.
Foreign Fruit Brands and National Stores on Traditional E-commerce

Some brands such as Zespri, Sunkist and Dole have opened “flagship” stores on Tmall or JD.com, as have some countries, like Chile and Thailand. These stores are usually operated by local partners. For example, the Zespri Tmall store is run by Pagoda, China’s largest chain fruit shop. Meanwhile, the Chile Food Flagship Store on Tmall is operated by Guangzhou Zhanhui, a prominent importer. Flagship stores on traditional e-commerce platforms can generate marketing exposure, but may also require a significant investment. Furthermore, due to usually having a relatively limited selection of products, their sales volume and search results visibility is often low. Organizations should carefully weigh costs, benefits and return on investment if considering launching such a store.

Fresh Fruit Cross Border E-Commerce

For the purposes of this report, “cross border-e-commerce” refers not to the sale by e-commerce of imported goods, but to a specific kind of traditional e-commerce which is covered by specific Chinese regulations. For reasons of added complexity and insufficient cost savings as explained in more detail below, cross border e-commerce of fresh fruit is uncommon in China and unheard of for fruits originating from Southeast Asia. Rather, fresh fruits are typically imported through traditional means and then e-commerce channels are used to sell and distribute the fruits once they are inside of China.

A key feature of cross border e-commerce in China is that the transaction itself is considered to span across China’s border and therefore import tariffs and other taxes are assessed at the level of individual customers’ orders. Furthermore, under Chinese customs regulations, items imported into China as part of a cross border e-commerce transaction may be eligible for reduced tariff and tax compared to the standard rates that would apply if the same product was imported in bulk.

In the case of many types of non-fruit products, cross border e-commerce orders can be shipped directly from other countries to consumers in China. But this is not permitted for fresh fruit. Therefore, in the context of fresh fruit in China, the term “cross border e-commerce” is even more specific than for other products: it refers to a method of sale and import in which a bulk shipment of fresh fruit is brought from another country into a bonded trading area within China to be sold by e-commerce. It is then broken up, repackaged, and shipped directly to individual consumers from within the bonded trading area. In China, this model is sometimes called “1210”, which is a reference to the customs regulation governing it.
Under “1210” cross border e-commerce, tariff may be exempted for individual transactions of up to RMB 5,000, with a cumulative transaction limit of RMB 26,000 per person per year. Value-added tax (VAT) is also discounted by 30% for products imported and sold in this manner (currently the standard VAT for fruit is 9%, so the adjusted VAT would be 6.3%). Some e-commerce platforms have built-in support for sales of goods via cross-border e-commerce and tools to help sellers with the collecting of buyers’ personal information required to verify tariff reduction eligibility and comply with customs regulations.

In practice, this “1210” cross-border e-commerce is rarely used in China for selling fresh fruit—especially fruit from Southeast Asian countries, which already enjoy zero tariff under the ASEAN-China Free Trade Area. The VAT savings typically cannot be justified by the added complexity and cost of storing the product in a bonded warehouse and complying with complex customs regulations. Additionally, most free trade zones and bonded warehouses lack specialized facilities for handling and repackaging fresh fruit.

Rare instances of fresh fruit cross-border e-commerce in China include United States cherries, which have in recent years sometimes been imported and sold to consumers via cross-border e-commerce due to the substantial tariff savings. These imports have historically taken place at free trade zones in Shanghai or nearby cities.

Pingxiang, home to several border crossings with Vietnam and a major entry point to China for fresh fruit from Vietnam, Thailand, Cambodia, and Laos, has recently been selected as the site of a cross-border e-commerce pilot zone. While fresh fruit cross-border e-commerce will theoretically be possible in this zone, there are no plans to build facilities specifically tailored to fruit or other fresh goods. Therefore, for the reasons outlined above, it seems unlikely that Pingxiang will develop into a centre for fresh fruit cross-border e-commerce in the near-term.

New Retail E-Commerce Models

The term “New Retail” is a direct translation of a Chinese term (新零售) popularized by Alibaba founder Jack Ma starting in 2016. The term describes the increasing integration between online and offline retail channels. Leading Chinese tech companies like Alibaba, JD and Tencent have been pouring much investment in recent years into various initiatives that fall under the umbrella of New Retail.

Some concepts that are labelled herein as New Retail, such as a supermarket providing grocery delivery to customers’ homes, are not new and are not inherently reliant on internet technology. But in modern China these sorts of business models and services have been implemented in such a way as to be inseparable from modern technologies such as the internet, smartphones, product recommendation algorithms, and electronic payment wallets.

One key feature of New Retail is the emphasis on delivery to consumers’ doorsteps—or at least to within a short walking distance of their home. Even before the Covid-19 pandemic gave consumers an extra shove toward eschewing the traditional wet market or grocery store in favour of delivery, these models of fresh goods sales were growing in the double to triple digits between 2018 and 2019.
• Fresh Groceries Home Delivery

Same-day home delivery of fresh goods can be divided into two broad categories: 1) store-as-warehouse, in which the inventory of a brick and mortar store is used to fulfil the order, and 2) forward warehouse, in which a small, local warehouse or other non-retail facility is used.

The store-as-warehouse category can be further divided into the platform-based grocery delivery model and the Online-to-Offline (O2O) model. The major difference between these two models is the level of vertical integration in the process of sales and fulfilment. In O2O channels like Alibaba’s Hema Fresh, the entire ordering and fulfilment experience is integrated: customers order using a Hema (or other Alibaba-owned) app, the product comes from a Hema supermarket, and is delivered by a Hema delivery driver. In the case of a grocery delivery platform such as JD Daojia, the app to place the order and driver to deliver it are provided by JD Daojia, but the actual product comes from a third-party brick and mortar retailer (e.g. a major supermarket like Yonghui, or perhaps a small, independent fruit shop).

Store-as-warehouse home delivery e-commerce retailers typically depend on high-rent commercial properties for their offline retail spaces. This means that businesses operating in home delivery platform and O2O models tend to have the highest fixed costs among fresh goods e-commerce sellers.

The fast growth in China of home delivery via e-commerce for groceries and other daily necessities has contributed to a trend toward smaller supermarkets. Smaller supermarkets mean the retailer can open more stores, reducing the average distance to consumers and therefore being able to offer home delivery to more of them. The growing importance of delivery has also accelerated a trend of slowing growth of new hypermarket outlets by major international and domestic grocery retailers, which increasingly favour smaller format supermarkets when opening new stores.

The cost of packaging fresh fruit for home delivery e-commerce is less than traditional e-commerce due to fewer packaging materials being needed. Additionally, the cost of local delivery in China is typically less than half of delivery by express courier.
○ **Platform-Based Grocery Home Delivery**

“Store-as-warehouse” with orders placed online (mostly by smartphone app) and fulfilled from a brick and mortar store's inventory. Delivery is same day and often within one hour. Usually the brick and mortar retailer is a separate entity from the company providing the online platform and delivery.

**Examples:** Dmall, JD Daojia

**Strengths/Advantages**

- Fast and convenient delivery for consumers from retailers they know and trust
- New revenue stream for brick and mortar retailers
- Packaging and delivery are cheaper compared to traditional e-commerce

**Weaknesses/Disadvantages**

- Retailer has no control over the customer ordering experience and, in most cases, delivery
- Platform operator has little control over quality of the product delivered to customers
- High fixed costs due to using brick and mortar retail stores as the ‘warehouse’ for orders

“No lines, no groceries to carry, it’s cheap and convenient. Just order with Dmall and it will be delivered to your door,” extols a video on the Dmall website.
Platform-based delivery services allow brick and mortar retailers to list part of or all of their inventory on an app for consumers to order and have delivered to their homes. The leaders in this category are Dmall and Dada Nexus—with the latter operating its grocery delivery platform under the brand JD Daojia. Dmall is closely aligned with offline hypermarket chain Wumart, while Dada Nexus is partly owned by JD.com and partly owned by Walmart. There are also other grocery delivery platforms in the market, operated by tech companies including Meituan-Dianping and Alibaba.

Under the platform-based grocery home delivery model, orders are picked by the retailers’ staff, sometimes directly from shelves, and sometimes from a purpose-built delivery order picking station within the larger retail facility. Once the order is prepared, a delivery person (usually a driver on an electric scooter) contracted by the platform picks up the order and takes it to the customer’s home.

Typically, in order to control delivery costs and to be able to offer a speedy delivery time, these platforms only offer to deliver to customers within a specified range of the retailer from which the order will be fulfilled: for example, customers living within a 3 kilometre or a 5 kilometre radius, with promised delivery times of within 30 minutes to within a few hours, depending on the city and the platform.
A display case at an outlet of the Pagoda nationwide chain of fruit stores. The inventory of these stores is typically listed on at least one home delivery platform, and sometimes several. Photo: M.Z. Marketing Communications

Although specific figures are not available, there is anecdotal evidence that these home delivery platforms are an important channel for premium imported fruits. This is due to the ubiquitous presence of large fruit-specialist chain retailers like Pagoda, Xianfeng or Shouyang on all the major platforms. Fruit chains stores have become major sales channels for some importers of premium fresh fruit. Some of these chains have thousands of branches across China, and they tend to stock a high ratio of imported fruit. It can therefore be assumed that a significant amount of imported fruit is reaching consumers via home delivery platforms.

Online-to-Offline (O2O)

“Store-as-warehouse” with same-day delivery (sometimes within 30 minutes). A single company controls the inventory, ordering and delivery, with an integrated online and offline experience. Online elements such as mobile apps also drive offline traffic.

Examples: Hema Fresh, 7Fresh, Yonghui Super Species

Strengths/Advantages

• Fast and convenient delivery for consumers
• Packaging and delivery cheaper compared to traditional e-commerce
• The retailer controls most to all aspects of the consumer experience, both online and offline
Weaknesses/Disadvantages

- High fixed costs due to using brick and mortar retail stores as the ‘warehouse’ for orders
- Fewer products for consumers to choose from and less opportunity for comparison shopping compared to a platform-based model

Online-to-offline (O2O) is a store-as-warehouse retail model that strongly emphasizes e-commerce and home grocery delivery. The primary example of O2O is Hema Fresh (officially named Freshippo) from Alibaba. JD.com also has a smaller competing O2O supermarket called 7Fresh.

O2O is differentiated from other grocery delivery e-commerce models by the following characteristics:

- A highly integrated online and offline experience: typically, a single company owns and operates the offline retail space and also controls the e-commerce ecosystem that customers use for ordering, such as the Hema app. That same company may also deliver the order with its own drivers and operate the electronic payment systems used to make the purchase (such as Alibaba’s Alipay digital wallet).
  - This integration extends beyond the customer experience and into the core of how the business is run, which is essentially as a technology product: For example, Hema has developed an ERP system covering the whole process from receiving the order, to picking the order, to delivery. The system includes logistics, quality inspection and big data.
- Two-way interplay between online and offline: not only is a Hema Fresh store used to fulfilling customer’s online orders, but its app also may present offers to customers to entice them to visit the store in person to get special deals or make use of features like the in-store food court or beer bar.
- Omnichannel: Customers are also given the opportunity to order from Hema supermarkets from within Alibaba’s Taobao app. Fresh fruits stored in Hema’s distribution centres are also offered on Alibaba’s Kaola, which is a traditional e-commerce service.
Other than Hema and 7Fresh, other companies such as hypermarket chains like Yonghui (backed by technology giant Tencent) and Walmart have also developed their own “O2O” projects, but none of them have grown as quickly or gained as widespread recognition in China as Hema. Furthermore, O2O is something of a buzzword in China. In reality, technological advances are constantly allowing deeper integration between online and offline channels and it can be ambiguous what sort of channel does or does not count as O2O.

○ Forward Warehouse Model

Dispersed warehousing and fulfilment from small, low-SKU warehouses located in high-density urban areas. Delivery is same-day, often within one hour. Forward-warehouses are not traditional retail stores and customers cannot visit them for in-store shopping.

Examples: Miss Fresh, Dingdong Maicai

Strengths/Advantages

- Speedy delivery
- Forward warehouses require less upfront investment to open compared to a traditional retail store
- Usually, the operator controls all elements of procurement, ordering and delivery

Weaknesses/Disadvantages

- Relatively low selection for consumers
- Higher fixed costs compared to traditional e-commerce (though still less than platform-based home delivery or O2O)
- Entirely dependent on online orders with no in-store revenue, and therefore requires high number of daily online orders to be profitable

The forward warehouse model is built around offering home delivery of daily groceries—with fresh goods at the core, but also offering dry goods. It uses a relatively low inventory of two to three thousand stock keeping units (SKUs) and aims to deliver orders to customers very quickly—usually within one hour and sometimes within 30 minutes—from small neighbourhood fulfilment centres located within approximately a 3 kilometre radius of the customer. These ‘forward warehouses’ lie at the heart of the business model of companies like Miss Fresh and Dingdong Maicai.

Forward warehouses are not traditional retail stores and customers cannot go to them in-person to buy goods. The term forward warehouse is translated somewhat directly from the Chinese industry term ‘前置仓.’ There is not a widely agreed upon standard English translation of the term, and translations like ‘mini warehouse,’ ‘front warehouse,’ and ‘micro-fulfilment centre’ are also used.

A forward warehouse is entirely dependent on online orders to generate profit, which means it needs a large number of online orders every day compared to a store-as-warehouse retailer, which also has a revenue stream from offline retail customers. Furthermore, with a major selling point of the forward warehouse model being the speed of delivery, there is a need for a high density of warehouses so that the average distance from customers can be short. For now, some of the companies operating in this model are believed to be unprofitable due to not yet having achieved necessary economies of scale.
Community Pickup Station Model

Online orders for fresh goods and other daily groceries are delivered to pickup points nearby consumers’ homes for the consumers to fetch themselves. Typically, orders are delivered to the pickup station once daily. The pickup station is usually located within another local business, such as a convenience store or express courier parcel depot.

Example: Xingsheng Selected

Strengths/Advantages

- Low investment and high speed of expansion
- Low prices are a draw for consumers in lower tiered cities

Weaknesses/Disadvantages

- Limited inventory and stock (items sell out frequently)
- Limited delivery times (not on-demand)
- Low control over customer experience at the pickup point

One of the fastest growing forms of fresh goods e-commerce. In Chinese industry jargon this model is often called “community group-buy model” (社区拼团模式), but there is actually not typically a group-buying element involved. This business model sacrifices some of the speed and convenience enjoyed by customers of other grocery home delivery models in favour of low investment, low fixed costs, and the ability to expand quickly.

Businesses operating under this model generally recruit small, local businesses such as convenience stores, small restaurants, or parcel delivery depots to act as pickup stations for groceries that consumers living in nearby apartment complexes order online. The customers then pick up their orders themselves (such as on their way home from work) rather than the order being delivered to their door.
The low up-front investment, generally low costs and speed of adding a new pickup point to the network have led to rapid expansion of companies like Xingsheng Selected of Changsha, Hunan—especially in third and fourth tier cities where consumers are more price-conscious and therefore may be more willing to trade longer delivery wait times of up to a day in exchange for lower prices.

Community pickup e-commerce companies have been known to aggressively pursue one-time purchases of large quantities of a particular fresh fruit, such as bananas from Laos, at a low price. They then heavily promote these to their customers while passing on the low price. After selling out of the product, they might not repeat the purchase if the price does not remain low.

Although neighbourhood pickup is a fast-growing model and has attracted investment from private equity firms and tech giants like Tencent, it is also quite new, and it remains to be seen if it can be sustainable and profitable in the long term.

- **Pickup Boxes**

Another flavour of community pickup e-commerce is refrigerated self-pickup boxes, a method which also saves costs and delivers orders to nearby customers’ homes—but not all the way to their doorstep. One such company, Shixing Shengxian (食行生鲜), had 3,750 such boxes in the cities of Shanghai, Suzhou and Wuxi as of May 2020.

**B2B Fresh Fruit E-Commerce in China**

The technological developments that have enabled the explosion in consumer-facing fresh goods e-commerce in China have also spurred considerable interest in business-to-business (B2B) e-commerce of fresh fruits. So far, however, development of B2B fresh fruit e-commerce has lagged far behind business-to-consumer (B2C) channels.
One notable recent entrant into fresh goods B2B e-commerce is Jiangnan Fresh, which operates the Jiangnan Agricultural Products Smart Trading Centre logistics park in Pingxiang, Guangxi province, the main overland entry point into China for Southeast Asian fruits. Jiangnan Fresh also operates what it calls an “open platform” B2B app for fresh fruits. The app is intended to allow retailers and secondary wholesalers to purchase directly from growers, importers, or even exporters in other countries, as well as to allow customers to simultaneously purchase from multiple suppliers and combine the purchase into a single shipment. The platform integrates logistics and finance elements as well, and can help send shipments of imported fruits to customers directly from Pingxiang, bypassing wholesale markets.

- **Cuixianyuan 翠鲜缘**

Cuixianyuan is a fresh produce B2B wholesale platform based in Beijing which started operations in February 2016. The platform joins vendors based at Beijing’s Xinfadi Wholesale Market and other wholesale markets in the Beijing metropolitan area with local fruit shops, convenience stores, restaurants, and other small and medium-sized businesses. Wholesalers or importers can independently list products, set prices and participate in promotional activities on Cuixianyuan via its WeChat mini-program. Cuixianyuan then handles warehousing and delivery. The company claims that through applying e-commerce to the traditional fresh produce wholesale business, it increases efficiency—saving merchants costs on labour, storage, and transport, while lowering purchase prices and delivering better quality for buyers.

## 4 China Fresh Fruit E-Commerce Key Companies, Brands and Products

### Alibaba 阿里巴巴

Alibaba was founded in 1999 as a business-to-business (B2B) e-commerce website to match Chinese suppliers with foreign wholesale buyers. Over the intervening two decades, Alibaba grew at a breakneck pace and established a dominant presence domestically in China on its way to becoming one of the country’s two e-commerce giants alongside JD.com.

Measured by gross merchandise volume (GMV), Alibaba runs the world’s largest e-commerce ecosystem, with GMV for the 2019 fiscal year of RMB 5.73 trillion ($855 billion). Alibaba’s main China domestic e-commerce platforms, Taobao and Tmall, have tens of thousands of fresh fruits listed by third-party sellers.

Alibaba has been perhaps the most aggressive company in China in terms of initiatives and investments aimed at ultimately steering consumers’ daily grocery purchases away from wet markets and other traditional retail markets and into New Retail e-commerce models. This includes significant investment in supermarket and hypermarket retail. In 2015 Alibaba launched its wholly owned Hema Fresh online-to-offline (O2O) supermarket and has since invested billions of RMB to expand it rapidly into a chain of hundreds of outlets nationwide.

The vast Alibaba ecosystem of fully-owned divisions and strategic investments spans almost every corner of e-commerce and traditional retail.

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6 Gross Merchandise Volume (GMV) refers to the total value of products transacted across an e-commerce platform.
Alibaba Group Key Brands, Subsidiaries, and Investments for Fresh Goods E-commerce
(Fully owned brands or subsidiaries in blue, investments in grey. Percentage numbers indicate investment stakes.)

![Diagram of Alibaba Group Key Brands, Subsidiaries, and Investments](image)

**Taobao/Tmall Marketplaces 淘宝 / 天猫**

Launched in 2003 as a consumer-to-consumer (C2C) e-commerce platform for individual sellers, Taobao has grown into China's largest online marketplace. Although it still technically accommodates C2C marketplace functionality, in practice most of the stores on Taobao are registered to businesses rather than individuals. Alibaba launched Tmall in 2008 as a strictly business-to-consumer (B2C) platform with more oversight and a higher barrier to entry than Taobao—partially in response to well-publicized issues with counterfeit products on Taobao. Today, via brand flagship stores, Tmall is a leading destination for international brands that want to establish an e-commerce presence in China. In the 2018-19 fiscal year gross merchandise volume was RMB 3.1 billion for Taobao and RMB 2.6 billion for Tmall.

Tmall stores and product listings appear in search results on the Taobao app, but not vice versa. Additionally, inside of the Taobao App, users may be offered the chance to purchase fresh goods and groceries from Hema Fresh, through Alibaba's invested supermarket brands Auchan and RT Mart, and through third-party grocery and fruit retailers listing their products on Alibaba's Taoxianda grocery home delivery platform.

**Hema Fresh (Freshippo)盒马鲜生**

Hema Fresh launched in 2017 in Shanghai as Alibaba's wholly owned supermarket brand. With the financial backing of one of China's leading companies, it has expanded rapidly: By April of 2020, Hema already had more than 220 outlets in 23 cities. Store footprints are relatively small, typically around 4,000m², but ranging up to 6,000m², with a high proportion of stock keeping units (SKUs) as fresh goods.

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7 The name Hema (盒马) is a pun on the Chinese word for hippopotamus, thus its blue hippo mascot. Although Alibaba officially refers to the brand as “Freshippo” in English, among the English-speaking fresh produce industry members and consumers, it is more commonly referred to as “Hema” or “Hema Fresh.”
The brand has quickly become famous in China. One technological highlight that is particularly well-known is the in-store overhead conveyer system for home delivery orders. When an online delivery order is placed, employees in the fresh produce section quickly bag the items ordered by the customer, hang the bag on a hook, and the bag will be automatically whisked by motorized track to the back of the store to be consolidated with other items and picked up by the delivery driver, who will take it to the customer’s doorstep by electric scooter.

Hema locations also prominently feature in-store dining areas with an assortment of stations making prepared food, such as whole live lobsters from Canada freshly cooked on the spot. This is a prime example of the concept of online-to-offline (O2O): not only is the store built around facilitating online orders (which can be either delivered to customers homes or picked up pre-bagged and pre-paid at the store), the online experiences such as the Hema and Taobao apps can also drive offline traffic by offering customers coupons for in-store dining.

Hema frequently partners with companies and marketing associations looking to promote their high-end imported fruits, for example the Chilean Fruit Exporters Association and Thailand’s Department of International Trade Promotion (DITP).
The busiest Hema stores can see as many as 5,000 online orders per day, with an average order value of RMB 70 ($10.45). Online orders account for half or more of all transactions at a Hema store. Hema runs its own fresh goods purchasing and engages in a limited amount of direct purchasing of imported fresh fruits directly from foreign suppliers.

Hema has recently launched two new sub-brands, Hexiaoma (盒小马) and Hema Mini (盒马 mini), that are smaller in size with fewer SKUs and are less expensive to open and operate than the original Hema Fresh supermarkets. Hexiaoma is a joint venture with RT Mart (partially owned by Alibaba, see below for more information) and Hema operating under a franchise model. The stores are 500 to 1,000m² in size. Meanwhile Hema minis are 300 to 500m² in size.

• **Auchan and RT Mart**

In November of 2017, Alibaba announced it would acquire a 37% stake in the Sun Art Retail Group for $2.9 billion. Sun Art operates supermarkets in China under the RT Mart and Auchan brands. As of 2019, Sun Art had nearly 500 Auchan and RT Mart outlets in China, covering 232 cities and 29 provincial-level administrative regions.

The investment in and cooperation with RT Mart and Auchan has allowed Alibaba to roll out same-day fresh goods (and other groceries) delivery in cities across China by following a store-as-warehouse strategy. Consumers can access this home delivery service through various Alibaba apps and websites, such as Taobao, Tmall and the Ele.me food delivery app.

• **Taoxianda 淘鲜达**

Launched in 2018, Taoxianda is a platform-based grocery home delivery service. It gives retailers who are not closely affiliated with Alibaba or Sun Art a virtual space to offer their inventories to consumers for home delivery—much like the JD Daojia or Dmall platforms. Taoxianda is not a standalone app, but rather is presented to consumers as an app-within-an-app in other Alibaba software, such as the Taobao shopping app and Alipay digital wallet app.
Kaola 考拉

Envy brand apples from New Zealand for sale on Kaola.

Alibaba acquired Kaola from internet company NetEase in 2019 for $2 billion. Kaola is a traditional e-commerce platform with a strong focus on giving Chinese shoppers access to foreign brands and imported products. It is a small channel within the overall e-commerce landscape, and it does not have many fresh fruit stock keeping units (SKUs). But the user base is relatively upscale, so those fruits that are sold on Kaola tend to be imported and high-end. Kaola furthermore is among the largest operators of bonded warehouses in China and the platform has been used for cross-border e-commerce sales of fresh US cherries. It is expected that in the future, Alibaba will integrate Kaola with Tmall Global, Alibaba’s existing imported goods platform, which has not historically sold fresh fruits.

Ele.me 饿了么

Ele.me was founded in 2008 as a platform-based service to deliver prepared meals from restaurants to consumers. It eventually grew to one of the two leading food delivery services in China, along with Meituan Dianping. Over the years, Ele.me’s platform has expanded from prepared food to now cover a wide array of everyday goods, including fresh fruits from fruit shops and groceries from supermarkets and hypermarkets. Ele.me is composed of two parts: an online platform where businesses list their inventories, and an on-demand delivery service named Fengniao.

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8 As discussed in the previous section, cross-border e-commerce of fresh fruit does not currently appear to be relevant to producers and exporters in Southeast Asian countries.
A screenshot of the Ele.me app shows a list of nearby fruit shops (left) and supermarkets (right) available for home delivery service.

Alibaba acquired Ele.me in 2018 for $9.5 billion. Now, the Ele.me app has become a new entry point for consumers to place online orders for home delivery from Hema, RT Mart and Auchan.

**Other Alibaba Companies**

Alibaba also has a wide range of subsidiaries, investments or alliances that touch on fresh fruit e-commerce in one way or another. Some of these include:

- A 20% stake in Suning.com, which in turn owns 80% of Carrefour China.
- A 22.5% stake in express courier company YTO, which delivers traditional e-commerce parcels.
- A 63% stake in Cainiao, which acts as an agent for express courier companies and also runs an extensive network of neighbourhood e-commerce parcel pickup stations. If a consumer is not at home when his/her grocery home delivery arrives, these stations can also serve as alternative delivery points.
- Alibaba Cloud, a wholly-owned subsidiary which is the leading player in cloud computing in China.
**JD.com and Tencent**

The struggle to win consumers’ daily grocery spending via New Retail channels is in many ways a reflection of a much broader struggle that touches upon all types of retail, media, and financial services in China. This struggle pits the Alibaba juggernaut against a conglomeration of e-commerce, tech and retail companies which sometimes invest in each other and sometimes compete against each other, but generally all compete against Alibaba in one or more areas of their business. The key players in this group are JD.com and Tencent. Other notable companies in terms of fresh fruit e-commerce include US-based Walmart, domestic grocery retailer Yonghui, and several others discussed in the following section.

**Investments and Brands Related to Fresh Fruit Among JD.com, Tencent and Others**

- **JD.com 京东**

Beijing-headquartered JD.com is the other of China’s two original e-commerce giants alongside Alibaba. JD.com rose to prominence as a traditional business-to-consumer (B2C) e-commerce seller of electronics, appliances, and other high-priced items. Early in its development, JD.com controlled all its inventory and fulfilment itself. It did not introduce its JD Marketplace for third-party sellers until 2010. JD has historically engendered a high level of trust from its customers and has not suffered from a reputation as a haven for fake or substandard products that has afflicted some other Chinese e-commerce channels. JD.com customers tend to have a higher income than shoppers on other e-commerce platforms.

For sales of fresh goods on JD.com’s platform, there are two key factors differentiating it from its main traditional e-commerce competitors, Taobao/Tmall and Pinduoduo:

- **Self-operated fresh goods division:**
  - JD Fresh has been selling “self-operated” fresh fruit and other fresh products for approximately five years. This means that JD purchases and stores its own fresh fruit inventory and ships orders to customers itself.
• JD Fresh employs approximately 150 purchasers

• Although largely sourcing imported fruit from importers and domestic wholesale markets, JD.com also engages in direct purchase of imported fruit from foreign suppliers and works directly with some fruit packhouses in other countries to implement custom packaging, branding, and other product specifications.

  • Self-operated distribution and logistics
    o JD.com has its own logistics branch, JD Logistics, which it uses to fulfil its self-operated fresh goods orders. It also offers JD Logistics shipping services to third-party sellers of fresh goods operating on the JD.com platform.
    o JD.com was expected to have 14 fresh goods distribution centres across China by the end of 2020.

JD.com contends that its control of so many aspects of the procurement, sales and delivery process allows it to offer the highest possible quality and freshness of fruits to customers. JD.com is an important seller of fresh fruits via traditional e-commerce in China, with JD Fresh estimated to sell approximately RMB 2 to 3 billion in self-fulfilled fresh fruits every year. JD Fresh also works directly with fruit exporters and brands, such as Zespri and Dole, to promote those brands on JD.com.

In addition to its self-fulfilled fresh business, JD.com’s marketplace is also home to many third-party shops selling a wide range of domestic and imported fresh fruits.

• 7Fresh 七鮮

In 2017, JD.com followed Alibaba in launching its own online-to-offline (O2O) supermarket brand, 7Fresh. The company initially had lofty goals for 7Fresh, saying it aimed to open 1,000 stores by approximately 2023. However, as of mid-2020, there were only 30 7Fresh stores in operation, most of them located in Beijing.

• Dada Group 达达集团

JD.com is the largest shareholder in Dada Group, which runs one of China’s two leading grocery home delivery platforms, JD Daojia (which literally translates to “JD to your home”). Dada Group also operates one of China’s largest on-demand delivery services, with millions of drivers to carry orders to customers’ homes. Some notable retailers from which consumers can purchase fresh fruit using JD Daojia include Walmart (also an investor in Dada Group), Yonghui (China’s largest grocery retailer) and fruit specialist shops such as the nationwide chain fruit shop Pagoda.

• Tencent 腾讯

With revenue of RMB 377 billion in 2019, Tencent is one of China’s leading tech companies. Unlike Alibaba and JD.com, Tencent’s background is not in e-commerce. It rose to prominence by running two of China’s most popular instant messaging programs—QQ and WeChat—and earns money from digital services like gaming and video subscriptions, advertising, and fintech products.

Tencent’s mobile-first WeChat smartphone messaging app has become among China’s most ubiquitous apps, with an install rate of 83% in China overall and 93% in first-tier cities. Although it started as a mobile messaging app, WeChat now functions almost as a phone-within-a-phone, offering users a wide range of features, utilities, and social/traditional media content. WeChat also has a feature called Mini Programs, which allows outside companies to develop modules within the WeChat app that replicate much of the functionality of their freestanding smartphone apps, but don’t require the user to

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9 Taobao/Tmall and Pinduoduo may transact a larger volume or value of fruits over their platforms than JD.com, but they are usually not the actual seller, but are merely acting as a platform and facilitator for the transaction. Conversely, a substantial volume of the fruit transacted on JD.com is sold and fulfilled by JD.com itself.
download and install a new app. Meituan, Ele.me, Hema Fresh, Fruitday, Pagoda, Walmart and many other companies involved in fresh fruit retail and e-commerce have developed WeChat Mini Programs.

Although Tencent is not a leader in e-commerce, WeChat is crucial to fresh fruit e-commerce for several reasons:

- Marketing tool: these days a WeChat company official account should be considered an equal or higher priority than a website for a company operating in the Chinese market. WeChat is many consumers’ top source of news, shopping ideas and social media content.
- WeChat Pay: Tencent’s digital wallet is a widely used payment method, both online and offline, in China’s increasingly cashless society.
- Wide reach: Tencent has invested in many e-commerce, traditional retail, and fresh goods e-commerce companies (see chart above). One example of the real-world consequences of Tencent’s cooperation with its investees is that the WeChat Pay section of the WeChat App provides entry points for consumers into the JD.com, Pinduoduo and Meituan e-commerce channels.

**Walmart 沃尔玛**

Walmart has been the most successful foreign retailer to operate in the Chinese market in terms of sales and geographic reach. It has also done a better job compared to other foreign retailers at adopting to the melding of e-commerce and traditional retail that is taking place in China. Nevertheless, Walmart has struggled in China in recent years with competition from domestic competitors and to keep up with the fast pace of change in grocery retail. From 2018 to 2019, Walmart’s revenue in China was essentially flat—falling slightly from $10.70 billion to $10.67 billion.

After some early acquisitions and experimentation in e-commerce starting from 2012, Walmart seems to have eventually decided that it could not go it alone in fresh goods e-commerce in China. It has gradually aligned itself with JD.com through cooperation and investment. Between 2016 and 2017, Walmart acquired a 12.1% stake in JD.com. Walmart (along with its Sam’s Club membership stores) has become one of the most prominent retailers on the grocery ordering and delivery platform JD Daojia.

But despite an apparently successful cooperation with JD Daojia, the rise of grocery delivery services and online to offline supermarkets like Alibaba’s Hema Fresh has posed a considerable challenge to Walmart’s business model in China. Walmart’s hypermarkets are large, so they cannot be placed as close to consumers as smaller and more numerous “forward warehouses” and smaller-format supermarkets like Hema. Under pressure from rising costs, changing consumer behaviours and competition from New Retail channels, Walmart closed more than 100 hypermarket stores in China between 2012 and 2019, pulling out completely from several third and fourth tier cities.

In 2018, Walmart opened the first in what is planned to be a nationwide chain of small-format, fresh goods-focused stores called Walmart Huixuan (translated roughly as “Walmart Smart Choice”), with footprints of approximately 1,000 to 1,200m² and inventories of around 8,000 stock keeping units (SKUs)—a fraction of the size and inventory of a traditional hypermarket. And the company now appears to be in the process of rebranding these stores under the name Walmart Community, new branches of which are expected to have even smaller footprints and more streamlined inventories. These stores have been presented as an innovative competitor in New Retail, especially to O2O brands like Hema, 7Fresh and Yonghui Super Species. The stores stock a high proportion of fresh goods.

Although the success of Walmart’s latest foray into New Retail remains uncertain, along with its ultimate long-term prospects in the Chinese market, the company is nevertheless for the moment still an important player in fresh fruit e-commerce in China via its home delivery options. Walmart is one of the few retailers in China with the scale and expertise to directly import fresh fruit. It has also hosted several years’ worth of successful promotions for various Chilean fruits in partnership with the Chilean Fruit Exporters Association. And although the number of Walmart hypermarkets has been shrinking, the company’s Sam’s Club brand has been popular in online channels and the number of Sam’s Club stores in China is set to continue to grow. Sam’s Club has its own app and has also built a network of forward warehouses. It can therefore offer delivery to some customers in major cities in 30 minutes to an hour.
• Miss Fresh

Founded in 2014 in Beijing, Miss Fresh is one of the two leaders in the ‘forward warehouse’ model of grocery e-commerce, along with Dingdong Maicai. The company says it has 10 distribution centres covering 20 cities and 1,500 forward warehouses (on average carrying 2,000 stock keeping units)—with sales of 1 billion individual items in 2019. Although it operates in other major cities such as Shanghai, Miss Fresh’s user base is largely concentrated in Beijing.

Miss Fresh says that it purchases 90% of its fresh fruit and 10% of its fresh vegetables directly from producers, which it sorts and distributes itself. Representatives from the company said that 40-60% of its sales of fresh fruit by value are imported fruit and it is a major purchaser of imported bananas. Miss Fresh is also known to have engaged in the direct purchase of imported fresh fruit.

In July of 2020, Miss Fresh received $495 million in its ninth funding round from a group of investors that included Tencent. The company reportedly claimed the funding round as, “the largest single fundraising in China’s grocery delivery industry,” though the round’s $3 billion valuation was less than the $4 billion it had earlier been reported Miss Fresh was aiming for.

• Meituan-Dianping

Meituan was founded as a group buying service in 2010. In 2013, it launched its restaurant delivery service Meituan Waimai. Then, in 2015, it merged with restaurant review service Dazhong Dianping and the resulting company became Meituan-Dianping. Today, Meituan-Dianping runs China’s leading home delivery platform, followed closely by Alibaba-owned Ele.me. Although Meituan Waimai and its 4 million active delivery drivers covering 2,800 towns and cities across China are largely focused on delivering prepared food, the platform also offers a range of other goods. Among the 6.2 million products listed on Meituan Waimai are all sorts of domestic and imported fresh fruits from fruits shops (including major chains like Pagoda) and supermarkets (such as Carrefour).

Meituan previously experimented with its own online-to-offline (O2O) supermarket called Ella, a project which has apparently been cancelled. In 2019, Meituan announced the launch of a new forward warehouse-based self-operated grocery delivery service called Meituan Maicai, which is still early in its development.

• Xingsheng Selected

Xingsheng Selected is based in Changsha, the capital of Hunan province in south-central China. It is the best-known example of the community pickup station model of fresh goods e-commerce.

In June of 2020, Xingsheng Selected held a funding round raising $300 million on a valuation of $3 billion. Investors in Xingsheng Selected include Tencent, KKR and Primavera Capital. The company claims to operate in 13 provinces, centred around its headquarters in Hunan province, and serving 5,500 village-level or higher administrative divisions while fulfilling an average of 7 million orders per day on annual gross merchandise volume (GMV) of RMB 10 billion.

The company sells a wide variety of fruit, including some imported tropical fruits like Vietnamese jackfruit, Thai durian and bananas from Laos and Vietnam. But its users are more price conscious and may therefore have lower demand for imported fresh fruit than many other e-commerce channels, due to Xingsheng Selected’s rapid growth in smaller cities and rural areas where consumers typically have less disposable income.

• Pinduoduo

Founded in 2015, Pinduoduo is a Tencent-invested traditional e-commerce platform that is less known outside of China compared to Alibaba and JD.com. Inside of China, the company has rapidly risen to prominence in recent years with a
A market research report for local agri-businesses in Cambodia, Lao PDR, and Vietnam

A low-price strategy focused heavily on helping Original Equipment Manufacturer (OEM) producers—including fresh fruit growers and packers—to develop their own brands and sell them directly to consumers at low prices. Users of Pinduoduo can get discounts by sharing an item in their social media feeds and recruiting others to purchase it together with them. In 2019, the gross merchandise volume (GMV) of agricultural products sold on Pinduoduo reached RMB 136 billion. The platform has grown into one of China's largest traditional e-commerce sales channels for fresh fruits.

Generally, Pinduoduo's users are more likely than users of the JD.com and Taobao/Tmall platforms to live in a small city. The average order value on Pinduoduo of around RMB 30 is only about 20% the average of Taobao/Tmall and 10% the average of JD.com. Its reputation for low prices makes Pinduoduo especially popular for younger consumers who would like to consume more fruit but have a limited food budget. The company says that its most frequent purchasers of fruit consume double China's average per capita fruit intake.

Due to skewing toward smaller cities and its strategy of shortening supply chains to lower prices, Pinduoduo is more known as an e-commerce sales channel for domestically produced fruit than for imported fruit. However, over the past few years the company has engaged in marketing campaigns aimed at bolstering sales of imported fruits. These include promotions for products such as Chilean cherries, Thai durian, Mexican avocados and Vietnamese mangos. The company claims that as demand for imported and other premium fruits increases in lower tier cities, Pinduoduo's penetration in those markets will turn into an advantage in marketing those high-end fruits.

Pinduoduo is reputed to provide a higher level of guidance and support to companies wishing to open a store on its platform compared to Tmall or JD.

**Dmall/Wumart 多点 / 物美**

Dmall is a Beijing-based company that, alongside JD Daojia, has come be a leading provider of platform-based grocery home delivery, with more than 10 million monthly active users on its platform and 3 million delivery drivers working for it. These users are concentrated in Beijing and the surrounding areas. This is due to Dmall being closely affiliated with Wumart, a supermarket chain with nearly 800 stores, mostly concentrated in Beijing. Wumart's founder, Zhang Wenzhong, is the chairman of Dmall's board and owns 5% of its shares.

Although Dmall is a platform and open to other retailers, Wumart stores are the dominant presence on it. During late 2019 to early 2020, Wumart acquired an 80% stake in the China operations of import-focused German wholesale supermarket Metro. After this acquisition, Metro will cooperate more closely with Dmall, with the goal of raising online sales to 30% of its total sales within a few years.

**Dingdong Maicai 叮咚买菜**

Shanghai-based Dingdong Maicai started out as a social networking service in 2014, before pivoting to grocery delivery in 2017. It is now the smaller of the two leading forward warehouse model-based e-commerce grocery delivery companies in China, alongside Miss Fresh. Dingdong has more than 600 forward warehouses in 10 cities, including Shanghai, Shenzhen, Hangzhou, and Suzhou. The company claims to fulfil more than 600,000 orders per day.

**Pupu Mall 朴朴超市**

Based in Fujian province and founded in 2016, Pupu is a relatively small player in the forward warehouse grocery delivery market. However, it could be poised for fast growth, having raised $100 million worth of financing in its series B2 financing round in October of 2020 and with plans to expand into Guangdong province in 2020. As of 2019, the company had 34 forward warehouses.
Suning.com 苏宁易购

Suning.com (hereafter, Suning) is one of China’s largest retailers and a top-10 e-commerce company in China by market value. The company’s background is in appliance and electronics retail, with a nationwide network of thousands of brick and mortar stores. It also operates a network of more than 6,000 convenience stores across China called Suning Xiaodian.

Suning is China’s fourth largest traditional e-commerce platform operator, though it trails Alibaba, JD and Pinduoduo by a significant margin. Suning’s e-commerce platform operates similarly to JD.com, with Suning both selling its own inventory to customers, as well as hosting virtual shopfronts for other brands and retailers. Alibaba acquired a 20% stake in Suning in 2015 for RMB 28.3 billion.

Most or all of the imported fresh fruit sold on Suning’s traditional e-commerce platform is from third-party sellers, meaning that Suning itself is not currently an important purchaser of these products. Imported offerings include Vietnamese dragon fruit, jackfruit and mangos. However, consumers tend to associate Suning with electronics and appliances rather than fresh foods and Suning’s traditional e-commerce service is not considered a significant channel for fresh fruit in general, especially imported fruit.

Although it may lack relevance in the traditional e-commerce sphere, Suning is fighting to establish itself as a major player in New Retail. In 2019 Suning acquired an 80% stake of Carrefour SA’s China unit for RMB 4.8 billion. Carrefour was at the time widely viewed as lacking in technological prowess and not keeping up with China’s rising demand for online ordering and home delivery services.

After the acquisition, Suning Chairman, Zhang Jindong announced that Suning plans to transform Carrefour stores into fully integrated online-and-offline supermarkets. A key step in this process that Suning has already implemented is to abandon Carrefour’s own underused grocery delivery app and instead move Carrefour home delivery grocery ordering functionality to the Suning Xiaodian convenience store app. Suning has also been building out its last-kilometre delivery service. In many areas, groceries ordered from Carrefour can be delivered within one hour. Furthermore, Suning claims to have 2,000 forward warehouses across China and is building home-delivery order picking stations containing approximately 3,000 stock keeping units (SKUs) each within Carrefour stores in order to facilitate smoother and faster fulfilment of grocery delivery.

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A product listing page for a Suning.com third-party seller specializing in fruit.

10 “Picking” is an industry term that refers to assembling from the inventory of a store or warehouse the items contained in a particular order.
China Electronic Payment Services

China is fast becoming a cashless society, with only slightly over 20% of offline transactions paid for with cash in 2019. The decline in cash has come alongside the rise of the Alipay and WeChat Pay digital wallets. These services allow consumers to digitally store a cash account balance as well as the account information for their debit and/or credit cards. Payments can then be authorized by computer, smartphone, smart watch, etc. without need for the card itself. Common payment authentication methods include password, fingerprint and facial recognition. Almost half of offline and approximately 70% of online transactions were paid for using a digital wallet in 2019.

5 Consumer Preferences and Behaviour

The median fresh goods e-commerce user in China is a 25- to 34-year-old woman with children at home who lives in a first-tier city, hold a bachelor’s degree, and works a white-collar corporate job. In fact, nearly 70% of fresh goods e-commerce users in China are female, and almost 74% of them live in either a first or second tier city. Just ten cities account for more than half of China’s total fresh goods e-commerce customers.

![Fresh Goods E-Commerce Users By Educational Attainment](image-url)

Source: Mob Research, 2019
Broad generalizations about the demographics of fresh goods e-commerce users in China are of limited use. China is a large and fast-changing market and there is a big difference in the customer base for various fresh goods e-commerce channels. The customer profile for each depends on factors like which geographic area the company is focused on and the type of e-commerce model it is using: traditional e-commerce channels may be focused more on bargain-hunting consumers and those users in smaller cities and rural areas that do not have access to a wide selection of fresh fruits from their local retailers. New retailer operators, on the other hand, are more likely to be focusing on white collar workers in big cities who are living fast-paced lives and most value the convenience and time savings of home delivery.

Food safety is extremely important to Chinese consumers in general, and no less so in the context of e-commerce. Other factors among the top five most important for consumers are quality, flavour, brand, and price.
6 Distribution and Logistics

Many fresh goods e-commerce companies in China, including those operating in the “New Retail” sphere, dedicate a significant amount of their marketing materials to playing up their “direct sourcing” of fruits. The implication of this marketing claim is that the fruit the consumer is purchasing has arrived as directly as possible from the orchard or field in which it was grown, with few links in between. In reality, little of the fruit sold in e-commerce or other retail channels in China is directly sourced. This is especially true of imported fruit.

Primary Transport and Storage: The Fruit Wholesale Market Network

Distribution of most fresh fruit in China is dependent on the fruit wholesale market network, a series of aggregators and wholesalers. This is not the picture of modern supply chain efficiency many retailers would like to portray to their customers. Even large hypermarket operators and e-commerce companies procure much of their imported fruit from importers and wholesalers located at various wholesale markets around China. It is estimated that at least 2/3 of the volume of imported fruit passes through wholesale markets at some point on its way to the final consumer.

Imported fruit usually arrives to the primary wholesale market by the following routes:

- By sea: to ports such as Shanghai, Dalian, Qingdao, Tianjin, and Qingzhou among others.
- By road: carried by truck from overland border crossings with China’s neighbouring countries—most notably the border between Dong Dang town in Vietnam and Pingxiang county in China’s Guangxi province for fruits from nearby Southeast Asian countries.
- By air: for some relatively high-value and perishable fruits.
- Although Vietnam has rail links to the Chinese border in a few places, rail is not a commonly used method for transporting fresh fruit domestically within China.

Domestically produced fruit is transported to primary wholesale markets via trunk trucking lines and may also sometimes be sent directly from the origin to a distributor or large retailer’s own warehouse or distribution centre.

Despite major progress in recent years in building up cold chain capacity, China still lags global industry standards in this regard. It is estimated that among domestic fruit production, only 19.7% is distributed via cold chain. And even for fruit that starts out in the cold chain, there are many points in the transport and distribution process where the cold chain is likely to be broken or come to an end.

Modern warehouses with large refrigerated storage rooms and features such as cold crossdocking are still rare in China. Warehouses for fruit certainly exist, but the facilities may not be up to a very high standard and capacity is limited. Importers therefore will typically aim to already have customers lined up for each new shipment of fruit. When a newly arrived reefer container’s contents does not sell out immediately, the importer will often simply plug in the container and use it as temporary refrigerated storage.

It is also common in and around fruit wholesale markets to see old ocean reefer containers that have been modified to increase their storage capacity without upgrading the refrigeration unit. As can be expected, these modified containers offer inconsistent temperature control and freshness preservation.

For more information on distribution of imported fruit in China, see the previous report, “Tropical Fresh Fruit Exporter’s Guide to China,” available at http://connecting-asia.org/
From the primary wholesale market, fresh fruit could be further sold on to traders at secondary wholesale markets in other cities before being sold to an e-commerce retailer. Only a few larger companies operating in retail and e-commerce of fresh fruit in China have invested in their own large-scale cold-chain distribution networks: for example JD.com's self-fulfilled traditional e-commerce business and Walmart's national distribution network.

**Traditional E-Commerce Fresh Fruit Distribution**

Small-scale traditional e-commerce companies are often located on the periphery of fruit wholesale markets and purchase their products from importers or wholesalers in those markets. This is especially true of sellers specializing in imported fruits. Others may be located near a key domestic Chinese fruit growing region.

These smaller traditional e-commerce sellers frequently employ drop shipping to fulfil orders for fruits that have better availability or lower price somewhere other than their primary business location.

Consider the example of a seller based in one of China’s traditional fruit growing regions, such as Shandong province. The company may want to expand its product offerings to include imported tropical fruit, but it may not make sense in terms of both cost and freshness to either acquire the products locally or have them shipped all the way to its warehouse in the north of China. Instead, the e-commerce seller may list a product like durian on its e-commerce shop and then engage another company based elsewhere to fulfil orders for that product by drop shipment.

Drop shippers are often located at a wholesale market or nearby an overland border crossing. For example, companies based at the Pingxiang border crossing in Guangxi province and the nearby provincial capital of Nanning act as drop shipper for tropical fruits imported into China across the Vietnam border. Especially starting from October of each year, as China enters its domestic fruit production off-season, quite a lot of companies set up temporary shipping depots in Pingxiang. Shipping e-commerce orders from Pingxiang has a price advantage because the fruit can be obtained from the importer rather than from a middleman at a wholesale market. Labour and overhead costs are also lower in Pingxiang compared to bigger cities like Guangzhou.

A few larger e-commerce sellers are themselves importers or can purchase in large enough volume to negotiate orders directly with a supplier in another country. In this case, the imported fruit could potentially bypass the wholesale market and go straight from the point of import to that company's warehouse.

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12 Under drop shipping e-commerce order fulfillment, the seller does not actually stock the item it is selling. Instead it lists and sells the item virtually and uses a third-party supplier to fulfill the order.
• **Domestic Express Courier Services**

With the exception of JD.com, which has its own logistics network with last-kilometre delivery, fresh fruit ordered by traditional e-commerce in China is delivered by a third-party express courier company. Express courier services are a competitive industry in China, with many players. Pricing for parcel delivery can range from around RMB 5 per kilogram up to above 20 RMB per kilogram, depending on the shipping company, destination, and level of service. The company with the best reputation for speed and service is S.F. Express, which is also the most expensive.

For almost all traditional e-commerce, the one to several days the fruit spends in transit by express courier to the final customer will be unrefrigerated.

**Fresh Fruit Distribution for Grocery Home Delivery Platforms and Online-to-Offline (O2O) Channels**

Until the very last step, in which the order is delivered to consumers’ homes, this distribution pattern basically follows that of traditional brick and mortar fresh fruit retail. There are many different paths to the supermarket shelf and the journey of a particular piece of fruit varies depending on the type of fruit and its origin, the retailer, and other factors. Many retailers purchase their stock directly from an importer or other trader based in the nearest wholesale market. Large national chain retailers have varying models: some leave purchasing and sourcing largely to city-level managers. Others centralize purchasing and distribution to various extents.

Take the example of Walmart, which distributes out of several regional distribution centres in China: fruit purchased at the wholesale market in Nanning Guangxi province may be shipped to a regional distribution centre in neighbouring Guangdong province before being shipped back to a Walmart store in Nanning.

Other large retailers may choose to move fresh produce from a regional distribution centre to a city distribution before sending it to stores.

In the case of certain high-value fruit imports—mostly fresh cherries—a few large retailers negotiate purchase terms directly with the foreign supplier. The retailer then arranges through an importer or freight forwarder delivery of the fruit directly from the port to its warehouse or distribution centre. But this pattern is still relatively rare compared to the wholesale market...
distribution route. In some cases, the importer may also sort and package fruit for retail sale before delivering it directly to a retailer’s distribution centre or even directly to individual stores. But sending of fruit directly to stores by the importer is considered an older style of distribution that is becoming less common over time.

**Fresh Fruit Distribution for Forward Warehouse and Community Pickup E-Commerce**

Most companies operating under the forward warehouse and community pickup models process and distribute their fruit at a city level. For imported fruit, this typically means procuring the product from a trader based in a wholesale market in the city where it is to be delivered and consumed. On the domestic front, some of these companies are active in direct procurement. Some fruits may therefore be purchased directly from the domestic growing region and shipped directly to the e-commerce company’s city-level distribution centre.

**7 Market Conditions in China for E-Commerce of Eight Selected Fruits**

The eight fruits discussed in this report are all sold by e-commerce in China. Generally, tropical fruits from Southeast Asia have been popular items on e-commerce channels, especially durian, jackfruit, dragon fruit, longan, lychee, and mangosteen. Durian is one of the leading fruits sold by e-commerce in China, even in many cases outperforming the highly popular fresh cherries.

For those fruits with significant domestic Chinese production—such as watermelon, mango and lychee—imported fruits make up a small amount of overall sales. This pattern is also reflected in e-commerce channels. And in some cases, domestically grown fruits may be more highly priced than their imported alternatives.

Independent fruit shops have a reputation in the fruit industry in China for being the most demanding of fruit quality and consistency—and paying more for the biggest and most attractive-looking fruit. These are followed by supermarkets and chain fruit shops in terms of demand for high quality. Conversely, many industry insiders regard traditional e-commerce channels as destinations for lower quality fruit that was not wanted by supermarkets and fruit shops. This situation is partly driven by the fact that many consumers view platforms like Pinduoduo or Taobao as a place to hunt for bargains.
Meanwhile, with the emergence of New Retail, more and more inventory of supermarkets and fruit shops is now being sold via home delivery e-commerce. It is therefore difficult to make generalized statements about the quality of fruit demanded by e-commerce channels in China. Each platform has its own customer base, profit model and general business strategy.

**Banana**

Due to their low price and special handling needs, the primary e-commerce channels for bananas are home delivery services, with a minimal volume sold by traditional e-commerce. Bananas tend to be imported by specialized importers such as Goodfarmer and Dole, the two largest importers of bananas in China. This means that bananas follow different distribution patterns from most other fruits.

Most imported bananas in China are of the Cavendish variety. Home delivery e-commerce retailers tend to focus on premium quality bananas in smaller packaging due to the higher profit compared to traditional bulk bunched bananas. Typical weights for these small packs range from 500 to 700g. While most e-commerce retailers prefer that all of the three to four bananas in these packages be connected at the stems as a single bunch, configurations such as 2+1 and 2+2 can also be acceptable to some retailers.

Among imports, bananas from the Philippines and Ecuador are preferred by New Retail customers. Bananas from those two countries have a reputation for desirable characteristics like high sweetness, uniformity, and bright unblemished skin. Most New Retail channels, Miss Fresh for example, sell domestically grown bananas alongside imports as a lower-cost alternative.

Although they still make up a very small portion of the market, one product that has been growing in popularity in New Retail channels in recent years are smaller sized bananas—such as the Baby Sweet brand by Dole, which are imported to China from the Philippines.

Chinese importers and higher end e-commerce retailers perceive bananas from Vietnam, Laos and Cambodia as lacking in packaging quality and flavour compared to those from the Philippines or Ecuador, though the appearance of the fruit itself if often acceptable. Bananas from Cambodia, Laos or Vietnam may even be sold as domestically produced bananas if their quality is not good enough to justify the “imported” designation that consumers tend to equate with premium products.
E-commerce channels operating in smaller cities and rural areas that are aimed at the lower end of the market are, however, an exception to the idea that New Retail channels typically demand higher priced premium quality imported bananas. For example, a company like Xingsheng Selected is a possible channel for lower-priced bananas from Cambodia, Vietnam or Laos.

**Dragon Fruit**

Dragon fruit is a relatively good seller on all types of e-commerce channels in China, although it can be more easily damaged than other fruits when being shipped by express courier, making traditional e-commerce somewhat more challenging.

Production and sales in China of red-fleshed dragon fruit is dominated by domestic growers, while almost all of the white-fleshed dragon fruit comes from Vietnam. Meanwhile, golden-skinned dragon fruit has recently started to become popular among Chinese consumers.

There is a perception among Chinese traders that Vietnam is not keeping up with China in terms of planting newer varieties of dragon fruit.

Some home delivery e-commerce channels that sell dragon fruit by the piece may prefer smaller sized fruit, which is the opposite of many offline retailers. This is because the e-commerce channel can make a higher profit at a given price point when selling the fruit by the piece instead of by weight.
Durian enjoys tremendous popularity in China. Imports during the first half of 2020 rose to $1.6 billion, a 73% increase over the previous year. It is also a leading fruit in terms of e-commerce sales, even surpassing the wildly popular fresh cherries in many e-commerce channels. Tmall Fresh currently has a fixed durian promotion period, which runs from April to October.

Almost all of China’s supply of durian is imported, despite increasing interest in large-scale plantation on the tropical island province of Hainan. A major importer in Guangzhou which supplies to e-commerce companies reported that it sells approximately RMB 1 million worth of durian per month.

Prices have been high during the past few seasons, despite a large rise in volume—good news for Thai producers, since Thailand is the only country approved by China as an origin for fresh durian\(^\text{13}\). But these high prices have been squeezing the margins of domestic traders, who would welcome an expanded supply on the market.

While there is an unknown quantity of Vietnamese durian disguised as Thai being sold on major e-commerce channels, these products could be banned from the platforms and the sellers punished if they are discovered. E-commerce channels

\(^\text{13}\) Malaysia supplies a large amount of frozen durian and durian puree to China. Frozen Malaysian durian is widely sold on traditional e-commerce platforms.
are generally careful not to list any origin of fruit that does not have legal market access and they generally require sellers to have proof that fruits from Southeast Asia have been imported by regular trade instead of border citizen trade. Therefore, it is essential to achieve market access in China in order to achieve a large increase in e-commerce sales.

There would likely be an opportunity for significantly increased sales of Vietnamese durian by e-commerce in China if the product gains formal market access.

**Jackfruit**

Jackfruit’s high weight and large size per fruit pose a challenge for traditional e-commerce sales. A whole jackfruit is more than many consumers would wish to purchase in a single transaction and the express shipping cost is high. But it is not unheard of, and whole jackfruit can certainly be purchased on Taobao/Tmall, JD.com and Pinduoduo platforms, although there are not as many stock keeping units (SKUs) or as high sale volumes compared to other types of fruit.

![A seller on JD.com offering whole jackfruits to be shipped to the customer’s home by express courier.](image)

There is a risk of spoilage when selling peeled jackfruit by traditional e-commerce. However, the challenge of spoilage can be overcome, and sales by e-commerce of fresh peeled jackfruit have increased in recent years. JD Fresh has trialled e-commerce sales of peeled jackfruit out of its Guangzhou distribution centre, packed in film-sealed plastic containers that can stay fresh for up to a week. The product is expected to be rolled out to other regions in China if successful.

Brick and mortar retailers typically break down a whole fruit into smaller plastic-wrapped trays. Jackfruit is particularly popular with fruit stores. At least one fruit store chain, Xianfeng even self-imports jackfruit. A lot of this product may end up being delivered to consumers’ homes via home delivery e-commerce.
A film-sealed plastic container with peeled jackfruit.

Lychee

Lychee have significant domestic production with strong seasonality. Most of the domestic production arrives in April, May, and June, during which time prices drop significantly. Late-ripening domestic lychees from Fujian continue to be available in limited quantities and at higher prices later into the summer and autumn. Imported Lychee, mostly from Vietnam and with small quantities from Thailand, are available on the market, mostly outside of the peak domestic season.
Although Lychee are available in a broad range of e-commerce channels, they are not a star performer in the manner of durian. The strong seasonality of domestic production can lead to cutthroat price competition in years of bumper crops among domestic lychee farmers selling directly to consumers on traditional e-commerce platforms, with the product even sometimes being sold at a loss.

Maintaining freshness is a major challenge for lychee due to its temperature sensitivity, which can make it difficult to sell by e-commerce, especially if the fruit’s quality has already been degraded by a long time in transit from another country. Home delivery service Miss Fresh does not sell imported lychees and its competitor Dingdong Maicai sells very few.

Domestic lychees are considered fresher, more convenient to procure and have more varieties available compared to imports—and it therefore is difficult for imports to compete against domestic lychee during the peak of the domestic season. Commonly seen domestic Chinese lychee varieties include Lychee King (Lizhi Wang), Sugar Jar (Baitang Ying), Concubine’s Smile (Feizi Xiao), Sticky Rice Cake (Nuomi Ci), and Gui Wei.

To increase the volume of exports bound for e-commerce channels and ensure stable prices, it is recommended that exporters to China introduce more varieties and try to time production to not overlap with the peak of the Chinese season.

Table: Chinese journalists compared pricing and quality of lychee ordered from five of the dominant home grocery delivery e-commerce channels in May of 2020.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Dmall (unknown retailer)</th>
<th>Hema</th>
<th>Dingdong</th>
<th>Miss Fresh</th>
<th>JD Daojia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin</td>
<td>Hainan China</td>
<td>Hainan China</td>
<td>Not listed</td>
<td>Not listed</td>
<td>Not listed</td>
</tr>
<tr>
<td>Product price and weight</td>
<td>RMB 6.98 / 500g</td>
<td>RMB 12.9 / 450g</td>
<td>RMB 6.99 / 450g</td>
<td>RMB 15.8 / 250g</td>
<td>RMB 22.9 / 500g</td>
</tr>
<tr>
<td>Per kilo price (RMB)</td>
<td>13.96</td>
<td>28.67</td>
<td>15.53</td>
<td>63.2</td>
<td>45.8</td>
</tr>
<tr>
<td>Delivery fee (RMB)</td>
<td>6</td>
<td>5</td>
<td>5 (free for orders of RMB 38 or more)</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Min. order (RMB)</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>49</td>
<td>20</td>
</tr>
<tr>
<td>Notes</td>
<td>Sweet flavour, uniform size</td>
<td>Uniform size, somewhat astringent</td>
<td>Dry, not juicy</td>
<td>Sizing not uniform</td>
<td>Dry, not juicy</td>
</tr>
</tbody>
</table>


It was not stated which retailer the goods were delivered from. Based on the product description, however, it is possible the purchase was made from Pagoda, a leading national fruit-specialist retailer.
Longan purchased online for home delivery from a Hema Fresh supermarket in Kunming. The fruit was repackaged into a 1kg plastic clamshell after being imported. Photo: M.Z. Marketing Communications

Although not popular in the manner of some other Southeast Asian fruit such as durian, longan are nevertheless widely available on all types of e-commerce channels in China. During the domestic longan season from May to October, domestic production is well represented on these channels, with many traditional e-commerce platforms selling fruit listed according to well-known production regions in Guangdong, Guangxi and Fujian provinces, and sometimes by variety. Shixia (石硖) is one particularly well-known domestic variety.

China’s longan import volumes are almost a quarter of the volume of its domestic crop, so imports are not as easily overwhelmed during the peak domestic season as is the case with products like mangos and lychee. In the autumn and winter, Thai longan become predominant in both traditional and New Retail e-commerce channels. Thai longan sell well on JD.com, a traditional e-commerce platform, according to one of JD Fresh’s purchasers. And a major importer in Guangdong that supplies to many e-commerce channels said that during the second half of the year, the company could sell around 25 tons of longan per day.

Although Vietnam exports substantial volumes of fresh longan to China, fresh Vietnamese longan are not seen frequently on e-commerce channels. There are exceptions, such as Miss Fresh, which sells longan from both Thailand and Vietnam. Some reasons for the relative absence of Vietnamese longan in e-commerce include:

- Importation of longan by border citizen trade: which means the fruit cannot legally be sold in China outside of the border regions where it was imported. E-commerce channels may not take the risk of selling the fruits.
  - Border trade longan often have branches and leaves still attached, which is not allowed according to China’s phytosanitary requirements.
- Lower retail prices for Vietnamese longan: which may squeeze profit margins too much to make the product suitable for e-commerce.
In early October of 2020, researchers conducted a search for fresh longan on Taobao/Tmall and JD.com and sorted the results by sales volume. Of the ten biggest selling items on each platform, eight of 10 products on Taobao/Tmall were from Thailand and seven of 10 on JD.com were from Thailand. The remainder on each platform were late-maturing domestic longan (Sichuan, Fujian, Guangdong). No Vietnamese longan were observed on the first page of results on either platform. Among the Thai longan, the average selling price including shipping on JD.com of RMB 32.48 per kilogram was more than double the average price of RMB 15.89 per kilogram on Taobao/Tmall.

For online-to-offline (O2O) and other home delivery channels, plastic clamshell packs of 250, 500 and 1000g are commonly seen formats for selling longan. Among a casual survey of these channels, only Thai and domestic longan were observed.

**Mango**

China has the world’s second largest mango production after India, most of which is consumed domestically. Although there is some production year-round, the peak season runs from March through October. Generally, Chinese consumers prefer a fruit with smooth, unblemished skin, darker flesh, high sweetness, low acidity and non-fibrous. Different skin colours are accepted, and blushed varieties may be particularly prized as long as the blushing is pronounced.

Mangos are widely available on all manner of e-commerce channels in China, although sales are dominated by domestic product and not all channels carry imports. For example, Miss Fresh said it does not sell imported mangos and Dingdong Maicai sells very few imported mangos.

Consumers of imported mangos in first tier cities tend to be young and have a high income, which is also a demographic that is driving the growth in “New Retail” e-commerce. This means there could be potential growth for imported mangos in high-end e-commerce channels in the future, especially for home delivery and online-to-offline (O2O).

Domestic mangos are typically listed on e-commerce channels under their production region and/or colloquial variety name. The domestic peak season starts in March as the Hainan season gets underway and ends in October with late-ripening varieties from Sichuan province. Many producers use traditional e-commerce as a way to relieve supply gluts during peak season in their regions. During these times, fruit may be offered for as little as RMB 5 per kilogram, including shipping costs.

Top Tmall search results for “mango” during October, near the end of the domestic peak season.
• Imported Mango Pricing and Performance

In general, mango prices on Tmall and JD.com are highest during the domestic off-season. Research conducted during 2017-2018 by Asia Pacific Mango Network found that Australian and Thai imported mangos were sold at the highest price among all domestic and imported mangos sold on those platforms. Australian mangos achieved an average price of RMB 62.3 per kilogram, which was 251% higher than the average price of mangos from Hainan of RMB 18 per kilogram. Mangos from Thailand and Taiwan also performed well relative to mainland China mangos, achieving more than 50% higher average prices.

Vietnamese mangos represented 29% of total mango stock keeping units (SKUs) listed on Tmall, but sold on average at a lower price than Hainan mangos. This was also true of Myanmar mangos, which are also available to a limited extent on e-commerce channels in China, typically imported via border citizen trade.

The study reached the following conclusion:

Focusing on Chinese online mango sales, this research analyzed 374,910 online listings of mangoes from Tmall and JD, and modelled the listing price from Tmall using a hedonic approach. The results show that the place of origin, variety and seasonality of mangoes, along with customer satisfaction rating of the retailer, description of mangoes (including attributes and images) and the availability of a same-city, 24-hour delivery service are all important factors associated with online mango prices in China.

Clockwise from top left: Da (large) Tainong, Xiao (small) Tainong, Green Jinhuang from Guangxi, Da Jinhuang from Hainan\(^\text{15}\), Shuixian Mango from Taiwan, Yu (jade) mango, Xiangya (elephant tusk/ivory), and Guifei (also known as Honglong):

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\(^{15}\) Green Jinhuang and Da Jinhuang are the same variety. The difference in appearance can be attributed to different growing conditions, including the use of coverings on the fruit.
“Australian Mango” (aomang 澳芒, usually domestically produced R2E2 variety):

Keitt (kaite 凯特):

“Eagle Beak” Mango (yingzuimang 鹰嘴芒, a cousin of Keo Romeat):
Watermelon

Domestic Chinese watermelon for sale at Hema Fresh. All the fruit are labelled as a uniform weight (3kg) and sold at a standard price.

In general, watermelons are challenging to sell by traditional e-commerce because they are heavy and fragile, with a low profit margin. So, while watermelons are seen on traditional e-commerce platforms in China, they are not a high-selling item. Much of the product that is sold is domestic, especially during the main domestic season from July to November. Similarly, the “forward warehouse” platforms like Miss Fresh and Dingdong Maicai sell large volumes of watermelon, but little to none of it imported.

In the market exist significant volumes of watermelon imported from Vietnam and Myanmar via border citizen trade. Since this product is not imported by standard channels, it cannot legally be sold in China’s major consumer markets. These watermelons may be sold as domestic product on some e-commerce platforms, especially during the China wintertime domestic low season.

8 Regulatory Environment

Chinese laws governing e-commerce are relatively generalized and lack specific provisions for e-commerce of fresh fruit or other fresh produce.

In general, after it has cleared customs and quarantine, imported fresh fruit sold by e-commerce in China is regulated in the same manner as domestically grown fresh fruit. One important difference is that sellers of fruit marketed as imported are required to be able to show documentation proving that the fruit was legally imported—although this requirement is not always strictly enforced and may not be followed evenly by each e-commerce retailer/platform.

China National Standards

Regulations governing many aspects of the process of warehousing, transporting and selling fresh fruit by e-commerce are laid out in various of China’s four thousand sets of compulsory “National Standards.”
According to a report from the US China Business Council, “The Standardization Administration of China (SAC) is responsible for standards at the central level. Previously, SAC fell under the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) but in March 2018, it was absorbed into the State Administration for Market Regulation (SAMR), a newly formed super regulator responsible for a large swath of regulatory functions. While it is now integrated into SAMR, SAC has kept its name for external liaison purposes.” In the case of regulations concerning fresh fruit and other food, other government departments may formulate standards jointly with SAMR—for example, the National Health Commission and the Ministry of Agricultural and Rural Affairs.

Chinese national standards are sometimes called “GB” standards as an abbreviation for their Chinese-language name, which is Guobiao (国标). For example, one set of standards governing chemical residue limits in food is labelled as “GB 2763—2019,” which means the “National Standards number 2763, 2019 update.” When an updated volume of standards is published, the cover sheet will typically list the standards that it is replacing. A partial repository of these standards is maintained by SAMR in Chinese at: http://openstd.samr.gov.cn/

In addition to compulsory standards labelled with a “GB,” there are also nearly 37,000 non-compulsory standards, which are labelled “GB/T” (with the “T” standing for 推荐, Chinese for “recommended”), as well as several other tiers of non-compulsory standards that companies or local governments can establish and then submit to SAMR as a means of filling in areas not addressed by national standards. Generally, these non-GB standards are voluntary and do not supersede GB standards.

**Food Safety and MRLs**

Of greatest concern to producers and exporters of fresh fruit to China are the country’s regulations regarding heavy metal and pesticide residues, as well as food additive regulations. Tests for regulated substances may be conducted by China Customs inspection officials at the time of import. Then after the imported fruit has cleared customs, entered China and joined the stream of domestically grown fruits, testing for Maximum Residue Levels (MRL) violations and other food safety issues may also be conducted by government authorities at different points in the supply chain, including at the wholesale and retail levels. Major retailers and e-commerce companies may also conduct their own testing or request documentation of test results from exporters.

**• Heavy Metals**

In most circumstances, China only sets heavy metal residue standards in fresh fruit for lead and cadmium. The limit for all fruits is 0.1 mg/kg of lead and 0.05 mg/kg of cadmium in the edible parts of the fruit. An unofficial English translation (pdf) of the relevant food safety standards is available for download from the USDA Foreign Agricultural Service.

**• Pesticide Maximum Residue Levels (MRL)**

China regulates pesticide MRLs under the GB 2763 standards set, which is typically updated every two to three years. The current version of this standard, GB 2763-2019, covers all pesticides that are approved for use in China. GB 2763-2019 lays out MRLs for between 90 and 180 pesticides for each of the eight fruits discussed in this report.

Although China does not officially defer to Codex, it hosts the Codex Committee on Pesticide Residues (CCPR) meeting annually. It has stated that it may consider Codex MRLs in cases where there is a residue dispute on specific fruit shipments.
• Food Additives

Food additives in fresh fruit, including sulphur dioxide fumigation residues as well as other preservatives and coatings, are governed by GB 2760, “National Food Safety Standard for Food Additive Use.” The most recent version as of late 2020 was GB2760-2014 (an unofficial English translation is available from USDA FAS), although at the time of the compilation of this report, a revised version is expected soon.

Network and Hosting

Due to internet restrictions in China, network resources located outside of the country can be unreliable for users within China. Websites hosted outside of China can be blocked by authorities without notification or acknowledgment. Additionally, even if the server hosting the website is not directly blocked, it could instruct the client computer within China to call on resources that are blocked from within China, which can cause technical problems or even entirely stop the website from loading. Examples of such resources that are blocked from within China include font and JavaScript libraries hosted by Google or Facebook tracking codes.

In order for a non-Chinese entity to establish a web server within China or use China-based Content Delivery Network servers, it is generally necessary to have a registered Chinese corporation (wholly foreign-owned or joint venture) and successfully submit an Internet Content Provider (ICP) filing (known as an “ICP 备案”) to the branch of the Ministry of Industry and Information Technology in the province where the company is registered. The filing number and company name is required to be displayed at the bottom of each page on the website.

E-commerce websites need to further file for an ICP commercial license, which requires the applying company to have at least the equivalent of RMB 1 million of registered capital.

Furthermore, note that Chinese law reserves expansive rights for authorities to inspect and access information stored on network systems within China.

The Google Play app store is not available in China and Apple runs a separate version of its app store for the China market. Publishing an e-commerce app in China may require publishing to multiple android-based app stores offered by different handset manufacturers, as well as an iOS version on Apple’s China App Store. Apps may also face other regulatory requirements specific to China, such as the need for a Software Copyright Certificate (SCC).

E-Commerce Platforms

Many of the challenges of selling via e-commerce in China and complying with the country’s internet regulations can be bypassed by opening a store on an e-commerce platform already existing in China. Most platforms will require extensive documentation about the company or organization opening the shop. In many cases, platforms do not allow non-Chinese companies or individual to open stores. Some larger platforms like Tmall also require store owners operating on their platform to provide a large monetary deposit and charge annual fees as well as take a percentage of sales as commission.
9 Challenges and Recommendations for Companies from Cambodia, Lao PDR, Vietnam Wanting to Sell Fruit via E-Commerce in China

In general, Southeast Asian fruits have performed well in e-commerce channels in China and have a positive outlook. In order to continue this success and achieve further growth in the future, producers and exporters may consider the recommendations below as applicable to their products. The chief goal should be to produce fruits with consistent and high quality achieved through variety selection, good growing practices and modern postharvest treatment, packaging and transport practices.

Timing

When possible, for products that have significant domestic production in China (e.g. lychee, mango, dragon fruit, watermelon) that competes against imports, growers and exporters should aim to provide products during off-season months—especially the winter, including Christmas time and the leadup to the Lunar New Year.

Variety selection

Whether accurate or not, there is a widespread belief among traders in China that production in Cambodia, Laos and Vietnam consists largely of older varieties that can lack characteristics in demand by consumers in China.

Those growers and exporters who are interested in entering premium e-commerce channels such as online-to-offline may want to explore introducing new fruit varieties to their farms. Although new varieties may require an upfront investment, they can increase profits on exported fruit in the long run. For traditional varieties, it is still important to continuously invest in upgrading growing practices to ensure consistent quality.

Post-harvest Management

Interviewees in China indicated that the general level of facilities for postharvest treatment and packing is lower than they hope in Cambodia, Laos, and Vietnam. This can lead fruit quality to unnecessarily degrade even before it begins its final journey to the e-commerce consumer in China. They suggest upgrading facilities and adopting best practices for post-harvest treatment and handling of each type of fruit. Furthermore, packers and exporters should consider investing in refrigerated shipping and avoid depending on border citizen import channels, which usually results in unnecessary handling and cold chain breaks.

• Grades and Standardization

E-commerce channels inherently provide consumers with fruit that they have not had an opportunity to see, smell or touch beforehand. Standardization is especially important for e-commerce. Because fruits sold by e-commerce are typically sold at a standardized weight, it is important that the Chinese distributors and retailers who repack the fruit for retail sale be able to consistently create packages of approximately the correct weight. This means it is important for each piece of fruit to be of similar size.
Grades are also important, as they give retailers more predictability in knowing what the product they are purchasing will be like. Grower or exporter organizations may want to push for grading systems to be expanded if necessary and followed more rigorously by packers and exporters.

**Packaging**

Exporters in Cambodia, Laos and Vietnam may look to some of the improvements Thai exporters have made to their bulk packaging that could be helpful for improving sales of their fruits at the wholesale market level, which are key distribution points for all types of fresh fruit e-commerce in China. For example, Thai durian were formerly packed in 70-kilogram boxes at the origin. Now many exporters have switched to plastic baskets with just a few durians in each, which can be handled by a single person when breaking up shipments after they have been imported into China. These smaller baskets also have a lower cost per unit, making them more convenient for smaller wholesale orders, such as to individual fruit shops. Mangosteen from Thailand have also started appearing in recent years in smaller-sized plastic tray packaging.

**Tailoring Products to the Needs of E-Commerce Retailers**

E-commerce retailers may have specific desires or requirements for fresh fruit that differ from those of customers at wholesale fruit markets. For example, as noted in Section 7 regarding dragon fruit, home delivery e-commerce channels may actually prefer smaller-sized fruit in some cases. It is important for growers and exporters to have dialogue with e-commerce companies in order to understand their needs.

**Education/Communication Channels to Chinese Industry and Government**

E-commerce retailers are very focused on marketing and on promotional seasons for different types of fruit and different origins. They and their consumers tend to associate certain countries with certain products (Thailand=durian, Chile=cherries, Vietnam=dragon fruit, etc.) and they have marketing calendars that are structured around fruit seasons and planned far in advance.

Enterprises and government agencies in Cambodia, Laos and Vietnam need more channels of communication to Chinese industry. Chinese e-commerce companies often do not know how to reach out to government-run trade promotion bureaus from those countries or may not have strong incentives to do so. Therefore, the important task of building relationships and communications channels to Chinese e-commerce companies will need to be led from the international side—preferable with government departments or industry associations serving to consolidate resources, standardize messaging and act as central contact points.

- **Lack of Documentation or Market Access.**

Border trade and grey channels pose a challenge because large e-commerce platforms require sellers of imported fruits to provide a certificate of origin and will avoid selling or promoting fruit that is not formally allowed to be imported to China. It is important for relevant government bodies to continue pushing for formal market access for any fruits that do not already have it.
10 China E-commerce Marketing and Promotional Tools

Online stores need to have a lot of expertise in marketing to be successful. They need to be good at for example creating content, livestreaming, and running discount promotions. For the producer/exporter, promotion on e-commerce of imported fruits may not always return the investment in terms of direct sales but could still provide positive return if taking into account the branding and PR impact of the activity or campaign.

Direct Promotion on E-commerce

Tmall is a leading traditional e-commerce platform when it comes to promotion of imported fresh fruits that is aimed at building up public awareness of the fruit, brand or country of origin. Examples of such promotions could include banner advertisements, PR campaigns or livestreaming on Tmall’s official channels.

E-commerce platforms offer a broad array of advertising tools. Some, such as keyword advertising, need to be configured by sellers. Others, such as product recommendations, are automatic. And others, like banner advertisements on major landing pages, will require working together with the platform marketing team. Many of the advertising and promotion options on e-commerce channels require payment of fees to the platform, some of which can be quite high if they include high profile advertising positions or participation in high profile events.

E-Commerce Shopping Festivals

As e-commerce took off in China and Chinese e-commerce companies grew to be among the largest in the world, those companies started to develop annual China-specific e-commerce shopping promotions. These “shopping festivals” usually see large spikes in sales and can be opportune times to run promotions. The leadup to the Lunar New Year and the Mid-Autumn festival are also big e-commerce fruit shopping and promotion periods because gifting fruit during these times is deeply ingrained in Chinese culture.
• 6.18 E-Commerce Shopping Festival

Date: June 18

Founded in 2010, this is JD.com’s answer to Alibaba’s 11.11 shopping festival. Promotions surrounding this festival usually take place starting from June 1, which gives a longer period to accumulate sales.

• Double Eleven Global Shopping Festival

Date: November 11

Launched by Alibaba in 2009, Double Eleven is China’s original e-commerce shopping festival. It is the most popular day of the year to run a sales promotion for just about any type of product, including fresh fruits, online and offline and regardless of the sales channel. Prior to becoming a major e-commerce shopping holiday, November 11 was known in China as “Singles Day,” a holiday for people without romantic partners, due to the date 11.11 being composed entirely of the number one. E-commerce promotions on this day still sometimes go under the name of Singles Day.

• Double Twelve Shopping Festival

Date: December 12

Alibaba’s follow-up sale to Double Eleven launched in 2013, this shopping festival is also quite popular, and a wide range of goods are offered at discounts across a wide range of online and offline channels.

Social Media

• WeChat

WeChat started out in 2011 as a messaging application with social media features. Over the years it has added more and more functionality covering news and information, bill payments, event tickets, travel, and more. Companies can register official accounts on the platform to share news and information. There are also some integrated e-commerce options available to official accounts, as well as mini-programs (see the entry about Tencent in Section 4).

Increasingly, Chinese consumers turn to WeChat as their primary destination for news, information and content from other social media networks that has been shared by their friends or public accounts that they follow. Furthermore, it has become a standard practice to include QR codes on advertisements, product packaging and elsewhere that consumers can scan to go to a brand’s WeChat official account to learn more or mini-program for shopping its products. Registering a WeChat official account is one of the first steps a brand or company should consider today when establishing its marketing presence in China.

• Weibo

Weibo was one of the earliest widely adopted social networking services in China and is the country’s second most widely used social media network after WeChat. It is categorized as a microblogging service, where users can post photos or videos with short messages.

• TikTok China (Douyin 抖音)

Douyin is a social media app focused on short videos. Although Douyin and TikTok are owned by the same parent company and offer the same interface and functions, they are separate products, and the accounts and content on one are not visible on the other. It is a recent trend in China for fruit brands to open accounts on Douyin to promote their products.
• **Yizhibo and other Livestreaming Services**

 Aside from the livestreaming functionality built into e-commerce platforms such as Taobao/Tmall and JD.com, there are also several standalone livestreaming apps that are sometimes used in fresh fruit marketing and e-commerce sales. One of the major apps is named Yizhibo.

• **Red (Xiaohongshu 小红书)**

 Red is a relatively new social media service that is highly focused on product reviews by key opinion leaders, including a lot of foodie-related content.

• **Case Study: Government-Led Promotion of Thai Fruits in China**

 China has been an important market for Thai fruit exports since at least the ’90s. The volume and value of Thai fruit exports to China has accelerated since the China-ASEAN Free Trade Area came into effect in 2010. In contrast to the industry-led Chilean model, Thailand’s promotion of fresh fruit in China has been largely led by the government, especially the Department of International Trade Promotion (DITP) under the Commerce Ministry, as well as the Ministry of Agriculture and Cooperatives. The Thai government has also historically made it official policy for the entire diplomatic apparatus, including the Thai ambassador to China and other consular staff, to be active in promoting agricultural exports to China.

“Mostly, when buyers and consumers in China think about tropical fruit, they will think about Thailand”—Chinese E-commerce Employee

[Thai Deputy Prime Minister and Commerce Minister, Jurin Laksanavisit, appeared on a Taobao livestream to promote Thai fruit as part of the Tmall “6.18” shopping festival in June of 2020. Image credit: Tmall via Global Times.]
Chinese importers, distributors and retailers frequently cite Thailand as an example of effective national brand-building and promotion of fresh fruit exports. And the promotional activities staged by Thailand have in recent years been especially focused on e-commerce channels.

In the spring of 2018, China’s e-commerce giant, Alibaba Group, signed an agreement with the government of Thailand to purchase $473.6 million worth of Thai durian over a three-year period. To celebrate the agreement, a promotion on Alibaba’s Tmall platform saw 80,000 Thai durians sold in less than one minute. Shortly after, China’s other leading e-commerce platform, JD.com, signed a purchase order for six million Thai durians, while another e-commerce player, Suning, sold 200 tons of Thai durian in just two days.

In 2018, Thailand’s government announced a new “strategic fruit development plan,” which prioritized China as a main target market and durian, mangosteen, and coconut as priority fruits.

In late 2019, it was announced that Thailand would open a national flagship food store on Tmall and that it would participate in Tmall’s “Global Exquisite Dining” promotion in early June during the leadup to the “6.18” shopping festival, in which more than 150 Tmall sellers of Thai fresh fruit were participating. As part of the promotion Thai Deputy Prime Minister and Commerce Minister Jurin Laksanavisit appeared on an official Taobao livestream to promote Thai fruits, which attracted millions of views, according to Tmall. In addition to direct views, such official livestreams also tend to attract a lot of media coverage. Among other messaging, the appearance gave Mr. Laksanavisit a chance to directly reassure Chinese consumers about the quality and food safety controls of Thai fruit in the wake of the global Covid-19 pandemic.
Bibliography


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