The Chinese market for Russian products and cultural exports today

November 2020

HONG KONG | BEIJING | SHANGHAI
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OVERVIEW OF CHINA-RUSSIA TRADE RELATIONS

WHAT ASSOCIATIONS DOES RUSSIA EVOKE AMONG CHINESE CONSUMERS?

B2B: CHINESE FACTORIES ARE IN NEED OF RUSSIAN MATERIALS

B2C: HOW RUSSIAN GOODS ARE CONQUERING THE CHINESE MARKET

LIVE LIKE A KING: LUXURY GOODS FROM RUSSIA

POTENTIAL SPHERES OF DEVELOPMENT FOR RUSSIAN GOODS IN CHINA

ABOUT US
I. OVERVIEW OF CHINA-RUSSIA 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.

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

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.

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$)

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$)

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>38.1</td>
<td>28</td>
</tr>
<tr>
<td>2017</td>
<td>48</td>
<td>38.9</td>
</tr>
<tr>
<td>2018</td>
<td>52.2</td>
<td>56</td>
</tr>
<tr>
<td>2019</td>
<td>54</td>
<td>56.7</td>
</tr>
</tbody>
</table>

Source: Ru-Stat

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### Exports of Russian Goods to China in 2019 & 2020

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oil</strong> traditionally is the largest Russian export to China.</td>
<td>The share of oil is <strong>decreasing</strong>, but due to the growth in exports of non-primary products to China, <strong>in general, exports are growing</strong>.</td>
</tr>
<tr>
<td>1 billion US$ was the value of exported <strong>seafood, fish and shellfish</strong> from Russia to China. Very often, these products are <strong>repackaged and sent back</strong> to Russia to sell.</td>
<td>Sales of <strong>fish and seafood</strong> show growth.</td>
</tr>
<tr>
<td><strong>Meat</strong> was extensively exported in 2019, totaling to 144 million US$. <strong>Chicken meat</strong> was the biggest category.</td>
<td>Export of <strong>soybeans, rapeseed and sunflower oil</strong> are increasing and the YoY growth accounts for 49%.</td>
</tr>
<tr>
<td><strong>Fats and oils</strong> account for 61 million US$, ranking second in the food category.</td>
<td><strong>Poultry</strong> exports are increasing.</td>
</tr>
<tr>
<td><strong>Confectionery, chocolate products, and cocoa</strong> accounted for 112 million US$.</td>
<td><strong>Confectionery and general consumption products</strong> were exported to China unofficially through the <strong>border trade zones</strong>. During the pandemic, these areas were closed. There was a <strong>decline in the export</strong> of confectionery and general consumer goods.</td>
</tr>
<tr>
<td><strong>Dairy products</strong> accounted only for 4 million US$.</td>
<td>Now there is a trend that Chinese companies either begin to import goods officially without <strong>border trade zones</strong>, or they refuse cooperation, because they do not know how to make official imports.</td>
</tr>
</tbody>
</table>
II. WHAT ASSOCIATIONS DOES RUSSIA EVOKE AMONG CHINESE CONSUMERS?
SEARCH TRENDS ON BAIDU: “RUSSIA/俄国” (1/3)

Russia’s “pivot” to China.

Short-term decrease in ‘Russia’ searches due to the COVID-19 outbreak.

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.

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

Source: Baidu index

Time frame: Sep 2011 – Feb 2020

Time frame: Sep 2018 – Feb 2020
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 (9th 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.
Russia is synonymous with tourist attractions and outstanding architecture.
EU sanctions, Russia’s “Pivot to Asia”.

Short-term decrease in ‘Russia’ searches due to the COVID-19 outbreak.

Regional distribution of ‘Russian goods’ searches

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.

Source: Baidu index
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.
BAIDU IMAGES: “RUSSIAN GOODS /俄国商品” (3/3)

Food products are the first thing that the Chinese associate with goods from Russia.
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
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
有什么你去了俄罗斯才知道的事？
在俄罗斯你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

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

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.
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.

你在中国哪些奇特的经历？
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.*

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!!! 但结果我是4个小时候才拿到的。
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.

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.

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.

Source: Sample of Zhihu Posts | 2020 | CN
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$)

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

Changes in the export’s structure from Russia to China

<table>
<thead>
<tr>
<th>2019</th>
<th>VS</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>China’s increase in oil demand in 2019 was influenced by the trade war between China and the United States.</td>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

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.

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

- **ALLBIZ**
  - One of the oldest B2B online platforms operating in Russia
  - Popular categories: auto equipment, agriculture, clothing and footwear

- **TRADE EASY**
  - The first e-commerce B2B platform for China-Russia trading
  - Focuses on: apparel, household items, electronics

- **DHGATE**
  - B2B cross-border e-commerce platform
  - Popular categories: electronics, apparel, health and beauty

**NUCLEAR ENERGY EQUIPMENT**  
+8% growth

**AIRCRAFT EQUIPMENT**  
+34% growth

**MEDICAL EQUIPMENT**  
+51% growth

**ELECTRIC MACHINES**  
+130% growth

Source: Forbes
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 (%)

- Electric machines, tools: 19%
- Nuclear energy equipment: 81%

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

- 2016: 1.4
- 2017: 2.1
- 2018: 1.6
- 2019: 1.7

Source: Ru-Stat
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.

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.

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)
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
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**.

**RUSSIAN WOOD: WHY CHINA IS CRAZY FOR IT?**

I. A ban on deforestation within China

II. Lack of own timber resources

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
Areas of Russia exporting the most wood to China

Top-5 Chinese companies-importers of Russian wood 2017 (in m³ per year)

- Shengyuan 盛源: 1,300,000
- Yunchou 云州: 710,000
- Jintai 金台: 620,000
- Shanglian 商联: 500,000
- Tiansheng 天生: 380,000

Source: Amur Info Center

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Types of Chinese companies exporting Russian timber

- Engaged in the purchase of timber in Russia and its transportation to border points for wholesale
- Engaged not only in the supply, but also in the processing of wood
- Intermediary companies

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

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.

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: 15.3%
- Rapeseed: 6.3%
- Cereals: 5%
- Flour: 1.7%
- Fruits and nuts: 9%

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

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

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: +35% growth
- Rapeseed: +145% growth

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

Russia is increasing rapeseed exports to China due to China’s rapeseed oil shortage.

Source: AgroInvestor

50% Source: Milk News

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

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

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 (%)

- Brazil: 48.5%
- USA: 35.5%
- Argentina: 11.4%
- Canada: 2.5%
- Uruguay: 2.0%
- Russia: 0.1%

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 (%)

- Brazil: 65.2%
- USA: 18.9%
- Argentina: 10.1%
- Canada: 2.8%
- Uruguay: 2.3%
- Russia: 0.7%

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

Source: Statista
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 (%)**

- Fertilizers: 53%
- Caprolactam: 16%
- Plastic: 13%
- Rubber: 8%
- Other: 10%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Export (billion US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.9</td>
</tr>
<tr>
<td>2017</td>
<td>1.1</td>
</tr>
<tr>
<td>2018</td>
<td>1.0</td>
</tr>
<tr>
<td>2019</td>
<td>1.2</td>
</tr>
</tbody>
</table>

**Key areas of Russian chemicals exports to China**

- **Fertilizers**: Russia exports two types of fertilizers to China: potash and phosphate.
- **Caprolactam**: Caprolactam is in high demand in China, as it is used for textile, carpet and industrial yarns.
- **Plastic**: Russia remains a major exporter of plastics and plastic products to China.
- **Rubber**: Rubber is in the top 5 industries of chemical export to China. In 2018 the export from Russia to China increased by 30%.

*Source: Ru-Stat, Vest Khim Prom*
IV. B2C: HOW RUSSIAN GOODS ARE CONQUERING THE CHINESE MARKET
The most popular goods purchased in Russia are amber and cosmetics – they account for 30 percent of spending.

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

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

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.

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

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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-mortal 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.

ÉPINDUO

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

- Confectionary: 17%
- Fruits/vegetables/nuts: 3.7%
- Dairy: 2.1%
- Seafood/fish: 76.5%

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.

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

  +63% growth

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

  +50% growth

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

  +49% growth

- Fruits are also considered as healthy snacks by the Chinese consumers

  +42% growth

Source: KPMG Report

Source: Russian Trade
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

---

**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.

<table>
<thead>
<tr>
<th>Taobao top Russian products</th>
<th>Tmall top Russian products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Russian candy Krokant</strong></td>
<td>俄罗斯糖果进口正品俄罗斯糖果Krokant</td>
</tr>
<tr>
<td>5,301 people bought</td>
<td>25,000 people bought</td>
</tr>
<tr>
<td><strong>Russian bread</strong></td>
<td>俄罗斯面包进口正品俄罗斯面包</td>
</tr>
<tr>
<td>6,812 people bought</td>
<td>2,641 people bought</td>
</tr>
<tr>
<td><strong>Russian sea cucumber</strong></td>
<td>俄罗斯海参野生淡干海参</td>
</tr>
<tr>
<td>974 people bought</td>
<td>1,804 people bought</td>
</tr>
</tbody>
</table>
TOP CATEGORIES: RUSSIAN F&B PRODUCTS ON TAOBAO & TMALL (2/3)

Taobao top Russian sweets

- Russian sweets
  - 3,074 people bought

- Russian cookies
  - 3,012 people bought

- Russian chocolate cookies
  - 2,658 people bought

- Russian chocolate cookies
  - 2,145 people bought

Taobao top Russian seafood

- Fresh shrimp from Russia
  - Among Top 3 most selling products
  - 274 people bought

- Canned tuna fish from Russia
  - 233 people bought

- Canned pink salmon from Russia
  - 233 people bought

- Canned herring from Russia
  - 215 people bought

Taobao top Russian meat

- Bacon from Russia
  - 4,381 people bought

- Canned beef meat from Russia
  - 771 people bought

- Bacon from Russia
  - 922 people bought

- Bacon from Russia
  - 922 people bought

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

Taobao’s top Russian vodkas

- Vodka “Five lakes”
  - 1,158 people bought
  - 23.99元

- Vodka “White birch”
  - 381 people bought
  - 110元

- Vodka “Absolut”
  - 384 people bought
  - 205元

- Vodka “White birch”
  - 121 people bought
  - 49元

- Vodka “Absolut”
  - 169 people bought
  - 49元

Taobao’s top Russian beverages

- Russian kvass
  - 39.9元
  - 2,308 people bought

- Russian kvass
  - 38.1元
  - 180 people bought

- Russian kvass
  - 39.9元
  - 71 people bought

- Orange juice
  - 9.9元
  - 169 people bought

- Pomegranate juice
  - 9.9元
  - 277 people bought

- Sour milk
  - 49元
  - 74 people bought

- Sour milk
  - 39.9元
  - 180 people bought

- Sour milk
  - 39.9元
  - 399 people bought

- Sour milk
  - 39.9元
  - 71 people bought

Taobao’s top Russian dairy products

- Sour milk
  - 29.9元
  - 299 people bought

- Sour milk
  - 169元
  - 277 people bought

- Sour milk
  - 39.9元
  - 399 people bought

- Sour milk
  - 38.8元
  - 74 people bought

- Sour milk
  - 31.9元
  - 71 people bought

Source: Taobao
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.

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.
好的！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。

好吃！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.
WHAT CHINESE PEOPLE SAY ABOUT RUSSIAN SEAFOOD: ZHIHU (2/2)

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.
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.

**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.
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.

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

**Why Chinese people prefer imported alcohol?**

**Cities with high imported alcohol consumption**

- Beijing
- Shanghai
- Guangzhou/Shenzhen

**Structure of Russia’s alcohol export to China 2019 (%)**

- Beer: 69%
- Vodka, cognac: 9.1%
- Wine: 2.6%

**Examples of Russian alcohol in China**

- 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.

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

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

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.

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.

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.
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$)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>108.7</td>
</tr>
<tr>
<td>2017</td>
<td>96.5</td>
</tr>
<tr>
<td>2018</td>
<td>120.5</td>
</tr>
<tr>
<td>2019</td>
<td>165.6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Importer</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>166</td>
</tr>
<tr>
<td>China</td>
<td>95</td>
</tr>
<tr>
<td>Mongolia</td>
<td>34</td>
</tr>
<tr>
<td>UAE</td>
<td>25</td>
</tr>
<tr>
<td>Germany</td>
<td>16</td>
</tr>
</tbody>
</table>

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.

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

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.

Notably, Krokant is not a market leader in Russia, as Russians prefer chocolate.
EXAMINATION OF RUSSIAN SWEETS UNDER A CHINESE MICROSCOPE

- **№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.

- **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.

- **Russians 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**.

- **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.
Top 3 exporters of chocolate to China 2019 (in million US$)

- **Russia**: 112.6
- **Italy**: 93.7
- **Malaysia**: 52.3

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHOCOLATE BARS</td>
<td>46</td>
<td>55</td>
</tr>
<tr>
<td>CHOCOLATE CANDY</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>CHOCOLATE BOXES</td>
<td>33</td>
<td>38</td>
</tr>
</tbody>
</table>

**Taobao's top Russian chocolates**

- **Alyonka**
  - 1,226 people bought
  - $58.50/

- **Pobeda**
  - 1,125 people bought
  - $32.85/

- **Vdokhnovenie**
  - 327 people bought
  - $12.50/

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 **Russian big-head doll** is the most popular Russian chocolate in China.

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!

Russian chocolate, also known as Alyonka or Big Head Doll. Delicious and not expensive.
CASE STUDIES: CAKES AND MARSHMALLOWS 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

MARSHMALLOWS “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, a regional dessert of the Tula region since the end of the 19th century, is a well-known regional brand.

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”.

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

In October 2018, Marka opened the flagship online store on the JD platform. The brand has over 300 points of sale in China. In 2017, it began producing Matryoshka doll-shaped ice cream to sell in China.

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

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

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).

In October 2018, Marka opened the flagship online store on the JD platform. The brand has over 300 points of sale in China.

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

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

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Most of Russian producers don’t change the packaging for the Chinese market.
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
**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$)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>111</td>
<td>397</td>
</tr>
</tbody>
</table>

TRIPLED

Source: Ru-Stat

**Russia’s households chemicals export to China 2016/2018**

After South Korea’s announcement in 2017 of the deployment of the American THAAD missile defense system on its territory, the central Chinese press has urged not to buy goods from there. South Korea was the main supplier of cosmetics and household cleaners to China. The boycott worked in favor of Russian manufacturers.

**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
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
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.

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**China’s luxury goods market segmentation, 2018**

- **Ready-to-wear, jewelry and handbags** are the key categories in the luxury goods market in China.
- **Shoes**: 15%
- **Accessories**: 16%
- **Handbags**: 22%
- **Jewelry**: 23%

---

**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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese Market</th>
<th>Global Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1636</td>
<td>1890</td>
</tr>
<tr>
<td>2025F</td>
<td>770</td>
<td>1227</td>
</tr>
</tbody>
</table>

1.6 times

---

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

<table>
<thead>
<tr>
<th>Generation</th>
<th>Chinese Market</th>
<th>Key Consumer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post 65-70s generation</td>
<td>26</td>
<td>41</td>
</tr>
<tr>
<td>Post 80s generation</td>
<td>1227</td>
<td>25</td>
</tr>
<tr>
<td>Post 90s generation</td>
<td>1890</td>
<td>25</td>
</tr>
</tbody>
</table>

---

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

- **Ready to wear**: 24%
- **Jewelry**: 23%
- **Handbags**: 22%
- **Accessories**: 16%
- **Shoes**: 15%

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JEWELRY IS A TOP GOOD PURCHASED BY CHINESE TOURISTS

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>93.9</td>
</tr>
<tr>
<td>2017</td>
<td>142</td>
</tr>
<tr>
<td>2018</td>
<td>43.6</td>
</tr>
</tbody>
</table>

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

- Gold: 47.2%
- Diamonds: 3.1%
- Platinum: 5.1%
- Artificial gems: 31.8%
- Gems: 12.1%

Fall of the ruble, jewelry production decreased in Russia.

Top 6 goods Chinese tourists buy in Russia

- 30% cosmetics
- 30% amber
- 12% jewelry
- 8% souvenirs
- 6% alcohol
- 5% chocolate

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
Why does amber attract the Chinese people?

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

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.

Source: Sample of Zhihu Posts | 2020 | CN

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.
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.

According to Baidu Index, the demand for Russian fur is less during spring and high in summer/winter.

Cities with high demand for Russian fur

<table>
<thead>
<tr>
<th>#1</th>
<th>Anhui</th>
</tr>
</thead>
<tbody>
<tr>
<td>#2</td>
<td>Jiangsu</td>
</tr>
<tr>
<td>#3</td>
<td>Zhejiang</td>
</tr>
</tbody>
</table>

Age distribution of fur consumption in China 2019 (%)

- < 18 y.o.: 1%
- 18-30 y.o.: 77.54%
- 31-50 y.o.: 21.10%
- < 50 y.o.: 0.36%

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

Search trends on Baidu index: “Russian fur”

Time frame: Aug 2016 – Jan 2020

Source: Baidu Index
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.

Comment on Russian fur on Xiaohongshu

“真的好的皮草，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)

观注了两个月入手了两件，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!

Comment on Russian fur on Taobao

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$)

2016: 1.6 million US$  
2017: 3.5 million US$  
2018: 6.5 million US$

Top importers of Russian works of art 2019 (%)

- China Mainland: 49.4%  
- Hong Kong: 11.1%  
- USA: 4.5%  
- France: 10%

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.

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

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

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

- Brazil: 31%
- Uruguay: 21%
- Argentina: 17%
- Australia: 16%
- New Zealand: 11%

Source: Statista

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.

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

During the 2019 African swine fever in China, more than a third of the nation’s pigs were killed.

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.

Russian companies need help from state level to achieve success and enter the Chinese market. Source: Pig Progress

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

<table>
<thead>
<tr>
<th>Month</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2018</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Nov 2018</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Jan 2019</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Mar 2019</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>May 2019</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>June 2019</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Sep 2019</td>
<td>33</td>
<td>33</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>3.33</td>
</tr>
<tr>
<td>Spain</td>
<td>3.00</td>
</tr>
<tr>
<td>Germany</td>
<td>2.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.4</td>
</tr>
<tr>
<td>Canada</td>
<td>1.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.2</td>
</tr>
<tr>
<td>Chile</td>
<td>0.5</td>
</tr>
<tr>
<td>France</td>
<td>0.4</td>
</tr>
<tr>
<td>UK</td>
<td>0.4</td>
</tr>
</tbody>
</table>
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)

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.

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

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.

Source: Poultry World
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)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021F</th>
<th>2022F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1195</td>
<td>1218</td>
<td>1240</td>
<td>1262</td>
<td>1283</td>
</tr>
</tbody>
</table>

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.

**Perspectives:**
China invested more than 53 million US$ in Russia’s dairy industry.

**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.

**Regions of the dairy industry:**

- Moscow
- Pskov
- Saratov
- Chelyabinsk
- Voronezh

**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.

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.

Requirements:

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

Regions-producers of water:

- Kamchatka
- Primorye
- Sakhalin

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.
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

<table>
<thead>
<tr>
<th>Sector awareness on Alibaba owned platforms in 2020</th>
<th>VIEWS</th>
<th>SOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>COSMETICS</td>
<td>+4.6%</td>
<td>-13.0%</td>
</tr>
<tr>
<td>SKINCARE</td>
<td>+64.1%</td>
<td>+10.9%</td>
</tr>
</tbody>
</table>

Sales of skincare products saw 100% increase in Feb 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.

- **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

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

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

Source: SCMP; sycm.taobao.com, Alimama.com
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. Chinese consumers note good moisturize effect of Teana’s products.

Teana entered the Chinese market in 2019 through e-commerce channels. Teana is a top Russian cosmetic brand on Tmall.

CASE STUDY: TEANA

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

E-commerce retail channels

- **Taobao**: ¥64.00
  - 32 person bought
  - 232 people bought
  - 5,200 reviews

- **Tmall**: ¥99.00
  - 301 pieces sold in one month

- **JD**: ¥99.00
  - 5,200 reviews

- **Xiaohongshu**: 1,750 likes

Teana is a top Russian cosmetic brand on Tmall.
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

- **Function**: 55.9%
- **Quality**: 47.1%
- **Price**: 40.1%
- **Brand**: 30%
- **Place of origin**: 33.5%
- **Other factors**: 11.1%

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

- **Nutritional supplements**: 67.9%
- **Chinese medicine**: 37.7%
- **Weight management**: 28.3%
- **Disease maintenance**: 27.4%
- **Eye supplements**: 19.8%

Using multiple channels to reach Chinese consumers (both online and offline)

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

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

Marketing to the right consumers (target specific groups)

- Leveraging social media to get Chinese consumers’ insights (communication with consumers on the Chinese social media)
- Leverage multiple channels to reach Chinese consumers (both online and offline)

Leverage social media to get Chinese consumers’ insights (communication with consumers on the Chinese social media)

- Using multiple channels to reach Chinese consumers (both online and offline)

**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%.

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.

### Requirements:

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

---

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

- Tracksuits: 59.7%
- Wool sweaters: 11.2%
- T-shirts: 4.2%
- Dresses: 19%

Source: Ru-Stat

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.

### Wool clothes

- 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 launched 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.

“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

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.

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

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- Market Sizing
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