

Eastward Ho!

Alipay helps U.S. retailers sell to the Chinese market

by M.V. GREENE

For the world's largest digital shopping market, there's really just one thing left to do — cement the link between U.S. retailers and eager consumers. Third-party Chinese payments provider Alipay thinks it can be the key player to do that, says Alipay U.S. President Jingming Li.

Part of a conglomerate of businesses operating under China e-commerce titan Alibaba Group Holding Ltd., Alipay began setting up in the United States two years ago and subsequently has announced deals with major U.S. retailers to serve as an online payments conduit for Chinese consumers to buy American goods. In China, Alipay counts more than 300 million account holders as customers.

Alipay's pitch to U.S.-based retailers has been to offer an Alipay ePass button on their websites and allow Alipay to handle everything else: payment authentication, currency conversion, logistics and fulfillment. ePass is Alipay's cross-border, e-commerce platform designed to ease the way for Chinese consumers to shop foreign markets.

Macy's, Saks, Bloomingdale's, Bergdorf Goodman and Gilt are among U.S. brands that have embraced the ePass platform in various forms for Chinese payments and shopping. In April, Delta Air Lines joined the program, the first U.S. airline to accept payments from affluent Chinese travelers via Alipay.

"There's probably a lot of [U.S.] merchants that see all the traffic coming from China, but are struggling to convert," Li says. "We say, 'Let's work together with merchants as our partners to lower the bar and make the merchant experience better.'"

Consulting firm Bain & Co. found that Chinese shoppers are more willing than shoppers in other markets to use smartphones to make purchases.

SEARCHING FOR VALUE

In an August 2013 study of the Chinese consumer, consulting firm Bain & Co. said that China surpassed the United States as the world's largest digital retail market with \$210 billion in sales.

The Bain study, surveying more than 1,300 Chinese online shoppers, highlighted their intense nature when it comes to buying foreign goods. Chinese shoppers are legendary for flying into Hong Kong or even U.S. cities in order to shop for authentic Western goods that Americans often treat as mundane, whether infant clothing, strollers and car seats or apparel, accessories and footwear.

Bain found that Chinese shoppers are more willing than shoppers in other markets to use smartphones to make purchases, don't mind using third-party payment platforms for purchases and don't mind waiting for their purchases to be delivered. Chinese shoppers also tend to shop for need or occasion, rather than loyalty to one brand; seek out the best bar-

gains; covet comparison shopping; are motivated by promotional campaigns; and, once online, increase their spending incrementally, the study noted.

As part of its deal with U.S. merchants, Li notes that Alipay is making available the breadth of Alibaba's vast empire to help market to and segment those Chinese shoppers while retaining control of their specific brand experience.

"For Chinese consumers, it does not necessarily have to be a Chinese website or Chinese e-commerce website ... to get them to purchase," Li says. "They search for the best deals possible and the best value for their money."

Marshall Porter, international senior vice president and general manager for online portal Gilt, attests to its "tremendous" partnership so far with Alipay. Gilt launched the ePass platform in October 2014; the ePass mechanism already processes about half of Gilt's payments from its Chinese customers.

"There are significant tailwinds for

cross-border shopping” in China, Porter says. “Gilt is all about great brands and great prices, and the Chinese customer, from what we’ve seen and the response we’ve had, is also about great brands and great prices.”

MOBILE ADVANCES

Li says he expects Chinese consumers’ interest in online shopping will increase in both developed and less-developed areas of the country. Ongoing advances in mobile Internet technology are propelling the Chinese from the limitations of desktop computers to smartphones and other mobile devices.



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An Alipay survey showed that the proportion of mobile payments to total payments in some of the less-developed regions of China more than doubled from 2012 to 2014, indicating consumers in rural areas and smaller cities are quickly adopting mobile devices as their primary tool for online shopping. More than 62 percent of Alipay payments from Tibet were logged via mobile devices in 2014, compared with 33 percent the prior year.

“It is a technology play. Mobile and Internet are enabling us to do this. We are the infrastructure for the e-commerce,” Li says. “We work with the merchants on bringing the proper marketing and the proper seg-

ment of customers.”

Investment house Credit Suisse reported in January that it expects the e-commerce share of total retail sales to see larger growth in emerging markets than in developed countries, driven in part by increasing Internet access in those developing nations. The Credit Suisse Research Institute’s Emerging Consumer Survey says e-commerce sales in emerging nations could be as high as \$3.5 trillion annually over the long term.

Richard Crone, CEO and founder of Crone Consulting, an independent advisory firm specializing in mobile strategy and payments, calls the op-

portunity “huge” for U.S. merchants to sell to the Chinese.

Crone says payments markets globally are flourishing with activity. Brands such as Visa, MasterCard, American Express and Discover are all offered in foreign markets and have wide coverage, he says. PayPal has also been expanding aggressively.

“Those are untarnished brands when it comes to their affiliation with the original suppliers of products and services worldwide,” Crone says.

He commends Alipay’s approach for linking U.S. merchants and Chinese consumers, although that growth may be challenging without a physical point-of-sale presence like other

payments providers enjoy. Crone says while e-commerce is experiencing healthy growth worldwide, it still remains about 10 percent or less of total sales in most countries, including the United States.

“You can expect that this game will be won or lost not in e-commerce, but at the physical point of sale,” Crone says.

‘A BALANCING ACT’

Porter says global payments present a balancing act: In China, Gilt accepts Alipay, but in Australia it accepts PayPal instead.

“From a product perspective, there are only so many types of payment mechanisms you want to take because it gets confusing for the customer,” Porter says. “We look at the ones that are global and dominant locally. You really have to be smart in choosing the ones you use rather than giving [consumers] a laundry list of options.”

Moving ahead, Li refers to Alipay’s

entry into the United States almost in stepping-stone terms, despite the importance of the market. He expects that in the near future, its U.S. retail partners will also be able to achieve sales to consumers in other countries like India, Brazil and Argentina.

“Right now, retailers are limited by geography,” he says. “They are really still confined to certain boundaries. We are trying to build an ecosystem to work together to bring the best products and shopping experience [to the global consumers]. That’s our goal.”

STORES

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