

# The Chinese market for Russian products and cultural exports today



November 2020

HONG KONG | BEIJING | SHANGHAI

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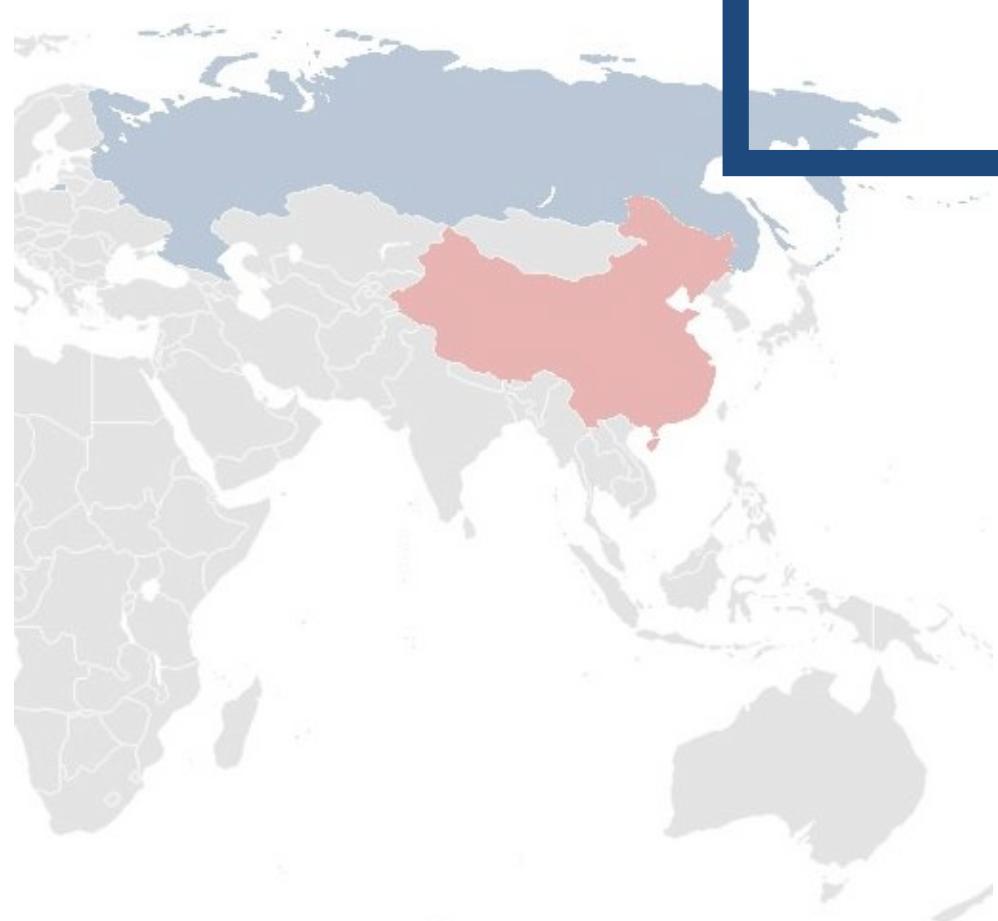


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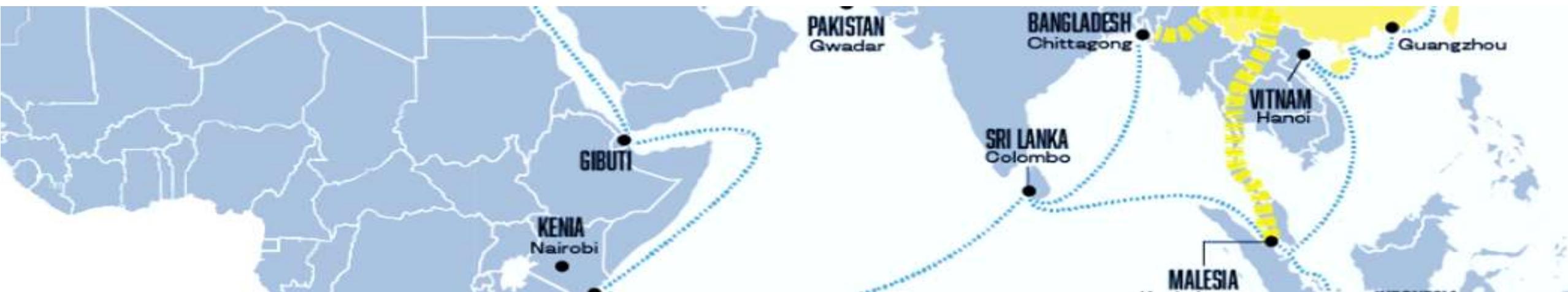


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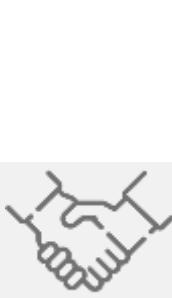
## I. OVERVIEW OF CHINA-RUSSIA TRADE RELATIONS



# THE HISTORY OF RUSSIA-CHINA TRADE RELATIONS

Since 1991 Sino-Russian relations have become close and cordial. The countries maintain a strong regional alliance and significant levels of trade.

President Vladimir Putin and General Secretary of the Communist Party of China Jiang Zemin **signed a friendship pact to defend mutual interests and boost trade.**



2001-2004



2006

The paramount leader of China Hu Jintao and Russian President Putin agreed to **extend energy cooperation and approved the Russian–Chinese Investment Cooperation Plan.**



2007-2008



2014

Russia agreed to participate in the **One Belt One Road initiative**. China made a plan to invest in logistics infrastructure in Russia such as high-speed railroads and Arctic region transport corridors.



2015-2016



2018-2019

**BRICS** (Brazil, Russia, India, China, South Africa) was founded. What was important for Russia and China was the **agreement to use their own currency** in all forms of BRICS-to-BRICS trades, making them less dependent on the US dollar.

**Western sanctions against Russia** contributed to the new Russian foreign policy approach – “**Pivot to Asia**”. As a result, China has become Russia's largest export country for agricultural products.

The **trade volume** between China and Russia **hit a record of over \$107 billion**. Putin set a task to increase trade with China to \$200 billion in 2020.

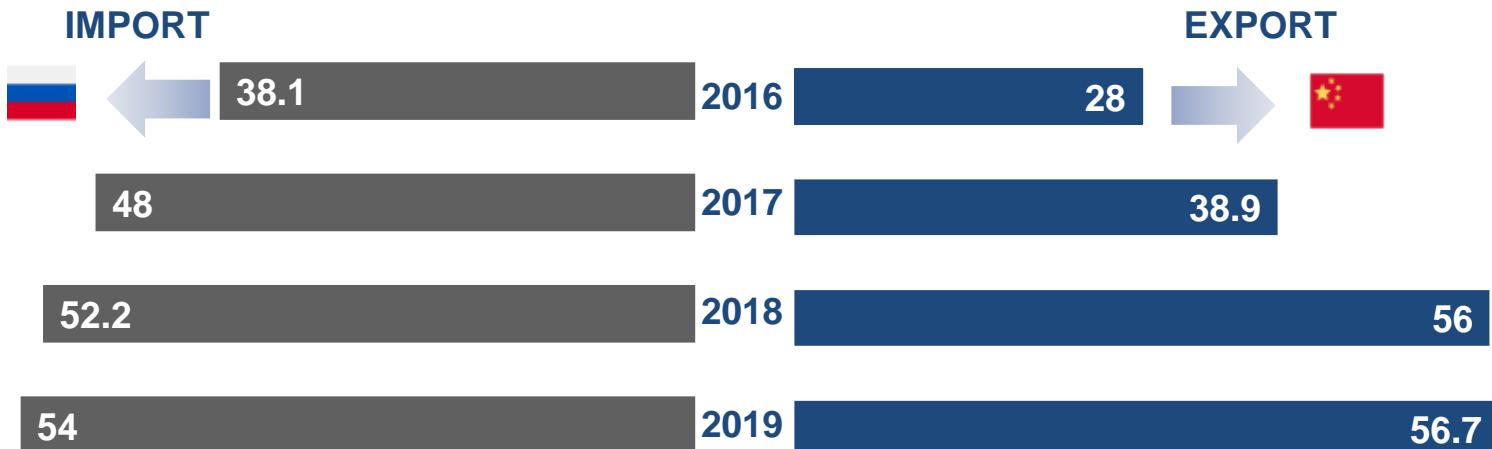
# CHINA IS ONE OF THE KEY TRADE PARTNERS OF RUSSIA

- China's rapid economic development and geopolitical issues with the United States have necessitated new trade partners such as Russia.
- China is №1 importer of Russian goods in 2019-2020.
- Bilateral trade between Russia and China increased by around 4.5% in 2019, reaching \$110 billion.
- In the first half of 2020 export value from Russia to China reached 23.7 billion US\$, a 12% decrease from the same period in 2019.



In 2018, Russian exports to China exceeded imports for the first time in 13 years.

Dynamics of foreign trade between Russia and China  
(in billion US\$)



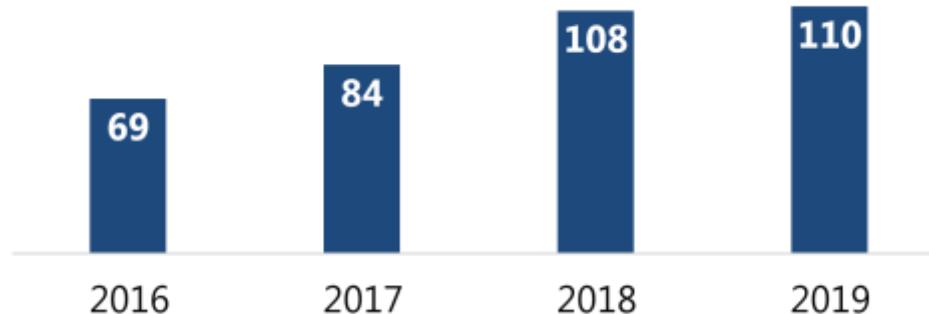
Source:Ru-Stat

In 2019 China was Russia's leading import origin and export destination

Russian Top 5 trade partners 2019  
(share %)

China		14%
Netherlands		9%
Germany		6%
Turkey		5.1%
United Kingdom		4.7%

Growing trade between Russia and China  
(in billion US\$)



Source:Ru-Stat

# EXPORTS OF RUSSIAN GOODS TO CHINA IN 2019 & 2020

2019

Oil traditionally is the **largest** Russian export to China.



1 billion US\$ was the value of exported **seafood, fish and shellfish** from Russia to China. Very often, these products are **repackaged and sent back** to Russia to sell.



**Meat** was extensively exported in 2019, totaling to **144 million US\$**. **Chicken meat** was the biggest category.



**Fats and oils** account for **61 million US\$**, ranking second in the food category.



**Confectionery, chocolate products, and cocoa** accounted for **112 million US\$**.



**Dairy products** accounted only for **4 million US\$**.



2020

The share of **oil** is **decreasing**, but due to the growth in exports of non-primary products to China, **in general, exports are growing**.



Sales of **fish and seafood** show growth.



Export of **soybeans, rapeseed and sunflower oil** are **increasing** and the YoY growth accounts for 49%.

**Poultry** exports are **increasing**.



**Confectionery and general consumption products** were exported to China unofficially through the **border trade zones**. During the pandemic, these areas were closed. There was a **decline in the export** of confectionery and general consumer goods.



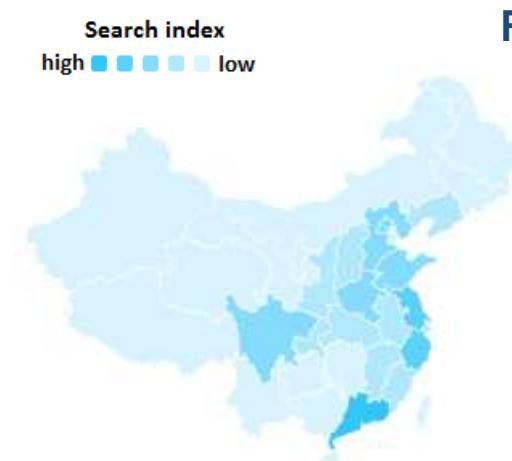
Now there is a trend that Chinese companies either begin to import goods officially without **border trade zones**, or they refuse cooperation, because they do not know how to make official imports.



## II. WHAT ASSOCIATIONS DOES RUSSIA EVOKE AMONG CHINESE CONSUMERS?



# SEARCH TRENDS ON BAIDU: “RUSSIA/俄国” (1/3)



Source: Baidu index

## Regional distribution of 'Russia' searches & age distribution

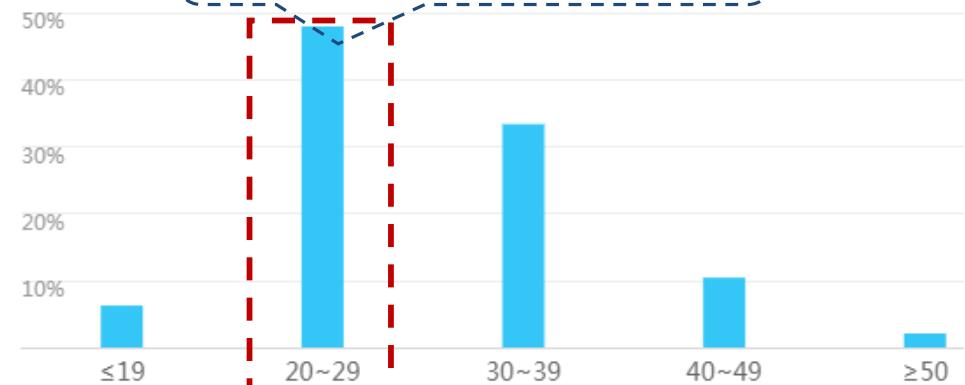
Top 5 provinces that show interest in Russia are developed areas where people travel more and have interest in other cultures.

Also, besides Guangdong and Beijing others have sizable Russian communities.



Time frame: Sep 2018 – Feb 2020

20 to 29 year old netizens show the most interest in Russia.



# SEARCH TRENDS ON BAIDU: “RUSSIA/俄国” (2/3)

- I. Many Chinese people are curious about **Russia's heritage of the Soviet Union**.
- II. Chinese people are interested in **Russian history**, and the **Tsarist times** in Russia in particular.
- III. Russian **military parade on Victory Day** (9<sup>th</sup> May) also attracts the Chinese tourists, as their military took part in the parade in Moscow two times. Victory Day is a common big holiday for the Russian and Chinese people. About **15 million Chinese died** on the battlefield during World War II.

Search index: low ● ● ● High

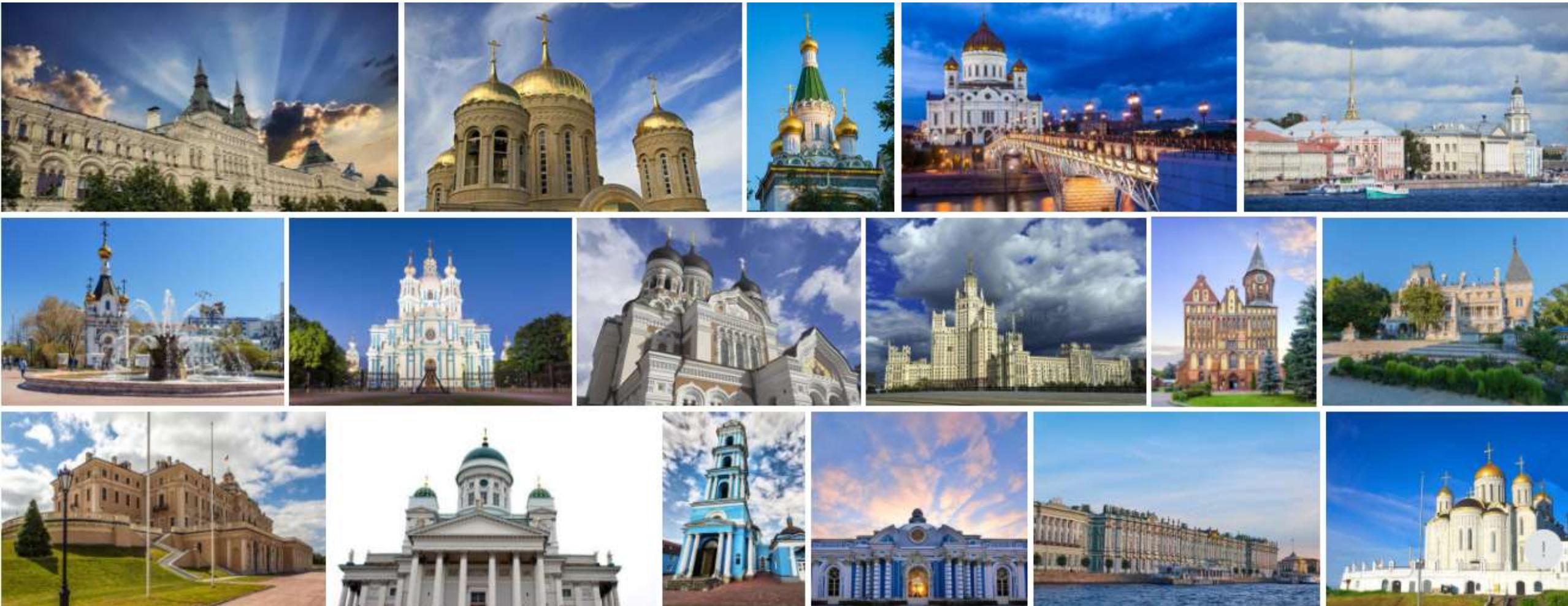
Search trends: ● rising trend ● declining trend



Source: Baidu index

# BAIDU IMAGES: “RUSSIA/俄国” (3/3)

Russia is synonymous with tourist attractions and outstanding architecture.



# SEARCH TRENDS ON BAIDU: “RUSSIAN GOODS/俄国商品” (1/3)



Search index  
high ■■■■■ low ■■■■■



Regional distribution of ‘Russian goods’ searches

Heilongjiang	■■■■■
Guangdong	■■■■■
Liaoning	■■■■■
Shandong	■■■■■
Beijing	■■■■■
Jilin	■■■■■
Inner Mongolia	■■■■■
Hebei	■■■■■
Jiangsu	■■■■■
Zhejiang	■■■■■

Time frame: Sep 2018 – Feb 2020

Heilongjiang, Liaoning, Beijing, Jilin, Hebei and Inner Mongolia are northern China regions which are close to the Russian border.

Guangdong, Shandong, Zhejiang and Jiangsu are developed provinces with high living standards and a large amount of middle class consumers.



HARBIN,  
HEILONGJIANG



GUANGZHOU,  
GUANGDONG



SHENYANG,  
LIAONING

# SEARCH TRENDS ON BAIDU: “RUSSIAN GOODS / 俄国商品” (2/3)

- I. Russian food products are of particular interest to Chinese people.
- II. As import from Russia to China is growing, more and more **Russian food brands** are entering the Chinese market. Therefore, the awareness is increasing.
- III. According to Taobao and Tmall rankings, **Russian seafood, sweets, and supplements** are gaining more popularity in the Chinese market.

Search index: low ● ● ● High

Search trends: ● rising trend ● declining trend



# BAIDU IMAGES: “RUSSIAN GOODS /俄国商品” (3/3)

Food products are the first thing that the Chinese associate with goods from Russia.

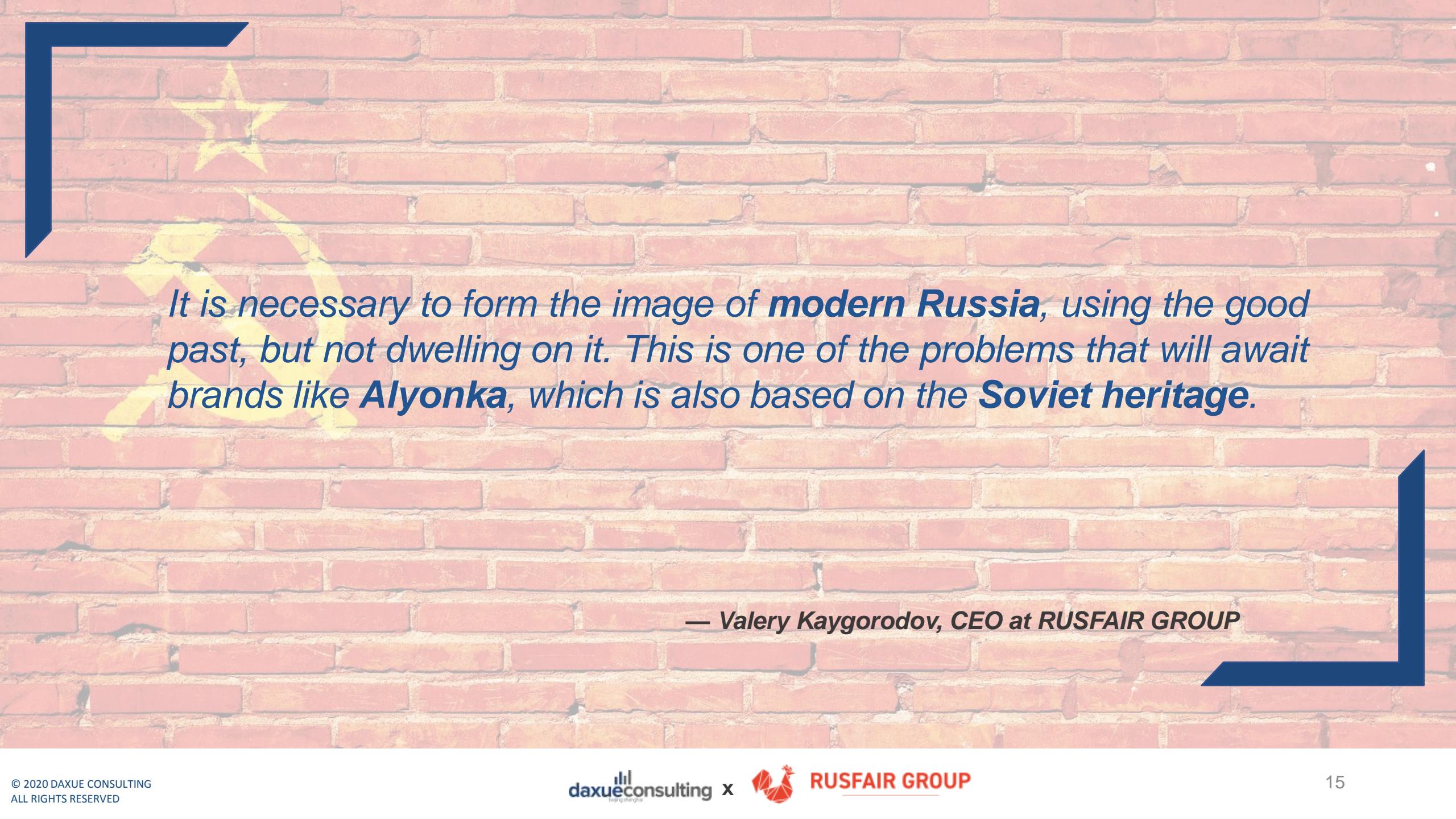


Source: Baidu Image

# BAIDU IMAGES: “RUSSIAN BRANDS/俄国品牌”

Brands that produce alcohol and food products such as flour, honey and vegetable oil are the first association with Russian brands for the Chinese consumers.





*It is necessary to form the image of **modern Russia**, using the good past, but not dwelling on it. This is one of the problems that will await brands like **Alyonka**, which is also based on the **Soviet heritage**.*

— Valery Kaygorodov, CEO at RUSFAIR GROUP

# MYTHS ARE IN THE AIR: WHAT ARE CHINESE CONSUMERS ASKING ABOUT RUSSIAN GOODS? (1/3)

What Russian snacks and food do the Chinese people like?

中国人喜欢什么俄罗斯零食、食品？

甜心爱吃小笼包 超过 28.6 万人关注

俄罗斯黑巧克力 俄罗斯巧克力和比利时巧克力  
比起来虽然名气略输一筹，但口感绝不逊色...

228 赞同 · 37 评论 · 2017-08-30

228 people discussed



Are Russian cosmetic really any good?

俄罗斯的化妆品真的好用吗？

小姐姐：首先得明确你在问什么。俄罗斯代购化妆品，代购的都是香奈儿、...

86 赞同 · 16 评论 · 2018-12-30

86 people discussed



Are there any delicious and inexpensive Russian snacks?

有什么好吃不贵的俄罗斯零食？

慢慢买比价：战斗民族的零食份量都非常足！！！战斗民族的零食份量都非常足... 找...

1.9 万赞同 · 1017 评论 · 04-08



19,000 people discussed

Any recommendations for Russian skin-care products?

有哪些好用俄罗斯护肤品？

汤懵懵：俄罗斯在我心里一直是个很彪悍的毛妹形象，就像守望先锋里的查...

539 赞同 · 11 评论 · 2019-01-08



539 people discussed

- I. Regarding Russian goods, Chinese people actively discuss such categories as “cosmetics”, “food”, “snacks”.



- II. Zhihu users are noting the **high quality of Russian food products**, such as **snacks** and **sweets**.

Source: Sample of Zhihu Posts | 2020 | CN

# MYTHS ARE IN THE AIR: DO RUSSIANS EAT BEAR MEAT? (2/3)

“

有什么你去了俄罗斯才知道的事？

在俄罗斯你是可以吃到熊肉罐头的，虽然味道很腥

**Q: Is there anything you knew only when you went to Russia?**

**A: You can eat canned bear meat in Russia, although it tastes fishy**



“

为什么俄国在艺术领域很有成就？

俄罗斯比较出名的就是悲剧流文化，不管是文学作品还是音乐都带着点抹不掉的愁，哪怕是军歌，都是走悲壮风格的。



**Q: Why is Russia very successful in art?**

**A: Russia is more famous for its tragedy culture. Whether it is literature or music, there is a bit of sadness. Even military songs are in a tragic style**

“

俄罗斯有那些好吃的？

冰激凌在俄罗斯不仅流行，而且怀旧，倡导的是无添加的“苏联”配方。

**Q: What delicious food does Russia have?**

**A: It turns out that ice cream is not only a popular, but also a nostalgic thing, advocating a “Soviet” formula without food additives**



“

苏联最强的时候强大到什么程度？

共产主义的意识形态，才是苏联的核心竞争力，这个竞争力是空前绝后的。



**Q: How strong was the Soviet Union?**

**A: The communist ideology was the core of competitiveness of the Soviet Union. This competitiveness was unprecedented**

- I. In Zhihu, Chinese people are discussing **unusual Russian delicacies** that are **rarely eaten in Russia**.
- II. The topic on **Russian art** got **more than 200 comments** on Zhihu.



- III. Russian **ice cream** is a **popular topic** for discussion.
- IV. Chinese people are also interested in the **Soviet Union's history**.

Source: Sample of Zhihu Posts | 2020 | CN

# MYTHS ARE IN THE AIR: UNIQUE EXPERIENCES IN RUSSIA (3/3)

“

在俄罗斯旅行是怎样的一种体验？

俄罗斯是我去过的所有国家中，最丰富多彩的一个。在我的旅行辞典里，把俄罗斯旅游主要分为5大板块：双都、极光、贝加尔湖、高加索、远东。

**Q: What kind of experience is traveling to Russia?**

**A: Russia is the most colorful of all the countries I have been to. Russian tourism is divided into five major sections: Two capitals (Moscow and Saint Petersburg), Arctic, Baikal, Caucasus, and Far East**



你在俄罗斯有哪些奇特的经历？

一个寒冷的夜晚，在叶卡捷琳堡，我们被一对俄国夫妻、2条狗、4只猫捡回了家。

**Q: What unique experiences did you have in Russia?**

**A: One cold night in Yekaterinburg, we were picked up by a Russian couple with 2 dogs and 4 cats.**

*\*This is the story on Zhihu, how Chinese couple couldn't get a hotel room when traveling in Russia, and Russian people invited them to stay at their house*



- I. The tourist destinations for Chinese travelers in Russia is no longer limited to Moscow and Saint Petersburg. More Chinese tourists try to experience the so-called “snow travel” in the Arctic.



“

有什么你去了俄罗斯才知道的事？

俄罗斯新西伯利亚，有一个全球最奇特的殡仪馆，提供最特别的服务：把逝者的骨灰送上太空。这个战斗民族的殡仪馆，是让人意想不到的地方：有刷成橙色的外墙，外表看上去就像个游乐场。

**Q: What did you know about Russia when you went there?**

**A: Novosibirsk, Russia, has one of the most peculiar funeral homes in the world, providing the most special service: sending the ashes into space. The funeral home of this fighting nation is an unexpected place: it has an orange painted exterior wall, which looks like a playground.**



在俄罗斯点外卖是种什么样的体验？

曾经年少不懂事，去俄罗斯旅游，因为实在是吃不惯当地的食物，掏出手机想点外卖，本身对外国的效率就不抱希望，但2小时总够时间了吧！！！但结果我是4个小时后才拿到的。

**Q: What kind of experience is it to order food in Russia?**

**A: When I was young and traveled to Russia, I was really not used to eating the local food. I took out my phone and wanted to order takeaway. I didn't get my hopes up for the efficiency of delivery apps in foreign countries. But 2 hours should be enough time!! However, I only got the food 4 hours later.**

- II. Chinese people agree that Russian people are hospitable. Some things surprise Chinese tourists. For example, even in 2019, Russian food delivery still took a very long time.



*There are tourist places in Russia, but we do not know how to "pack" them. There are no videos, descriptions, well-planned routes. This is a bad approach to creating **tourists' emotions**. Also, there is an inability to work with the information environment. Chinese travel agencies do it for Russian companies. They successfully sell the cost of the tour at the cost of a ticket for a charter flight, then guides meet tourists at the airport and take them to show attractions. **Marketing and advertising** are the weakest point of the Russian tourism industry.*

— Valery Kaygorodov, CEO at RUSFAIR GROUP



*I see a tendency that the Chinese come to Russia for a "unique" vacation. For example, for winter fishing and hunting, or to see the northern lights. Expensive, private wildlife tours are becoming popular.*

— Anastasia Tarasevich, CEO at Epinduo



### III. B2B: CHINESE FACTORIES ARE IN NEED OF RUSSIAN MATERIALS



# MINERAL RESOURCES LED BY “BLACK GOLD” VS. NON-MINERAL RESOURCES

As Chinese industries are developing rapidly, mineral resources (oil, gas, coal, etc.) are the main sphere of Russian exports to China. However, the export of non-mineral resources shows positive dynamics, as Russia is actively trying to switch to a non-oil-and-gas economy.

Russia's export value to China Jan-Jun 2020  
(million US\$)

Group of goods	Export volume (million US\$)
Oil	9,508,733
Coal	655,654
Ore	387,535
Fats, oils	268,810
Copper	266,924
Nuclear reactors and equipment	239,592
Wood	163,354
Fertilizers	127,896
Seeds, fruits, grains, medicinal plants	100,236

Changes in the export's structure from Russia to China

2019  
----- VS ----- 2020

China's **increase** in oil demand in **2019** was influenced by the trade war between China and the United States.

Due to the the **COVID-19 outbreak**, many heavy manufacturers stopped operations, the oil demand **decreased**. It contributed to Russia's focus on non-mineral exports to China.

In 2020, such non-mineral resources like **metals**, **seafood**, and **equipment** were exported from Russia to China



Copper exports increased by 168%



Seafood exports increased by 25.5%



Equipment exports increased by 10%

# B2B IS THE KEY AREA OF COOPERATION

Despite the developed industry, a lot of China's sectors still lack their own technology, so local companies have to import equipment and components.

According to China Customs Service Statistics, **nuclear energy equipment, aircraft equipment, medical equipment, and electric machines** saw a significant increase in exports from Russia to China in 2018-2019.



NUCLEAR ENERGY EQUIPMENT

+8% growth



AIRCRAFT EQUIPMENT

+34% growth



MEDICAL EQUIPMENT

+51% growth



ELECTRIC MACHINES

+130% growth

Source: Forbes

E-commerce platforms play an important role in the B2B cooperation



One of the oldest B2B online platforms operating in Russia

ALLBIZ

Popular categories:

- auto equipment
- agriculture
- clothing and footwear



The first e-commerce B2B platform for China-Russia trading

TRADE EASY

Focuses on:

- apparel
- household items
- electronics



B2B cross-border e-commerce platform

DHGATE

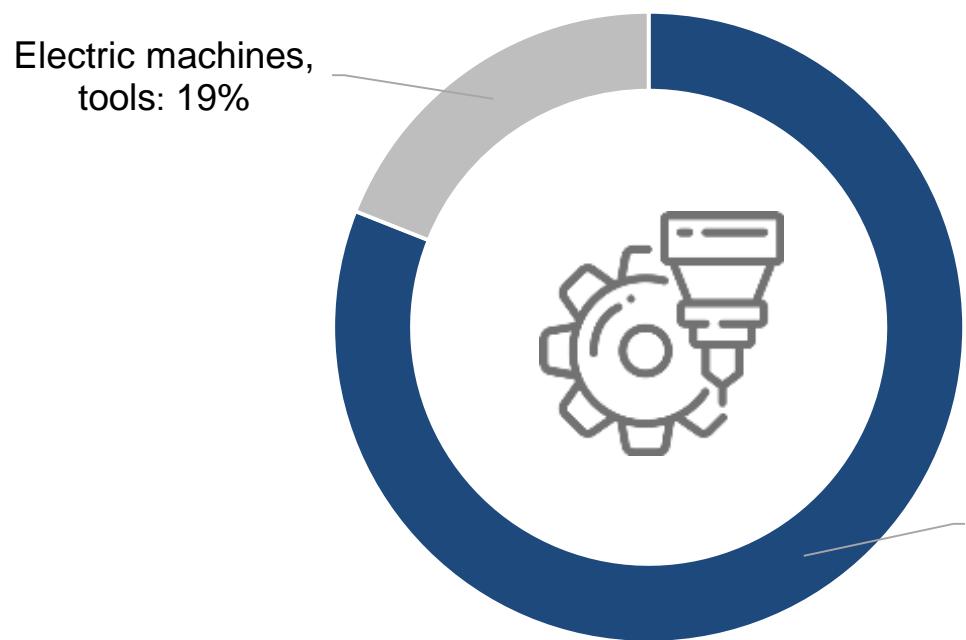
Popular categories:

- electronics
- apparel
- health and beauty

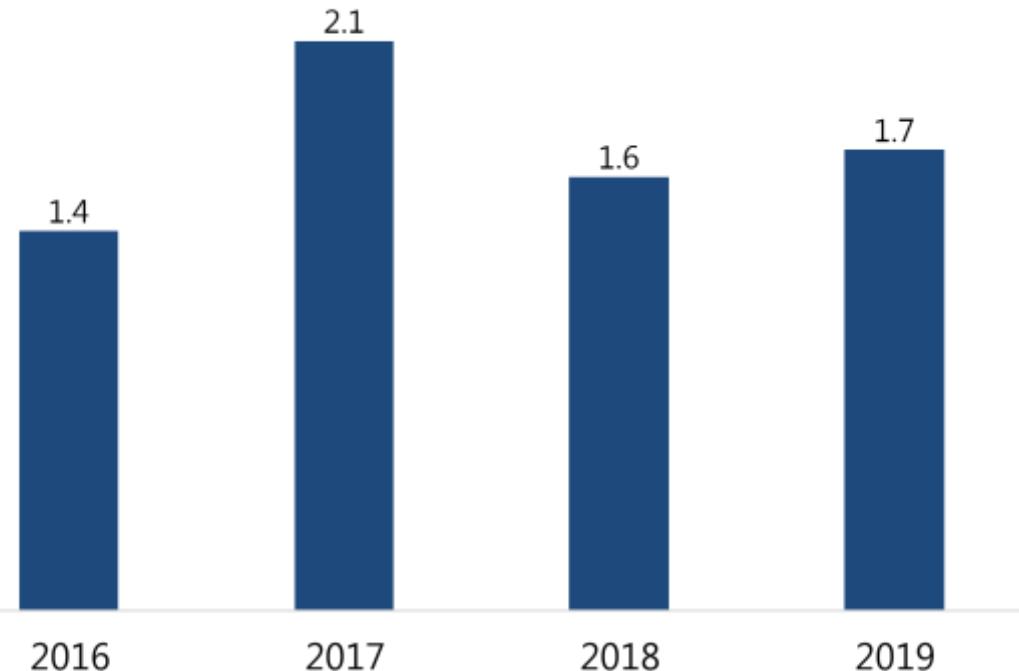
# CHINA HAS A STRONG DEMAND FOR NUCLEAR ENERGY EQUIPMENT

- Growing industries in China contribute to the demand in the equipment and machines.
- China ranks first among importers of Russian equipment.
- Russia is a leader in the production of equipment for nuclear-energy technology, therefore China seeks partnerships in this area.

Structure of Russia's equipment export to China  
2016-2019 (%)



Russian export of equipment to China 2016-2019  
(in billion US\$)



Source: Ru-Stat

# CASE STUDY: RUSSIAN MERCURY MEASURING EQUIPMENT

## Russian mercury measuring equipment



**RA-915 +** is an analytical mercury complex that has a unique ability to perform **fast selective measurements** of mercury concentration in atmospheric air, gas streams, liquid and solid samples.

Source: Akvilon

## The biggest buyers of Russian mercury measuring equipment



China National Scientific Instruments and Materials Corporation  
(中国科学器材公司)

Tianjin Haina International Trade Limited Company  
(天津海纳国际贸易有限公司)

Russian instruments for **measuring mercury** help Chinese enterprises to continuously **monitor** the content of mercury in emissions and to carry out any kind of **environmental research** of mercury emissions, **identifying emission sources**.

*Russia has been successfully exporting devices for measuring mercury in soil and water to China. China uses Russian devices because they are of very high quality. Analogues in the world are much more expensive. China has been seriously dealing with the problem of water and air pollution at the political level for several years now. Mercury pollution is one of the most difficult pollution. In this regard, this equipment is not only successfully sold in China, but also occupies a significant share of the Chinese market for this equipment.*

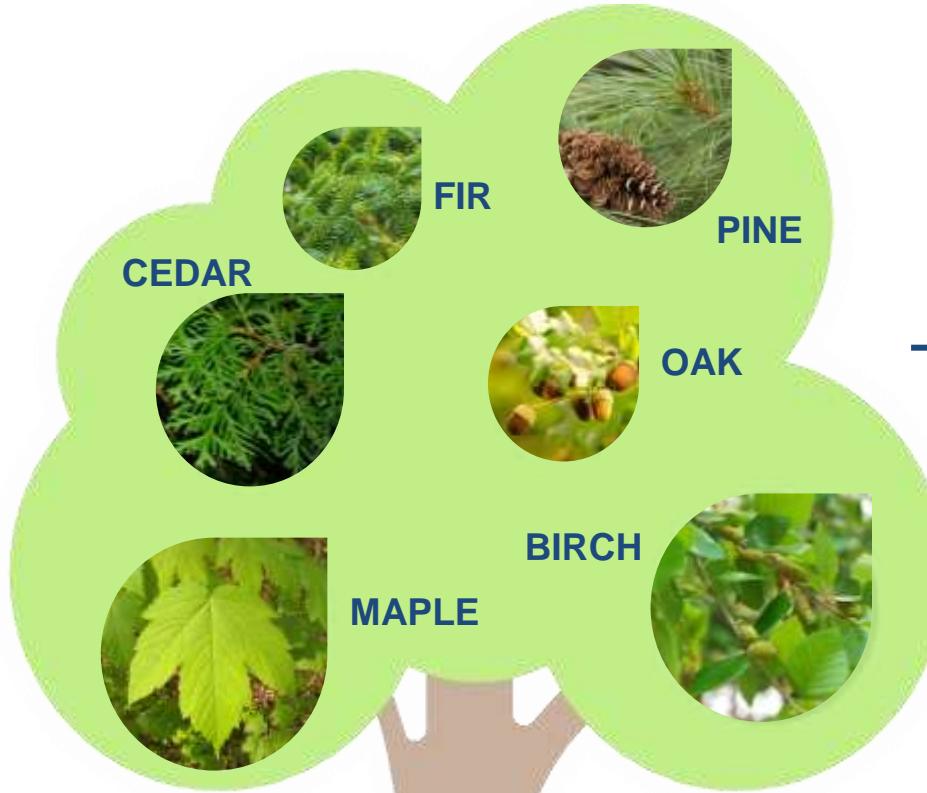
— Egor Pereverzev, China Managing director at EKF Group & degree programmes director at Moscow School of Management SKOLKOVO



# RUSSIAN WOOD: WHY CHINA IS CRAZY FOR IT?

I. A ban on deforestation within China

II. Lack of own timber resources



Each year, **20 million trees** are used to make chopsticks

In Shanghai alone, furniture producers demand about **6 million cubic meters** of timber a year

III. Low price and similarity of Russian and Chinese wood species

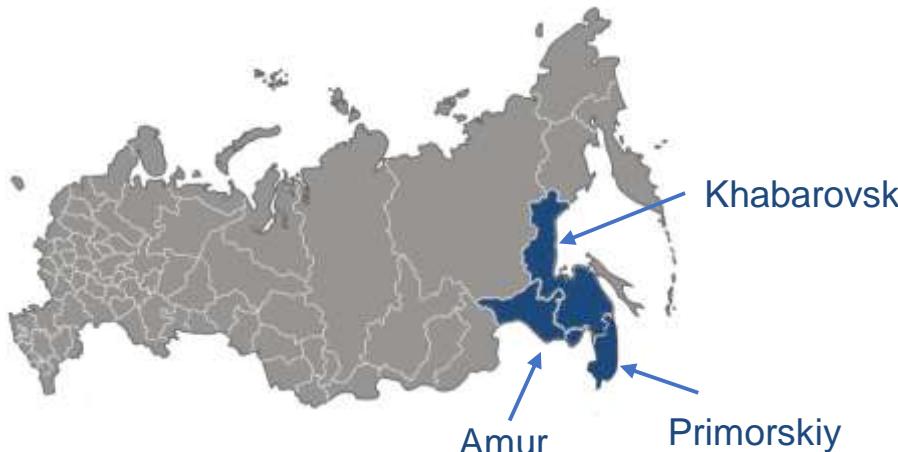
IV. Chinese employees are well acquainted with the technological process for processing Russian wood



# TYPES OF CHINESE COMPANIES IMPORTING RUSSIAN WOOD

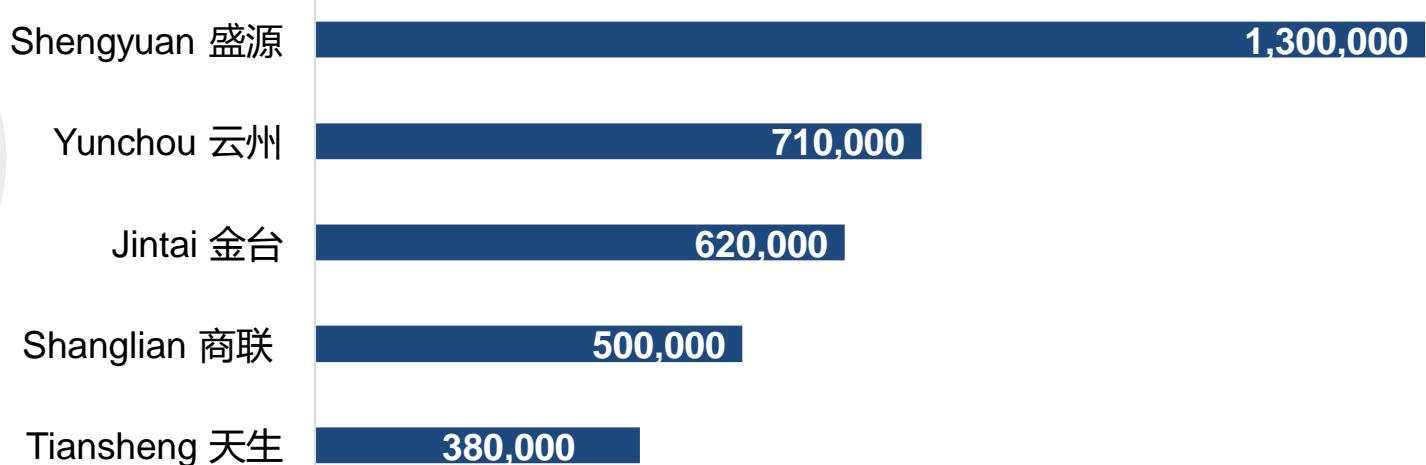


Areas of Russia exporting the most wood to China



About 60 trading companies located in northeast China control over 80% of the Russian-Chinese timber trade.

Top-5 Chinese companies-importers of Russian wood 2017  
(in m<sup>3</sup> per year)



Source: Amur Info Center

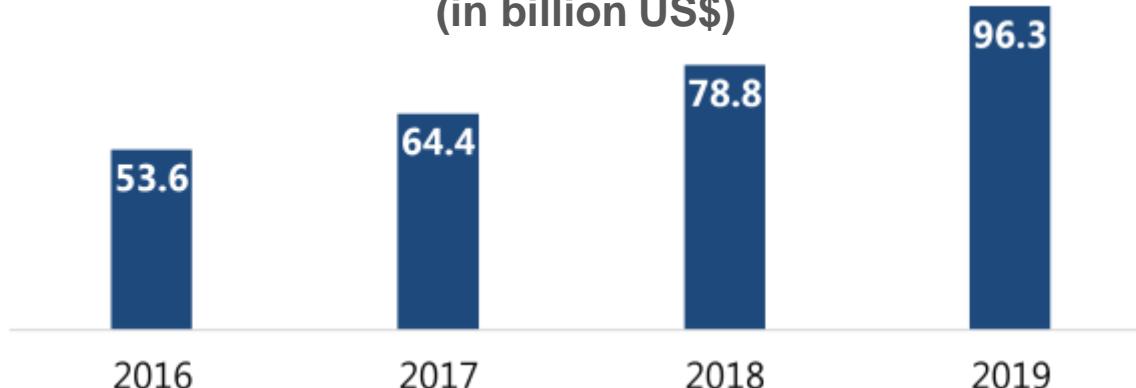


*I can highlight two so far uncovered, but promising segments for Russian business. **Wooden children's toys** and **wooden kitchen utensils**: spoons, ladles, cutting boards and so on. Most importantly, these segments position Russian products as **natural** and **high quality**. This will help build the positioning of Russia as a manufacturer of high quality, **sustainable products**. It will also affect other categories.*

— Valery Kaygorodov, CEO at RUSFAIR GROUP

# RUSSIAN MEDICAL EQUIPMENT OPERATING IN CHINESE HOSPITALS

Growing medical equipment market in China 2016-2019  
(in billion US\$)



As Russia focuses on supplying **diagnostic imaging devices, consumables, dental products, orthopedic devices, and patient aids devices**, those spheres can be the future areas of cooperation.

Spheres of Russian medical devices' import to China 2019



DIAGNOSTIC IMAGING



CONSUMABLES



DENTAL PRODUCTS



ORTHOPEDICS



PATIENT AIDS

Source: Ru-Stat

e.g. Alod-01



1 In 2017 Shanghai East Hospital (上海市东方医院) bought a semiconductor laser "Alod-01". This is a unique Russian device that is used in general surgery.

e.g. POZIS



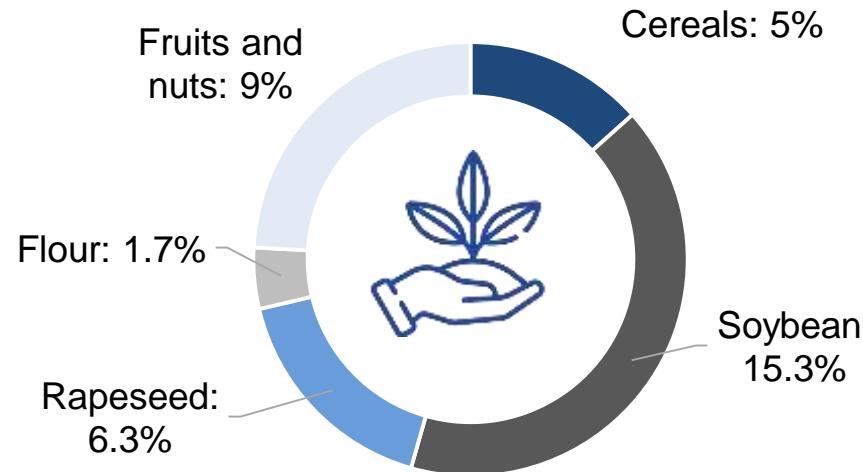
2 POZIS is the first and only serial manufacturer of pharmaceutical refrigerators for blood and plasma storage in Russia.

In 2018, POZIS delivered the first batch of Russian medical equipment to a Chinese company in Hong Kong .

# AGRICULTURAL PRODUCTS: WHAT CAN RUSSIA'S FERTILE LAND OFFER?

The Chinese market is one of the fastest growing agri-food markets in the world.

Top 5 agricultural products exporting from Russia to China 2019 (%)



**Soybean, fruits and nuts, cereals and rapeseed** are the leaders in the export of Russian agricultural products to China.

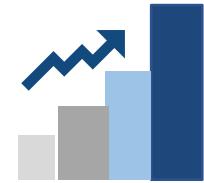
50%

The export of flour from Russia is a promising area, as today China produces only 50% of its national flour needs.

Source: AgroInvestor

Growth of soybeans and rapeseed export to China from 2016 to 2019

The most dynamic growth in exports of agricultural products to China in 2016-2019 was shown by Russian **soybeans and rapeseed**.



SOYBEANS



RAPESEED

Russia is taking a higher portion in soybean exports due to the US-China trade war

+35% growth

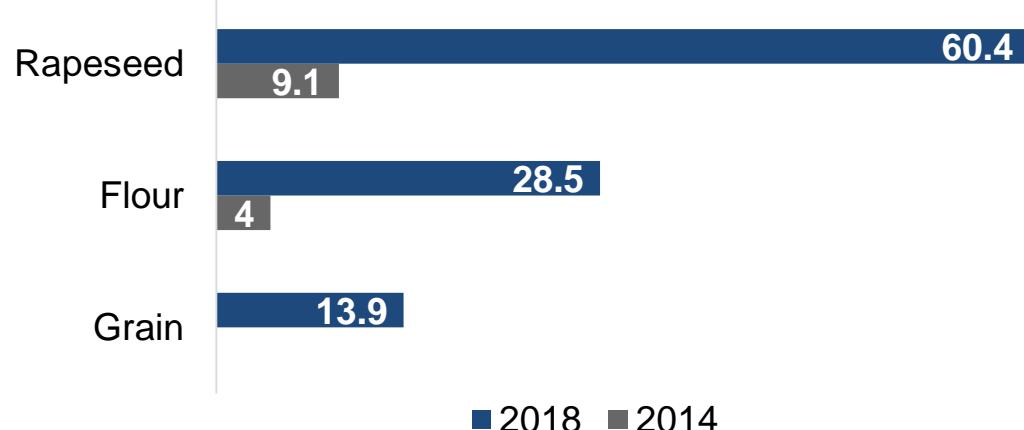
Russia is increasing rapeseed exports to China due to China's rapeseed oil shortage

+145% growth

Source: Milk News

# RUSSIAN GRAIN, RAPESEED & FLOUR IMPORTS SHOW DYNAMIC GROWTH

## Dynamic growth of Russia's agricultural exports to China 2014/2018 (in million US\$)



In 2018, Russia exported a record grain volume to China – more than 1.5 million tons

*“Consumption of flour products in China is growing at a much faster rate than sugar and chocolate products. The growing coffee culture in China has driven the rise in consumption of flour products. This is one of the opportunities for Russia to fully occupy this market in China.*

— Valery Kaygorodov, CEO at RUSFAIR GROUP

At present, Krasnoyarsk, Altai, Novosibirsk, Omsk, Amur and Chelyabinsk regions have the license to export grain and seeds to China



To expand the export of grain and seeds Russia should

- 1 Work with the Chinese partners to expand the list of regions licensed for export to China
- 2 Develop logistics to deliver the agricultural products faster, keeping high quality

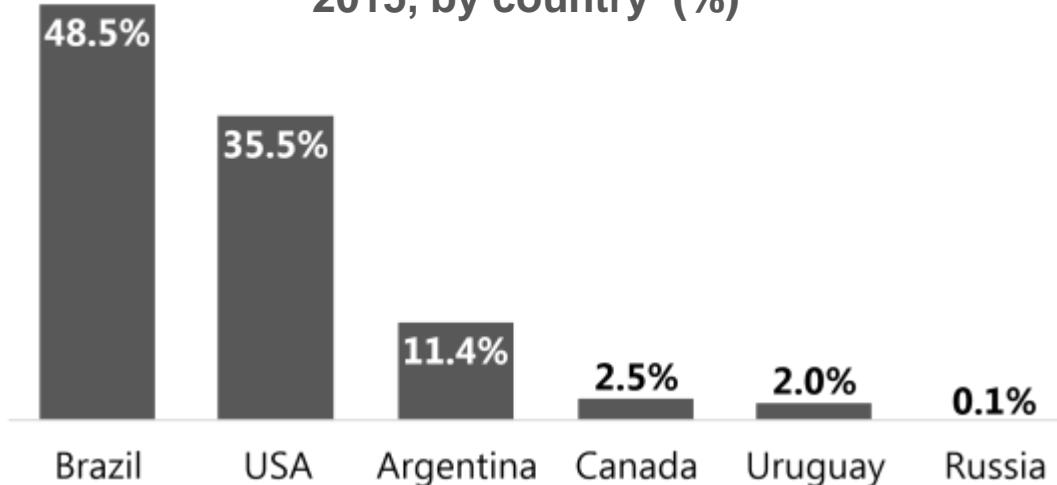
Source: AgroInvestor

# HOW THE TRADE WAR GAVE A CHANCE TO RUSSIAN SOYBEAN EXPORTS

Soybeans are a strategically important commodity for China, ensuring the country's food security.

Before the China-US trade war

Market share of soybean suppliers to China in 2015, by country (%)

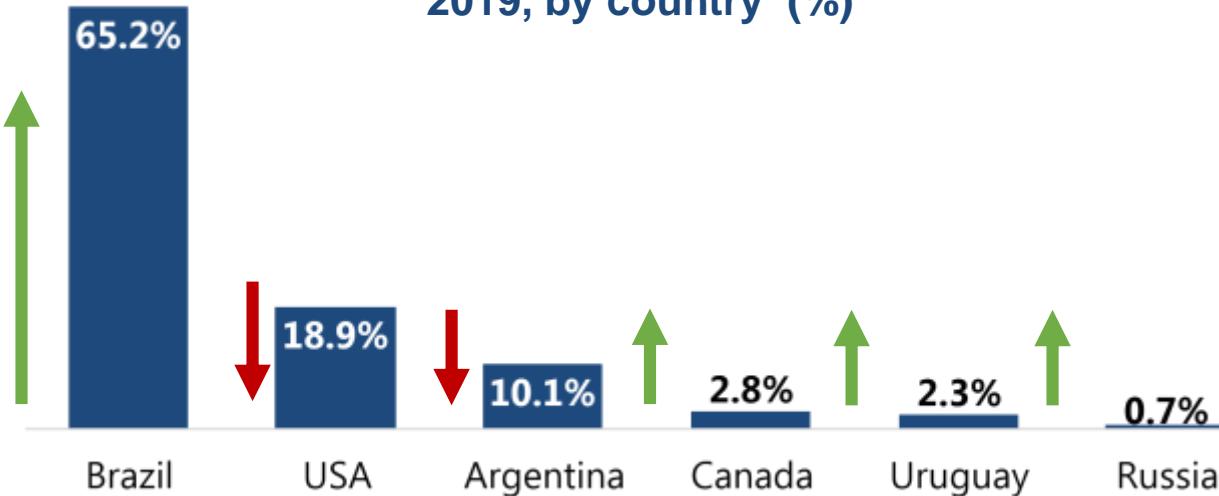


With over a billion consumers of soy, China was the largest importer of U.S. soybeans.

When the trade war started heating up in 2016, China needed to find an alternative supply and a way to cover a 10-20 million ton soy deficit.

Current situation

Market share of soybean suppliers to China in 2019, by country (%)



Russia's market share is growing, as the US imposes more and more tariffs.

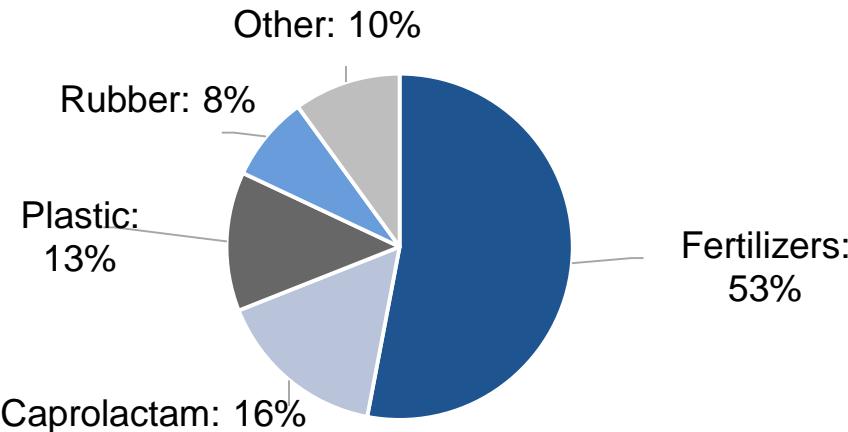
Now there is a **trade war between China and the United States**, and **agriculture will be most affected**. In the future, China will not import the same amount from the US. This is a very good chance for Russia.

— He, Zhenwei, Secretary-General of the China Overseas Development

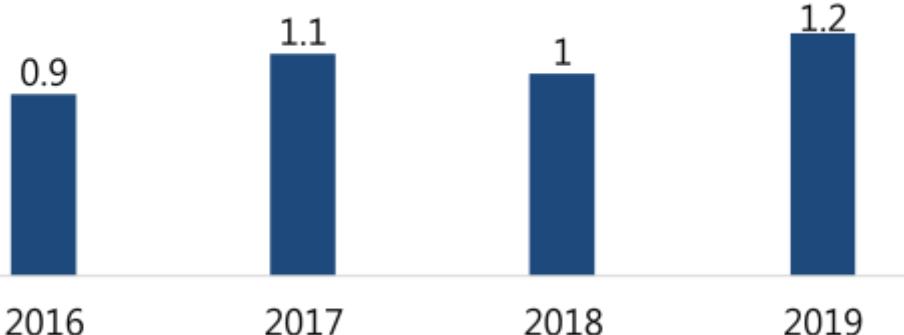
# THE “CHEMISTRY” BETWEEN RUSSIA AND CHINA

In the structure of exports of Russian chemical products to China, the leading positions are traditionally occupied by mineral fertilizers.

Structure of Russia's chemical products export to China 2018 (%)



Russia's chemical products export to China 2016-2019 (in billion US\$)



Key areas of Russian chemicals exports to China

Russia exports two types of fertilizers to China: **potash and phosphate**

**FERTILIZERS**



Caprolactam is in high demand in China, as it is used for **textile, carpet and industrial yarns**

**CAPROLACTAM**



Russia remains a major exporter of **plastics and plastic products** to China

**PLASTIC**



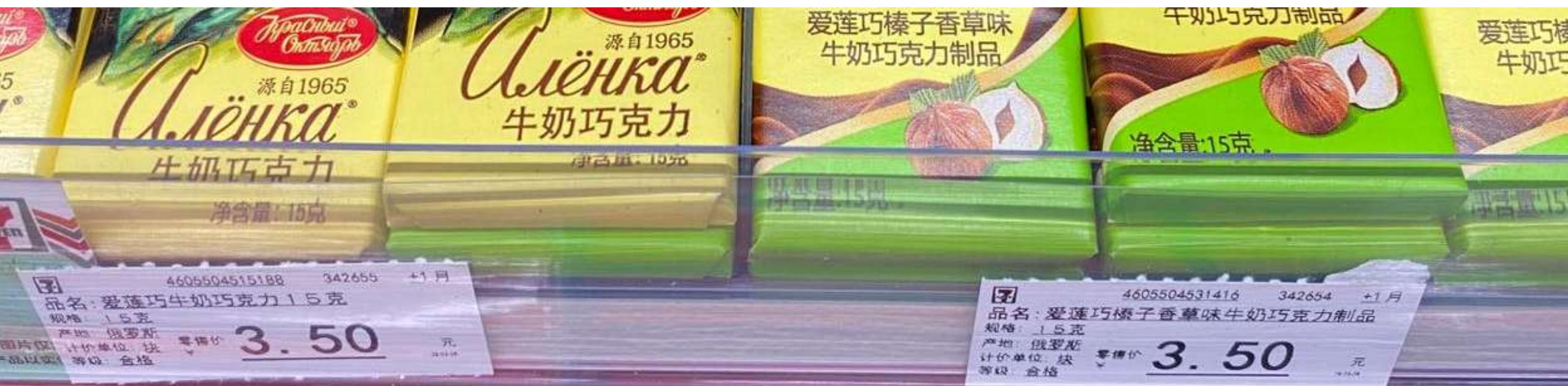
Rubber is in the top 5 industries of chemical export to China. In 2018 the export from Russia to China increased by 30%

**RUBBER**



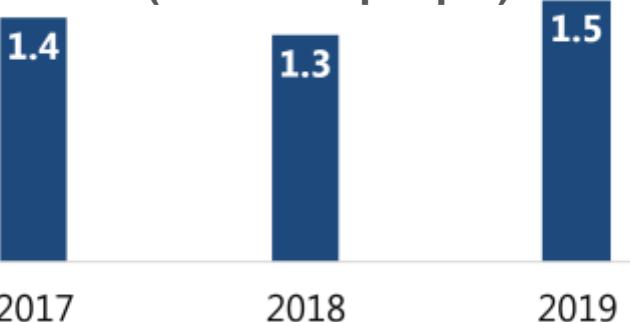


## IV. B2C: HOW RUSSIAN GOODS ARE CONQUERING THE CHINESE MARKET



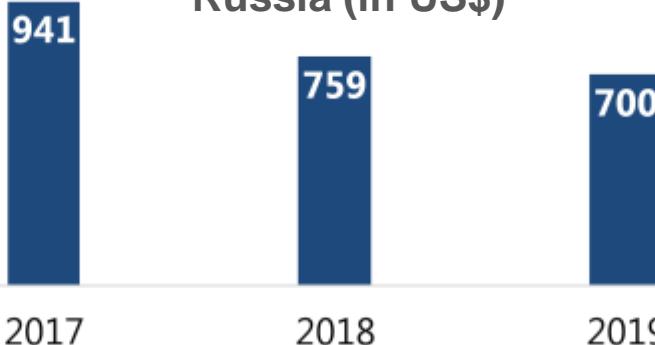
# KEY RETAIL CHANNELS: TOURISM (1/3)

Tourism from Russia to China  
(in million people)



In 2019 the average spending of a Chinese tourist in Russia fell by 8% from to 2018

Per capita spending of Chinese tourists in Russia (in US\$)

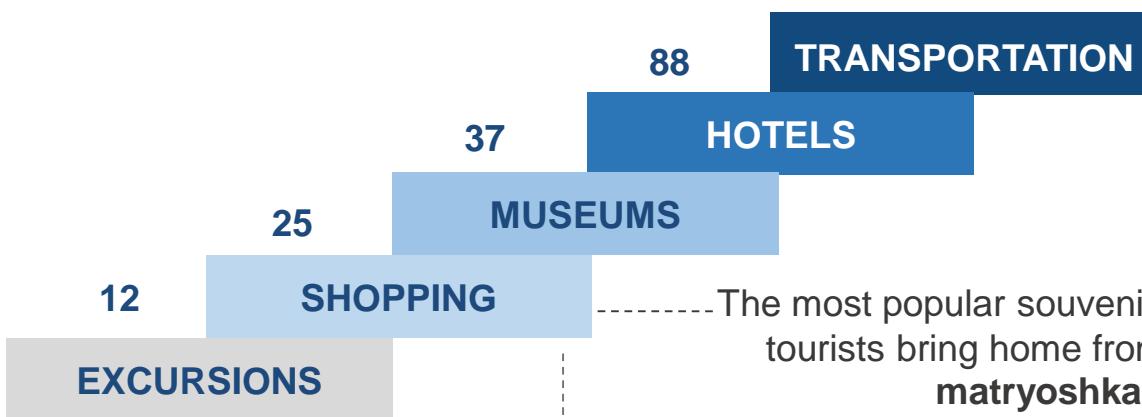


One of the factors of less spending on shopping one may be the **development of e-commerce**

Source: Inosmi

Change in the **structure of expenses towards entertainment**. Young tourists tend to prioritize experience (theatres, museums, ballet) over shopping.

Average spending of Chinese tourists in Russia per year, 2017-2019  
(in million US\$)



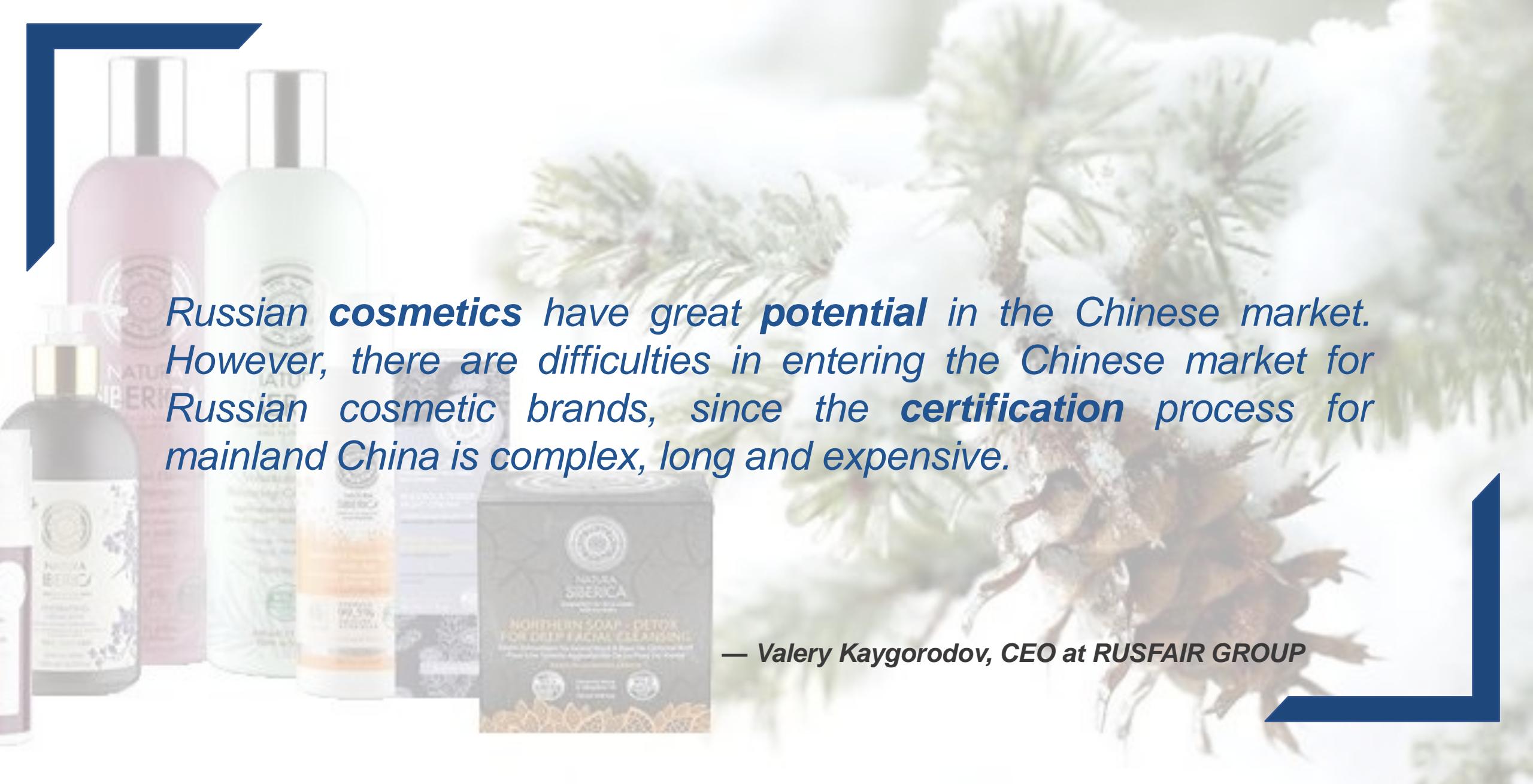
The most popular souvenir that the Chinese tourists bring home from Russia is the **matryoshka doll**

The most popular goods purchased in Russia are **amber and cosmetics** – they account for 30 percent of spending

## Which cosmetics products are popular among Chinese tourists?

Due to the favorable dollar exchange rate, buying **branded cosmetics in Russia is much cheaper than in China**. Chanel, Dior and Givenchy are the most popular brands among the Chinese tourists.

However, recently **Russian mass-market cosmetics brands are also gaining popularity**. For example, Chinese tourists buy "Babushka Agafya", Teana ampoule cosmetics, "Velvet Handles" hand creams.



*Russian **cosmetics** have great **potential** in the Chinese market. However, there are difficulties in entering the Chinese market for Russian cosmetic brands, since the **certification** process for mainland China is complex, long and expensive.*

— Valery Kaygorodov, CEO at RUSFAIR GROUP

# KEY RETAIL CHANNELS: BRICK-AND-MORTAR STORES (2/3)

Most brick-in-mortar retail stores are located in cities close to the Russian border.

## Location: Beijing

- There is a big Russian diaspora in Beijing: students, entrepreneurs and workers.
- The Russian area Yabaolu is located in the center of Beijing.
- It is concentrated with Russian restaurants, hairdressers, craftsmen and shops with Russian products.

## Number of shops: 13

- The oldest chain selling Russian products is “Yura”, which has been operating for almost 20 years.
- The most well-known stores selling Russian products are “Bratya” (Brothers) and “Witas”.

## What the shops sell

Food products, cosmetics, household products.



## Location: Harbin (Heilongjiang)

- Harbin was founded by Russians as a railway station.
- There are noble mansions on the streets, shops selling Russian dolls, and the local restaurants serve traditional Russian cuisine.
- The Russian community in Harbin is around 3,000 people, mainly students and Russian-Chinese families and those who came to Harbin for work.

## Number of shops: 37

- Chinese-Russian Market is one of the most famous places in the city.
- It has a huge variety of Russian goods.

## What the shops sell

Imported vodka, dolls, chocolate, furs, etc.



## Location: Suifenhe (Heilongjiang)

- It is a border town with a large population of Russians.
- The trade turnover of Suifenhe with Russia occupies 10% of the total trade turnover between China and Russia.
- Annually more than 700 thousand people from Russia visit the city.

## Number of shops: 25

- About 400 companies are engaged in trade of Russian products.

## What the shops sell

Food products, cosmetics, fur, alcohol, etc.



Source: Russian News

# KEY RETAIL CHANNELS: E-COMMERCE (3/3)

E-commerce platforms allow Russian manufacturers to easily enter the Chinese market.

## EPINDUO

- The **largest platform** for the sale of Russian products in China, established in 2016.
- Translated from Chinese, EPINDUO (俄品多) means "**many Russian goods**".
- According to Anastasia Tarasevich CEO at EPINDUO, the turnover is about **\$57,000 per day**.
- More than 150 Russian exporters** are represented on the platform.
- EPINDUO has sold **over RMB 50 million** worth of goods in its first 8 months of operation.
- EPINDUO also has an **official WeChat store**.

### Top 5 highest-selling products

1. Refined soybean oil "Filyovskoe"
2. Wheat flour "Belyaevskaya"
3. Beer "Old miller from a barrel soft"
4. Candies "Krokant"
5. Uzgen honey



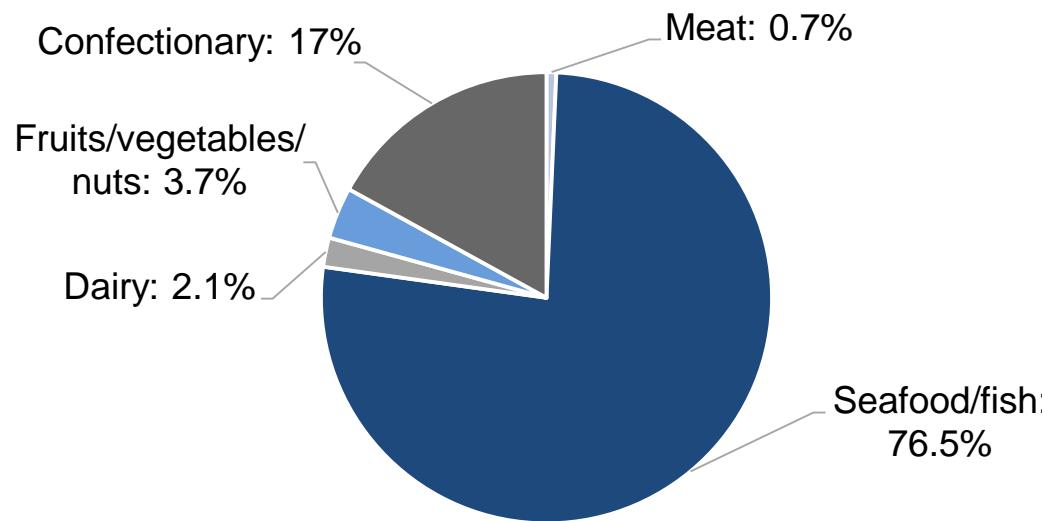
- Established in 2017, the platform provides a **full cycle of work within the framework of cross-border trade** - marketing research, search for partners in Russia and China, and export-import clearance and certification.
- Allows Chinese customers to make purchases **both online and in advance order**.
- The platform is **integrated into Chinese electronic customs ports**, as well as into **warehousing and transport infrastructure programs and payment systems**.
- Thanks to the platform, Russian food producers can enter the Chinese market **without creating own infrastructure**.



# F&B GOODS: CHANGING PATTERNS IN CONSUMPTION

- Due to the growing population, China ranks first in the world in terms of the retail food market.
- According to Euromonitor, food consumption in China will continue to grow and will amount to about \$1.8 trillion by 2024.
- Chinese people began to buy more beautifully packaged food for fun.

Structure of Russia's food export to China 2019 (%)



Source: Russian Trade

For many years, **seafood** was a stable leader of Russia's food export to China. According to Import Export Association, export of seafood reached **\$2.3 billion US** in the first half of 2020, taking third place among Top 10 exported products.

## Projected consumption trends in China by 2024

Since the reform and opening-up, **China's urban lifestyle** has become **more fast-paced**. The average worker has a busier schedule; therefore, do not have time to treat him/her selves with decent meals.



### CANNED FOOD

Ready-to-eat food has rid of the message 'make you full' and is moving towards 'nutritious, delicious & convenient'

+63% growth



### NUTS

Sales of nuts have grown fast because people consider them as healthy snacks

+50% growth



### DAIRY

China's leaders have championed milk as the emblem of a modern, affluent society

+49% growth



### FRUITS

Fruits are also considered as healthy snacks by the Chinese consumers

+42% growth

Source: KPMG Report

# TOP CATEGORIES: RUSSIAN F&B PRODUCTS ON TAOBAO & TMALL (1/3)

Based on the search results of Taobao and Tmall, top popular Russian food products are sweets, seafood (mainly sea cucumbers) and bread.

## Taobao top Russian products



天猫 上海热销过万 好评率100%  
KDV俄罗斯进口紫皮糖巧克力花

Russian candy Krokant

¥21.8 5301人付款

广告 满300减30 跨店 破损包退

5,301 people bought



天猫 金派利尔俄罗斯大列巴新疆特产坚果仁全黑麦核桃葡萄干切

Russian bread

¥24.9 6812人付款

淘金币 抵0.7元 破损包退 包邮

6,812 people bought



天猫 初饭俄罗斯大列巴包邮全麦面包无蔗糖早餐面包健身代餐膳

Russian bread

¥59 974人付款

领券 满99减5 口碑好货 破损包退

974 people bought

- I. Russian sweets are distinguished by a wide assortment, good quality and affordable price
- II. The popularity of bread in China lies in the fact that it fits into a fast-paced lifestyle. Many Chinese people choose to have breakfast while walking to work
- III. Russian pork entered the Chinese market in 2018 and it has already gained popularity
- IV. Sea cucumbers are a popular luxury seafood product in China. Russia is one of the key producers of sea cucumber

## Tmall top Russian products



¥21.80

kdv俄罗斯紫皮糖原装进口正品kpokah  
逊克丰泰食品专营店

Russian candy Krokant

评价 2.5万 25,000 people bought



¥39.80

蒜香红肠正宗哈尔滨红肠即食东北特产  
哈义利食品旗舰店

Russian bacon

评价 2641 2,641 people bought



¥199.00 0.80元/g

珍妮珍馐俄罗斯红极参鱼肠儿童香肠宝  
珍妮珍馐旗舰店

Russian sea cucumber

评价 1804 1,804 people bought

Source: Taobao

# TOP CATEGORIES: RUSSIAN F&B PRODUCTS ON TAOBAO & TMALL (2/3)

## Taobao top Russian sweets



俄罗斯进口阿孔特熊猫马卡龙可可奶油  
多彩夹心甜点儿童宝宝零食品

### Russian sweets

¥14.9 3074人付款

领券 满32减3 全球购 包邮  
牡丹江 > 3,074 people bought



俄罗斯威化饼干进口化阿孔特冰淇淋威化500g袋装网红休闲零食品

### Russian cookies

¥19.9 3012人付款

领券 满68减3 全球购  
牡丹江 > 3,012 people bought



三年老店 新品上架47天俄罗斯进口食  
品原味紫皮松露巧克力糖婚礼糖

### Russian chocolate cookies

¥8.9 2658人付款

领券 满20减5 包邮  
哈尔滨 > 2,658 people bought



俄罗斯进口大牛牛巧克力威化饼干散装  
konti康吉牌牛奶零食品

### Russian chocolate cookies

¥19.9 2145人付款

领券 满30减1 全球购 包邮 公益  
牡丹江 >

2,145 people bought

## Taobao top Russian seafood



七年老店 甜虾海鲜俄罗斯进口特大北  
极3L即食海鲜带籽日

### Fresh shrimp from Russia

¥158 月销量Top3

顺丰包邮 3L特大号剥壳甜虾  
1kg/盒 约45只  
上海 > Among Top 3 most selling product



进口俄罗斯金枪鱼罐头即食海鲜吞拿  
鱼罐头肉罐头寿司沙拉材料185g

### Canned tuna fish from Russia

¥11.8 274人收货

每200减15 淘金币 抵0.3元 领券 满68减3  
牡丹江 > 274 people bought



99划算节 俄罗斯进口大马哈鱼罐头整块  
鱼肉原汁原味即食海鲜罐头鲜美 245g

### Canned pink salmon from Russia

¥14.98 233人收货

每200减15 领券 满39减1 全球购 包邮  
牡丹江 > 233 people bought



99划算节 俄罗斯进口鲱鱼罐头鱼段原味  
食品深海即食海鲜下饭新鲜罐装 250g

### Canned herring from Russia

¥11.8 215人收货

每200减15 淘金币 抵0.3元 领券 满68减3  
佳木斯 > 215 people bought

## Taobao top Russian meat



99划算节 俄罗斯风味萨洛萨拉肉腌制五  
花肉熏肉即食特产网红俄式下酒菜包

### Bacon from Russia

¥27.4 4381人收货

每200减15 淘金币 抵0.3元 全球购 包邮  
牡丹江 > 4,381 people bought



俄罗斯风味萨拉肉 萨洛肉熏肉户外开  
袋即食五花肉 网红俄式下酒菜

### Bacon from Russia

¥27.4 1353人收货

每200减15 淘金币 抵0.8元 全球购  
牡丹江 > 1,353 people bought



99划算节 俄罗斯风味萨拉肉五花肉萨洛  
肉火腿伏特加组合网红套餐 新品特惠

### Bacon from Russia

¥27.4 922人收货

每200减15 淘金币 抵0.8元 领券 满68减3  
牡丹江 > 922 people bought



99划算节 俄罗斯风味牛肉罐头开罐即食  
军工午餐肉无淀粉欧洲美食无添加 40

### Canned beef meat

¥24.8 771人收货

每200减15 淘金币 抵0.3元 全球购 包邮  
牡丹江 > 771 people bought

Source: Taobao

# TOP CATEGORIES: RUSSIAN F&B PRODUCTS ON TAOBAO & TMALL (3/3)

## Taobao's top Russian vodkas



99划算节 俄罗斯进口五湖伏特加原装烈性白酒微醺保真正品 500ml 新品特价  
**Vodka "Five lakes"**  
¥23.99 [1158人付款]  
每200减15 淘金币 抵0.7元 领券 满68减3

牡丹江 > 1,158 people bought



99划算节 俄罗斯原装白桦伏特加金色银色 500ml 瓶装俄国畅销白酒网红鸡尾  
**Vodka "White birch"**  
¥38 [398人付款]  
每200减15 淘金币 抵11元 领券 满68减3

牡丹江 > 398 people bought



天瑞 瑞典原装进口绝对伏特加原味absolut500m 洋烈鸡尾酒黑白俄罗斯  
**Vodka "Absolut"**  
¥54.9 [121人付款]  
每300减30 破损包退 公益

宏放酒类 > 121 people bought



俄罗斯原瓶进口金银白桦伏特加 500ml 原味伏特加 果味伏特加 酒吧  
**Vodka "White birch"**  
¥32.5 [169人付款]  
每200减15 免邮 公益

牡丹江 > 169 people bought

## Taobao's top Russian beverages



天瑞 99划算节 娃哈哈格瓦斯 330ml\*15  
瓶碳酸饮料俄罗斯麦芽娃哈哈发货迅  
**Russian kvass**

聚¥39.8 限时价 [2308人收货]  
每300减30 包邮

娃哈哈到家旗舰店 > 2,308 people bought



特价俄罗斯进口果汁饮料好喝石榴樱  
桃口味无添加 1000ml 大瓶装实惠  
**Pomegranate juice**

¥9.9 [186人收货]  
每200减15 淘金币 抵0.2元 领券 满68减3

牡丹江 > 186 people bought



99划算节 格瓦斯俄罗斯进口列巴黑面包  
发酵网红饮料怀旧老汽水正品 1500ml  
**Russian kvass**

¥10.8 [180人收货]  
每200减15 淘金币 抵0.3元 领券 满68减3

佳木斯 > 180 people bought



超好喝俄罗斯进口橙汁礼盒新鲜浓缩  
果汁饮品饮料 1000ml 实惠大瓶装  
**Orange juice**

¥9.9 [169人收货]  
每200减15 淘金币 抵0.2元 领券 满68减3

牡丹江 > 169 people bought

## Taobao's top Russian dairy products



天瑞 牛丰炭烧酸奶俄罗斯碳风味儿童  
学生早餐网红袋装酸牛奶整箱批特价  
**Soured milk**  
¥29.9 [399人收货]

淘金币 抵0.8元 破损包退 包邮 公益

牛丰旗舰店 郑州 > 399 people bought



天瑞 花花牛 炭烧酸奶 160g\*15 袋整箱  
俄罗斯发酵早餐网红袋装低温奶  
**Soured milk**  
¥39.9 [277人收货]

领券 满4减3 破损包退 包邮

花花牛旗舰店 郑州 > 277 people bought



辉山俄罗斯炭烧酸奶俄式炭烤酸奶风  
味发酵乳 180g\*26 袋整箱包邮  
**Soured milk**  
¥38.8 [74人收货]

淘金币 抵1.1元 免邮 公益

沈阳 > 74 people bought



惠丰优牧网红俄罗斯炭烧酸奶 16袋酸  
奶整箱袋装酸奶益生菌学生早餐  
**Soured milk**  
¥31.9 [71人收货]

大庆 > 71 people bought

Source: Taobao

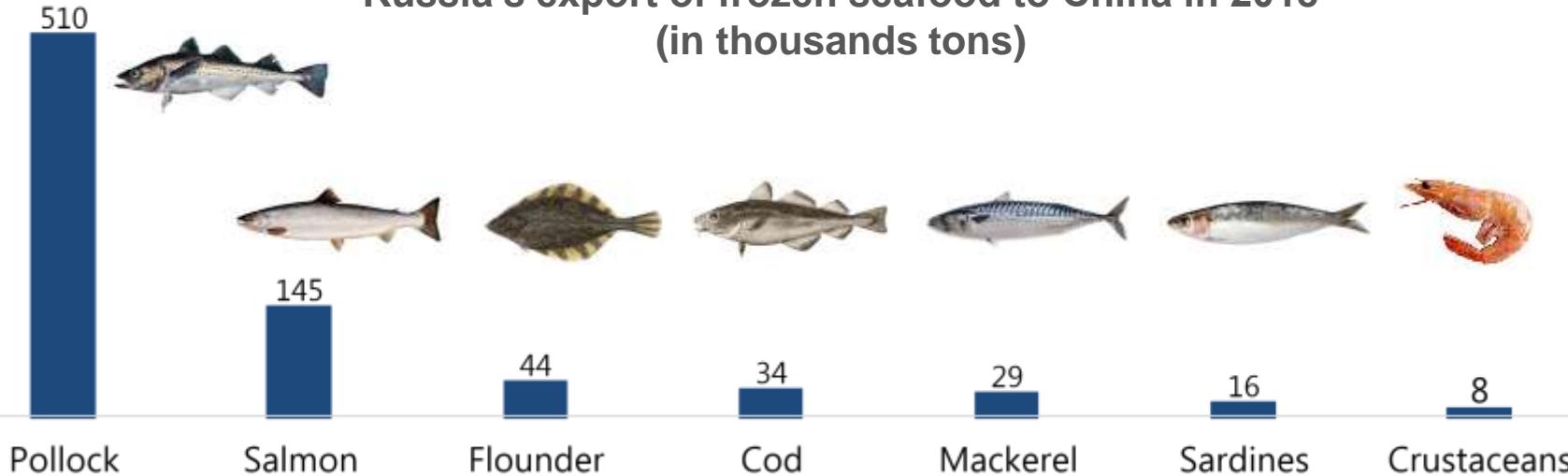
# FROZEN SEAFOOD IS ONE OF THE KEY CATEGORIES

- China remains the main export market for Russian fish. About 70% of the total Russian seafood export volume is supplied to China.
- In 2019, Russia exported 1.7 million tons of fish worth US \$4.5 billion, of which US \$1.2 billion went to China.



Source: Baidu Image

According to Baidu images, the most popular seafood products from Russia are **king crabs, pollock, salmon and shrimp**.



Russia is famous for **caviar** (which exclusively comes from a sturgeon). **Fish eggs** is a broader term, it can come from any fish in the ocean.

# WHAT CHINESE PEOPLE SAY ABOUT RUSSIAN SEAFOOD: ZHIHU (1/2)

好吃！

无论是大名鼎鼎的黑鱼子还是不那么知名的红鱼子，都好吃！随着一颗一颗鱼子在口腔里被挤破，好像一颗又一颗“鲜美”炸弹在嘴里爆炸！但是，鱼子本身的那种腥味，以及咸味，对于有些人，可能就是一种折磨。

**Tasty! Whether it is the famous black caviar or the lesser-known red caviar, they are delicious! As one by one roe was squeezed, it seemed like one after another delicious bomb exploded in my mouth! However, the fishy and salty taste of caviar may be torture for some people.**



目前俄罗斯很多鱼子酱都是massaged caviar，也就是通过激素和按摩促进鲟鱼排卵，这样的鱼子酱质量没有杀鱼取卵的质量好，但是一条鱼可以产三四次卵，成本比较便宜。这种方法基本只有俄罗斯和韩国在用。

**At present, many caviars in Russia are massaged caviar, which is massaging the ripe eggs from a sturgeon. The quality of this caviar is not as good as that of a killed fish, but it lets fish lay eggs three or four times, and the cost is relatively cheap. This method is used only in Russia and South Korea.**



“

罐头真是俄罗斯人民的好宝贝，家家户户囤着过冬。这款蟹肉罐头，满满的帝王蟹蟹肉，没加淀粉，一口大满足。

**Canned food is really a good treasure of the Russian people, and every family hoards them for the winter. It is full of king crab meat, no starch, and very satisfying.**



“

俄罗斯帝王蟹的价格不错，味道也还算超值。

**The price of the king crab from Russia is good, and the taste is quite good.**



- I. The negative comments refer to a **special way of producing caviar in Russia**, which affects the taste.



- II. **Russian seafood** gets mostly positive reviews. Users note **good taste** and the **relatively cheap price**.

Source: Sample of Zhihu Posts | 2020 | CN

# WHAT CHINESE PEOPLE SAY ABOUT RUSSIAN SEAFOOD: ZHIHU (2/2)

“  
俄罗斯海参好吃些。

俄罗斯海参全是野生的，国内海参更多几乎都是养殖的。

**Russian sea cucumbers are more delicious. They are wild, and most of domestic sea cucumbers are cultivated.**



“

俄罗斯海参都是野生海参，营养价值很高，俄参宝家的俄罗斯海参就很好，可以去看一看。

**Russian sea cucumbers are wild with high nutritional value.  
Russian sea cucumbers are very good, you can take a look.**



- I. Users say that they **prefer Russian sea cucumber over domestic** because they are wild.



- II. Most of reviews on Zhihu are about **canned seafood from Russia**. Users highlight a **good taste and high quality**.

“  
堪察加买了两种鲑鱼，都是很简单的制作方法。带回来一部分和家人朋友吃了，都是赞不绝口；另外一部分冻在冰箱里，春节后吃，味道够足了。

**In Kamchatka I bought two kinds of salmon, both of which are very simple to make. Some of them I brought to eat with my family and friends, and they were full of taste; the other were frozen and eaten after the Spring Festival, and the taste was good enough.**



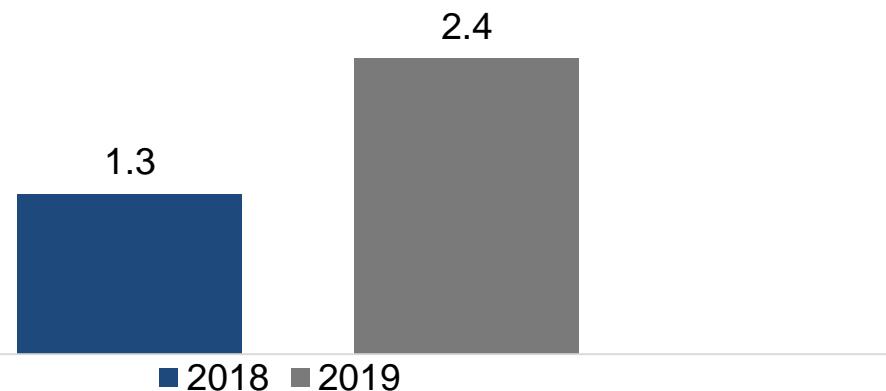
鱼类罐头：卖的比较多的有鲱鱼（非臭）、金枪鱼、秋刀鱼罐头，口味油浸、水浸、烟熏口味。还有大马哈鱼肉的，卖的一般。俄罗斯罐头是好东西不过你也得会吃呀。

**Canned fish: Herring (non-smelly), tuna, canned saury, oily, watery, and smoky flavors are sold frequently. There is also salmon, which sells average. Russian canned food is a good thing but you have to know how to eat it.**

Source: Sample of Zhihu Posts | 2020 | CN

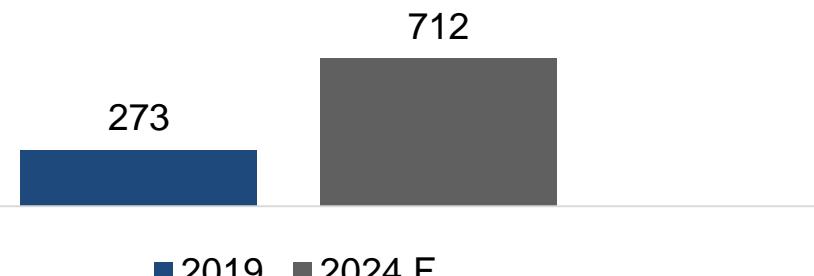
# VEGETABLE OIL EXPORTS HAVE DOUBLED SINCE 2018

Russia's vegetable oil exports to China 2018-2019 (in million tones)



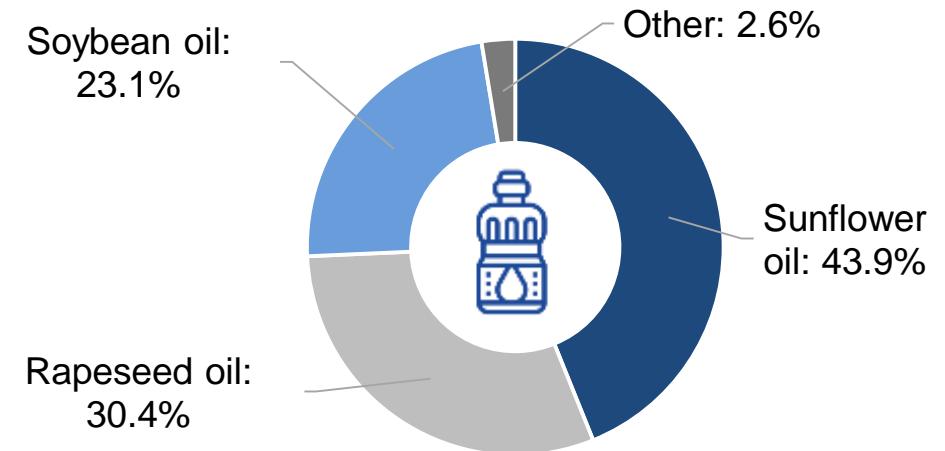
Forecasts show that by 2024, the **share of vegetable oils** exported from Russia to China will amount to **20%** of the total export of Russian oils

Forecast of Russia's vegetable oil export to China (in million US\$)



Source: Ru-Stat

Export structure of Russian vegetable oil to China 2019 (%)



Source: AgroInvestor



China's policy of reducing oilseed acreage in favor of grain crops is shrinking the domestic vegetable oil production. This gives a promising opportunity to Russia to further increase oil exports to China.

# RUSSIA IS FAMOUS FOR VODKA, BUT IS THAT REALLY THE CASE IN CHINA?

Experts predict that by 2021, the number of consumers of foreign alcohol in China will reach 80 million.

## Why Chinese people prefer imported alcohol?



Chinese people do not trust local manufacturers due to the poor quality of products

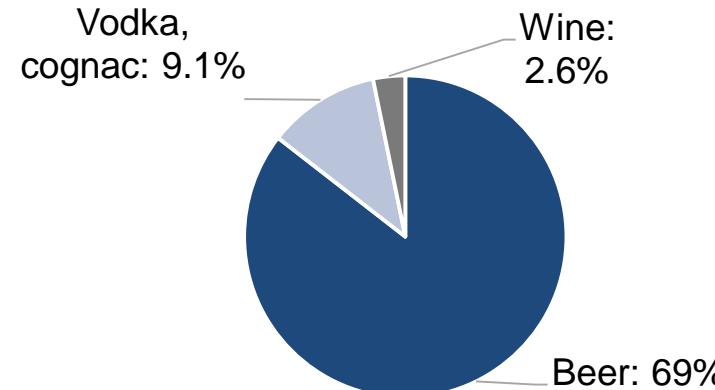
In China, it is customary to give a bottle of good wine or cognac in a beautiful package as a gift

## Cities with high imported alcohol consumption



The first-tier cities occupy the largest share of the imported alcohol market due to higher population and consumer income.

## Structure of Russia's alcohol export to China 2019 (%)



Source: Ru-Stat

Beer is the **leader** of Russia's alcohol export to China.

Today over **50** Russian beer brands have entered the Chinese market.

## Examples of Russian alcohol in China



BEER



VODKA



WINE

The Russian company **Baltika** has been supplying beer to China for about 10 years. Exports to China grew by 9% in 2019.



Russia is actively exporting **Beluga** vodka to China, signing an exclusive distribution agreement with **cognac house "Camus"** in China. Since September 2013 "Camus" became an exclusive distributor of "Beluga" brand in China.



Chinese consumers are especially interested in the wines of the **Kuban region**. For example, **Kuban-Wine brand** is already presented in Beijing, Heilongjiang, Jilin, Liaoning, Guangdong, Fujian, Zhejiang provinces.



# WHAT CHINESE PEOPLE SAY ABOUT RUSSIAN ALCOHOL: ZHIHU

“

啤酒倒的时候就能闻到浓浓的麦香味，泡沫丰富细腻，刚入口时会觉得酸涩提神，之后会有淡淡的回甘，喝起来非常清爽。这款啤酒还有1.4L的超大瓶装，很适合在聚会的时候大家一起分享。

**When the beer is poured, you can smell the strong aroma of wheat, the foam is rich and delicate, it will feel sour and refreshing when you drink it, and then there will be a slight sweetness, and it tastes very refreshing. This beer is also available in a 1.4 L large bottle, which is very suitable for everyone to share at a party.**



“

俄罗斯伏特加我喝过不少了。就给你推荐一个我的最爱：英文；Beluga . 可以在俄罗斯商店超市里买到。

**I have drunk a lot of Russian vodka. I will recommend one of my favorites to you: Beluga. You can buy it in Russian stores and supermarkets.**



“

睡前喝了一次，真的被惊艳到了.....入口很浓的浆果味 葡萄汁一样的香气，最满意的是它不甜也不酸，是那种很纯的口感，没有那么多糖分. 担必须回购的一款。

**I drank it before going to bed and I was really surprised...The taste is very strong, berry-flavored grape juice-like aroma, the most satisfying is that it is not sweet or sour, it has a very pure taste without so much sugar. Must buy it again.**



“

很美的酒，颜值超高，包装也相当好。

**Very beautiful wine with super high quality and good packaging.**



- I. Russian **beer**, as well as Russian **vodka** are known for **good taste** and **quality** among Zhihu users.

- II. Chinese consumers notice the **non-sugary pure taste** of Russian **wine**.

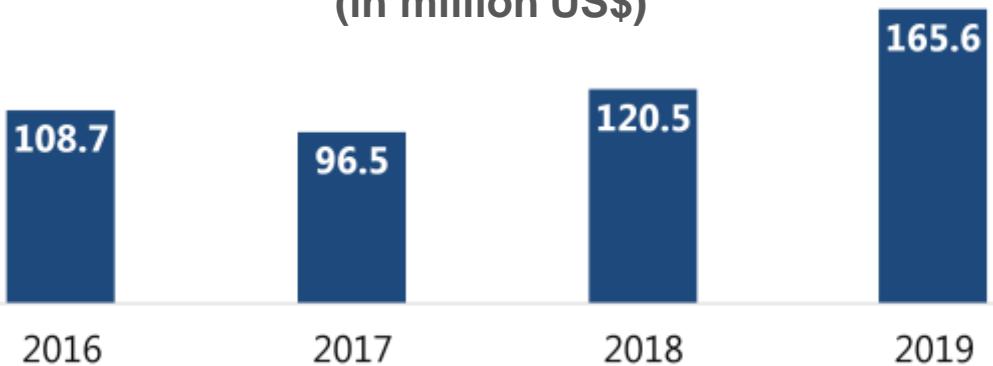
Source: Sample of Zhihu Posts | 2020 | CN

# CHINESE PEOPLE HAVE A TASTE FOR RUSSIAN SWEETS

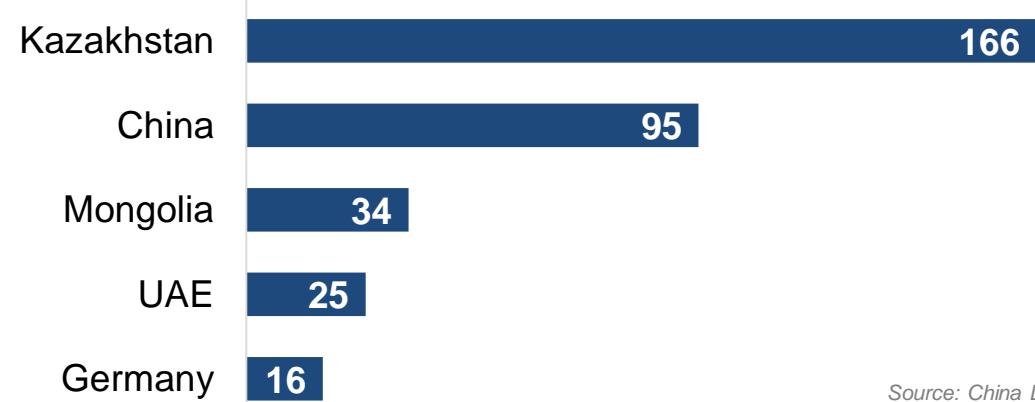
- Sweets are the most popular products among Russian goods on Taobao and Tmall platforms, they get good reviews and comments from consumers.
- China is the second biggest importer of Russian sweets after Kazakhstan.

Exports of Russian confectionery to China 2016-2019

(in million US\$)



Top 5 importers of Russian confectionery 2019  
(in million US\$)



Source: China Logist

Baidu image “Russian sweets”



According to Baidu Image, candies are most associated with confectionery products from Russia for the Chinese consumers.  
The undisputed leader is Krokant candies.

Source: Baidu Image

## What is the secret of Krokant's success?

Key retail channels are Taobao and Tmall. Krokant is also known as “KDV” (easier to remember).



Krokant entered China in 2014. The producers leveraged the product color since purple symbolizes nobility in Chinese culture.



Chinese people like less sweet taste of Krokant and its texture of roasted candied nuts.

Notably, Krokant is not a market leader in Russia, as Russians prefer chocolate



# EXAMINATION OF RUSSIAN SWEETS UNDER A CHINESE MICROSCOPE



KDV Group

Krokant - 紫皮糖

- №1 Russian food product on Taobao.
- Cheap and high quality.
- Popular on Chinese social media.
- Many Chinese consumers **bought it as gifts** during traditional **Chinese holidays**.
- In 2019, sales of these sweets increased to nearly **20,000 tons**, generating **more than \$58 million** in revenue.



UniConf

Korovka - 华夫饼干牛

- Russian wafers.
- Can be found on Taobao and DAKAITAOWA.
- The company produces sweets with a **reduced sugar content**, which is fit for Chinese consumers who consider a majority of Western candy to be too sweet.



Red October

Alyonka - 俄罗斯大头娃娃

- Russian candies.
- Popular on Taobao.
- Promoted on DAKAITAOWA.
- This brand **entered the Chinese market in 2016** and quickly gained popularity.
- Those candies often appear on the table in the Chinese families **during Spring holidays**.



Korkunov

Korkunov



- Russian candies.
- Tried to enter the Chinese market in 2005.
- **Did not gain popularity in China.**
- One of the main reasons for its fail in the Chinese market was **unsuccessful retail strategy**.
- In 2007, the American company Wrigley **bought 80% shares** of Korkunov and decided to **focus on other markets, rather than China**.

# RUSSIAN CHOCOLATE IS GETTING MORE FAMILIAR

## Top 3 exporters of chocolate to China 2019 (in million US\$)



## Export forecast of chocolate products from Russia to China (1,000 tons)

2019 VS 2024

46		CHOCOLATE BARS	55
25		CHOCOLATE CANDY	30
33		CHOCOLATE BOXES	38

Source: AgroInvestor

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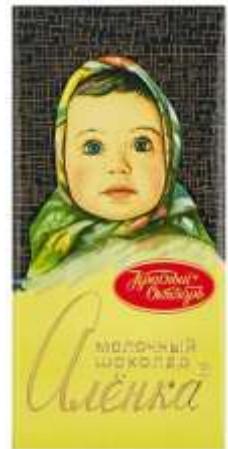
## Taobao's top Russian chocolates



Most of the best-selling Russian chocolates on Taobao are dark chocolate with a high cocoa content.

## Review of Russian chocolate on Zhihu

Alyonka or 俄罗斯大头娃娃 (Russian big-head doll) is the most popular Russian chocolate in China.



“  
有哪些巧克力比较好吃？  
红十月大头娃娃巧克力真的超级赞！又便宜！各种口味都根本停不下来！！

Q: Which chocolate is the most delicious?  
A: Red October's Big Head Doll Chocolate is really awesome! Cheap too! All tastes are good, can't stop after just one bite!

“  
俄罗斯的Аленка巧克力，也就是阿卡，或称大头娃娃。好吃不贵。  
Russian chocolate, also known as Alyonka or Big Head Doll. Delicious and not expensive.

Source: Sample of Zhihu Posts | 2020 | CN

# CASE STUDIES: CAKES AND MARSHMALLOW GAIN SUCCESS IN CHINA

## CAKES “MEDOVIK” BY SAMKOND

Samkond is one of the largest confectionery manufacturers in Russia.



Samkond was founded in 2007 in the city of Irkutsk.

Samkond produces a big variety of sweets, but honey cake “Medovik” gained more popularity in China.



Samkond entered the Chinese market through EPINDUO platform and EPINDUO's shop on Tmall in 2018.

“The Medovik cake has entered the Chinese market very well. One of our top products is Samkond cakes. The Medovik cakes are frozen, sent to China, where they are defrosted and the almost finished product is sent to stores.

— Anastasia Tarasevich, CEO at Epinduo



## MARSHMALLOW “BELYOVSKAYA PASTILA”

The Belyov confectionery company was founded in 2010.



The export contract was concluded with the support of Russian Export Centre and EPINDUO platform in 2019.



Belyovskaya pastila is something like a cake, which consists of three components: apples, protein and sugar. Sometimes they are made without sugar at all. Hence, it is a low-calorie dessert.



First, Belyovskaya pastila entered the Chinese market through the online sales of the Tmall platform. Then they have a distributor in Harbin.



# HOW TWO LEADERS OPENED A HUGE MARKET FOR RUSSIAN BRANDS

In September 2016, Vladimir Putin met with potential investors in the Far East. One of the Chinese businessmen complained that they were **not allowed to import ice cream from Russia**. The Russian President admitted that he was surprised. “This is the first time I've heard about it. **When I go to China, I will bring ice cream with me to Xi Jinping as a special gift**”.

CASE STUDY IS  
ON THE NEXT  
SLIDE



In 2016, during a bilateral meeting before the G20 summit Russian President **Vladimir Putin presented a box of ice cream to General Secretary of the Communist Party of China Xi Jinping**.

*Every time I go to Russia, I always ask to buy Russian ice cream. Then we eat this ice cream at home. Russia has better cream, it is especially tasty.*

—Xi Jinping, General Secretary of the Communist Party of China

33 penguins



Last year the brand **opened a trade office in Shanghai**. Now it is promoting a **line of diet ice cream** (containing no sugar and less fat)



**Most of Russian producers don't change the packaging for the Chinese market.**

Marka



Ice cream from this brand is sold in **60 cities in China**.

In October 2018, Marka opened the **flagship online Matryoshka doll-shaped ice store on the JD platform**

Korovka iz Korenówki



黑白配情浓装

The brand has **over 300 points of sale in China**. In 2017, it began producing **Matryoshka doll-shaped ice cream** to sell in China

Export of Russian ice cream to China 2014-2018  
(in thousands tons)



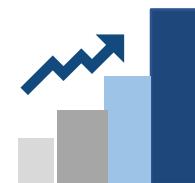
Source: Vedomosti

# CASE STUDY: ICEBERRY'S STORY OF SUCCESS IN CHINA

Iceberry is one of the most popular Russian ice cream brands in China.



Iceberry is a Russian ice cream company founded in **1991**. In 2019 it was one of the **Top 3** ice cream brands in Russia.



*They do everything very competently, they earn about a million yuan a month only through online sales. This is a good figure for an expensive ice cream. Moreover, their cost is much higher than the cost of Chinese ice cream, and some other competitors.*

— Valery Kaygorodov, CEO at RUSFAIR GROUP

## How Iceberry entered the Chinese market

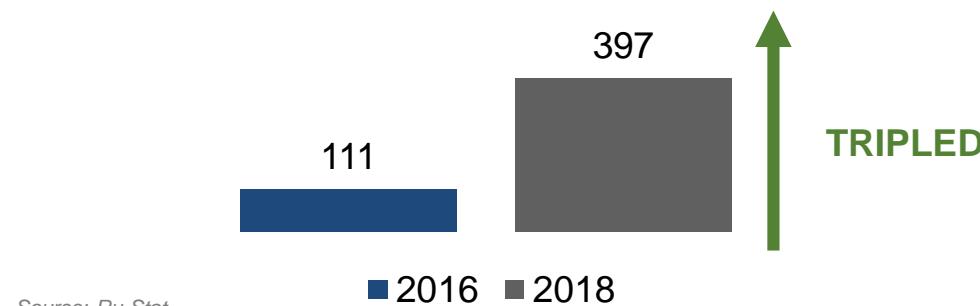
Iceberry is focusing on the **e-commerce** platforms. The company has its **official website** in Chinese language with the descriptions of each ice cream product.



# AHEAD OF COMPETITORS: HOW RUSSIA SEEKS TO OCCUPY A NICHE IN THE EXPORT OF HOUSEHOLD CHEMICALS TO CHINA

## Russia's households chemicals export to China

2016/2018 (in thousand US\$)



Source: Ru-Stat



## CFDA certificate

To sell cosmetics and household products, companies need **certification from the China Food and Drug Administration**, which costs around **\$3,000** and takes **1 year** to obtain. However, when selling through e-commerce channels, companies are not obliged to get the certificate.

## Russian household brands in the Chinese market



### Nefis group

- The first Russian manufacturer of household chemicals exporting to China.
- Entered the Chinese market in 2017
- Its products are sold in Shanghai, Guangzhou, Beijing, Shenzhen, Harbin

### Biomicrogel

- In 2018, BioMicroGel entered the e-commerce platform EPINDUO
- The technology is based on natural ingredients - apples, corn and cellulose
- Brand produces phosphate-free gels for washing dishes

### Zero

- Most popular among Russian household brands on Taobao
- The products are based on natural ingredients such as lemon juice, mustard, vinegar, and sea salt
- The brand focuses on dishwashing soap

Brands which chose “**natural ingredients**” are popular in China



*Russian products are sold at fairly **low prices** and Chinese consumers appreciate this. Often, Russian products cost the same as their Chinese counterparts or even cheaper. I believe that Russian products are of **high quality**. We try to promote the idea that products from Russia are **GMO-free**.*

— Anastasia Tarasevich, CEO at Epinduo

# RUSSIAN CULTURAL TREASURES: INTELLECTUAL PRODUCTS & SERVICES

Music



- The Cultural Revolution greatly changed China's own culture and copied much from the Soviet one. The Chinese are familiar with such Russian songs as "Katyusha" and "Podmoskovnyye vechera".
- The piano is the most popular instrument in China. It is estimated that 100 million Chinese can play the piano.
- Moscow Conservatory alumni teach piano at many Chinese universities.

Painting



- The current trend in Chinese art is a mixture of European and traditional styles of painting.
- Russian painting teachers in China pay a lot of attention to color and the right mixture of colors.
- Russian teachers also use traditional Chinese instruments for teaching - rice paper, ink, mineral paints.

Dance



- Ballet in China has Russian roots. In the late 50s to early 60s of the XX century, Soviet specialists brought classical Russian ballet to the country, which became the basis for the development of this art in China.
- In 2019, the Moscow Ballet School signed a partnership agreement with the Chinese company Best Promise Education Group. As part of it, 470 joint Chinese-Russian ballet schools will be created in China in the largest cities of China.

Chess



- Chess is perceived in China as golf in the European business world.
- Traditionally, Chinese perceive Russian chess players as the strongest.
- The approach of Chinese chess schools is to bring a master with his unique experience and create conditions for him to share this experience with the largest possible number of students.

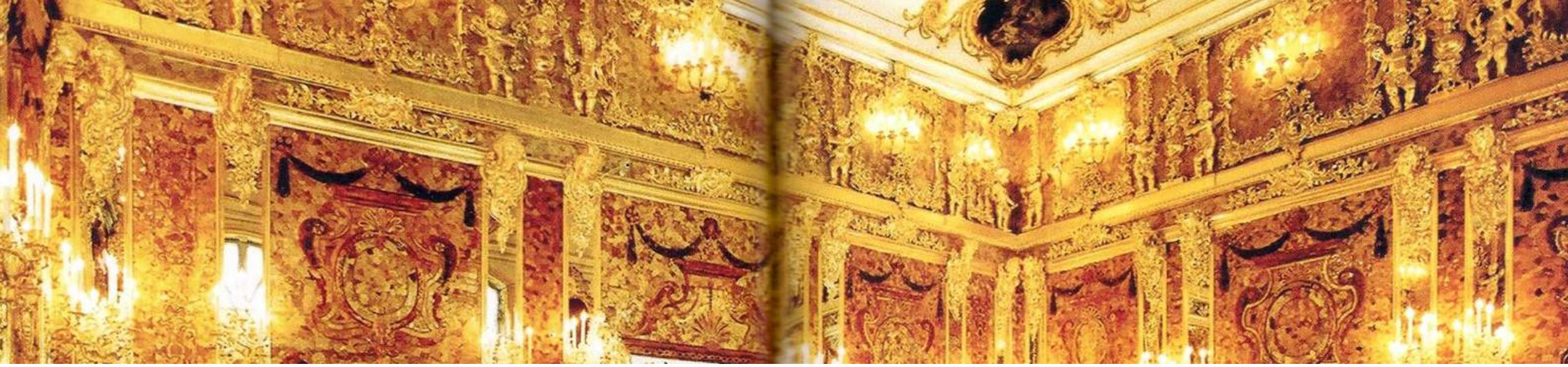
Sports



- Chinese fitness is currently being greatly influenced by foreigners, including Russians who give lectures on healthy nutrition and present various training programs.
- Russia is successful in winter sports and can offer a lot of specialists. For example, the head coach of the Chinese youth ice hockey team is Oleg Gorbenko from Russia.
- Russian coach Alexandra Petrova teaches kids in one of the largest Beijing figure skating clubs - "Hokay".

*Fitness, dancing, coaches in winter sports, for example, hockey - these are areas where Russia has a **lot of expertise and great potential**.*

*— China Managing director at EKF  
Group & degree programmes director at  
Moscow School of Management  
SKOLKOVO*



## V. LIVE LIKE A KING: LUXURY GOODS FROM RUSSIA

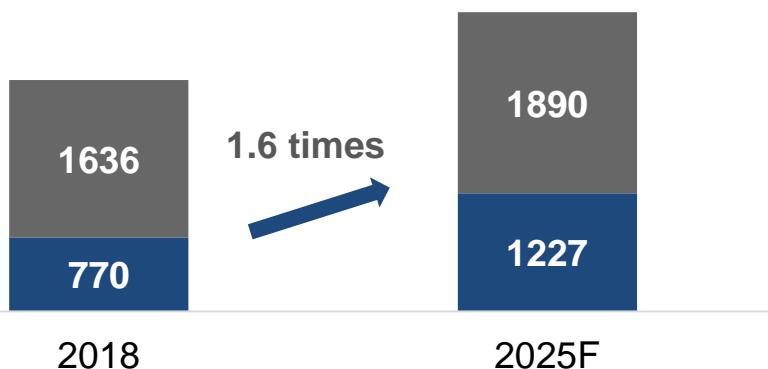


# THE RUSSIAN LUXURY INDUSTRY IS CRAVING CHINESE CONSUMERS

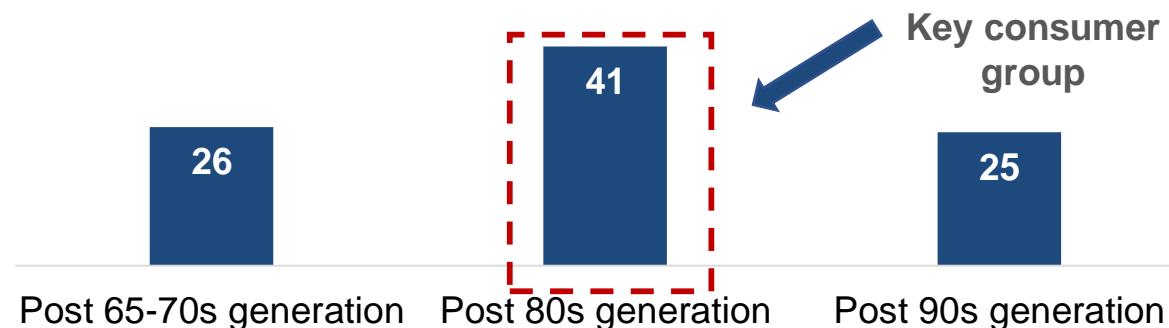
- Today, millennials are the main Chinese luxury consumers. They are used to going online to seek products and then to purchase the products in brick and mortar stores.
- The “generation Z”, born after the millennials is taking increasing parts. They do ROPO: research online, purchase offline.
- China will contribute 41% of world's luxury consumption by 2025.

Chinese consumers' spending on luxury goods  
(in billion RMB)

■ Chinese market ■ Global market



Average annual spending of Chinese people on luxury goods 2018 (in thousand RMB)



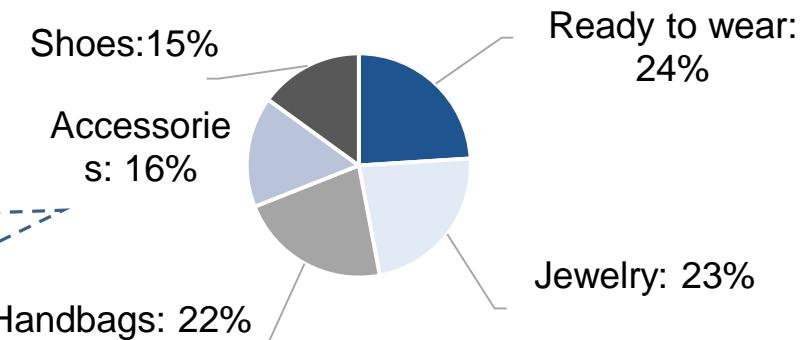
I. For **TSUM** (Central Universal Department Store in Moscow), Chinese buyers brought about 10% of sales in 2019.



II. Tourists from China are very important for **GUM** (the main Russian department store). The share of Chinese tourists in turnover depends on the brand, for example, in the Omega store they can account for up to 50% of the turnover in 2019.



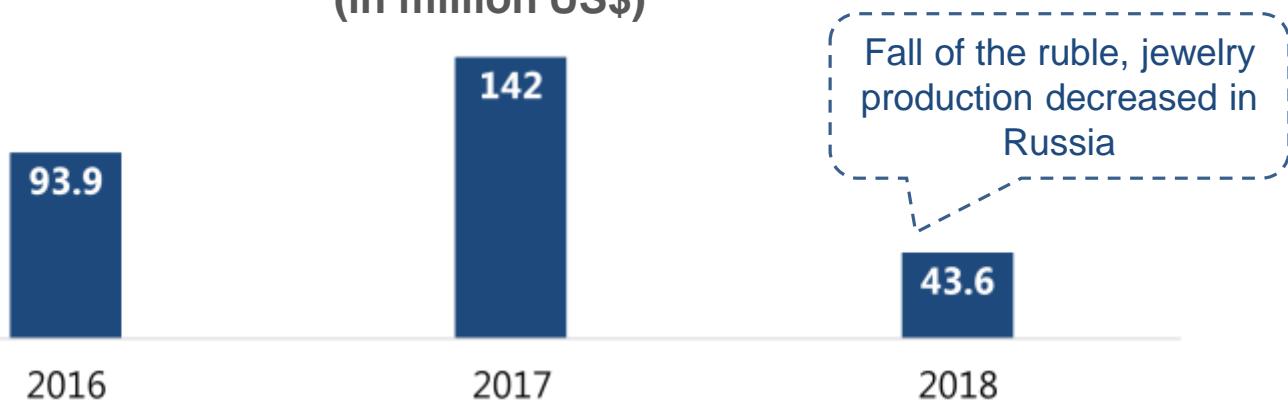
China's luxury goods market segmentation, 2018



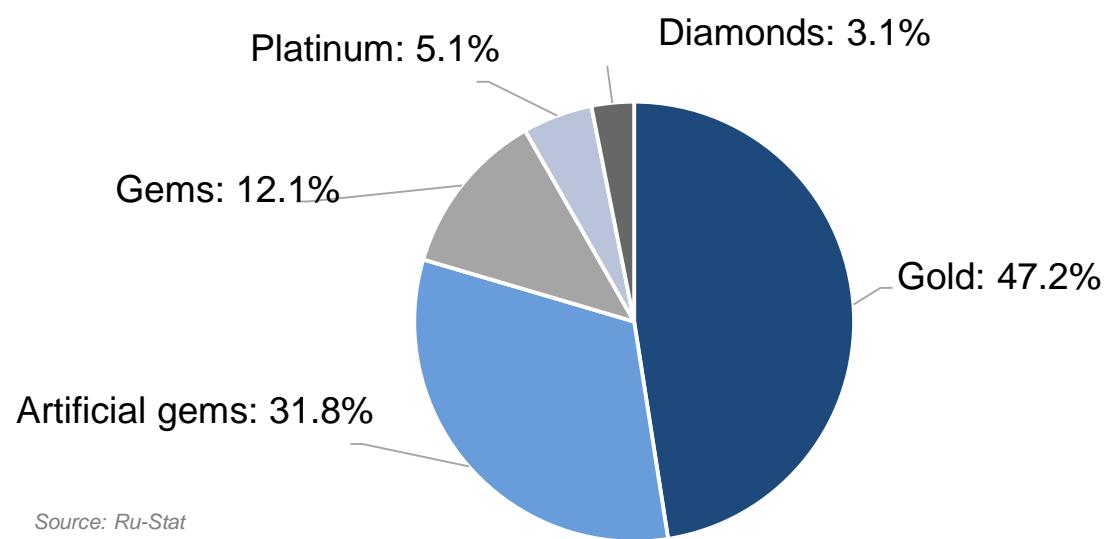
Ready-to-wear, jewelry and handbags are the key categories in the luxury goods market in China.

# JEWELRY IS A TOP GOOD PURCHASED BY CHINESE TOURISTS

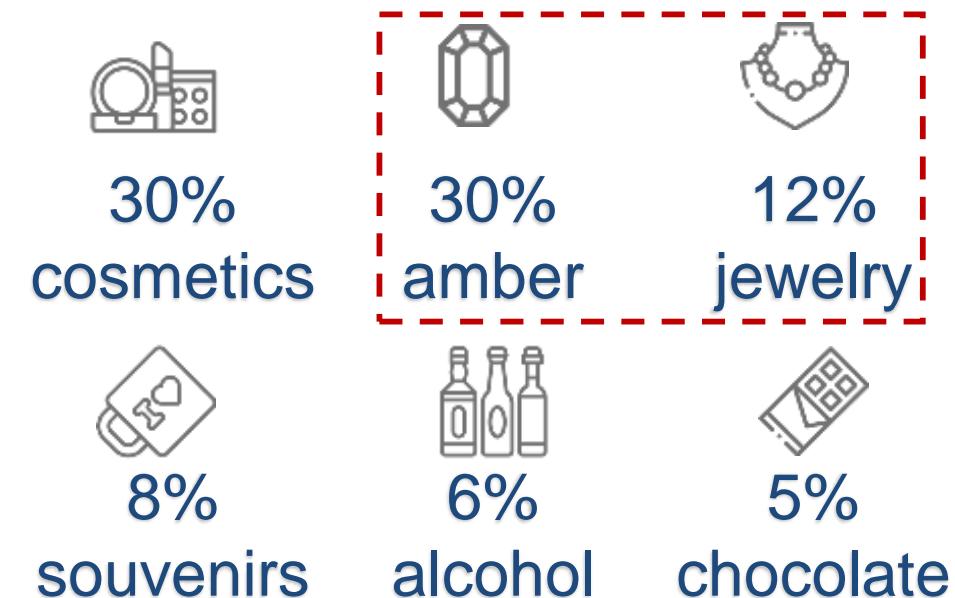
Russia's jewelry export to China (2016-2018)  
(in million US\$)



Structure of Russia's jewelry export to China 2019 (%)



Top 6 goods Chinese tourists buy in Russia



Source: RBC News

In 2019, **86 percent** of Chinese buyers planned to purchase at least one piece of jewelry with a diamond.

*The Chinese buy modern high-quality nephritis from me more willingly than the low-quality one left from the Qin dynasty. They just look at it like a usual gem.*

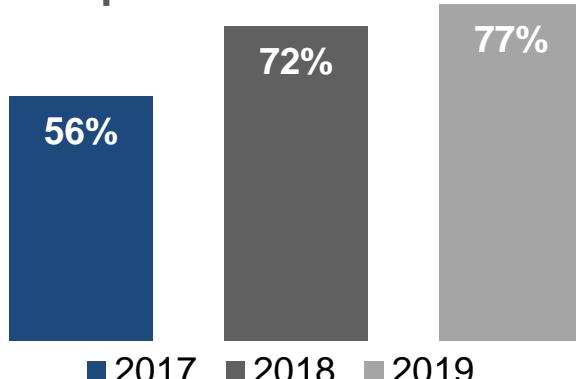
— Kirill Danelia, gallery owner and collector

# HOW DOES THE UNIQUE RUSSIAN AMBER PLANT DEPEND ON CHINESE CONSUMERS?

The world's only industrial amber mining plant is located in the village Yantarny near Kaliningrad.



Share of amber produced in Yantarny that is exported to China 2018-2019 (%)



## Discussions about amber on Zhihu

“除了伏特加，在俄罗斯你还能买什么没加淀粉，一口大满足？说到俄罗斯的琥珀，就不得不提著名的琥珀之都——加里宁格勒，它承包了世界上80%的琥珀。

**Q: What else can be bought from Russia except vodka?**

**A: Amber.** When it comes to amber, there is a famous Russian capital Kaliningrad, which has 80% of the world's amber.



“在琥珀色首都，设计师可以根据个人喜好为您定制独家配饰。

**In the ‘Amber Capital’, designers can customize exclusive accessories for you according to personal preferences.**

## Why does amber attract the Chinese people?

Li Shizhen, the Ming Dynasty writer said that amber came from “the soul of a tiger descended to earth”



Since ancient times, Chinese have called this organic gem “hu po” (琥珀) which means the courage or spirit of the tiger



Chinese people believe that amber helps a person to improve health, calm the nerves and find peace



Chinese people wear jewelry made from raw amber, bracelets made from compressed amber balls



# IS THERE ANY DEMAND FOR RUSSIAN FUR IN CHINA?

Fur occupies only 0.8% of total Russian exports to China.



## Cities with high demand for Russian fur

#1	Anhui
#2	Jiangsu
#3	Zhejiang



< 18 y.o.  
1%

## Age distribution of fur consumption in China 2019 (%)



18-30 y.o.  
77.54%



31-50 y.o.  
21.10%



< 50 y.o.  
0.36%

An overwhelming majority of millennials make up the group of consumers who **favors fur in China**. Age 18-30 tend to buy fur as trim or accessories for its fashionable properties.

# WHAT CHINESE CONSUMERS THINK ABOUT RUSSIAN FUR?

Comment on Russian fur on  
Xiaohongshu



“  
真正好的皮草，比中国某些皮草市场上的皮草好得多，也便宜得多。最佳皮草的最优惠价格（通常夏季会获得50%的折扣）

**Really good fur, much better and cheaper than the fur in some Chinese fur markets. BEST price for BEST fur (usually they will have a 50% discount in summer)**

Comment on Russian fur on  
Taobao



“  
观注了两个月间入手了两件，都非常满意，底绒厚，毛锋亮，上身效果非常棒，最关键的是性价比超高，值得推荐！

**After watching for two months, I bought two pieces. I'm very satisfied. The undercoat is thick, the fur is bright, and it fits very good. The most important thing it has high-cost performance, which is worth recommending!**

Russian fur is represented on Taobao. However, the sales are not that high. That could be explained by the fact, that Chinese people prefer to buy luxury goods in branded and trustworthy brick-and-mortar stores.



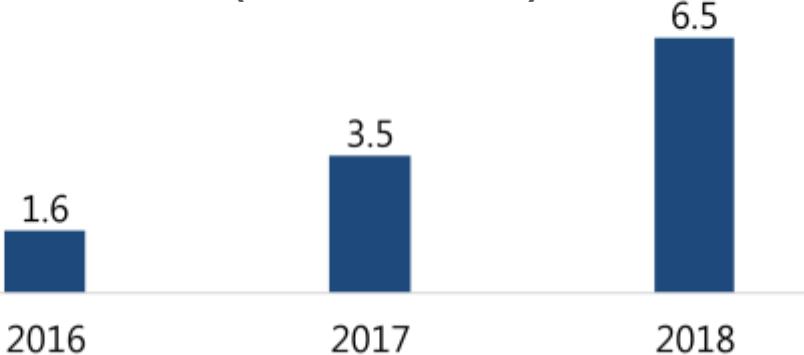
China surpasses Russia in fur production. It occupies around 16% of world's fur production, which is second place after Denmark. However, for the Chinese people, fur from Russia is perceived as a quite cheap and high-quality product, which lets Russian fur to have its niche in the Chinese market.

Source: Sample of Zhihu & Xiaohongshu Posts | 2020 | CN

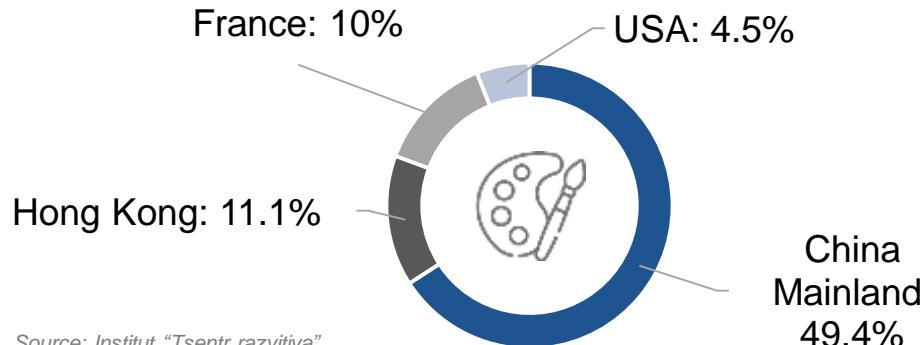
# FREQUENT GUESTS AT RUSSIAN ART AUCTIONS

China is a top importer of Russian works of art and antiques.

Russia's works of art export to China 2016-2018  
(in million US\$)



Top importers of Russian works of art 2019 (%)



The largest international auction houses in the world include the Chinese giants Poly and China Guardian.



**Prices** for Chinese nephritis, porcelain, and bronze **skyrocketed**. With each auction, the price increases **by at least 50, or even 100%**. Sometimes things rise in price **by 200% per year**. The Chinese are buying everything around the world, masterpieces and not masterpieces! There are many rich people.

— Kirill Danelia, gallery owner and collector



Art in China enjoys the support of the government and Chinese collectors express patriotism by buying Chinese antiques in the European and Russian auctions.

Antiquities are in particular demand among wealthy art lovers from China. In the case of Russian antiques, the choice is richer than in China, which went through the cultural revolution.





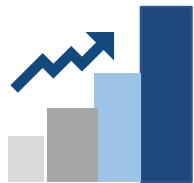
## VI. POTENTIAL SPHERES OF DEVELOPMENT FOR RUSSIAN GOODS IN CHINA



# MEET RUSSIAN MEAT: HOW BEEF ENTERED THE CHINESE MARKET

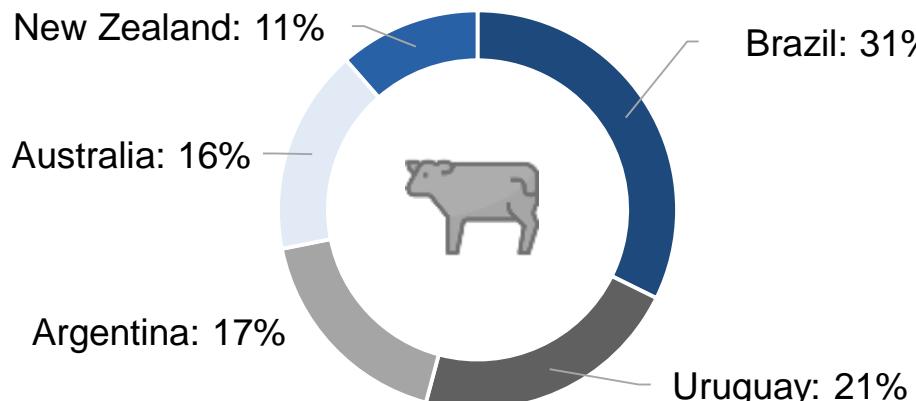
- China is the world's largest meat consumer. It can become a big opportunity for Russia's meat export industry.
- In 2020, Russia started exporting beef to China, as two Russian companies got licensed by the Chinese authorities.

China's per capita consumption has grown almost 23% between 2016 and 2019 from 4.8 million tons to 5.9 million tons.



The rapid growth in Chinese beef imports has dramatically altered **global beef flows** with several countries now exporting a significant share of total exports to China.

## Top 5 beef exporters to China 2020



Source: Statista

At the moment, two Russian companies are certified:  
Miratorg and Zarechnoye

МИРАТОРГ



For now, Russia occupies **less than 2%** of the China's beef market. Russia can become one of the main exporters, if more companies get the license for export.

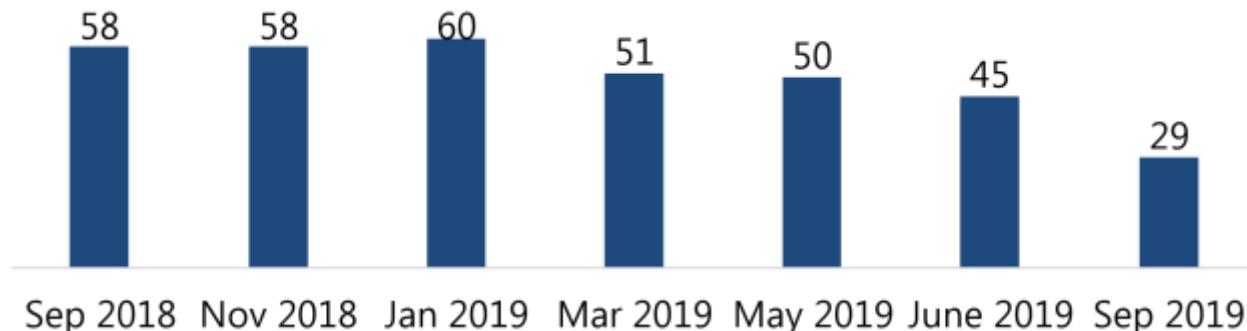
The exporting country should submit a written request to the **State Administration for Quality Control, Inspection and Quarantine** of the People's Republic of China (AQSIQ) to export its meat products.

Enterprises included in the register are added to the "**List of approved meat products for inspection and quarantine**", information about them is published on the official website of AQSIQ.

# DOES RUSSIAN PORK HAVE A CHANCE TO ENTER THE CHINESE MARKET?

- Russian pig farmers could supply up to 300-350 thousand tons of pork to the Chinese market for \$1 billion a year.
- Currently, no Russian companies are certified to export pork to China.

Size of the pork industry in China 2018 - 2019 (in million tons)



During the 2019 African swine fever in China **more than a third of the nation's pigs were killed**

Why the pork industry is a perspective area?

1

Due to the pork shortage, China will increase imports of pork products to **4.5 million tons in 2021-2025**



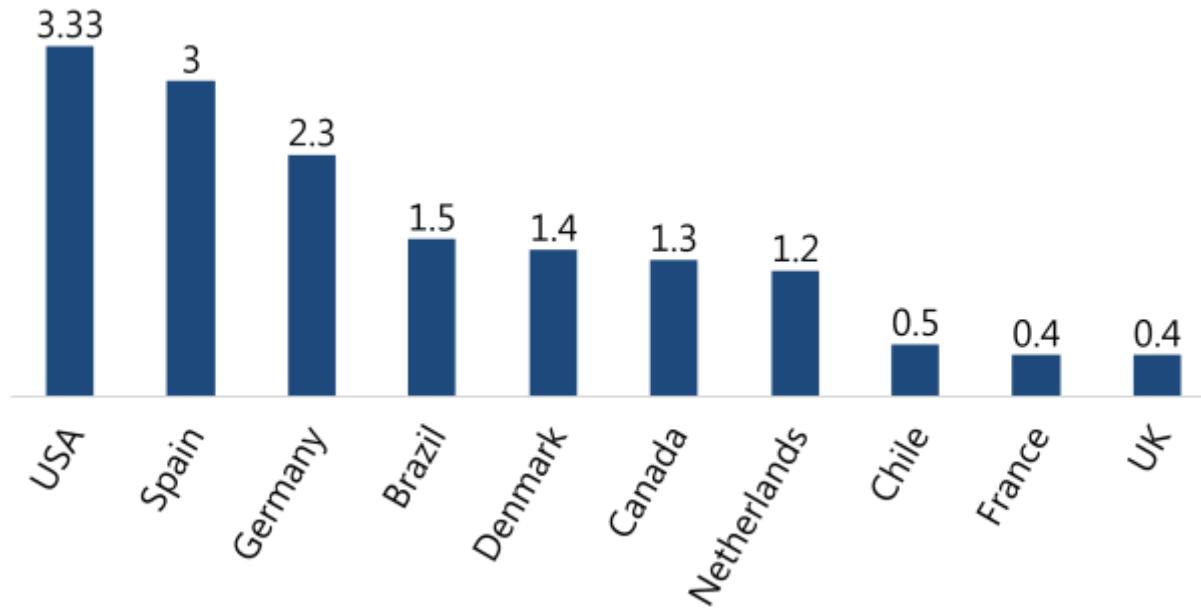
2

The **recovery period** of the Chinese pig industry **will take at least five years**, during that time Russian producers can enter the Chinese market

Russian companies need help from state level to achieve success and enter the Chinese market

Source: Pig Progress

Top 10 pork exporters to China 2020 (in million tons)

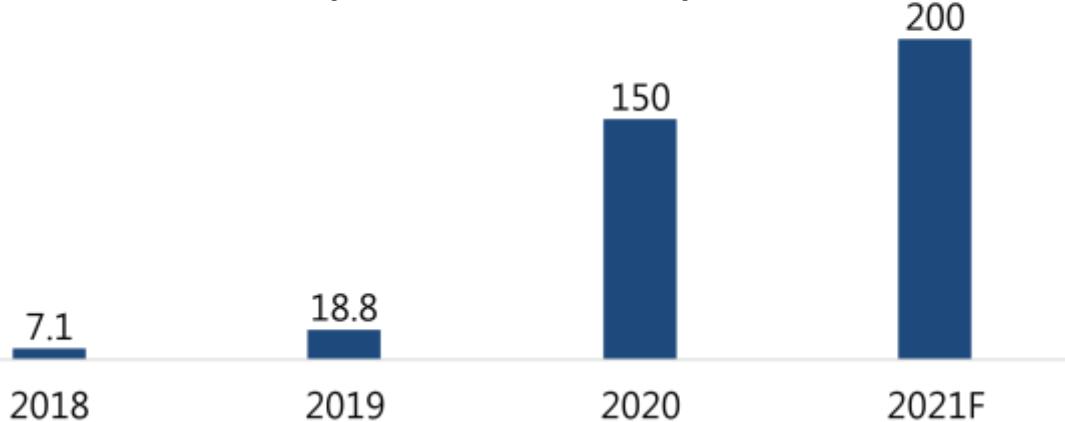


In the first half of 2020, China's pork imports totaled **2.12 million tons**, exceeding the full-year record of 2.11 million tons in 2019. China's growing pork import shows that country has a **big demand**. Therefore, Russia has a chance to become one of the exporters in the future.

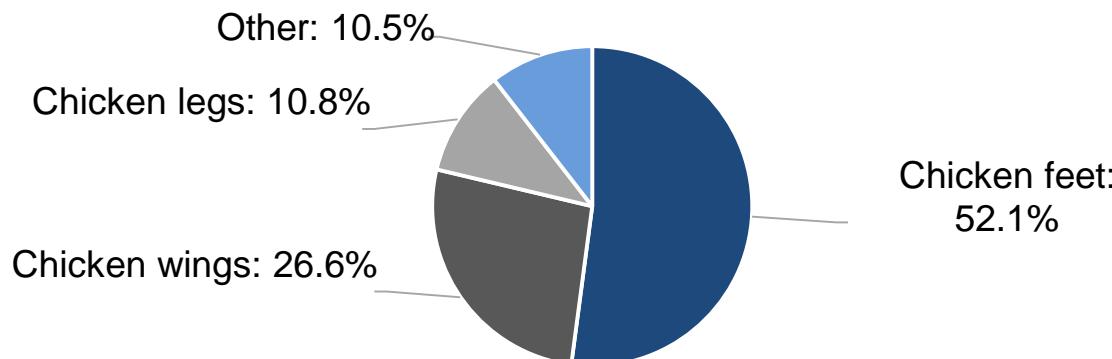
# POULTRY FROM RUSSIA HAS A STABLE GROWTH

For Russian poultry farmers, supplies to China have become available since the end of 2018, as Russian companies got a license for export from the Chinese authorities.

Russia's export of poultry to China 2018-2021  
(in thousand tons)



Structure of Russia's chicken export to China (2019)



Source: Poultry World

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At the moment, 44 Russian enterprises have been certified for the export of poultry meat to China

МИРАТОРГ



Miratorg



ЧЕРКИЗОВО  
с 1974

Prioskolie

Cherkizovo

Two reasons for the growth of chicken consumption in China

1

Pork consumption dropped in 2019 as prices reached record highs and many Chinese consumers switched to chicken meat as a cheaper alternative

2

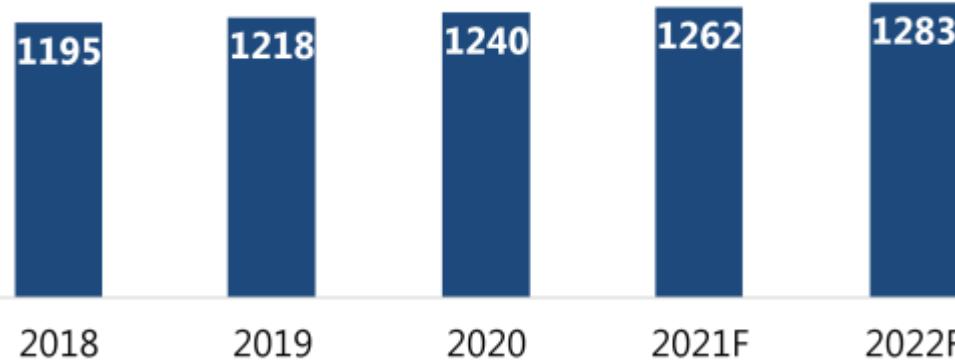
Chinese consumers have placed a higher priority on these issues in recent years. Compared with most cuts of red meat, chicken has much less saturated fat and is considered healthier

Russian poultry exports to China are expected to grow over the next four years, with a total value to reach \$814m per annum by 2024.

# RUSSIA'S "MILKY" WAY TO THE CHINESE MARKET

- By 2022, sales of dairy products in China will account for 20.4% of global sales.
- By 2022, the Chinese dairy market will reach \$68.83 billion.
- Chinese analysts call the Russian market one of the main import markets for dairy products.

Sales of dairy products in China 2018-2022  
(in billion yuan)



Source:Dairy News



In November 2018, the Russian and Chinese governments agreed to export Russian dairy products to China

According to the Russian Export Center, in 2019 the most popular dairy products in China were **baby milk**, **yoghurt** and **pasteurized milk** for long storage.

## Actions:



In August 2019, a large Russian company **Soyuzsnab** announced the **creation of its own dairy production in China**.

Russia's largest milk producer **EkoNiva** is building a **special plant to supply milk and cheese to China in 2024**.

In July 2020 China **expanded the list of permitted Russian entities** for export of dairy products. Currently, **31 Russian companies** have the right to export dairy products to China.

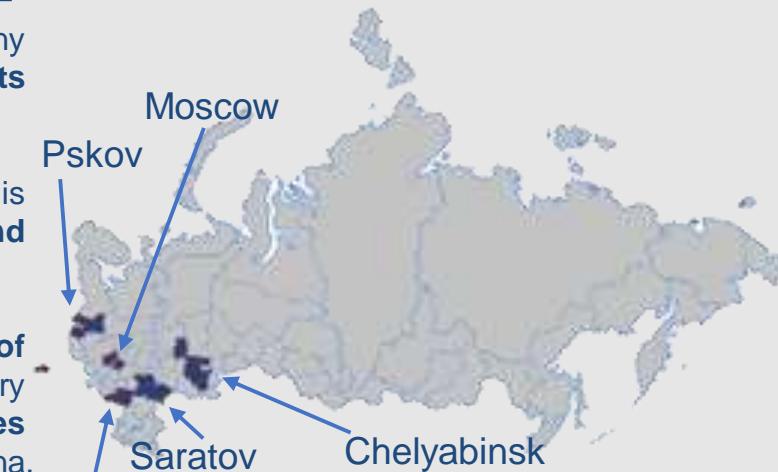
## Perspectives:



China invested more than 53 million US\$ in Russia's dairy industry



## Regions of the dairy industry:



## Requirements:

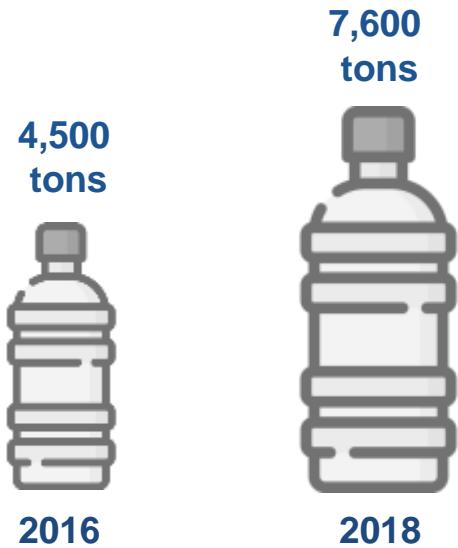


Companies should register at the General Administration of Quality Supervision, Inspection and Quarantine of China to export products and they must have veterinary certificates from both Russian and Chinese veterinary and customs authorities

# EXPORT OF RUSSIAN WATER TO CHINA SHOWS A GOOD DYNAMIC

Russia has large reserves of mineral water, while in China, due to the poor environmental situation, this product is in high demand.

## Russia's export of mineral water to China



Despite the fact that the volume of supplies of mineral water from Russia to China is only about **0.5%** of the **total export of soft drinks**, this segment is showing good dynamics and will develop in the future.

### Actions:



**COFCO** (China Oil and Foodstuffs Corporation), China's largest F&B processing company, which has **2.3 million** terminal sale points throughout **952 cities**.

In 2018 LLC "Aquamarine" and "Petropavlovsk-Kamchatsky Commercial Sea Port" signed a contract with COFCO for the supply of bottled artesian water from Kamchatka region.

During 2019, they supplied **10 million** 0.5 liter bottles of water.

### Perspectives:



COFCO plans to import Russian mineral water, which will be bottled in Vladivostok and Petropavlovsk and will go to the northern provinces of China.



### Regions-producers of water:



### Requirements:



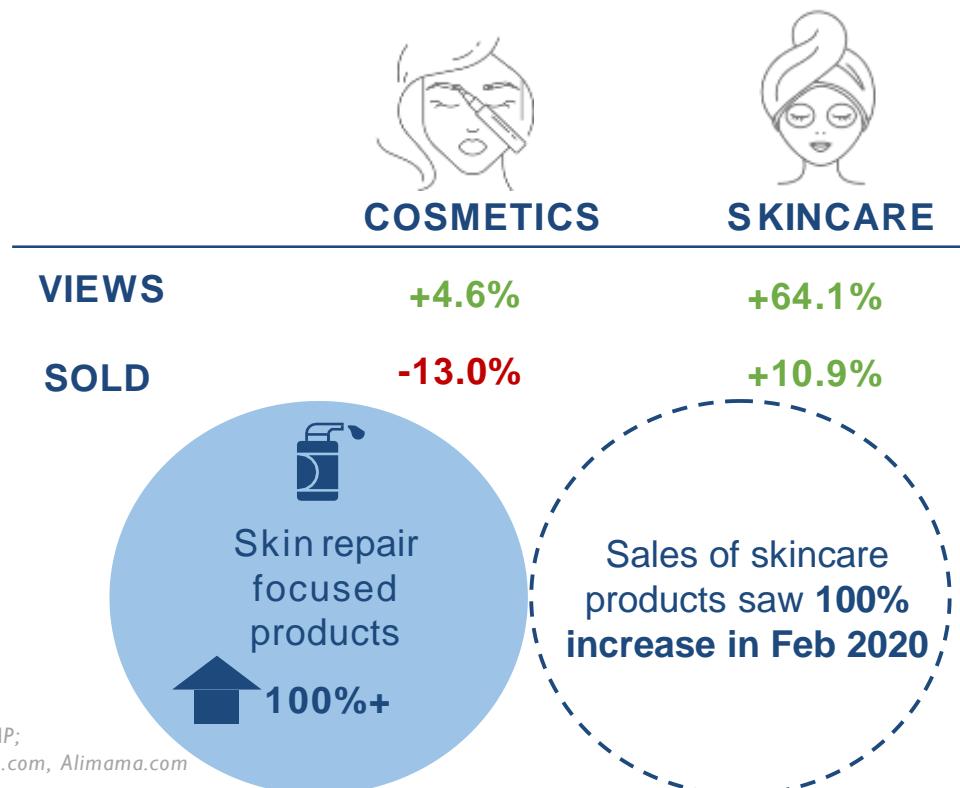
In China there is a requirement for electronic registration of the water exporter, which must be done before the export of goods.

# SKIN & HAIR CARE: NEW PRODUCTS RUSSIA CAN OFFER

- The COVID-19 outbreak had a short-term effect on the cosmetics market in China. Retail sales of beauty products in China dropped from 299 billion RMB in December 2019 to 37 billion RMB in the first two months in 2020.
- Foreign cosmetics brands in China own around 70% of the market and are traditionally preferred by the consumers over the local companies.

After the COVID-19 outbreak, Chinese consumers are especially interested in skincare products

Sector awareness on Alibaba owned platforms in 2020



Most popular Russian brands on Chinese E-commerce platforms



## Compliment

- Focuses on problem, sensitive skin and body correcting products
- Produces face collagen and peeling masks, body scrubs



## Nevskaya cosmetics

- Focuses on anti-aging creams using cucumbers, carrots, aloe, etc.



## Velvet hands

- The brand is focused on hand care
- Crements include rare ingredients such as argan oil, macadamia nut oil, Tiare flower extracts



## Horse force

- Leader of medicinal cosmetics in Russia
- Specializes in the production of shampoos for men/women
- Recently started its skin-care line



## Retsepty agafyi

- Produces a wide range of hair-care products, including shampoo, scrubs, hair masks based on natural ingredients



## Natura siberica

- The company aims to provide natural products made from wild Siberian plants and herbs.
- Brand is focusing on hair and body care

# CASE STUDY: TEANA

Russian brand Teana is focusing on the e-commerce retail channels to increase sales in China.



The company “Tiana” focuses on **skin-care products**: skin serums, creams, face masks. Tiana’s cosmetics are based on **natural bioactive ingredients**.

Teana is a popular cosmetic brand among Chinese tourists in Russia



Teana entered the Chinese market in 2019 through e-commerce channels



Chinese consumers note good moisturize effect of Teana’s products



Teana is a top Russian cosmetic brand on Tmall



## E-commerce retail channels

### Taobao



¥64.00 包邮  
232人收货  
俄罗斯Teana玻尿酸原液涂抹水光针  
安平提亮控油补水系列保湿抗皱

232 people bought

### JD



京东国际【2盒减60 3盒减90】补水保湿  
俄罗斯Teana牌A6深层补水超保湿玻尿酸  
5200+条评论  
打开赛娃海外专营店  
5,200 reviews

### Tmall



¥99.00  
Teana蒂安纳玻尿酸原液A6俄罗斯收毛  
Teana海外旗舰店

月成交 301笔 评价 1619

301 pieces sold in one month

### Xiaohongshu



1,750 likes

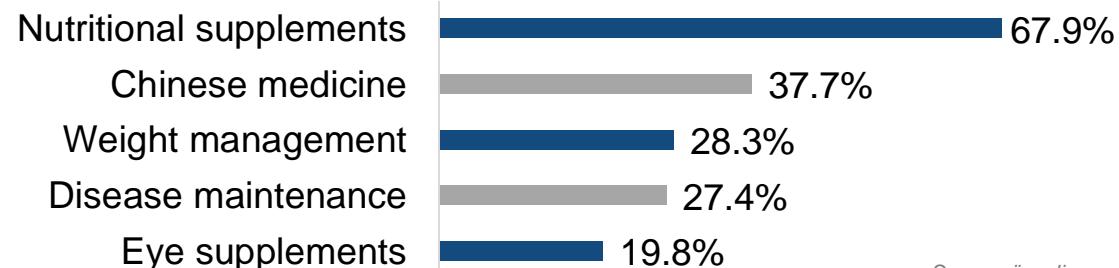
# DO RUSSIAN HEALTH SUPPLEMENTS IMPRESS CHINESE CUSTOMERS?

With the increase of China's per capita income, the aging of the population and the enhancement of health awareness, the overall demand for health supplements is increasing.

Factors that Chinese consumers consider when buying health supplements 2019



Category preferences of health supplements consumption in China 2019 (%)



Source: iimedia



Currently only a couple Russian health supplement brands can be found on Taobao. Their distinctive feature is that they are made of natural ingredients.



Tireostron

- Contributes to the restoration of the thyroid gland
- Improves metabolism & endocrine system
- Ingredients include wax moth larvae extract, kelp and echinacea



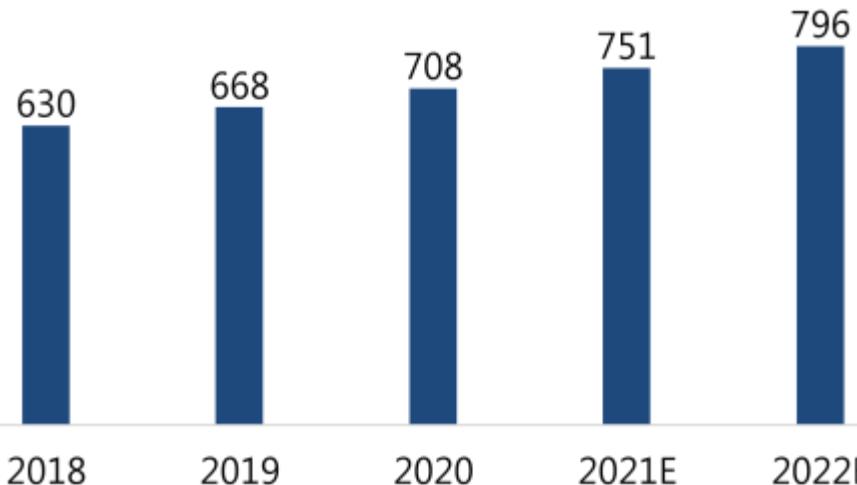
Shark liver oil

- Blocks aging processes
- Reduces bad cholesterol
- Boosts metabolism
- Improves immunity
- Extracted from shark liver

# INTRODUCING RUSSIAN HERBS TO CHINESE TRADITIONAL MEDICINE

So far, the share of herbs in the total volume of Russian exports to China is very small - only 0.001%.

Traditional Chinese medicine market  
2018-2022 (in billion yuan)



Source: Statista

The COVID-19 outbreak gave a boost to TCM.

The majority of herbs' importers in China are supplements' manufactories and big companies producing **natural supplements**. Some are cosmetic companies producing **natural skin care**.

—Gordon Dumoulin, founder and CEO at Dumoco Natural Ingredients

## Actions:



In 2016 the **Healthnet roadmap** was approved by the President of the Russian Federation for Economic Modernization and Innovative Development of Russia.

According to the "road map" of HealthNet, by **2035** the Russian Federation intends to breed **25 agricultural parks**. They will unite up to **300 thousand farms** engaged in the cultivation, processing and storage of medicinal plants.

## Perspectives:



Russia can grow about 70% of those herbs that are used in traditional Chinese medicine.

However, transferring plants from one habitat to another requires 2-3 years.

## Regions-producers of herbs:



Bryansk

Caucasus

Altai

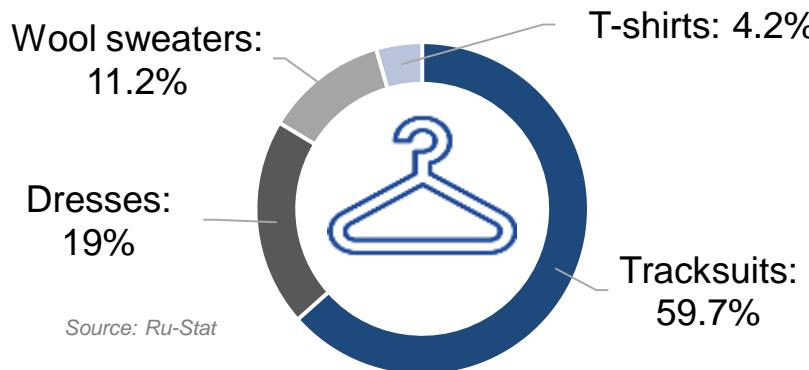
## Requirements:



Companies must obtain certification from the China Food and Drug Administration (CFDA).

# “MADE IN RUSSIA”: MATERIALS, DESIGNERS AND CLOTHING BRANDS

## Structure of Russia's clothes export to China (%), 2019



**Wool clothes** is a promising area for the Russian exporters

For many years, Australia supplied 90% of sheep's wool to China for clothing

Due to the decline in the livestock in Australia, demand for sheep's wool in China is unmet

It can become an opportunity for Russian natural clothes business to enter the Chinese market

### Kids clothes



### Bossa nova / Lucky child

- In 2020 Lucky Child entered Tmall and AliExpress platforms.
- The brand focuses on toddler clothes.
- Another brand, Bossa Nova entered the Tmall platform in 2018.
- Bossa Nova focuses on comfortable bodysuits, sweatshirts and dresses for kids.

### Designer clothes



### Chapurin

- Igor Chapurin became the first Russian designer to collaborate with AliExpress / Tmall platform.
- A limited collection of Chapurin clothing and accessories suppose to be lauched in 2020.
- Besides, official online Chapurin store will appear on the Tmall platform.

### Sport clothes



### Sportmaster

- Sportmaster, Russia's largest retailer of sportswear and fitness gear entered China in 2014 as brick-and-mortar retail.
- Company had considered China as a potential market due to its geographic proximity to Siberia and the Russian Far East, and also because the company had been placing orders at Chinese factories.

# COOPERATION IS A KEY TO SUCCESS: HOW RUSSIA & CHINA PROMOTE TECHNOLOGICAL INNOVATION

Hidden opportunities for Russian companies that deal with technology in the Chinese market.



## Skolkovo foundation and Xixian Fengdong, a Chinese technopark

- Since 2016, focus on scientific research, design work, and software development, as well as the production of technologically complex robot components in Russia.
- Through partnership with the Xixian Fengdong Technopark, a platform will be created in China to facilitate manufacture on an industrial scale with the use of leading Russian technologies.



*Russian specialists are good at **mathematics** and **AI algorithms** – it is a huge opportunity for business in China.*

*— Andrei Prokhorovich, the founder of Eurasia Development Ltd*



## 'Two countries, four cities' program

- Program, intended to unite the potentials of Moscow, Yekaterinburg, Harbin and Shenzhen.
- As of 2019, this program included the plan for opening Russian innovation center in Shenzhen enabling resident companies to enter the China market with their own software and technologies, such as big data and automation systems for mining.



## Harbin's tech park

- In October 2018, in Harbin emerged the initiative to create a Russian-Chinese tech park co-founded by GEMMA, which is an international economic cooperation organization registered in Russia, and the Harbin Ministry of Science and Technology.
- At present, 19 companies are residents in the center, which is expected to expand and receive robust support from the local government.



*In China, IT projects related to entertainment are doing well today and have great prospects. For example, the Russian military-themed game **War Thunder**. Tencent got the rights to distribute the game in China. They adapted it for the Chinese market and distribute this game in China. **Gaming technology could have a big future in China.***

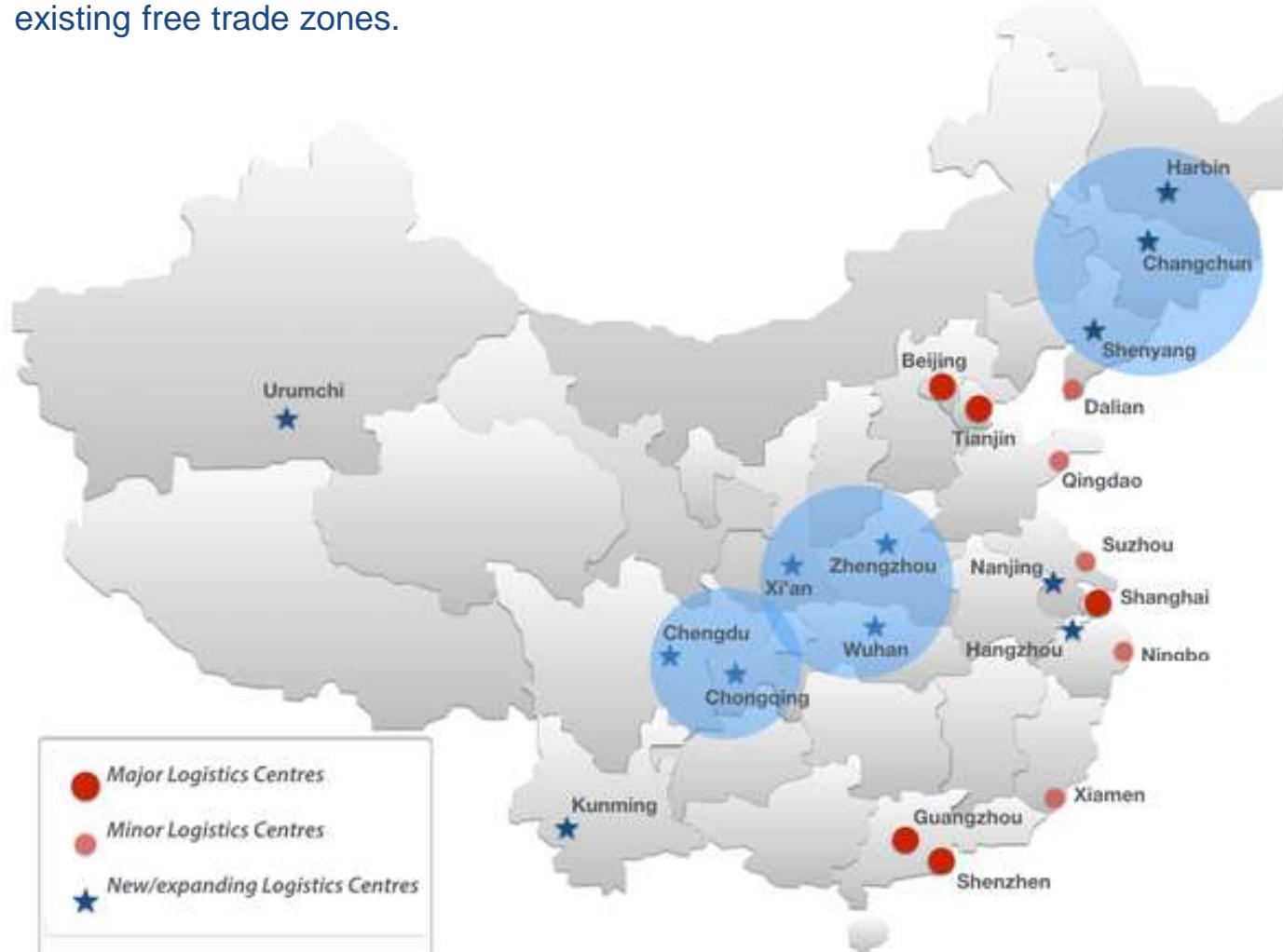
— Anastasia Tarasevich, CEO at Epinduo

[www.warthunder.com](http://www.warthunder.com)

★ WAR ★  
THUNDER

# EASY TRADE: BONDED ZONES IN CHINA

Bonded zones are territories with a **special procedure for customs regulation**. They are created in cities and regions with **high financial and industrial potential** and **developed transport infrastructure**. Most often they are a kind of addition to existing free trade zones.



## Geographical distribution

Most of China's bond zones are located on the **coastal areas**. The *Harbin Bond Zone (HBZ)* is located in *Heilongjiang Province* is very important for Russia. It may become a **key entry point for the withdrawal of Russian goods to China**, a pilot hub for Russian goods in China.

## Principles of functioning

**Preferential taxation** based on the **complete cancellation** or **partial replacement** of certain payments to the budget with a special bond tax.

The possibility of **free import, export and movement of goods within the zone** - without any restrictions, licensing and payment of customs duties.

**Customs duty, VAT and consumption tax** at standard rates will be charged only in case of **export of duty-free goods imported to "non-bond" territories**.

The possibility of **concluding and paying for contracts for the supply of goods** exclusively in foreign currency.

# POTENTIAL MISTAKES OF RUSSIAN EXPORTERS IN CHINA

## No registration

Many companies believe that there is no need to register a brand until sales begin in China. However, companies that take the risk of **operating in China without a registered trademark in the region can easily lose infringement claims.**

## Underestimating the importance of commodity fairs

**Bringing samples to the commodity fairs in China** will help brand to become more familiar to the Chinese consumers.

## No e-reputation

Distributors are not always positive about new brands. They will research a brand online, so it is better to work on company's **online branding** and **e-reputation**.



## No brand adaptation

Russian companies **forget to adapt the brand**. It is important to come up with a Chinese name. For example, for ice cream Korovka iz Korenovki, DAKAITOWA made an adaptation of the product. On the platform, it is sold as 奶牛冰淇淋 (dairy cow ice cream).

## Underestimating the importance of organic food

There are many anti-GMO concerns in China now. Brands should **highlight the fact that Russia has organic products and GMO-usage is forbidden in Russia**.

## No brand's "legend"

**Chinese people like to hear stories.** Therefore, if a brand has a nice legend behind it, it is more likely to be successful in the Chinese market.

# KEY TAKEAWAYS

## 1 Non-mineral resources are getting more important in Russian exports to China

As China is getting more concerned about domestic environmental problems, it will need **more “clean” energy** export from other countries. That is why **atomic equipment** and **forestry** are increasing their positions in Russian export to China. Besides, China's tensions with the US give **Russian agricultural sector** a chance to replace American producers.

## 2 Russian F&B and household goods are becoming well-known in China

Some of the Chinese consumers are already familiar **Russian sweets, alcohol** and **seafood**. The key competitive advantages of Russian F&B sector are **cheap price** and **good quality**. In addition, now is a fertile time for **Russian household goods** as **China's market share is freed up** by the withdrawal of Korean brands.

## 3 Russia can offer luxury goods for the growing appetite of Chinese consumers

Chinese people are aware of a **good quality of Russian amber and jewelry**. Moreover, **art and antiques** are getting more important, as more Chinese people can afford luxury products. Northern provinces of China are interested in **Russian fur**, noting its good quality. Additionally, in the luxury segment, **Russian crabs** and **caviar** may occupy a strong position in the Chinese market.

## 4 We see great potential for Russian goods in the Chinese market

In terms of F&B, **Russian meat, dairy and mineral water** are promising sectors. Also, **Russian cosmetics** has a chance to satisfy a niche in the Chinese market. As well as **wood products**, for example kids' toys made from wood. Moreover, **tourism promotions** are poorly developed on the Russian side. The last but not least, **Russian intellectual products, services, and technologies** are a separate sector with great potential in the Chinese market.

## 5 Russian companies need to pay more attention to marketing, brand's adaptation & awareness

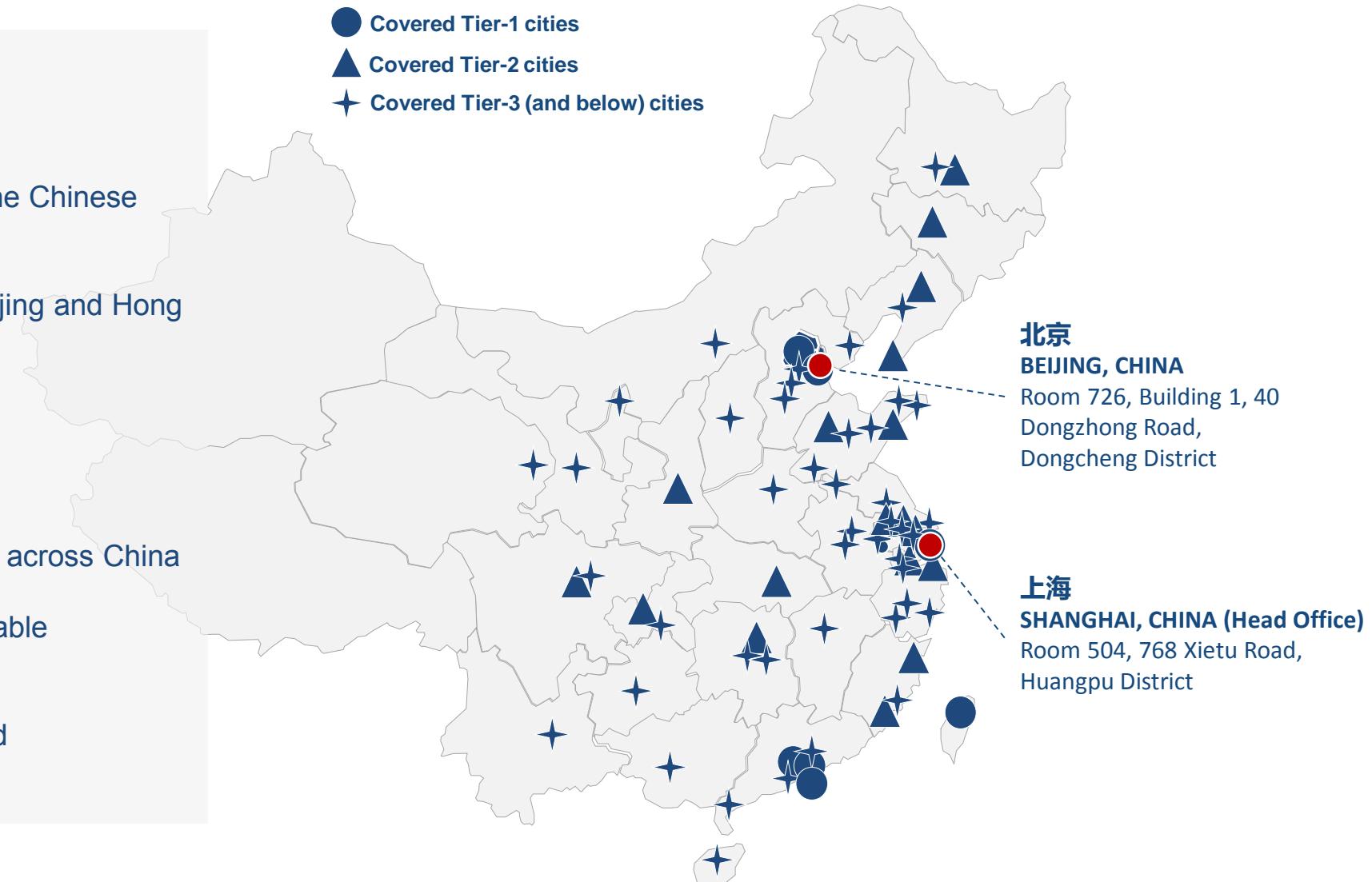
To add value to the goods as well as form nice brand reputation, it is **necessary to form knowledge about modern Russia** among the Chinese people **replacing established stereotypes from the Soviet Union**. For this, Russian brands should start **investing in China's market research, marketing, packaging and promotion**. On top of that, Russian brands can increase awareness and networking through **participation in commodity fairs**. Besides, firms can use **bonded zones** to decrease the tax burdens and simplify the entrance to the local market.

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Your market research company in China

## We are daxue consulting:

- A market research firm specializing on the Chinese market since 2010
- With 3 offices in China: in Shanghai, Beijing and Hong Kong
- Employing 20+ full-time consultants
- Full, complete, national coverage
- Efficient and reliable fieldwork execution across China
- Using our expertise to draw precise, reliable recommendations
- With key accounts from around the world



# THE STRENGTHS OF DAXUE CONSULTING

6 crucial competitive advantages



## 1. Localized & Creative 创造和本土

- ✓ Our team has an international background, leveraging the best of both worlds
- ✓ **Teams are tailor-made** depending on the projects
- ✓ **One client = one dedicated team**

## 3. We manage from A to Z 内部

- ✓ daxue consulting **does not outsource its services**. We manage our own assistants and use directly technological tools.
- ✓ We have a **deep understanding on the fieldwork** and the context within which data was collected.

## 5. Innovative 创新

- ✓ **Constantly on the look** for new research tools and methodologies
- ✓ Our goal is to **combine traditional methodologies** with the latest **tech tools**

## 2. Responsive & Flexible 负责和灵活

- ✓ At all levels at daxue consulting, daxue is creating an environment where **freedom and responsibility** go together.
- ✓ **daxue** consulting has a commitment to **answer emails within a day**. We are result-oriented and do not count our time to accomplish our tasks.
- ✓ **Regular reports** with our clients in order to make sure we reach the goal expected from our clients.

## 4. Actionable recommendations 可行建议

- ✓ We **care about results** and design our research in order to be operational.
- ✓ We are **driven by metrics** such as customer acquisition costs, business plan KPIs, P&L optimization.

## 6. Professional 专业

- ✓ **Our methodologies are rigorous and serious**, taking information from the best practice in the world of consulting and research.
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STRATEGY  
市场进入



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消费者旅程



COMPETITOR  
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竞争者对标



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市场规模



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& USP DEFINITION  
价值主张和销售主张



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