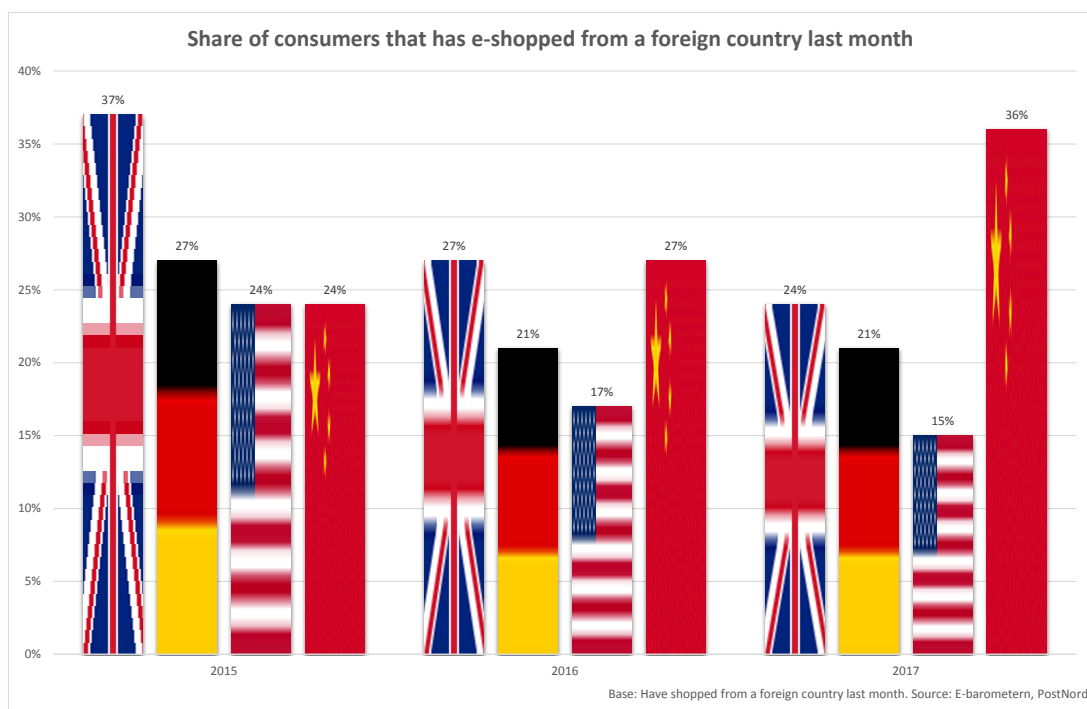


No more packages from China?



Digitalisation has changed the retailing playing field both globally and politically. Today, it's as easy for consumers to buy goods online from the other side of the world as it is to walk into their local corner store, something that has meant sharply increased competition in many sectors.

Online commerce with China mushroomed in 2017. Between January and September, sales by volume rose to over 24 million packages, a 65 percent increase compared to the same period in 2016. According to the PostNord e-barometer, 36 percent of international consumers bought from the giant in the east in the month immediately prior to the survey. During the same period, 24 percent shopped from Britain, 21 percent from Germany and 15 percent from USA, which meant that Britain and the US saw significant falls in their respective shares of total e-tailing. In other words, the balance of power within international commerce has changed significantly in just two years, where Britain's previous leading role has been overtaken by China and that the US has gradually shrunk in importance on the market and only makes up 15 percent of trading today.





It is primarily low prices that persuade consumers to increasingly fill their baskets with Chinese products from sites such as AliExpress or Wish, which can be seen from the average total for purchases from China being significantly lower than from other import countries. Low prices that are enabled by factors such as low wages, subsidised shipping and more generous rules and regulations related to environment labelling and product safety.

At a time when we can also see the focus on sustainability within commerce is becoming increasingly important in Sweden and often viewed as an increasingly important argument in favour of attracting a younger and more aware customer group, digital customers are effectively choosing to continue to prioritise lower prices ahead of issues such as the environment and poor working conditions in the manufacturing chain.

As a consequence of many logistics companies not having the capacity to check and deliver the high volumes of orders despatched, rule changes were announced in January with the aim of discouraging private imports from China in particular. From 1 March 2018, consumers must pay at least SEK 75 for each package from countries outside the EU and that are handled by PostNord. Added to which, the rules on VAT payments have been tightened and Swedish Customs have explicitly stated that VAT is the liability of shippers. Altogether, these new rules have meant that the flow of packages has fallen to one third of what it was before the rule changes came into being.

However, the question remains as to how long this will last when, for example, the e-commerce platform Fyndiq starts to redirect the flow of Chinese products via The Netherlands where goods with a value less than 22 euros are not subject to VAT. There is also speculation that the major Chinese organisation Wish can reach agreement with Klarna on VAT administration in association with payment to reduce hassle for Swedish consumers that want to continue buying low cost products. That other companies will enter the market and challenge existing retailers via creative new solutions is something else that can come into the equation as more and more companies want to grab a share of the growing global e-commerce cake.

At the same time, we can also note how private consumption is becoming an ever more important element in the emerging trade war between the US and China in particular, but where the EU also risks being drawn in with increasing prices as a consequence. The Brexit negotiations are also continuing in parallel, that can come to affect Britain's role as a significant market for Swedish e-commerce customers, if the current free trade conditions change. Earlier rules and agreements intended for the global market seem to be increasingly being loosened up and recast in a new and more changing retailing landscape.

Global e-commerce is here to stay but this trade will come to play an increasingly significant role in global politics where the focus is on stakeholders other than consumers. That today's favourable situation for low price trading from China will be able to live on its current form is extremely uncertain and can open the way for completely new opportunities and markets in time. As such, it will become increasingly important that trading parties better understand and monitor global trends and take steps to face up to the fast moving and political reality of digitalisation. There will continue to be enormous opportunities for anyone able to act quickly and with a flexible enough business model.

This report has been produced by Storesupport and HUI Research.