



Boao Forum for Asia Annual Conference 2017

Session Summary (No.45)

Boao Forum for Asia Institute

March 25, 2017

Session 29

The Future of Commerce

Time: 15:45 - 17:00, March 25th, 2017

Venue: ICC, Level 1, Dong Yu Grand Ballroom C

Moderator:

- CHEN Weihong, Presenter, CCTV

Panelists:

- Stephen Mills BADGER, Chairman, Mars Incorporated
- CHEN Deming, Former Minister of Commerce, China
- Robert KOOPMAN, Chief Economist, WTO
- Daniel SHIN, CEO, Ticket Monster
- Son Tran, CEO, TIKI
- Diane WANG Shutong, Founder & CEO, DHgate
- Michael YAO, CEO, 58.com
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Key points:

- In the future, commercial models will be diverse and will combine online and offline shopping.



- Any new models will have two sides. Meeting different consumer demands will decide the trend of commercial development in the future.
- China will probably enter a stage of mobile payment directly, skipping the massive use of credit cards.
- Cross-border e-commerce and overseas purchasing will exist side by side in a short time. Management defects will be gradually eliminated by our government. The product scale is so large that it cannot be realized only by cross-border e-commerce. Thus, the need for overseas purchasing is objective.
- Technology, as the driving force, makes mass customization possible.

Synopsis:

CHEN Deming said that online and offline shopping are converging. The so-called personalized consumption lays stress on personal experience. It is hard to expand the offline product scale as well as to satisfy various consumer demands. Under these circumstances, some products will be bought through online platforms such as electronic products. For some products such as food and clothes, they will buy the products only if they try on the clothes or have a taste of the food. Therefore, online and offline convergence will be the biggest trend in the future. Online platforms are now buying offline shopping malls and experience stores. In the future, people will go to offline shops to have experience first and then make an order on the online platforms. This model will be the overwhelming development trend in the future.



CHEN Deming emphasized that future commercial models will be diverse. Currently, China's commercial model relies on online shopping for the major growth and this will change when logistics cost increases. When people buy products delivered by logistics on online platforms at a much higher price than that of products in offline shops. Customers will return to offline consumption. In the long run, multiple business forms will coexist.

YAO Jinbo noted that many people just learned how to use smartphones and online shopping. This is an irreversible process. Online e-commerce platforms will continue to have their own advantages and online shopping will grow more rapidly than offline shopping. The habits, services, experience and efficiency of specific customers will lead to an online-offline balance in the future.

Cross-border E-commerce Platforms and Overseas Purchasing Will Coexist in a Short Time

WANG Shutong said that both import and export e-commerce platforms are called cross-border e-commerce platforms and overseas purchasing is the initial stage of import e-commerce platform. Compared with the traditional foreign trade, cross-border e-commerce platforms embrace three striking differences: the fragmentation of orders, the reduction of intermediate links and the coverage of the global market within doors.

YAO Jinbo noted that overseas purchasing should not be considered as a commercial activity. The commercial model is unlikely to last long on the basis of incomplete or changeable policy of the government. Only through



cooperation with the brands and shortening intermediate supply chain can the cross-border e-commerce operate longer.

CHEN Deming noted that the government will eliminate defect of the management. Overseas purchasing is still to exist because a large number of goods could not be got only through cross-border e-commerce.

ROBERT KOOPMAN noted that the government can ease policy restrictions appropriately if cross-border goods are within a certain number or value, which is conducive to the development of small and micro enterprises.

Diversified Consumer Demand Will Determine the Future Business

STEPHEN Mills BADGER noted that, there are some overlaps between convenience stores and e-commerce, which depends on consumers' demands. Diversified consumer demand will determine the future business.

ROBERT KOOPMAN noted that like all the industries, any new models in business have both advantages and disadvantages. Due to some barriers in distribution, the demand for convenience stores in Switzerland is small. If consumers want to stock up, they will always go to the supermarkets for goods. They will go to the stores to touch them and experience them. By contrast, it is very convenient to buy goods in convenience stores. But some goods are not available in the stores. Therefore, the choice of these two business models largely depends on consumers. .



Traditional Payment Will Soon Be Replaced by Mobile Payment

YAO Jinbo said that, China is likely to skip the highly developed stage of credit card and enter directly into the stage of mobile payment. When we discuss possibilities of similar services developed by other countries, we find that service fees that Chinese needs to pay are the lowest around the world, only 0.3% to 0.6%. The low fees largely encourage online transactions of all the services.

STEPHEN Mills BADGER noted that, it may not be a trend for mobile payment to replace traditional payment, but mobile payment in the United States has developed faster, exceeding traditional payment.

CHEN Deming pointed out that it' s common in China to pay for goods with mobile phone. But it also encountered several difficulties and controversies. The deposit in bank actually goes down as a result of high interests in Alipay, Yu' E Bao and WeChat, but a newborn thing, though with some problems, needs our tolerance and promotion.

DANIEL SHIN noted that goods can be delivered to the designated place in time by means of mobile payment, which boosts investment in this new business model.

The Customization of Mass Production Will Become Possible

Robert KOOPMAN noted that technology will make customized mass production possible. However, future jobs will be largely decreased, which should become a concern of all.