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A large, thick, orange arrow pointing to the right, positioned behind the text "High performance. Delivered."

High performance. Delivered.

Digital platforms will drive cross-border e-commerce for SMEs

Interview with Diane Wang, Founder and CEO of DHgate.com, one of China's leading international platform businesses

DHgate.com

Against a weak outlook for growth in international trade, the prospects for cross-border e-commerce are strong. The emergence of digital platforms is helping small- and medium-sized enterprises (SMEs) reach international markets. Cross-border e-commerce trade in China reached US\$590 billion (3.75 trillion Yuan) in 2014, accounting for nearly 14 percent of China's total import and export trade. Volume is expected to nearly double in 2016.



Diane Wang, Founder & CEO, DHgate.com

Accenture Research spoke with Diane Wang, to explore the opportunities. Named one of the most influential women in Asia by Forbes, Ms. Wang is the driving force behind DHgate.com, one of China's leading B2B e-commerce platforms.



Accenture Research: How has DHgate established such a differentiated position in China's e-commerce market?

Diane Wang: Founded in 2004, DHgate is China's first cross-border B2B e-commerce platform, connecting SMEs to global buyers. We are the first to focus on transactional B2B e-commerce in China, which earlier used to happen with sellers and buyers exchanging information, somewhat akin to Yellow Pages. We enable them to conduct business online through an "all-in-one" trading platform for purchasing, logistics, payment, internet finance and customer service.

Accenture Research: How have you managed to offer customer value at such scale?

Diane Wang: In order to drive high buyer satisfaction, our key differentiators are scale, and multicultural and multilingual services. The platform connects 10 million enterprises and individual buyers from nearly 230 countries and regions with approximately 1.4 million sellers globally. DHgate conducts sales in seven languages—for instance, it reaches more than 500 million Spanish-speaking customers worldwide—and accepts multiple forms of payment including credit cards, online bank transfer and e-wallets.

Key to our success has been our mature cross-border ecosystem that is rich in supporting services provided by specialist partners. These range from logistics (UPS, DHL, FedEx, TNT, etc.), to payments (MasterCard, VISA, American Express, etc.), to technology innovation, to internet financing (China Construction Bank, etc.).

Accenture Research: What are the main opportunities and potential challenges for your international expansion?

Diane Wang: DHgate is expanding its footprint by enabling SMEs in different economies to integrate in the global market. We partner with local e-commerce marketplaces to create a win-win situation. We already have two models of cooperation: one is the B2B2C model. DHgate will integrate part of the product data base into the local e-commerce platform to enrich its selection, and the revenues in this model are primarily commission based.

The other model is our platform co-development model. We are cooperating with local partners to tap into low-cost manufacturing bases and to provide e-commerce services to small companies from both sides. These local platforms manage local marketing, customer service and local delivery, etc., while DHgate offers platform operation

and maintenance, R&D, cross-border shipment, training and value-added services, etc. Revenues come from both commission and value-added services.

We are also exploring the O2O (online to offline) model to realize further international expansion. DHgate is cooperating with local distributors abroad to build offline display centers. We display our online products in these centers and the local distributors will be able to directly perceive what they are going to purchase. They can test the products in the offline display center, and place orders through our online platform.

Accenture Research: What is DHgate's approach to data monetization?

Diane Wang: Data is innate to e-commerce platforms and can be used to create value added services for platform users. China is the world's largest e-commerce marketplace, with more than 60 million registered micro, small and medium enterprises. This is enabling rapid Fintech innovation in China, with new Fintech business models emerging every three to six months.

DHgate leverages seller transactional data through DHfinet, a microloan initiative developed in collaboration with China Construction Bank. We offer new lines of credit to registered suppliers on DHgate.com based on sellers' supply chain data, transactional data and credit records. The seller's data, along with financial data held by the bank, is analyzed to evaluate future business order opportunities, assess credit worthiness and control risk. The new product not only lowers entry barriers for SMEs, but also improves their ability to provide quality services to global buyers.

DHgate also uses big data to offer value-added services to sellers, such as industry trends reports, traffic management, visual wizards and various marketing tools. These improve our operational capabilities and expand business opportunities.

“ China is the world's largest e-commerce marketplace, with more than 60 million registered micro, small and medium enterprises. ”

Accenture Research: As DHgate expands, how do you maintain high levels of buyer confidence and security?

Diane Wang: We use anti-counterfeit technology and merchant rating systems, and partner with technology companies to do that. DHgate opened its platform to third parties five years ago. We collaborate with partners in three ways: to co-provide services, such as logistics and micro loans; to open API for IP development; and to work with payment services and technology companies to manage risk, monitor online listing, prevent IP infringement issues etc. Over the last 12 years, DHgate has built a strong IP management system to protect its global brand, increase sales and reduce the number of customer complaints, which tend to cause returns and refunds. We work with 200 worldwide copyright players to combat counterfeits, and we have a dedicated trust and safety team to manage disputes.

Accenture Research: How do you think policy makers can help accelerate the growth of sustainable platforms?

Diane Wang: E-commerce is proving the best way for SMEs to trade internationally. Governments need to create flexible conditions that encourage SMEs to expand from traditional to cross-border channels. That will require financial support, creating clusters to establish critical mass and skills training. China has launched 13 cross-border e-commerce pilot zones to encourage new businesses, create jobs and nurture new business models. The first was set up in Hangzhou. These zones include new tax policies, business processes, regulatory frameworks and technical standards. For example, the city of Hangzhou provides a one-time subsidy of \$5,000 for any e-commerce business whose yearly transactions are over US\$1 million. The city also pays 20 percent of training fees to SMEs to build their capabilities, and subsidizes participation in overseas tradeshow and exhibitions.

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About Accenture Research

Accenture Research is a global team of industry and digital analysts who create data-driven insights to identify disruptors, opportunities and risks for Accenture and its clients. Using innovative business research techniques, such as economic value modeling, analytics, crowdsourcing, expert networks, surveys, data visualization and research with academic and business partners, the team contributes to several hundred points of view that are published by Accenture each year.

About DHgate.com

DHgate.com is the first to market and the biggest transactional cross-border B2B e-commerce marketplace in China, aiming to provide global buyers with quality products at competitive prices. Founded in 2004, DHgate.com has approximately 10 million global buyers from 230 countries and regions, with 1.4 million global sellers offering 33 million products. DHgate.com's business enables buyers to directly access global manufacturers of the world's top brands with rich product selections. DHgate.com is an all-in-one platform with integrated services for international logistics, cross-border payments, internet financing, etc. Please kindly find more information about us at <http://www.dhgate.com>.

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