



# Industry Report on China's B2C Outbound Social Media E-commerce Industry and China's FMCG Paper Consumer Packaging Solutions Industry

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# CIC introduction, methodologies and assumptions

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China Insights Consultancy was commissioned to conduct research, provide an analysis of, and produce a report on China's B2C outbound social media e-commerce industry and China's FMCG paper consumer packaging solutions industry. The commissioned report has been prepared by China Insights Consultancy independent of the influence of Jihong and other interested parties.

China Insights Consultancy is an investment consulting company initially established in Hong Kong. Its services include industry consulting services, commercial due diligence, strategic consulting, and so forth. Its consultant team has tracked the latest market trends in consumer goods, healthcare, marketing and advertising, culture and entertainment, energy and industry, agriculture, chemicals, finance and services, TMT, and transportation. It possesses relevant and insightful market intelligence regarding these industries.

China Insights Consultancy undertook both primary and secondary research using various resources. Primary research involved consumer survey, interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from multiple publicly available data sources, including the National Bureau of Statistics of China, government releases, annual reports published by relevant industry participants, industry associations, China Insights Consultancy's own internal database, etc.

The market projections in the commissioned report are based on the following key assumptions: (i) that the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) that related key industry drivers are likely to continue driving growth in the China's B2C outbound social media e-commerce industry and China's FMCG paper consumer packaging solutions industry during the forecast period; and, (iii) that there is no extreme force majeure or set of industry regulations in which the market situation may be affected either dramatically or fundamentally. All forecasts concerning market size are based on the general economic conditions as of the Latest Practicable Date.

All statistics are reliable and based on information available as of the date of this report. Other sources of information include those from the government, industry associations, and market participants. These may have provided some information on which the analysis or its data is based.

All the information about Jihong is sourced from Jihong's own audited report or management interviews. China Insights Consultancy is not responsible for verifying the information obtained from Jihong.

## Terms and abbreviations

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**CAGR:** Compound Annual Growth Rate 复合年均增长率

**Consumer packaging:** the packaging that end consumers directly contact with and is employed at terminal sales units 消费包装

**Industrial packaging:** the materials and containers used for safeguarding, storing, transporting, and handling goods 工业包装

**KGCE/T:** Kilograms consumed energy/ton 生产1吨产品所消耗的千克标准煤

**Organic traffic:** data streams generated by user searches or visits that occur without redirection through other intermediary channels 有机流量

**Platform traffic:** the data flow on third-party platforms like e-commerce platforms 平台流量

**RMB:** Renminbi 人民币

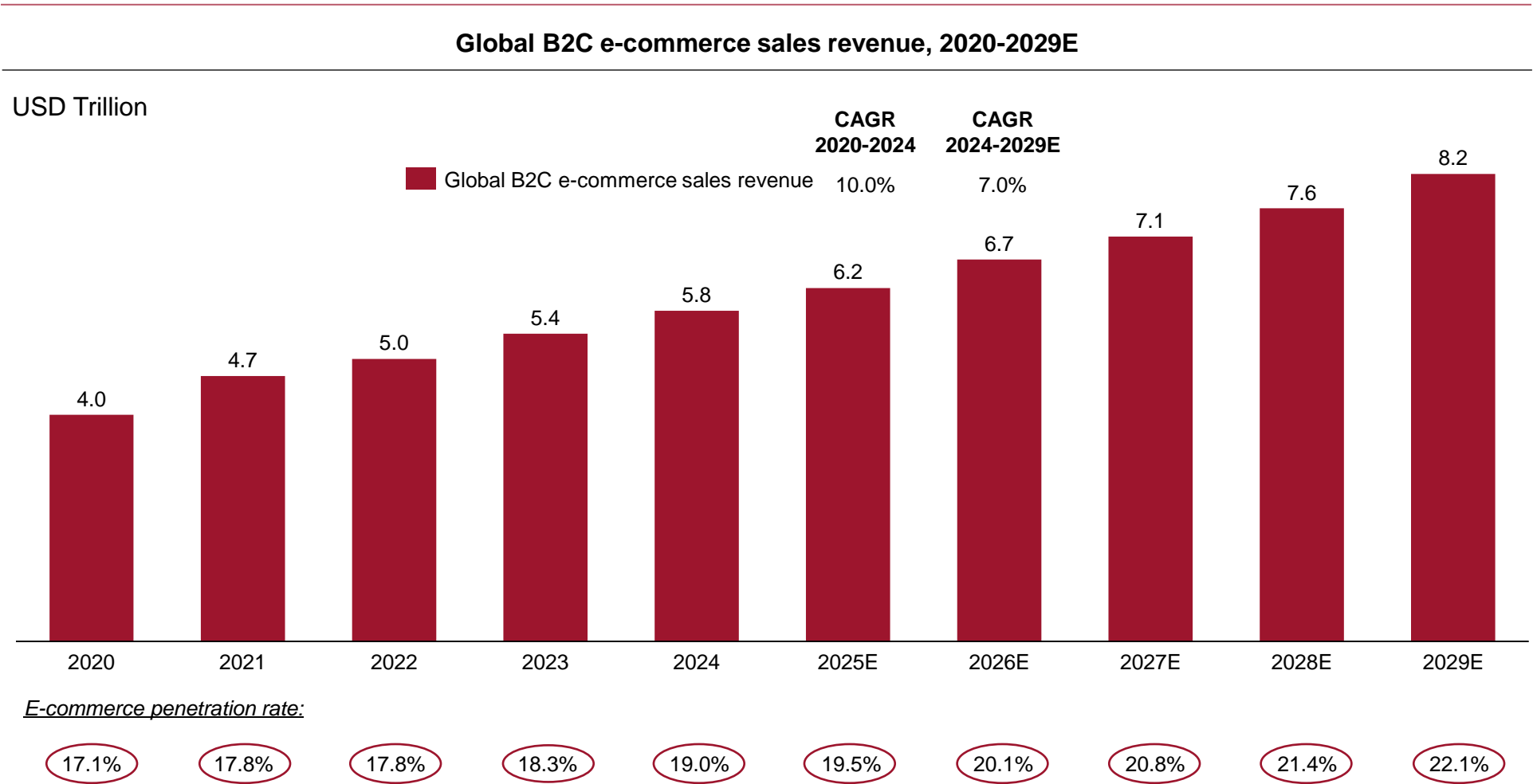
**Social media traffic:** the data flow that exists broadly across social media platforms 社交媒体流量

**USD:** US dollar 美元



1. **Overview of China's B2C Outbound E-commerce Industry**
2. Overview and Competition Analysis of China's B2C Outbound Social Media E-commerce Industry in Asian Market
3. Overview and Competition Analysis of China's FMCG Paper Consumer Packaging Solutions Industry

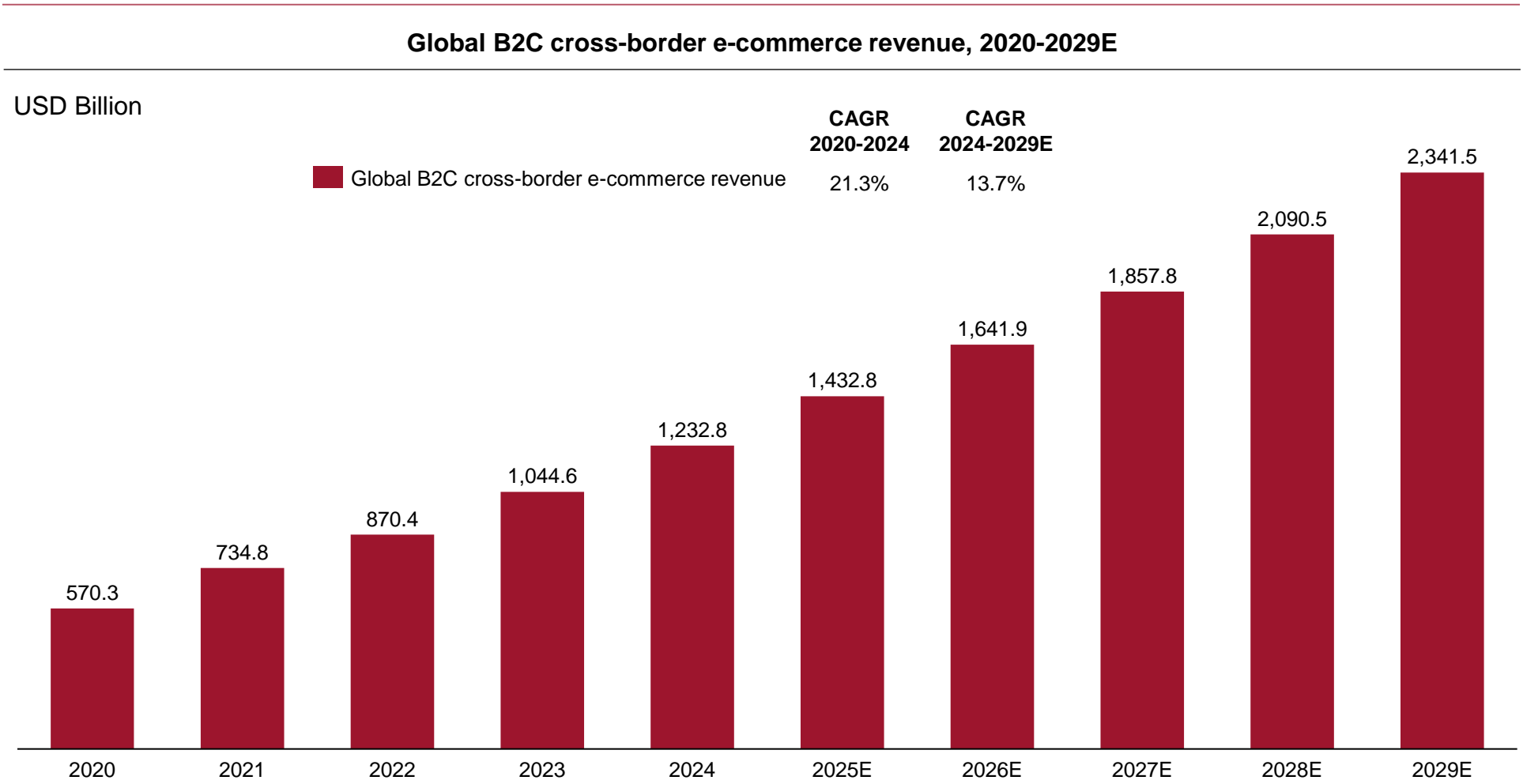
The global e-commerce industry is growing rapidly, and e-commerce has become one of the world's mainstream consumption methods.



Key Analysis

- With the ever-growing number of Internet users and the rapid advancements in mobile technology, the e-commerce industry has revolutionized the consumer shopping experience by offering greater flexibility and efficiency, as well as an extensive range of products, transcending geographical and temporal boundaries. The seamless integration of digital payment systems and cutting-edge logistics technology has further propelled the growth of the B2C e-commerce industry. As a result, the global e-commerce market has been flourishing, reaching a market size of US\$5.8 trillion in 2024, as measured by revenue.
- The seamless integration of digital payment systems and cutting-edge logistics technology has further propelled the growth of the e-commerce industry.

The global e-commerce industry is growing rapidly, and e-commerce has become one of the world's mainstream consumption methods.



Key Analysis

- Global B2C cross-border e-commerce entails global B2C e-commerce transactions extending beyond customs borders. Amidst the thriving e-commerce industry, the global B2C cross-border e-commerce market has exhibited remarkable resilience, as global trade becomes increasingly interconnected. Leveraging rapid advancements in digital technology, logistics infrastructure, and supply chain optimization, the share of the global cross-border e-commerce market within the overall global B2C e-commerce market continues to expand. In 2024, as measured by revenue, the global B2C cross-border e-commerce market reached US\$1,232.8 billion.

# China's B2C outbound e-commerce enterprises, leveraging the advanced domestic supply chain advantages and accumulated industrial clusters, have strategically positioned themselves as significant players in the global market.

## China's B2C outbound e-commerce industry

- China's B2C outbound cross-border e-commerce refers to the sales model in which Chinese enterprises utilize online channels to sell products to consumers overseas. The market size of China's B2C outbound cross-border e-commerce business encompasses revenue generated by Chinese enterprises through online sales channels to countries and regions outside of Mainland China, excluding any e-commerce revenue derived from sales within Mainland China itself.
- Leveraging the robust manufacturing infrastructure and resilient supply chains in China, products manufactured in China offer consumers diverse options, catering to specific consumer requirements. These products boast strong appeal in terms of quality, pricing, and innovativeness, addressing the diverse consumption needs of overseas consumers and fostering sustained growth of the industry.

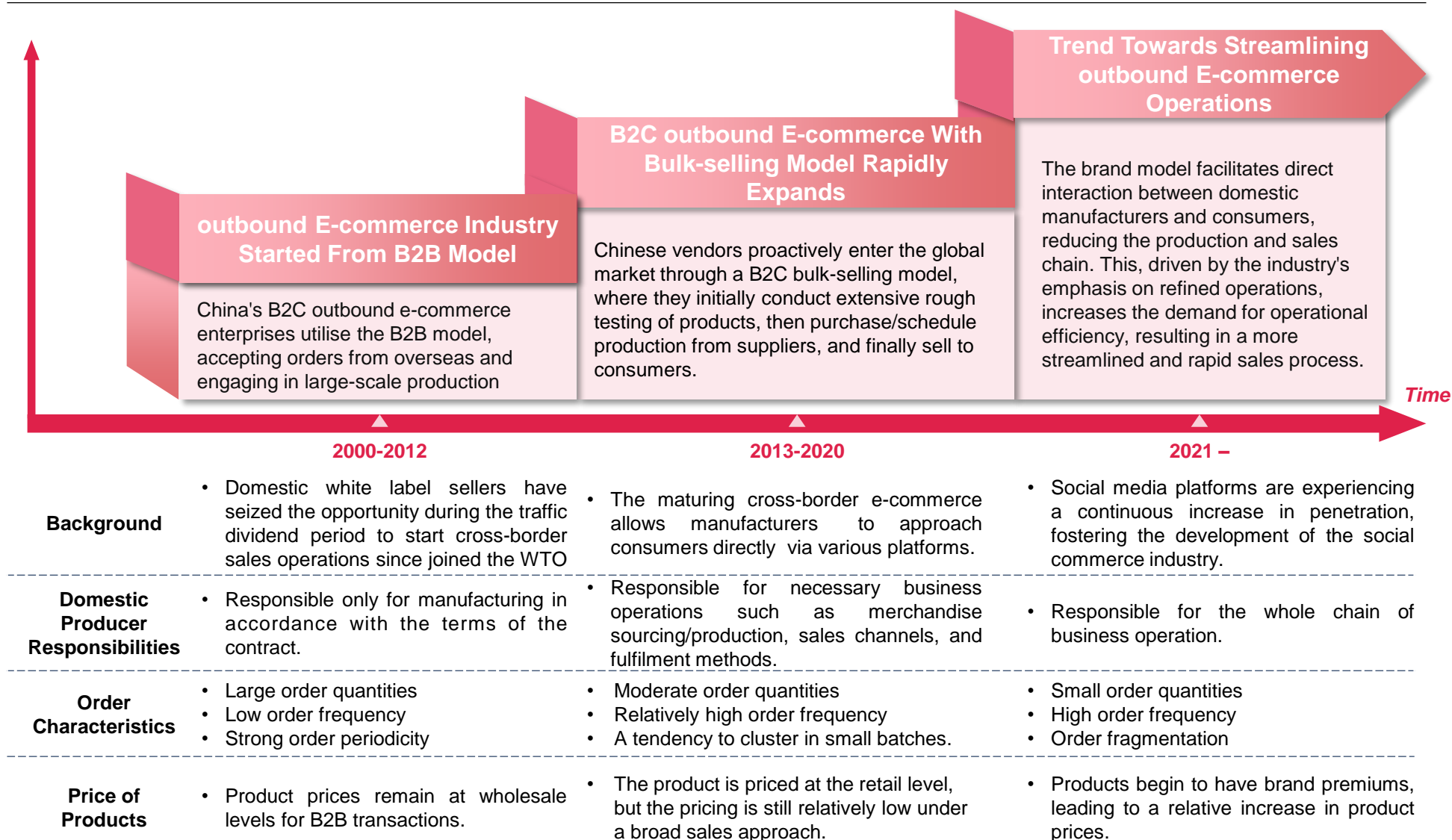
### Overview of China's advanced industrial clusters





# China's B2C outbound e-commerce brands are gradually moving towards streamlining operations, seeking to build their brand power and export more high-quality and high-priced products overseas.

## History of China's B2C outbound e-commerce industry





Given China’s supply chain advantages, continuous integration of global trade and rising levels of consumer spending worldwide, China's B2C outbound e-commerce markets have witnessed rapid growth.



- Leveraging China’s advanced production capabilities and diverse industrial clusters, e-commerce enterprises have effectively introduced a wide range of high-quality products to the global market through the Internet, catering to the diverse demands of international consumers.
- As global trade continues to integrate, China’s B2C outbound e-commerce market has demonstrated remarkable market vitality.
- In terms of revenue, the size of China’s B2C outbound e-commerce market was US\$457.4 billion in 2024, accounting for 7.9% of the global B2C e-commerce market. Furthermore, the market size is expected to reach US\$927.6 billion in 2029, representing 11.4% of the global B2C e-commerce market, with a CAGR of 15.2% from 2024.

Note: Penetration rate of China’s B2C outbound e-commerce business refers to the percentage of China’s B2C outbound e-commerce revenue in relation to global B2C e-commerce revenue.

# Main Drivers of China's B2C Outbound E-commerce Market (1/2)

## Continuous increase in global Internet usage

- As network infrastructure continues to advance and advanced Internet technologies become more widely adopted, users are experiencing faster and more stable Internet access. The global trend towards information interconnection and digitization has further accelerated the widespread adoption of the Internet globally, resulting in an increase in the global Internet penetration rate from 55.4% in 2020 to 60.7% in 2024. As the prevalence of mobile Internet and the availability of online content continue to increase, individuals will increasingly rely on the Internet for accessing information, entertainment, and social interactions. This ongoing trend is projected to fuel the global Internet penetration rate, reaching an estimated 67.3% by 2029. The continuous growth in global Internet usage is anticipated to result in an expanding consumer base for the e-commerce industry on a global scale, presenting significant opportunities for businesses to tap into a larger market and capitalize on the increasing demand for online shopping.

## Increasing acceptance of e-commerce by overseas consumers

- Owing to the convenient online shopping experience, the continuous enhancement of global logistics networks and the global popularization of online shopping, overseas consumers have increasingly embraced the concept of online shopping. The increasing popularity of online shopping can be attributed to its convenience, with features such as one-click ordering, doorstep delivery, and seamless digital payment processes. Additionally, online shopping provides enhanced shopping experiences through live-streaming demonstrations and short video product showcases. This effectively overcomes the previous limitation of not being able to try products before purchasing through online channels, which was a common concern for consumers in the past. Consequently, in terms of revenue, the share of e-commerce sales in the global retail market has experienced a rapid surge, rising from 17.1% in 2020 to 19.0% in 2024. With the escalating adoption of online shopping worldwide, the percentage is anticipated to continue its upward trajectory, reaching an estimated 22.1% by 2029.
- Simultaneously, as e-commerce is increasingly accepted, consumers generally are no longer only satisfied with the goods manufactured locally. Instead, they are actively pursuing novel and convenient shopping experiences and a diverse range of products from overseas to cater for their personal needs and preferences, further contributing to the development of the B2C outbound e-commerce industry.

## Main Drivers of China's B2C Outbound E-commerce Market (2/2)

### Policy support for the e-commerce industry

- The Chinese government has implemented a range of policies to facilitate the international outbound expansion of Chinese e-commerce enterprises. The implementation of policies such as the 'Opinions of the Stabilize General Office of the State Council on Effectively Making Cross-cycle Adjustments to Further Stabilise Foreign Trade' (〈國務院辦公室關於 做好跨週期調節進一步穩外貿的意見〉) underscores a focus on fiscal support, expediting tax rebates, promoting new trade forms, alleviating logistics pressures, and supporting key sectors and corporations. Additionally, initiatives such as the establishment of comprehensive pilot zones for cross-border e-commerce enterprises have significantly bolstered the growth of China's B2C outbound e-commerce industry. Concurrently, the export destination countries have also implemented a range of policies, encompassing initiatives to streamline customs clearance processes and provide tax incentives, to attract goods from other nations through cross-border e-commerce channels.

### China's supply chain advantage

- Leveraging the robust manufacturing infrastructure and resilient supply chains in China, products manufactured in China offer consumers diverse options, catering to specific consumer requirements. These products boast strong appeal in terms of quality, pricing, and innovativeness, addressing the diverse consumption needs of overseas consumers and fostering sustained growth of the industry.

### Enhancement of global logistics infrastructure

- The ongoing advancements in the global logistics network have substantially mitigated the costs associated with long-distance global transportation, enabling cross-border e-commerce enterprises to deliver products more effectively and conveniently all over the world, and establishing a solid foundation for new market exploration. Such ongoing advancements have consistently driven the expansion of China's B2C outbound e-commerce market.

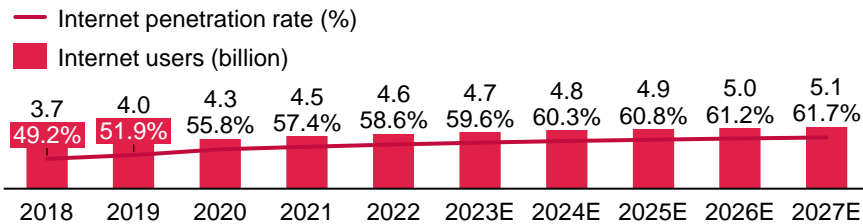
**Increases in internet usage, internet technology advancement, increasingly diverse consumer preferences, and improved manufacturing supply chain capabilities have collectively propelled the thriving development of global cross-border e-commerce.**

## Development background of global cross-border e-commerce, 2023

### Continuous increase in global Internet usage

- The continuous growth in global Internet usage is anticipated to result in an expanding consumer base for the e-commerce industry on a global scale, presenting significant opportunities for businesses to tap into a larger market and capitalize on the increasing demand for online shopping.

#### Penetration rate and number of global internet users, 2018-2027E



### Internet Tech Is Sophisticated

- Advanced technologies help improve efficiency of cross-border e-commerce from both sellers' and consumers' perspective.

Big Data	Cloud Computing	AI	Block Chain
Data Mining Data Portal	SaaS Support Digital Operating	Smart Logistics Risk Control	Monitoring Traceability Cost Reduction

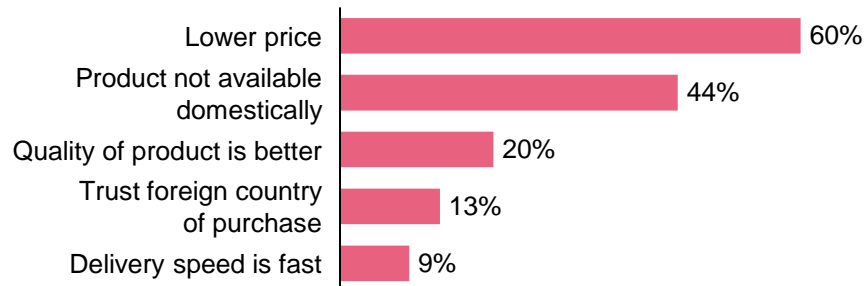
#### Typical application scenarios

Logistics and Warehousing	Cross-border Payment	Production and Operations	Marketing Service
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### Diversification in global consumer preferences

- Consumer preferences are gradually diversifying, and demand for high-quality, fairly-priced products from overseas is growing.

#### Reason for consumers choosing cross-border e-commerce



### Enhancement of global logistics infrastructure

- The ongoing advancements in the global logistics network have enabled cross-border e-commerce enterprises to deliver products more effectively and conveniently all over the world.



# The Chinese government has introduced a series of policies to facilitate the overseas exploration of China's e-commerce enterprises, which have effectively promoted the development of the market.

## Stages of cross-border e-commerce policy development in China



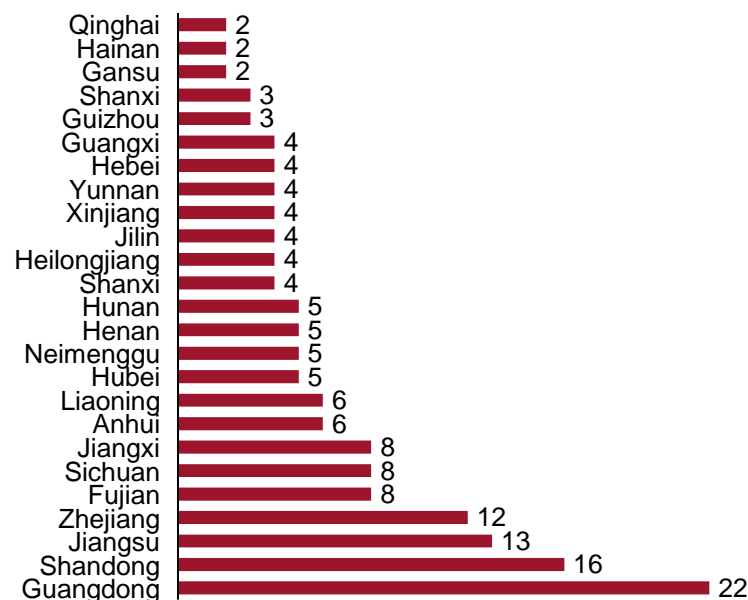
### "14th Five-year" Cross-border E-commerce Policy Documents

Date	Policy Name	Content
2023.4	Opinions on Stabilizing the Scale and Optimizing the Structure of Foreign Trade 《国务院办公厅关于推动外贸稳规模优结构的意见》	Policies advocate for market expansion, domestic exhibition restoration, increased financial support, and enhancement of the foreign trade environment.
2022.1	Opinions of the General Office of the State Council on Effectively Making Cross-cycle Adjustments to Further Stabilise Foreign Trade 《国务院办公厅关于做好跨周期调节进一步稳外贸的意见》	Emphasis is placed on fiscal support, acceleration of tax rebates, encouragement of new trade forms, easing logistics pressures, and backing key sectors and corporations.
2021.12	Plan for Development of the Digital Economy During the "14th Five-Year" Period 《“十四五”数字经济发展规划》	Aims to guide high-quality foreign trade, promote new trade methods, and support diverse trade services including overseas warehousing.
2021.9	Plan for the Development of E-Commerce During the 14th Five-Year Plan Period 《“十四五”电子商务发展规划》	Strengthens supply chain service innovation, supports new courier services, and builds an international logistics system.
2021.7	Business Development Plan for the 14th Five-Year Plan Period 《“十四五”商务发展规划》	Promote foreign trade with cross-border e-commerce initiatives, standards, and overseas warehouse improvements to aim for a 10% trade share by 2025.

## Cross-border e-commerce comprehensive pilot zones

- In 2015, the first Cross-Border E-Commerce Comprehensive Pilot Zones were established with the "Internet Plus" initiative.
- Till now, these pilot zones are widespread across major regions, fostering a development pattern that integrates domestic and international trade, benefiting local economies, SME growth, and consumer upgrades.

### Distribution of E-Commerce Comprehensive Pilot Zones

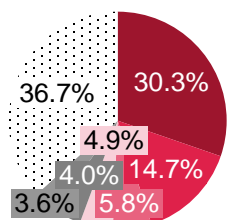


Note: The distribution of E-Commerce Comprehensive Pilot Zones across provinces only lists those with two or more pilot zones.

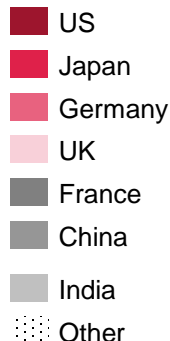
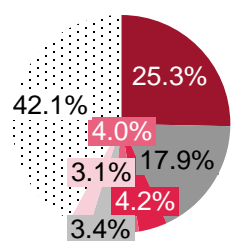
# The e-commerce penetration in emerging e-commerce economies rises with improved infrastructure, becoming pivotal for China's B2C outbound e-commerce growth.

## The share of emerging economies in global GDP is continuously increasing

Global GDP Share by Region, 2000



Global GDP Share by Region, 2022



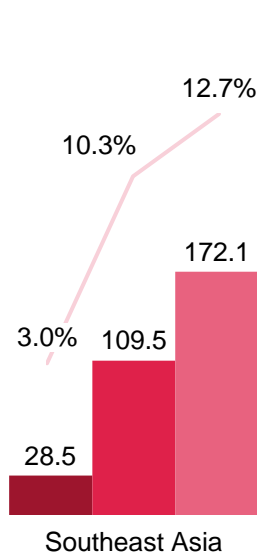
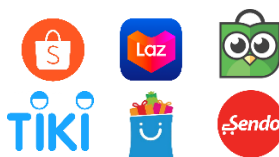
- In the rapid evolution of the global e-commerce industry, the allure of mature e-commerce markets is diminishing gradually due to their saturation and escalating policy compliance risks. Meanwhile, emerging e-commerce markets like Central Europe, Eastern Europe, and Latin America are poised to become pivotal growth points for China's B2C outbound e-commerce. This shift is anticipated as a result of the advancing mobile internet landscape and the escalating demand for cross-border online shopping.
- Nevertheless, the potential for these markets is exceptionally promising. This is attributed to the comparatively lower degree of infrastructure development in emerging economies, coupled with the prevalence of less widely spoken languages in many of these nations. Additionally, there is often a deficiency in understanding local policies, social culture, and consumer habits within these regions.

## E-commerce sales in some emerging markets, 2022

USD, billion, %    2018    2022    2027    E-commerce Penetration Rate

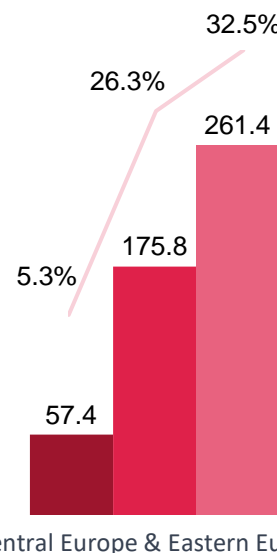
### Southeast Asia

Major E-commerce Platforms:



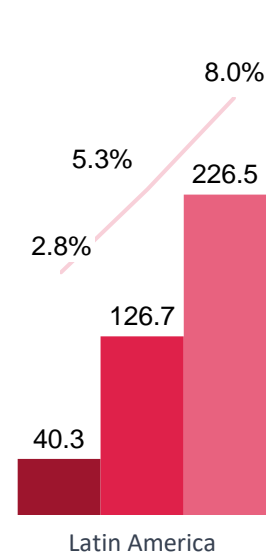
### Central Europe & Eastern Europe

Major E-commerce Platforms:



### Latin America

Major E-commerce Platforms:



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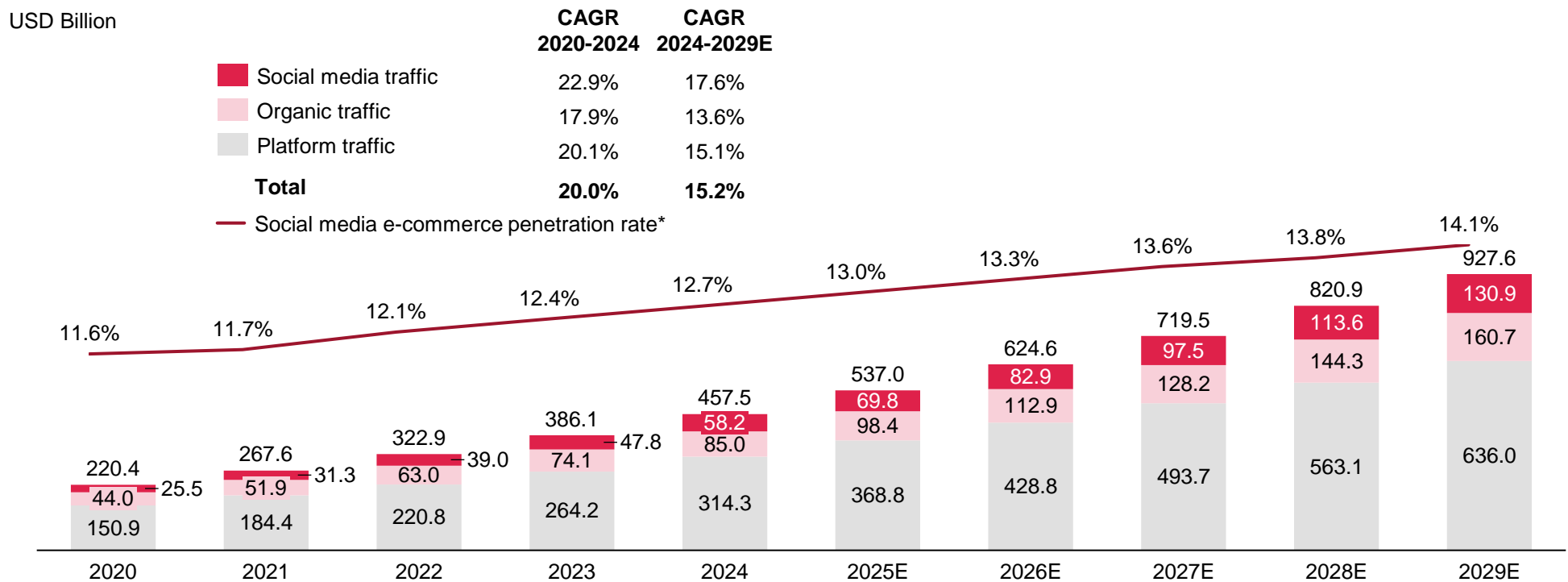
# The “Goods Discovering People” Model and “People Discovering Goods” Model

	People discovering goods	Goods discovering people
User initiative	Consumers typically have clear shopping targets and thus actively search and select products.	Consumers usually do not have specific shopping targets and receive product information while accessing non-shopping-related information.
Selling strategies	Focus on Search Engine Optimization, or SEO, and product diversity, emphasizing the effectiveness of their products in meeting consumer needs when consumers search for product information.	Focus on user behaviour analysis and targeted marketing strategies, assisting consumers in uncovering their needs and stimulating their desire to purchase, thereby driving sales conversions.
User experience	E-commerce providers typically focus on efficient shopping experience when users have clear goals. Consumers expect to quickly find products that meet their needs.	E-commerce providers generally aim to provide a more personalized shopping experience, enabling consumers to discover products they may be interested in but have not previously sought or have not considered important.

- E-commerce operations can be generally categorized into the “people discovering goods” (人找貨) model and the “goods discovering people” (貨找人) model. “People discovering goods” refers to a business model where consumers actively seek products or services to meet their needs after becoming aware of them. On the other hand, the “goods discovering people” model requires e-commerce sellers to identify consumer needs based on consumer profiles and guiding them towards final purchases.
- At advent of e-commerce in late 1990s, the predominant sales approach was “people discovering goods”, meeting consumers’ initial needs for shopping diversity and convenience. However, with the rapid expansion of the e-commerce landscape, there has been a surge in product variety and information, challenging the efficacy of the “people discovering goods” model. Simultaneously, with advancements in big data and artificial intelligence technologies, various social media platforms have gained access to more extensive consumer preferences and behavioural data, enabling the viability of the “goods discovering people” model. The proliferation of interest-driven e-commerce and live-streaming sales channels further propels the evolution of this model. Consequently, the “goods discovering people” model has become a trend. This model adeptly assists consumers in uncovering latent needs, effectively complementing the “people discovering goods” model and brining fresh opportunities for both businesses and consumers.
- Under this dynamic landscape, different e-commerce players are actively exploring the implementation of this model. For instance, leading e-commerce platforms, such as Amazon, are enhancing their product recommendation capabilities based on user profiles. Social media platforms, such as TikTok Shop, are swiftly expanding their market presence in the e commerce industry through the “goods discovering people” model.
- Meanwhile, independent e-commerce websites are also diligently expanding their advertising and marketing strategies, exploring novel applications of the “goods discovering people” model. Precision and efficiency in advertisement placements represent a crucial capability for independent e-commerce websites to “discover” potential consumers. Independent e-commerce websites started to identify their target customer segments based on their brand positioning and product mix. This involves detailed analysis of the target customers’ preferences and behaviours. In particular, independent e-commerce websites need to adeptly disseminate engaging or informative content to potential customers who are likely to show interest based on the understanding of the target customers’ persona commonly through precise advertisement pushing and/or collaboration with KOLs or KOCs to tap into consumers’ potential purchase intentions.
- Both of the “goods discovering people” and “people discovering goods” models, are important components of the e-commerce ecosystem. However, they exhibit significant differences in terms of user initiative, selling strategies, and user experience. The following chart sets forth the differences between the “people discovering goods” model and the “goods discovering people” model:

Given the supply chain advantages, higher rate of internet penetration and rising levels of consumer spending worldwide, China's B2C outbound e-commerce markets have witnessed rapid growth.

Market size of China's B2C outbound e-commerce industry, 2020-2029E



#### Key Analysis

- Internet traffic serves as the cornerstone for cross-border e-commerce sellers to acquire potential consumers and seize sales opportunities. Larger Internet traffic volumes translate into a larger audience and more potential consumers, thereby enhancing the likelihood of sales and potential revenue. The magnitude of traffic acquisition directly impacts the level of product exposure and visitation, while the precision of traffic acquisition influences the sales conversion rate. Categorized by their source, there are three types of Internet traffic: organic traffic, platform traffic, and social media traffic. Each traffic source exhibits distinct advantages, drawbacks, and characteristics. Consequently, e-commerce companies adopt varied strategies to harness the benefits of the different traffic sources.
- In recent years, driven by the swift evolution of social media platforms and the sustained growth in their user base and engagement, these platforms have emerged as pivotal channels for cross-border e-commerce sellers to generate traffic and drive sales conversions. Social media traffic is recognized as the fastest-growing source of traffic in China's B2C outbound e-commerce market. As social media platforms continue to play an increasingly pivotal role for Internet users, China's B2C outbound social media e-commerce market is poised for further development.

Note: Social media e-commerce penetration rate refers to the percentage of China's B2C outbound social media e-commerce revenue in relation to China's B2C outbound e-commerce revenue.

# Definition of the three kind of traffics

1

## Organic traffic

- Organic traffic comprises data flows generated from user searches or visits without redirection through other intermediary channels, such as direct traffic and search traffic. Organic traffic is typically sourced from the three avenues: (i) brand awareness, which attracts consumer visits and eventual purchases; (ii) search engine optimization, or SEO, aiming to enhance website or product visibility and ranking in search engine results by optimizing website content, keywords, and external links; (iii) word-of-mouth marketing, where satisfied customers recommend products or services to others, leading to increased visits and conversions. Organic traffic is renowned for attracting high-quality consumers with enduring loyalty. However, acquiring organic traffic is a gradual process that demands considerable time and effort. A typical example of organic traffic is when consumers enter an e-commerce independent website by directly typing the website's URL or searching for the website or brand's name on a search engine. For instance, when a consumer types shein.com into the browser's address bar or searches for Xiaomi on Google and enters Xiaomi's e-commerce independent website, such visits are considered organic traffic.

2

## Platform traffic

- Platform traffic refers to data flows on third-party platforms such as e-commerce platforms. Platform traffic refers to data flows generally accumulated from (i) improving rankings of product or brand visibility through effective search engine optimization strategies and (ii) utilizing paid advertisements on e-commerce platforms. For platform traffic, consumers usually have a specific type of product in mind and initiate the search on the platforms themselves. When leveraging platform traffic for sales conversions, companies focus on highlighting their brand strengths and product advantages to persuade consumers to select their products among products in the same product category. Platform traffic presents an opportunity for certain e-commerce companies operating online storefronts within third-party e-commerce platforms and leverage platform traffic. While leveraging platform traffic can yield significant benefits, these companies are inherently reliant on the policies and dynamics of the e-commerce platforms they inhabit. Taking Xiaomi and Amazon as an example, consumers attracted by Xiaomi's products showcased on Amazon is referred to as platform traffic. Xiaomi can increase their platform traffic by allowing their products to be viewed by more consumers for free or increase exposures through paid rankings or recommendations.

3

## Social media traffic

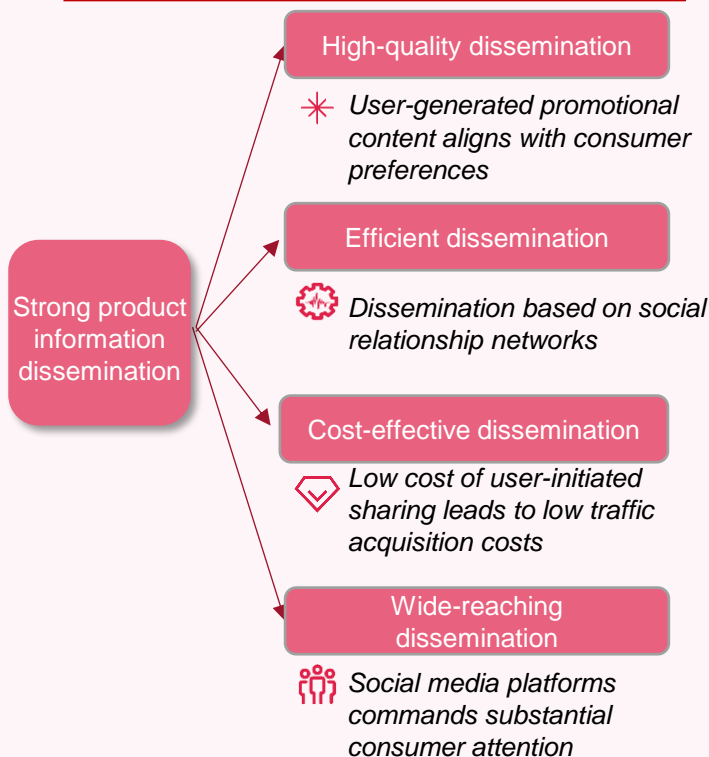
- Social media traffic refers to the data flows across various social media platforms, such as Facebook, Twitter, LinkedIn, Instagram, Pinterest, particularly relating to paid advertisements, e-commerce companies can take advantage of their effective precise targeting capabilities. Social media traffic refers to data flows typically originating from (i) paid advertisements on social media, and (ii) engaging key opinion leaders (KOLs) and/or key opinion consumers (KOCs) to promote products across social media platforms. However, it is crucial to acknowledge that paid advertisements operate within a competitive landscape and can incur significant costs. Advertisers must possess refined precise marketing skills to maintain its competitive edge. When contrasted with organic and platform traffic, consumers attracted through social media traffic often lack a specific target product in mind. As a result, sellers must proactively stimulate consumers' purchase intent, as individuals attracted through social media traffic may require additional persuasion to complete a purchase.

**By strategically reaching the target consumers, China's B2C outbound social media e-commerce enterprises can implement an optimized pricing strategy, thereby achieving a higher gross profit margin.**

### Definition of China's B2C outbound social media e-commerce

- China's B2C outbound social media e-commerce refers to the business model where domestic enterprises in China utilize social media platforms for product promotion and traffic acquisition, and convert this traffic into sales through transactions with overseas consumers conducted outside the social media platforms.
- Diverging from the sales models observed in the other two traffic source patterns, where consumers need to proactively search for products based on their planned needs, cross-border social media e-commerce enterprises actively identify potential consumers and stimulate their demand through the prominent display of product features on social media platforms to encourage consumers from these platforms to purchase their products. As a result, China's B2C outbound social media e-commerce model enables companies to deliver personalized product recommendations and drive sales by understanding consumers' interests and preferences.

#### Role of Social Media Platforms in Decision-making



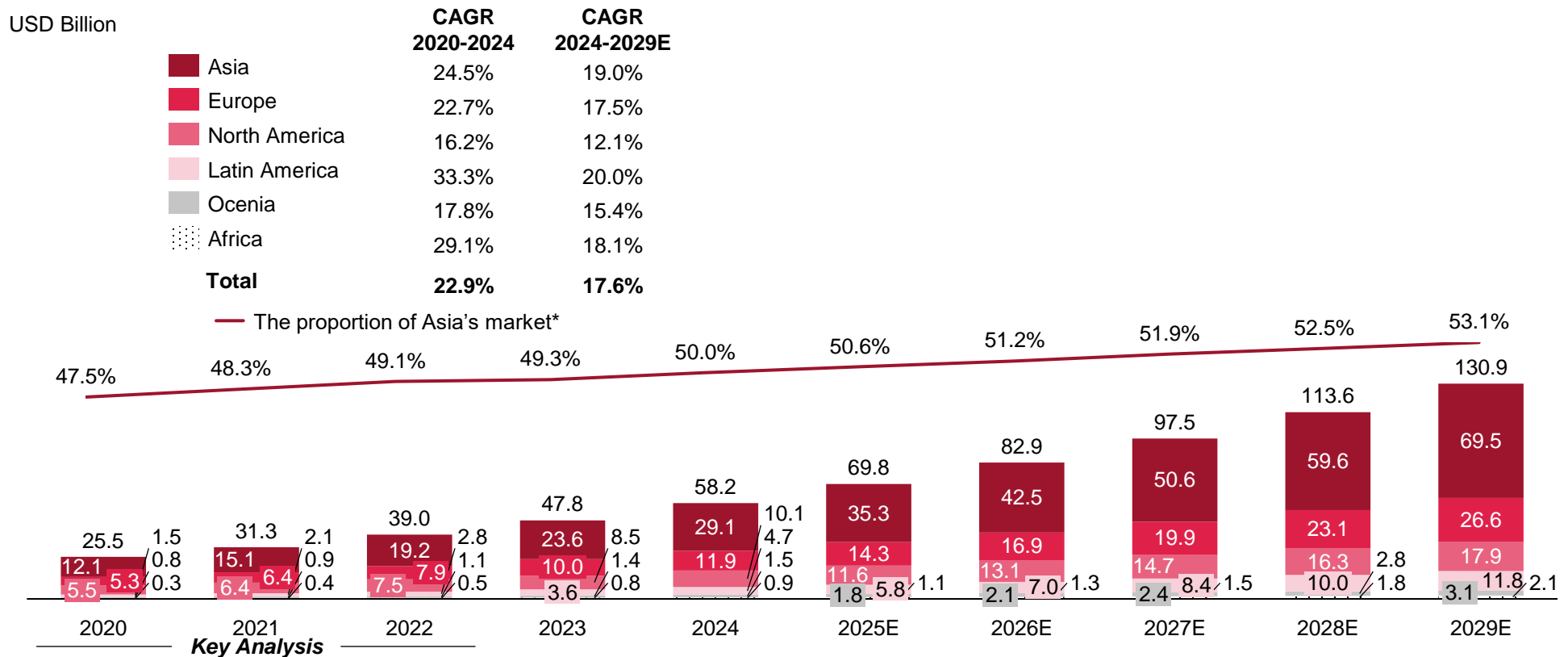
#### Social Media Platforms Act as One of The Most Influential Channel on Consumer Decision-making

Influence of Channels on Purchases: Respondent Percentage

Channel	Business-related products/ services	Well-being products/ services	Electronics	Household durables/ accessories	Financial products	Apparel/ beauty items	Autos, auto parts/ accessories	Travel services	Household consumable goods
Social media	27%	40%	28%	29%	22%	29%	22%	18%	19%
Websites	29%	31%	31%	26%	27%	24%	20%	25%	15%
Broadcast /TV	20%	17%	17%	16%	14%	11%	12%	12%	13%
Video on demand	22%	21%	21%	18%	10%	10%	10%	8%	9%
Ad-supported video on demand	16%	19%	19%	17%	11%	11%	13%	8%	8%
News/ magazine	13%	7%	7%	13%	14%	5%	9%	9%	10%
Traditional radio	14%	9%	9%	8%	10%	4%	7%	5%	4%
Digital audio	8%	6%	7%	6%	8%	3%	5%	4%	2%

**China's outbound social media e-commerce enterprises can utilize the global reach of social media platforms to access more regions, driving the continuous growth in the market.**

**Market size of China's B2C outbound social media e-commerce industry, by region, 2020-2029E**

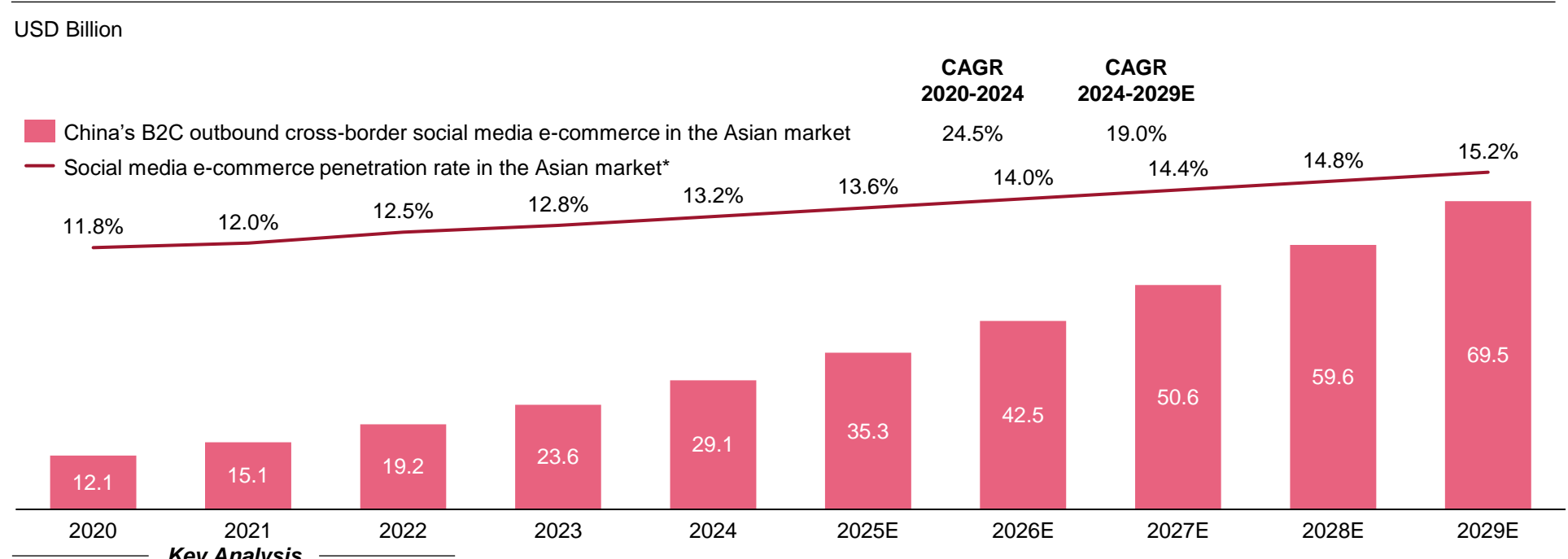


- B2C outbound social media e-commerce enterprises possess the flexibility to strategically allocate resources across various social media platforms, adapting to fluctuations in traffic cycles and adjustments in platform policies. This flexibility empowers them to achieve optimal traffic acquisition outcomes under diverse market conditions. Furthermore, these enterprises can leverage the global reach of social media platforms to access more countries and regions, creating abundant opportunities for cross-regional business expansion and fostering sustained market growth.
- Simultaneously, through the implementation of precision marketing, B2C outbound e-commerce enterprises can accurately identify the intended audience for a product, effectively connecting with consumers who demonstrate a high willingness to purchase. Given the preferences and strong demand for the product, target consumers demonstrate a relatively lower level of price sensitivity. By strategically reaching these consumers, China's B2C outbound social media e-commerce enterprises can implement an optimized pricing strategy.
- Asian users have a preference for shopping online through social media platforms. And in recent years, the social media e-commerce penetration rate in Asia(excluding China) has been increasing faster than the global average, providing significant potential for future growth.

Note: The proportion of Asia's market refers to the percentage of China's B2C outbound social media e-commerce business in the Asian market in relation to China's B2C outbound social media e-commerce market

With a large population base, increasing internet penetration, expanding middle-class population, and relatively lower cross-border logistics costs from China to Asia, Asia acts as one of the primary export destinations for the market.

Market size of China's B2C outbound social media e-commerce in the Asian market, 2020-2029E



- Key Analysis**
- China's B2C outbound social media e-commerce businesses that sell products to consumers in Asia (excluding China) are poised for robust growth due to its significant population base, increasing Internet penetration, expanding middle-class population, and comparatively lower cross-border logistics costs from China to the rest of Asia. Unlike mature e-commerce markets globally, the e-commerce landscape in Asia outside of China is still in its early development stage. Compared to consumers in Europe and America who are accustomed to purchasing from platform-based e-commerce and well-known independent online stores, consumers outside mainland China in Asia are gradually adapting to the evolving online shopping landscape, with a higher acceptance of social media commerce. As a result, e-commerce models that are highly integrated with social media traffic are experiencing accelerated growth in regions outside China in Asia.
  - In 2024, the social media penetration rate in Asia, excluding Mainland China, reached approximately 50.7%, showcasing a notable increase from roughly 42.6% in 2020. With the ongoing proliferation of the mobile Internet in the Asian region, it is poised to exhibit significant growth potential in the future. It is anticipated that the social media penetration rate in Asia, excluding Mainland China, will increase to 55.0% by 2029, opening up even more opportunities for social media e-commerce. Consequently, Asia has demonstrated tremendous strategic value for China's B2C outbound social media e-commerce industry and has emerged as one of its key export destinations. In 2024, in terms of revenue, the market size of China's B2C outbound social media e-commerce in the Asian market amounted to US\$29.1 billion. It is anticipated that the market size will increase to US\$69.5 billion in 2029, with a CAGR of 19% from 2024. This growth rate surpasses the rest of China's B2C outbound e-commerce industry in Asia, highlighting the sector's strong performance and potential.

Note: Social media e-commerce penetration rate in the Asian market refers to the percentage of China's B2C outbound social media e-commerce revenue generated from the Asian market in relation to China's B2C outbound e-commerce revenue generated from the Asian market.

# Main Drivers of China's B2C Outbound Social Media E-commerce Business in the Asian Market

- 1 The expansion of traffic on social media platforms**
  - The continuous expansion of user bases and the increasing time spent by users on social media platforms have contributed to a sustained growth in social media traffic. The heightened user activity on social media platforms not only enhances potential consumer exposure but also encourages businesses to leverage social media for sales purposes.
- 2 Continuous advancements in data analysis and advertising technology**
  - The ongoing evolution of data analysis and advertising technology is marked by the utilization of advanced big data and large-scale modeling technologies on social media platforms. These technologies have enhanced the platforms' ability to precisely comprehend consumer needs and identify potential consumers, thereby increasing consumer purchasing motivation and improving conversion rates.
- 3 Enhancing consumer trust in social media platforms**
  - Social media platforms, fostering a diverse range of content within a relaxed environment, uphold a notable standard of content credibility and transparency, which has resulted in a rising level of consumer trust in the content disseminated on these platforms. The growing confidence consumers place in social media platforms inclines them toward initiating the purchasing process through these channels, thereby steadily reinforcing the role of social media platforms as a primary gateway for shopping traffic.

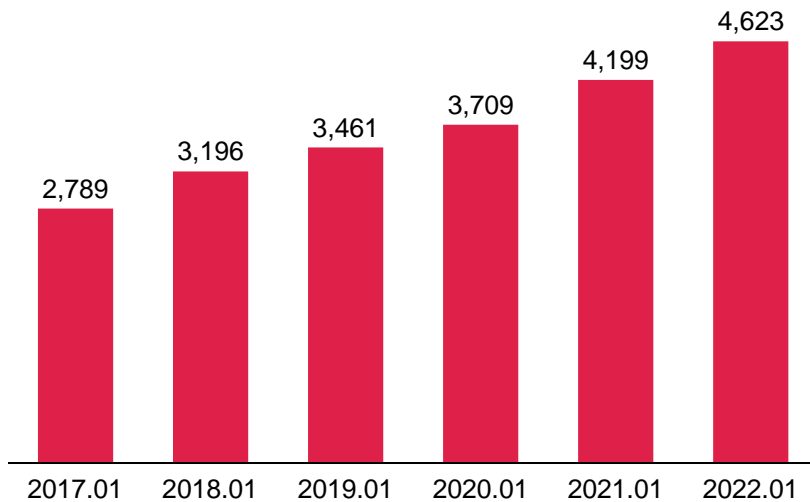


The continually increasing user base and the growing amount of time spent by users on social media platforms have collectively led to a sustained expansion of traffic on these platforms.

#### Increasing volume of global social media users

Global Social Media User Numbers, 2017-2022

Million

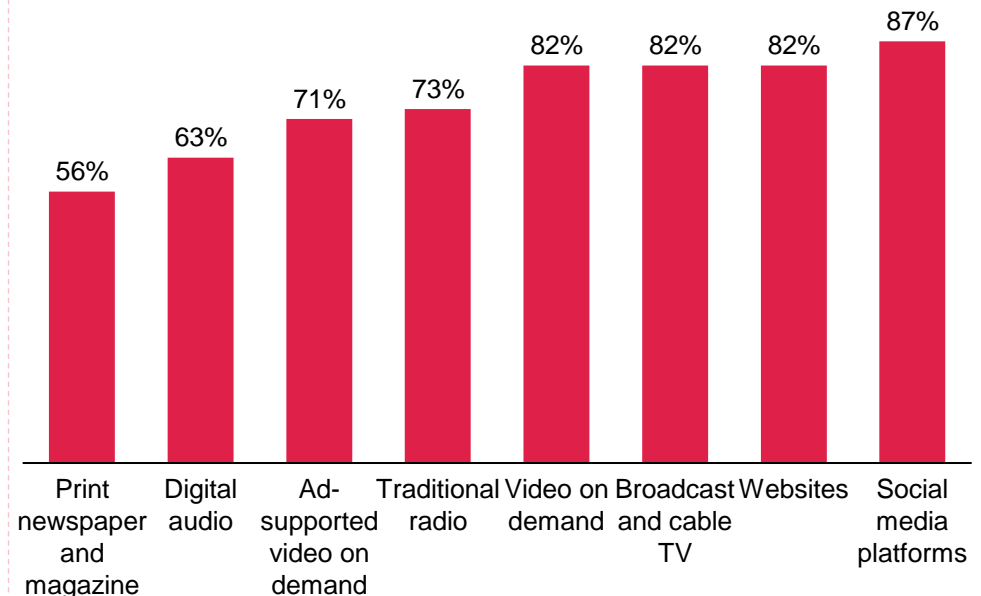


- ✓ The number of global social media users continues to rise, which providing a massive traffic resource for social e-commerce.

#### Social media platforms browsing is one of the primary consumer activities on mobile

Primary Consumer Activities on Mobile

%



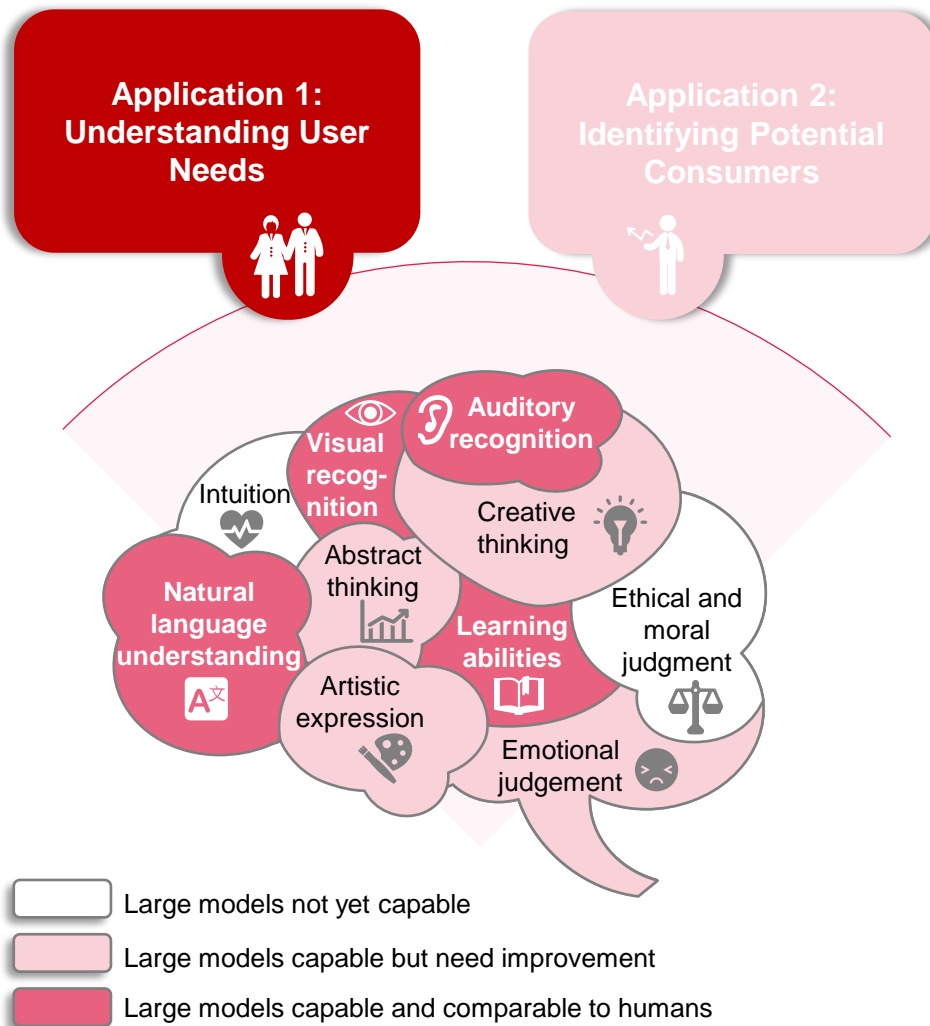
- ✓ Consumers spend 87% of their mobile time on browsing social media platforms, significantly aiding social commerce traffic.

#### Key Analysis

- The continuous expansion of user bases and the increasing time spent by users on social media platforms have contributed to a sustained growth in social media traffic.
- The heightened user activity on social media platforms not only enhances potential customer exposure but also encourages businesses to leverage social media for sales purposes.

# Advanced technologies enable social media platforms to more precisely understand user needs, stimulate consumer purchasing needs and further improve conversion rates.

*With exponential growth in model parameters, large models exhibit a significant surge in capabilities, demonstrating emerging abilities in assisting e-commerce sellers*



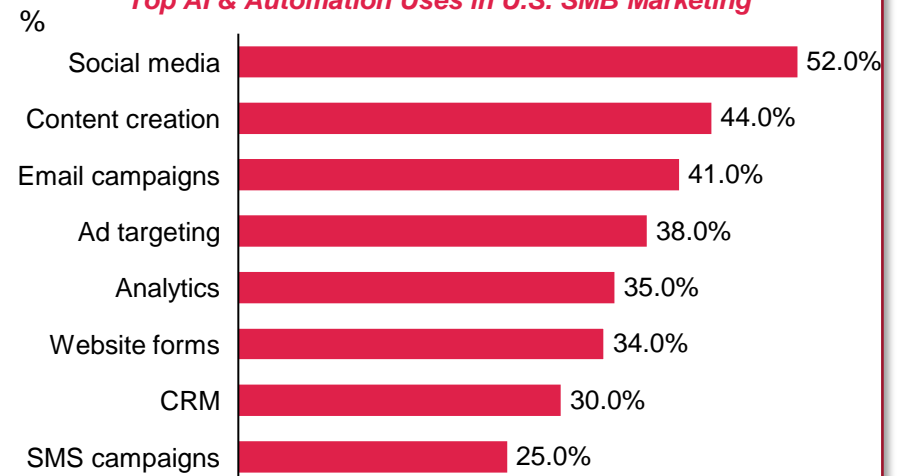
## Technologies facilitate sales on social media platforms



**AI Can Enrich The User Experience and Act as a Catalyst for Conversion, Turning Engagement into Tangible Sales.**

Through large-scale data analysis and sales speculation, AI can help guide consumers along a curated path from product discovery to purchase.

### Top AI & Automation Uses in U.S. SMB Marketing






- The ongoing evolution of data analysis and advertising technology is marked by the utilization of advanced big data and large-scale modeling technologies on social media platforms. These technologies have enhanced the platforms' ability to precisely comprehend customer needs and identify potential consumers, thereby increasing consumer purchasing motivation and improving conversion rates.

**Social media platforms are boosting shopping traffic as consumers increasingly share experiences, reviews, and seek advice, making them vital gateways for e-commerce with growing consumer acceptance for platform-initiated purchases.**

### **Consumer engagement and shopping behaviours on social media platform**




**1**

#### **Encountering Introductions to Products and Developing Interest in Them**

-  Influencer endorsements increase attractiveness to directly boost sales
-  Influencer-shared links in videos lead directly to product sales
-  Influencers can set or amplify trends, making products highly sought after




**2**

#### **Sharing Shopping Experiences and Reviews**

-  Positive feedback boosts consumer confidence and sales
-  User-generated content often goes viral, boosting product popularity
-  Interactions of shared experiences foster a sense of community, indirectly promoting products

**3**

#### **Seeking Shopping Recommendations from Other Consumers**

-  Social media platform recommendations significantly influence buying decisions, with users more inclined to purchase products endorsed
-  The immediacy of social media platform facilitates rapid gathering of diverse opinions, enhancing its effectiveness for quick advice and decision-making
-  Advice from social media platform peers is often viewed as credible due to its perceived impartiality and authenticity



### **Key Analysis**

- Social media platforms, fostering a diverse range of content within a relaxed environment, uphold a notable standard of content credibility and transparency, which has resulted in a rising level of consumer trust in the content disseminated on these platforms.
- The growing confidence consumers place in social media platforms inclines them toward initiating the purchasing process through these channels, thereby steadily reinforcing the role of social media platforms as a primary gateway for shopping traffic.

# Main Trends of China's B2C Outbound Social Media E-commerce Business in the Asian Market

1



## Operational digitization and intelligence

- B2C outbound social media e-commerce enterprises directly engage with end consumers, generating substantial sales data for each product. The strategic application of technologies, including artificial intelligence, big data analysis, and blockchain, facilitates the effective analysis of massive datasets. This, in turn, enables improvements in various areas such as product selection, marketing, supply chain management, and online customer service. Consequently, this enhances operational efficiency and delivers a more intelligent user experience. Simultaneously, the difficulty in analyzing extensive data volumes and intricate supply chains poses notable barriers for small-scale e-commerce enterprises looking to enter the market.

2



## Multi-platform approach

- In the context of rapid technological advancements and evolving user demands, a plethora of new social media platforms are continually emerging. Each platform possesses distinctive features and caters to specific user groups, offering e-commerce businesses a range of diverse traffic channels. Leading China's B2C outbound social media e-commerce enterprises are capable of delivering personalized recommendations to consumers with different interests and preferences on different social media platforms. By strategically promoting their products across a diverse spectrum of social media platforms, these enterprises effectively reach a broader target consumer audience allowing them to maintain and expand their business scale and respond adaptively to the dynamic and changing landscape of consumer preferences.

3



## Enhancing product portfolio diversification

- With the advancement of global logistics technology, cross-border e-commerce enterprises are now more adept at efficiently managing a diverse range of product categories. In China's B2C outbound social media e-commerce market, there has been a notable shift away from a singular focus on best-selling categories of products. Instead, enterprises are consistently broadening the scope and depth of their product offerings. This strategic diversification of product portfolios aligns with the evolving and diverse consumption needs of consumers, illustrating a commitment to meeting a wider array of preferences in the market. Furthermore, each consumer possesses unique personal preferences, interests, and values, resulting in diverse demands for products and services. A diversified product portfolio provides consumers with more choices, facilitating the fulfillment of their individualized needs and presenting businesses with greater expansion opportunities.

4

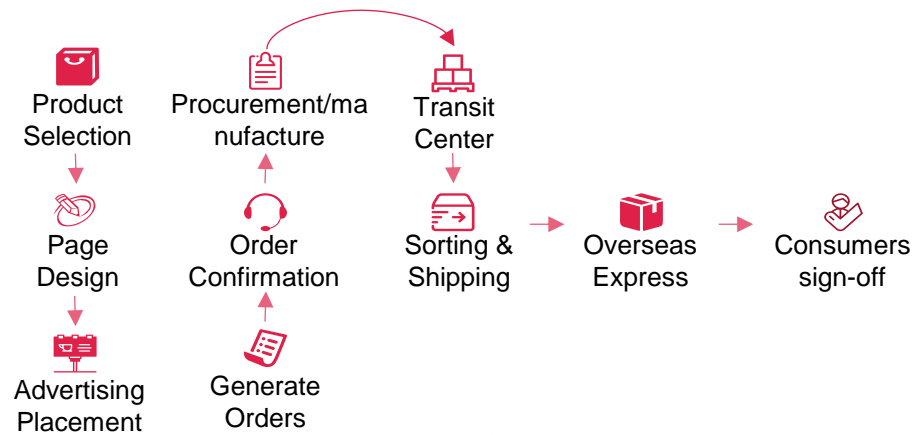


## Strategic emphasis on brand development

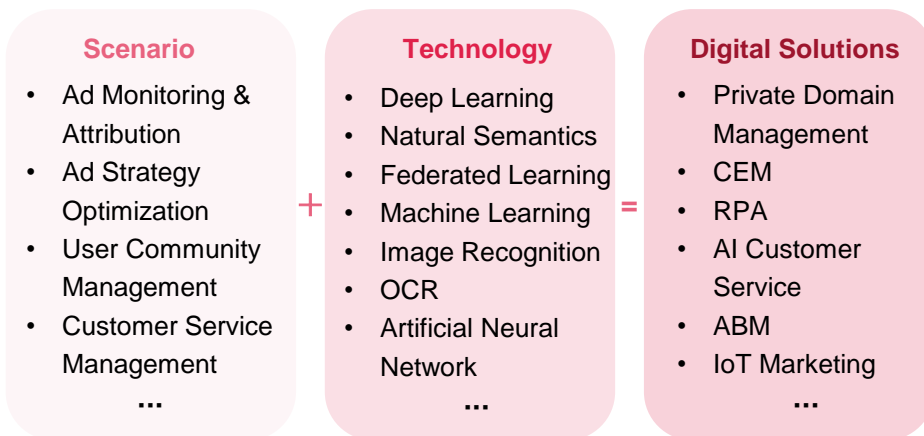
- Prominent B2C outbound social media e-commerce enterprises strategically attract and retain consumers through a concerted effort to enhance product quality, optimize customer service, and diversify promotional channels on various social media platforms. This systematic approach enables these enterprises to gain trust and recognition from consumers and incrementally build their own brands, elevating the competitiveness of their products, and ultimately culminating in the attainment of a brand premium.

Companies will focus more on digital transformation to effectively analyze massive data, which enables improvements in product selection, marketing, supply chain management, and online customer service.

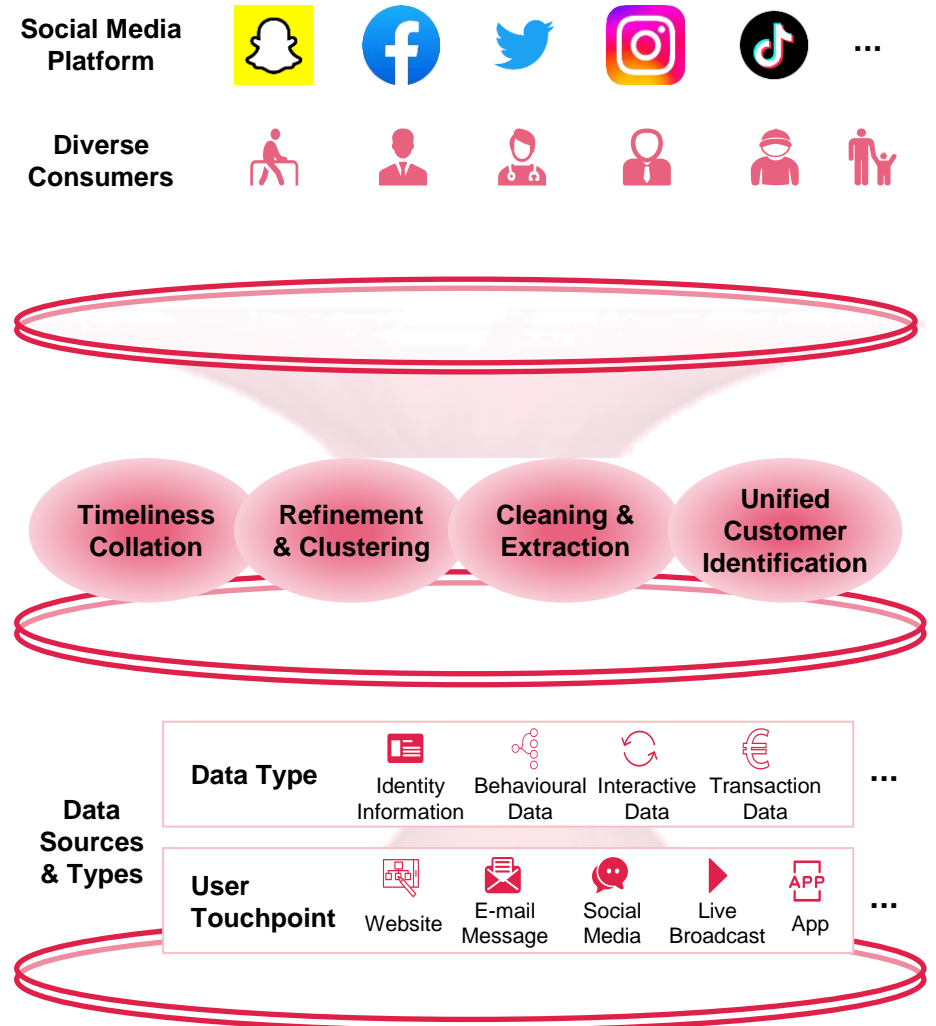
### Schematic of cross-border social media e-commerce business process



### Long Sales Chain With Diverse Digital Empowerment Scenarios







### Digitalization empowers social media e-commerce sales chain and helps optimise sales models



Emerging social media platforms with distinct features offer China's B2C outbound e-commerce businesses new traffic channels, enabling broader product promotion, efficient inventory management, and enhanced profitability.





### Social media platforms expand in variety and user base

#### New Social Media Platforms Are Emerging

-  **Threads:** Launched in July 2023, with **100 million** signups in first 5 days.
-  **Dispo:** Released in 2020, currently having **1 million** monthly active users.
-  **Caffeine:** Launched in 2018, with **35 million** monthly active users.
-  **Peanut:** Launched in 2017, with over **2.5 million** female users.

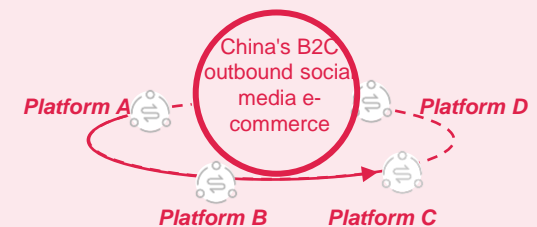
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#### Demographic of Users Diversifies

-  **Instagram:** Primarily used by **18-34 year-olds** with a nearly **equal gender** distribution.
-  **Snapchat:** Favored by **younger users** with **53% female** user base.
-  **Facebook:** Most active users are **35-44**, with **males making up 56.6%** of the demographic.
-  **Twitter:** Dominated by **25-49 year-olds**, with a **3:7 female to male** ratio.

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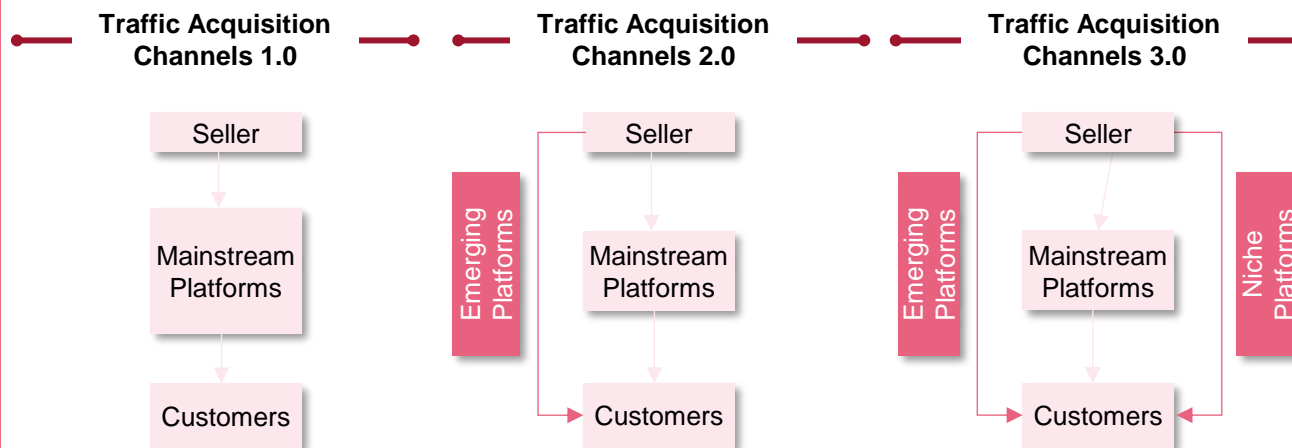
### Multi-platform strategy can broadly benefit outbound social media e-commerce



#### Advantages of Multi-platform Strategy:

- **Diverse Consumer Reach:** A broad platform approach brings in varied types of users and enhances market coverage and sales opportunities.
- **Flexible Resource Allocation:** Cross-border e-commerce can adapt strategies on multiple platforms, adjusting to traffic shifts for flexible resource allocation.
- **Reduced Channel Dependence:** Lessen dependency on any specific platform.
- **Diverse User Insights:** Assisting brands in understanding the needs of various consumer groups, providing deeper insights into user behaviour and preferences.

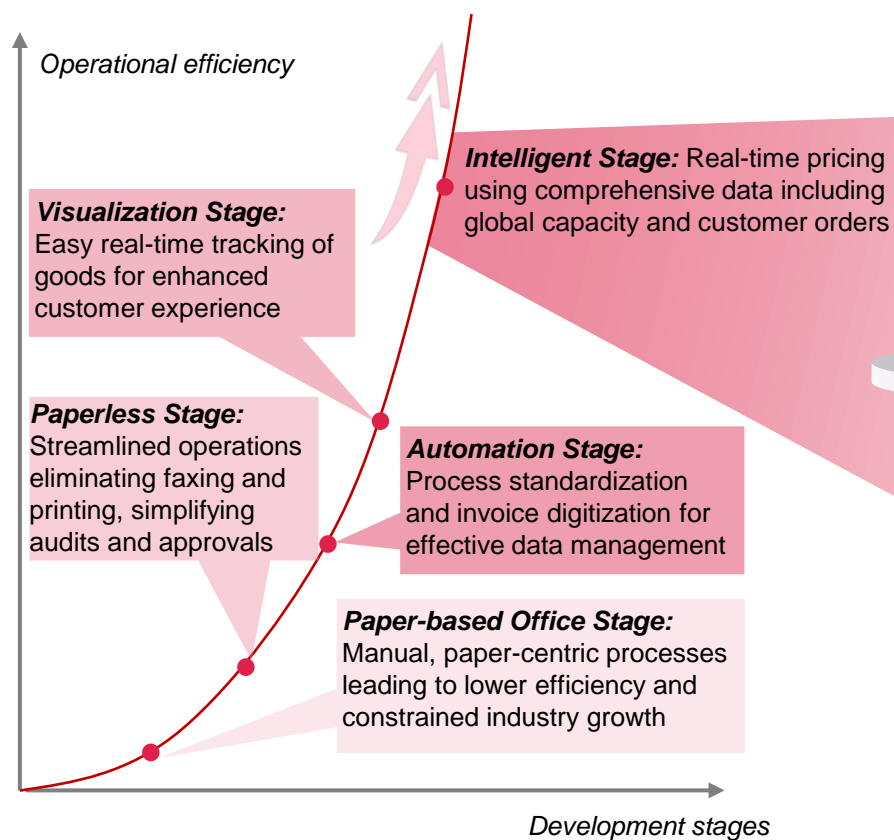
### Traffic acquisition channels continue to broaden





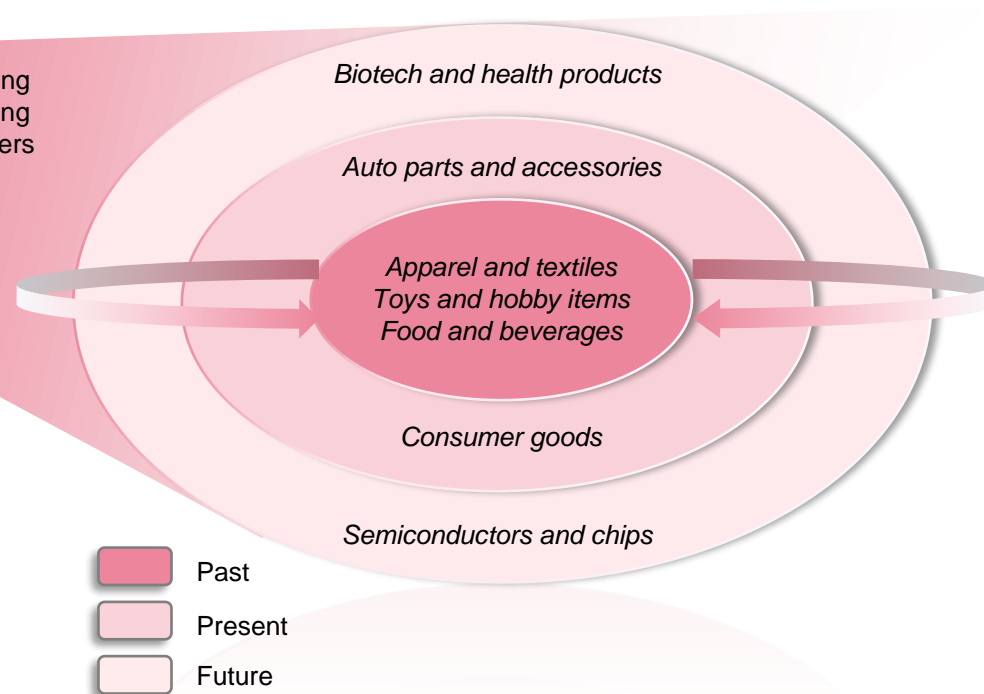
**Advancements in global logistics have enabled China's cross-border social media e-commerce enterprises to diversify their product categories, moving beyond top-sellers to meet diversifying consumer demand for personalised options.**

### Digital development of outbound e-commerce logistics services industry



### The diversity of product for e-commerce sector is expanding

#### Product Categories of China's B2C outbound Social Media E-commerce: Past, Present, and Future



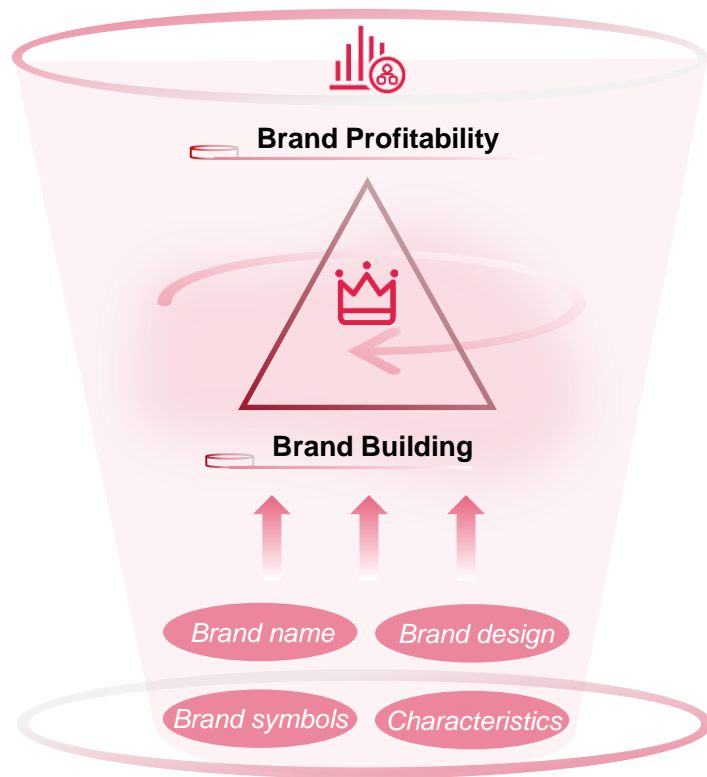
#### Key Analysis

- Due to advancements in global logistics technology, cross-border e-commerce enterprises can more conveniently handle different product categories. The products sold in China's B2C outbound social media e-commerce market are no longer focused only on best-selling categories.
- The depth and breadth of product categories sold by these enterprises are continually expanding to align with the increasingly diverse personalised consumption needs of consumers.



Leading outbound social media e-commerce enterprises attract and retain consumers by improving product quality, optimizing customer service, and broadening their promotional channels on social media platforms.

### Components of brand and role of brand building



### Methods of brand building

- Improving Product Quality:** Enhances competitiveness by offering superior products, leading to consumer trust and a higher price.
- Optimizing Customer Service:** Adds intangible value and strengthens trust through excellent service, contributing to brand loyalty and a premium market position.
- Broadening Promotional Channels on Social Medias:** Increases brand visibility and engagement, enhancing market competitiveness and building a loyal community willing to pay a premium.



### Key Analysis

- Leading outbound social media e-commerce enterprises attract and retain consumers by improving product quality, optimizing customer service, and broadening their promotional channels on social media platforms.
- Brand building enables them to progressively increase the added value and competitiveness of their products, establish consumer trust, and attain brand premium.

**In terms of revenue generated through social media e-commerce business in Asia in 2024, the Group ranked second among China's B2C outbound e-commerce players, accounting for a market share of 1.3%.**

**Ranking of China's B2C outbound social media e-commerce market in Asia, by revenue, 2024**

Rank	Company	Revenue generated from China's B2C outbound e-commerce market, 2024, RMB billion	Market share in terms of revenue generated from China's B2C outbound e-commerce market, 2024, %
1	Company A	~300	~9.2%
2	Company B	~100	~3.1%
3	Company C	~60	~1.8%
4	Company D	~40	~1.2%
5	Company E	~25	~0.8%
<b>Sum of top 5 players</b>		<b>~525</b>	<b>~16.1%</b>

#### Key analysis

- China's B2C outbound e-commerce market was fragmented, with the top five players accounting for less than 20% of total market share, and the Group's share is 0.1%.
- Additionally, compared to cross-border e-commerce companies reliant on e-commerce platforms, those with independent e-commerce websites face fewer restrictions, therefore exhibiting stronger resilience to risks.
- Furthermore, cross-border e-commerce enterprises with advanced data intelligence capabilities will gain additional advantages in operational efficiency and profitability.

Notes: (1) Company A was established in 2012, and originated from Mainland China. It is a B2C outbound e-commerce seller specializing in fashion products.

(2) Company B was established in 2004, and is headquartered in Dongguan, China. It is a consumer electronics and mobile communications company.

(3) Company C was established in 2010, and is headquartered in Beijing, China. It is a technology company that offers smartphones, smart devices, and IoT platforms. It is a listed company on the HKEX.

(4) Company D was established in 2009, and is headquartered in Dongguan, China. It is technology company that manufactures and offers smartphones, audio devices, and other consumer electronics.

(5) Company E was established in 2013, and is headquartered in Shenzhen, China. It is a major global player in the Aldevice ecosystem sector.

In terms of revenue generated through social media e-commerce business in Asia in 2024, the Group ranked second among China's B2C outbound e-commerce players, accounting for a market share of 1.3%.

Ranking of China's B2C outbound social media e-commerce market in Asia, by revenue, 2024

Rank	Company	Revenue generated from China's B2C outbound social media e-commerce business in the Asian market, 2024, RMB billion	Market share in terms of revenue generated from China's B2C outbound social media e-commerce business in the Asian market, 2024, %
1	Company A	~9.5	~4.6%
2	<b>The Group</b>	<b>2.7</b>	<b>1.3%</b>
3	Company F	~0.5	~0.3%
4	Company G	~0.4	~0.2%
5	Company H	~0.3	~0.2%
<b>Sum of top 5 players</b>		<b>~13.5</b>	<b>~6.5%</b>

### Key analysis

- China's B2C outbound social media e-commerce business in the Asian market was fragmented. In terms of revenue in 2024, China's B2C outbound social media e-commerce market accounted for 12.7% of China's B2C cross-border e-commerce market and 2.1% of the overseas B2C e-commerce market. The total market share of the top five China's B2C outbound e-commerce players was approximately 6.5% in terms of revenue generated through social media e-commerce business in Asia in 2024.
- Various players in the market have different focuses on categories and sales channels. In general, cross-border e-commerce companies that specialize in all categories possess the advantage of swiftly adapting their sales strategies to meet changing consumer demands. This flexibility, coupled with their diverse product selections, enables them to maintain a consistent revenue stream.

Notes: (1) Company F was established in 2011, and is headquartered in Changsha, China. It is a player in charging technology and consumer products that support premium audio, home entertainment, home security and more. It is a listed company on the SZSE.

(2) Company G was established in 2009, and is headquartered in Guangzhou, China. It is a B2C outbound e-commerce company.

(3) Company H was established in 2014, and originated from Mainland China. It primarily engages in B2C outbound e-commerce operations specializing in children's apparel.

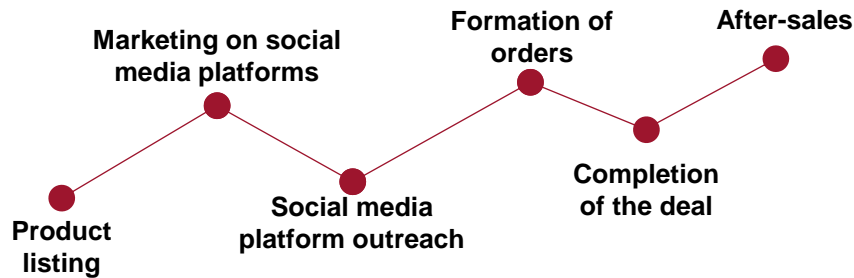
# Entry Barriers of China's B2C Outbound Social Media E-commerce Market

## Entry barriers of China's B2C outbound social media e-commerce market

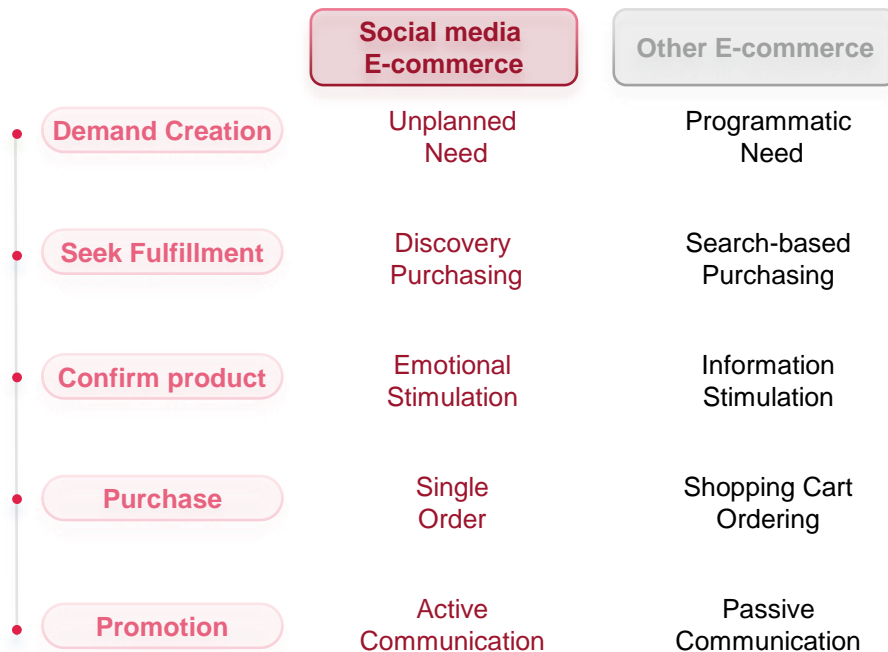
<b>Digitalization and AI application capability</b>	<ul style="list-style-type: none"><li>By enhancing their digitalization and AI application capabilities, enterprises can gain profound insights into industry trends, align themselves with evolving market demands, and enhance their operational efficiency. Furthermore, the long-term accumulation of diverse data serves as a crucial asset for enterprises to effectively leverage digitalization and AI application capabilities. New market entrants often lack access to reliable and precise data, making it challenging to establish barriers to digitalization and AI application capabilities solely through the acquisition of software systems.</li></ul>
<b>Precision targeting capability</b>	<ul style="list-style-type: none"><li>B2C outbound cross-border social media e-commerce employs a sales model centered on drawing consumers from various social media platforms and converting this traffic into revenue. As a result, the initial and critical phase of the sales chain involves attracting consumers and seamlessly channeling traffic. To achieve this, leading B2C outbound e-commerce enterprises strategically implement personalized marketing strategies, by providing product recommendations targeting individual consumer needs through precise advertising. Through precision targeting capabilities, China's B2C outbound social media e-commerce enterprises enjoy lower advertising costs through optimization of the conversion efficiency of their advertisements. New entrants without precision targeting capabilities may face challenges in controlling customer acquisition costs and achieving a favorable profit margin.</li></ul>
<b>Product selection capability</b>	<ul style="list-style-type: none"><li>Precisely discovering and recommending relevant products can captivate consumers and kindle their purchasing interest, leading to increased click-through and sales conversion rates on landing pages. This fosters customer acquisition and enhances the return on marketing investment. Additionally, a more precise alignment of products with consumer needs improves product appeal, accelerates inventory turnover, reduces inventory risks, and alleviates operational cost pressures. The constrained industry experience and limited sales data of players under mid-tier present challenges in achieving precise product selection, thereby impeding their ability to scale up production.</li></ul>
<b>Localization capability</b>	<ul style="list-style-type: none"><li>Due to inherent historical and cultural differences, global regional markets exhibit substantial variations in language, payment methods, logistics, consumption habits, and preferences. To adeptly navigate these distinctions in regional markets, B2C outbound social media e-commerce enterprises must implement tailored strategies based on regional market characteristics and invest in localization technologies such as translation capabilities and having dedicated team for different regions. This approach enhances global consumer acceptance and broadens their presence in regional markets.</li></ul>
<b>Multi-platform management capability</b>	<ul style="list-style-type: none"><li>Social media platforms display unique user characteristics and traffic patterns, with the dynamics of user traffic evolving over time. Top-tier China's B2C outbound social media e-commerce enterprises need to properly comprehend these traffic cycles, closely monitor trends on each social media platform, consistently refine traffic deployment strategies, and judiciously allocate resources across different social media platforms.</li></ul>
<b>Supply chain management capability</b>	<ul style="list-style-type: none"><li>Enterprises need robust supply chain management capabilities to swiftly adapt to shifts in market demand. By employing precise demand forecasting and timely information communication, these enterprises can seamlessly integrate global resources and adjust inventory, ensuring both product quality and a reliable supply. Additionally, given the extensive logistics chain in cross-border e-commerce, dominant enterprises must forge effective global logistics partnerships to achieve prompt and secure transportation of their products to consumers.</li></ul>

# China's B2C outbound social media e-commerce enterprises must bolster insights into user behavior and execute personalized marketing strategies to precision-target advertisements and offer tailored product recommendations.

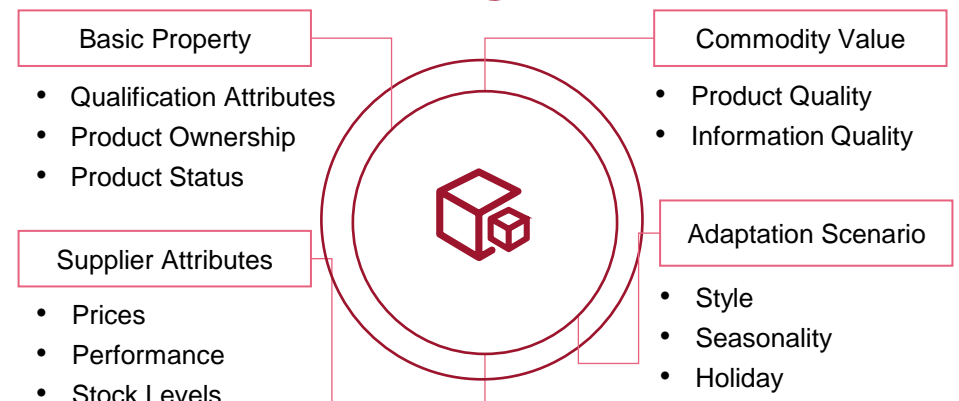
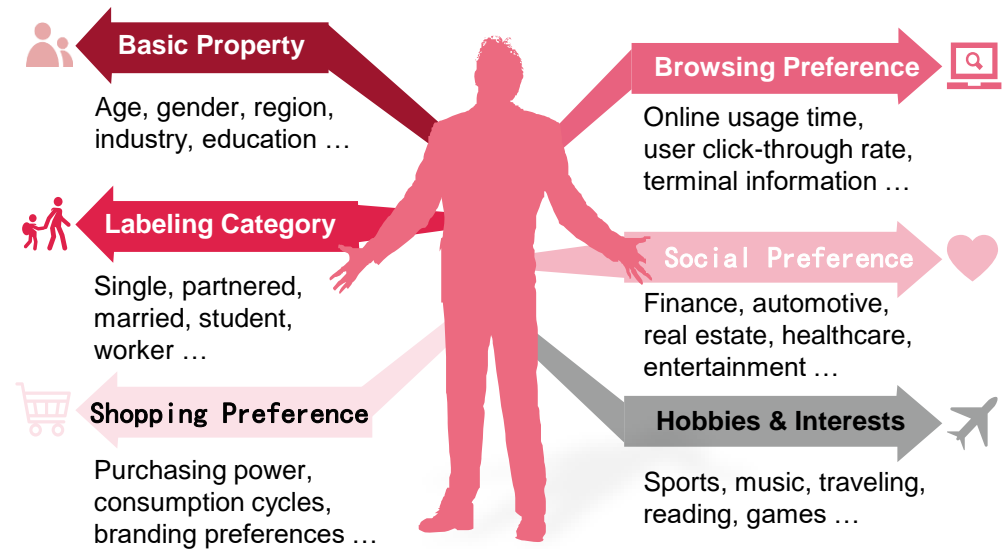
## Social media e-commerce requires advanced marketing skills



- After acquiring traffic from social media platforms, social media e-commerce needs to complete the conversion of this traffic into sales revenue by leveraging precision marketing to further stimulate consumer shopping demand.

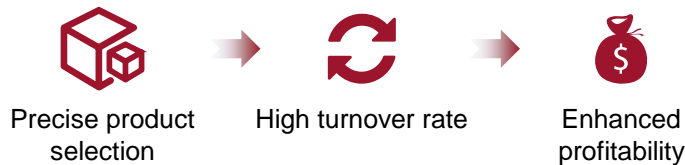


## Social e-commerce needs to accurately match consumer labels and product labels when pushing streams



# Precision in product selection enables social media e-commerce enterprises to align products with user demands, ultimately boosting the conversion efficiency of social media traffic and, consequently, enhancing overall profitability.

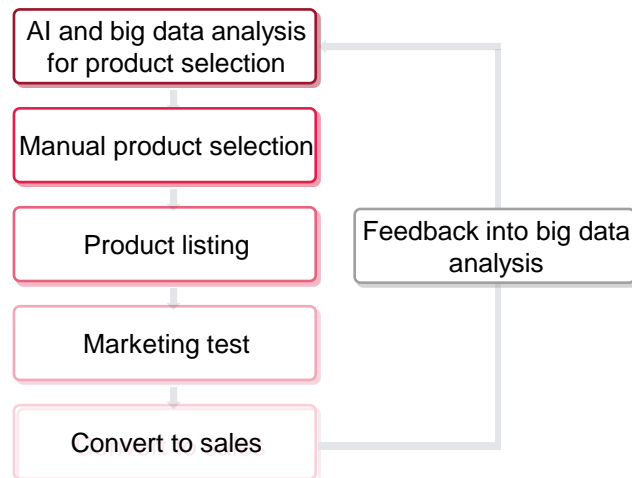
## Capability of product selection for social media e-commerce influences the operating capacity



Precise product selection can help:

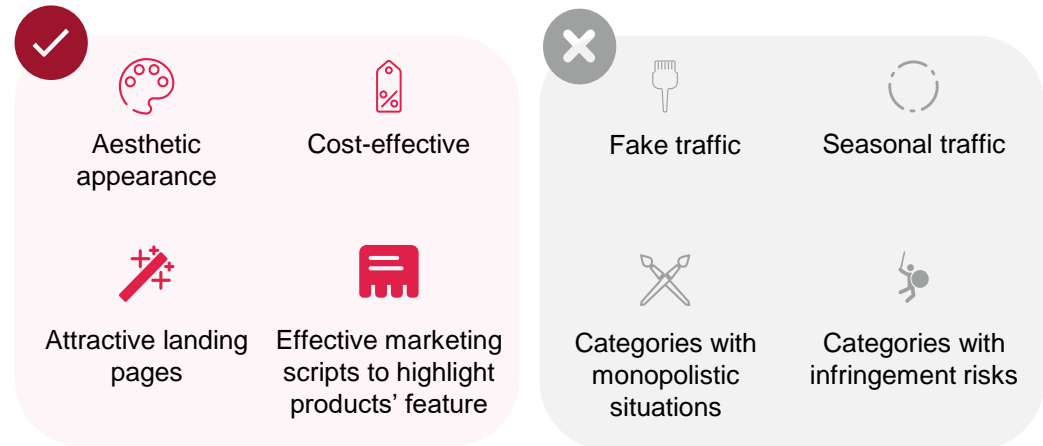
- avoid the risks of blind trend-following purchases and unsold inventory, thus reducing the costs of stock clearance.
- Increase goods turnover rates and reduce capital occupation costs to enhance the enterprise's profitability.

## Iterating Sales Model for Social Media E-commerce

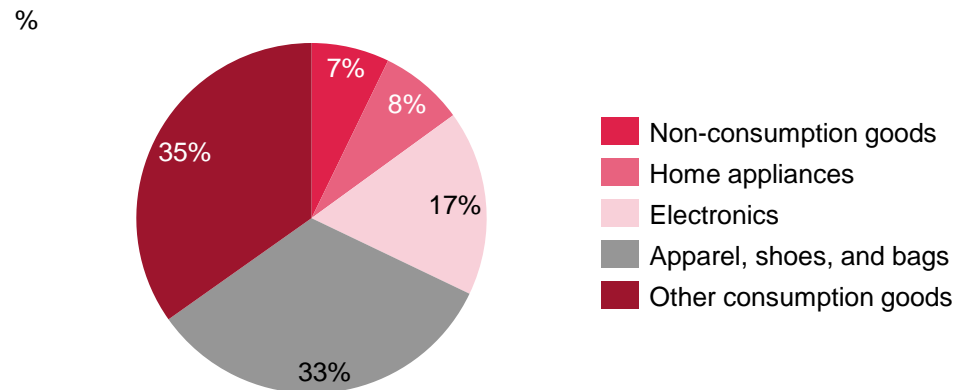


## Product selection logic in social media e-commerce

### Select Products with High Attractiveness to Catch Consumers' Eyes



### Proportion of outbound E-commerce Value, by Category, 2022



# China's B2C outbound social media e-commerce businesses need to strengthen localization in language, culture, payment, and logistics to adapt to global markets and enhance worldwide consumer acceptance.

## Linguistic diversity



There are around **7,000 active languages**, which enriches global diversity but also introduces complexities.



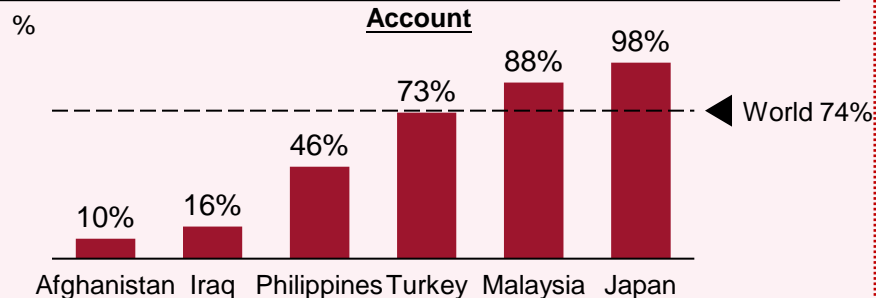
Differences in script, grammar, and phonetics can affect marketing message **clarity and consistency**.



Language nuances may impact **Search Engine Optimization (SEO)** and social media marketing effectiveness, influencing customer experience.

## Payment infrastructure varies greatly across Asian countries

The Proportion of Individuals Aged 15+ With a Financial Institution Account



## Cultural diversity



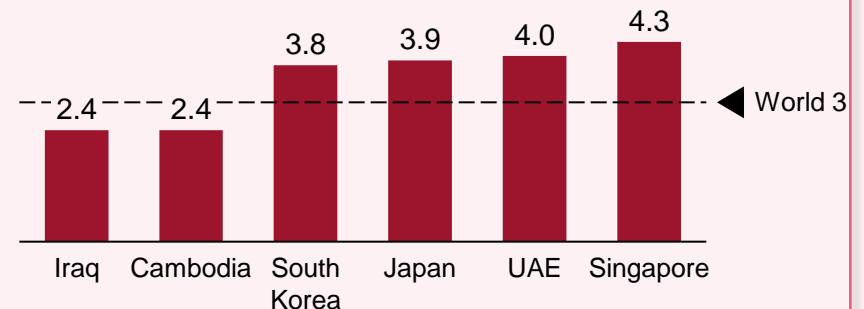
The cultural preference influences the **interpretation** of the design, imagery and messaging. Further differentiated product selection process should be developed.



Cultural diversity leads to different holidays, festivals, and seasons, which can be critical times for sales and **marketing campaigns**.

## Logistics infrastructure differs significantly among Asian countries

Logistics Performance Index (LPI) Scores of Typical Asian Countries



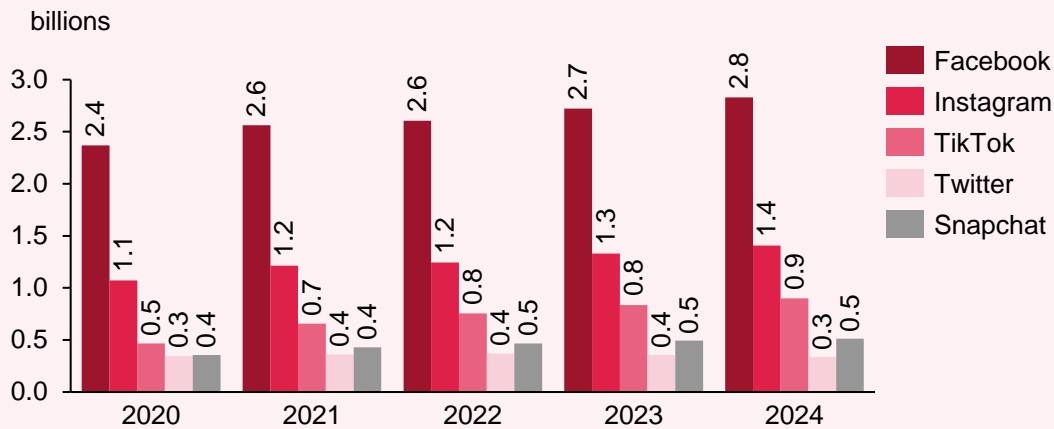
- Due to inherent historical and cultural differences, global regional markets exhibit substantial variations in language, payment methods, logistics, consumption habits, and preferences. To adeptly navigate these distinctions in regional markets, B2C outbound social media e-commerce enterprises must implement tailored strategies based on regional market characteristics and invest in localization technologies such as translation capabilities and having dedicated team for different regions. This approach enhances global consumer acceptance and broadens their presence in regional markets.



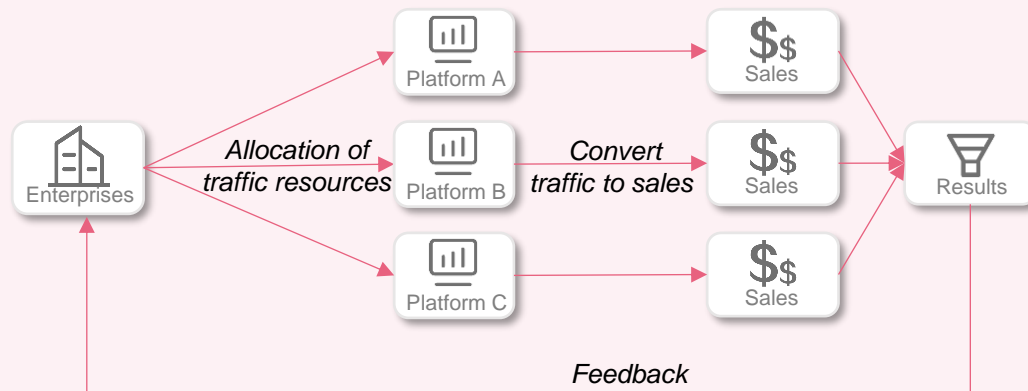
# China's B2C outbound social media e-commerce businesses should strategically manage traffic cycles and allocate resources across platforms to capitalise on traffic trends effectively.

## The epicenter of traffic on social media platforms is shifting

Number of leading social media platforms users worldwide



## Sellers can allocate resources between social media platforms



## The process of social media platforms resource allocation

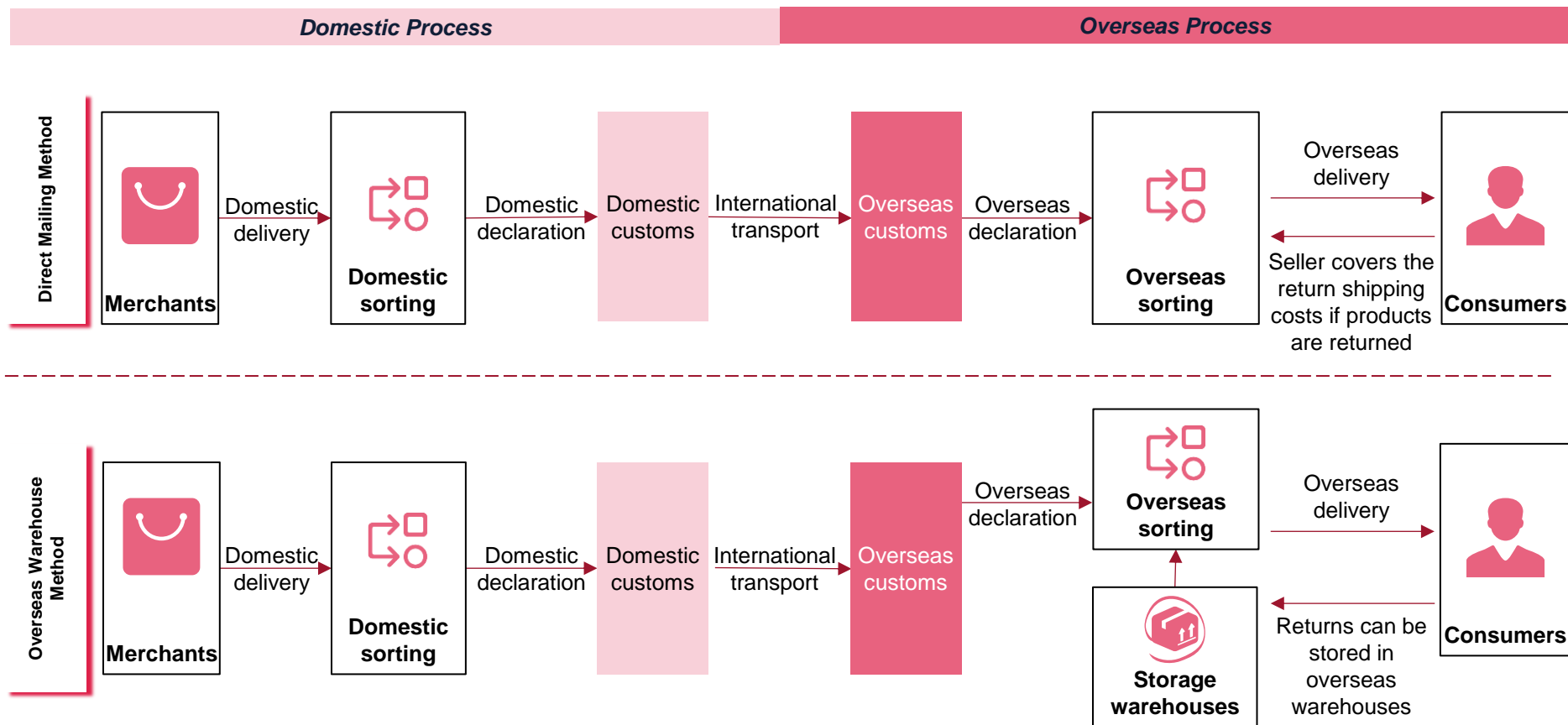


## Key Analysis

- Social media platforms display unique user characteristics and traffic patterns, with the dynamics of user traffic evolving over time. Top-tier China's B2C outbound social media e-commerce enterprises need to properly comprehend these traffic cycles, closely monitor trends on each social media platform, consistently refine traffic deployment strategies, and judiciously allocate resources across different social media platforms.

Due to the lengthy transportation, China's B2C outbound social media e-commerce enterprises necessitate streamlined logistics and robust supply chain management to ensure the dependable, high-quality delivery of products.

### Overview of the logistics methods of outbound social media e-commerce



### Key Analysis

- Enterprises need robust supply chain management capabilities to swiftly adapt to shifts in market demand. By employing precise demand forecasting and timely information communication, these enterprises can seamlessly integrate global resources and adjust inventory, ensuring both product quality and a reliable supply. Additionally, given the extensive logistics chain in cross-border e-commerce, dominant enterprises must forge effective global logistics partnerships to achieve prompt and secure transportation of their products to customers.



1. Overview of China's B2C Outbound E-commerce Industry
2. Overview and Competition Analysis of China's B2C Outbound Social Media E-commerce Industry in Asian Market
3. **Overview and Competition Analysis of China's FMCG Paper Consumer Packaging Solution Industry**

**Paper packaging solutions refer to services encompassing marketing, design, production, and transportation and logistics. In 2024, the market size of paper packaging solution industry in China reached RMB613.1 billion.**

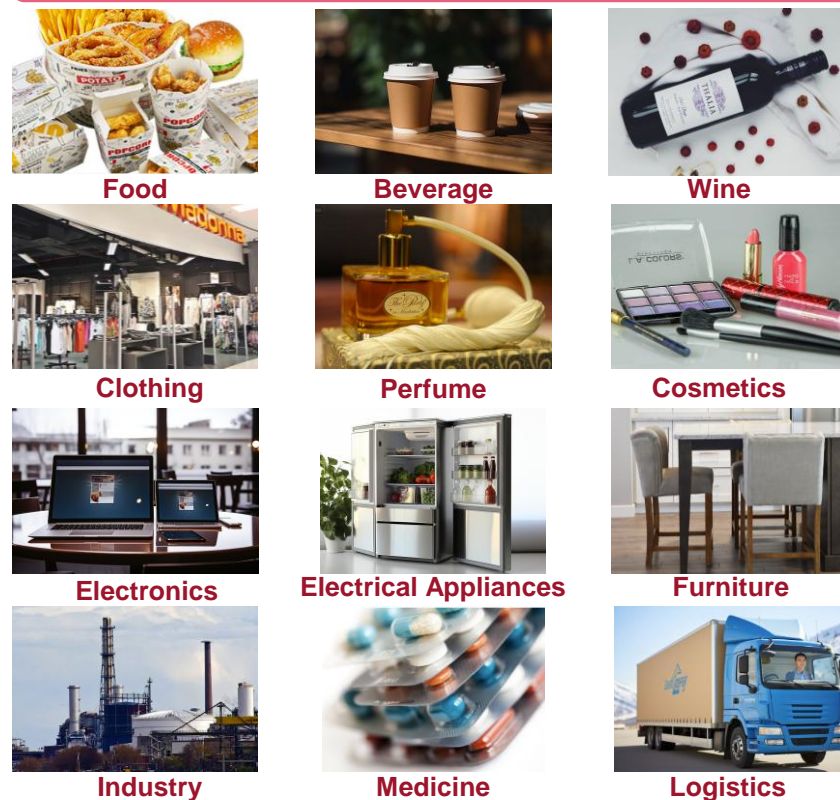
### Overview of paper packaging solution industry

- Paper packaging solutions refer to a suite of services related to paper packaging, including marketing, design, production, and transportation and logistics. As a prominent packaging type, paper packaging possesses attributes such as lightweight, high pliability, environmentally friendly, ease of processing, excellent print adaptability, and logistical convenience. Widely utilized in industries including food and beverage, catering, daily necessities, consumer electronics, industrial sectors, healthcare, and logistics, paper packaging plays a pivotal role in meeting diverse packaging needs and adds value to the products that packaging is used for. With the development of China's economy, the promotion of environmental protection initiatives, and advancements in paper packaging technology, China's paper packaging solution industry has been developing steadily. In 2024, the market size reached RMB613.1 billion, as measured by revenue.

#### Characteristics of Paper Packaging













































#### Downstream Application Industries



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Paper packaging can be segmented into industrial packaging and consumer packaging. Characterized by exquisite marketing design, consumer packaging is employed at the terminal sales unit, directly interfacing with consumers.

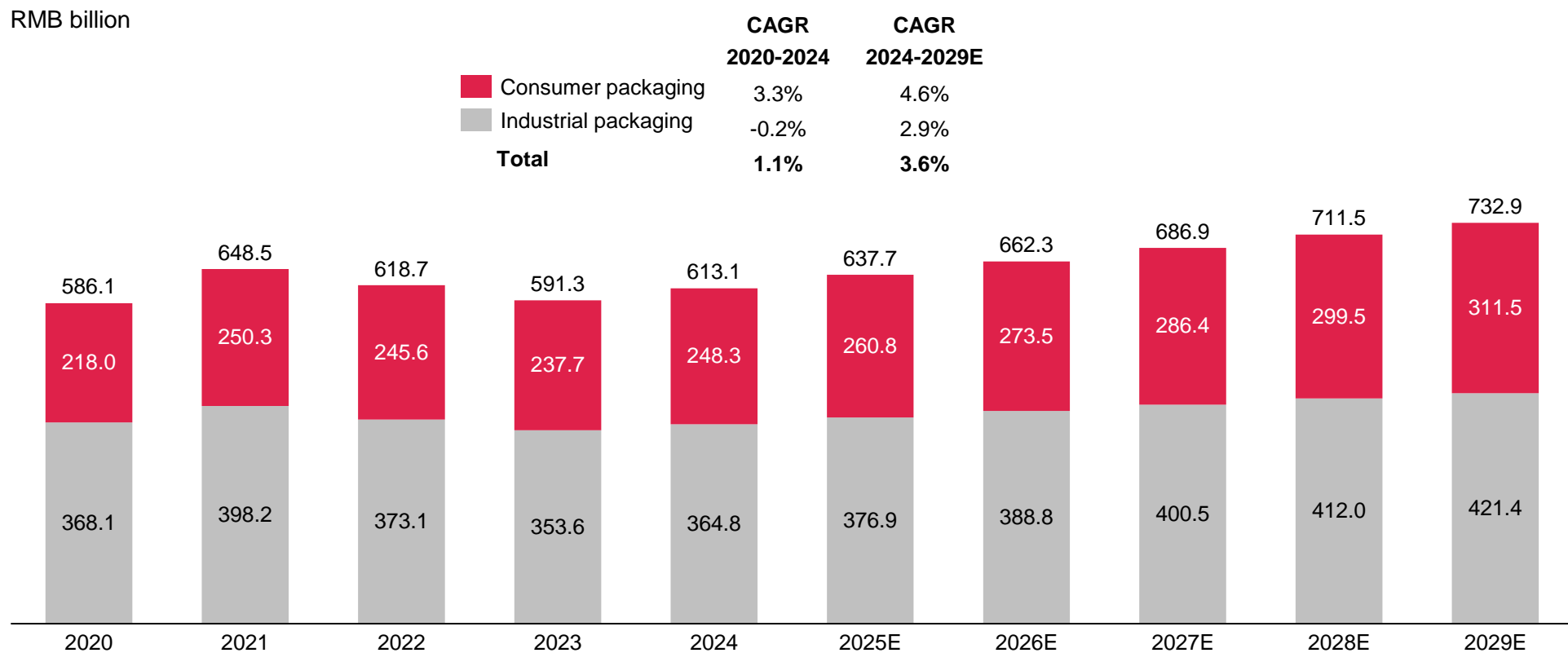
Overview of paper packaging categories

Category	Main product types	Representative products			Marketing design	Consumer interaction
<b>Consumer packaging</b> <ul style="list-style-type: none"> <li>Characterized by their intricate design and diverse structures, consumer packaging aims to elicit consumer purchasing behavior and emphasize notable marketing and display features.</li> </ul>	<b>Paper bags</b> 	 Handle Paper Bag	 Gift Paper Bag	 Food-Grade Paper Bag		
	<b>Paper cups</b> 	 Double Wall Paper Cup	 Cold Drink Cup	 Ice Cream Container		
	<b>Food packaging</b> 	 Noodle Box	 Pillow Box	 Ice Cream Cone wrappers		
	<b>Color cartons</b> 	 Tissue Box	 Food Box	 Wine Box		
	<b>Multi-packs</b> 	 Clip Style Multi-Packs	 Basket Carrier Style Multi-packs	 Wrap Style Multi-Packs		
	<b>Printed corrugated carton</b> 	 Milk Carton	 Beverage Carton	 Beer Carton		
<b>Industrial packaging</b> <ul style="list-style-type: none"> <li>Prioritizes cost-effectiveness and functionalities during storage and transportation, while placing minimal emphasis on design.</li> </ul>	<b>Corrugated carton</b> 	 Transportation Packaging	 Watermarked Corrugated Carton	 Offset Printing Corrugated Carton		

 Low  High

Consumer packaging aims to elicit consumer purchasing behavior and emphasize notable marketing and display features. As a result, paper consumer packaging solutions particularly prioritize excellence in marketing design.

Market size of paper packaging solutions in China by functionalities , 2020-2029E

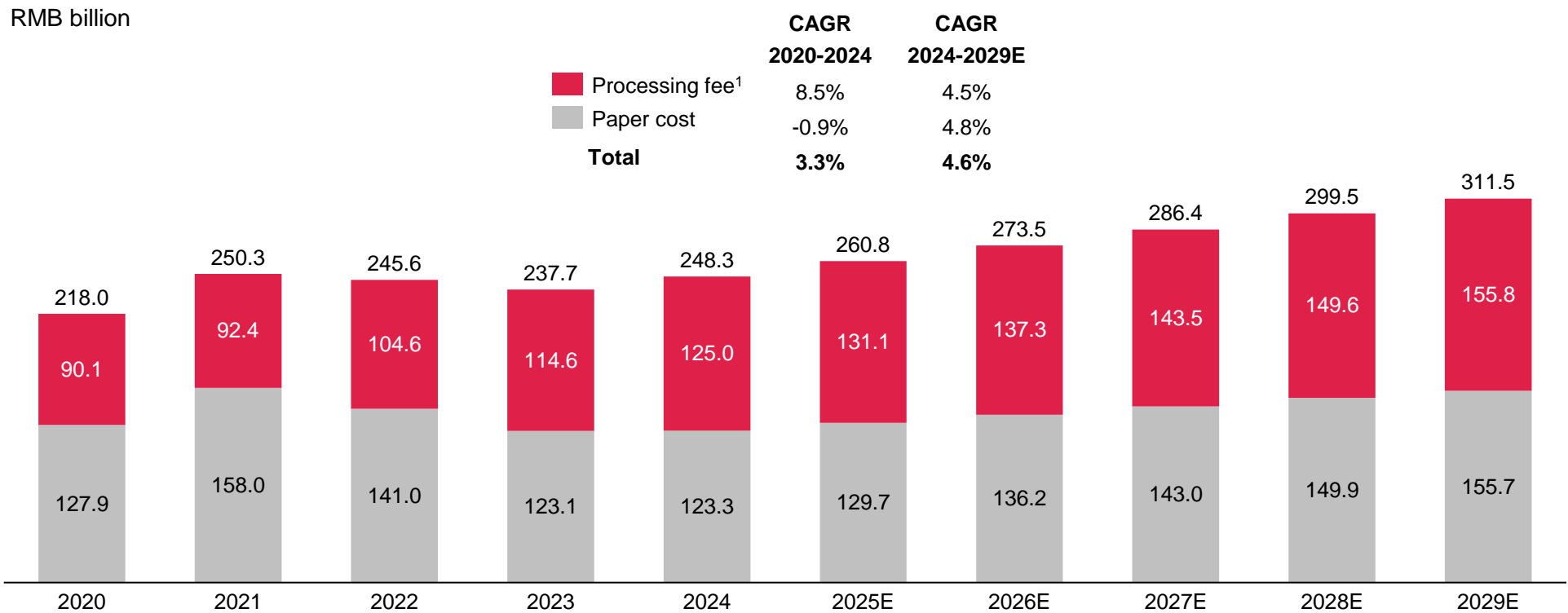


Key analysis

- Categorized by functionality, paper packaging can be divided into industrial packaging and consumer packaging. Industrial packaging refers to the materials and containers used for safeguarding, storing, transporting, and handling goods. Its design prioritizes cost-effectiveness and functionalities during storage and transportation, while placing minimal emphasis on graphic and structural design requirements. Consumer packaging refers to the packaging that end consumers directly contact with and is employed at terminal sales units. This category encompasses packaging products such as color paper packaging cartons/boxes, eco-friendly paper bags, food packaging, paper cups, multi-packs, and printed corrugated cartons. Characterized by their intricate design and diverse structures, consumer packaging aims to elicit consumer purchasing behavior and emphasize notable marketing and display features. As a result, paper consumer packaging solutions particularly prioritize excellence in marketing design. Moreover, these solutions necessitate strict oversight of factors in other business processes such as raw material quality, production technology, and timely packaging product transportation and logistics in subsequent stages.

With the downstream industries increasingly emphasizing the marketing value of consumer packaging, the market size of paper consumer packaging solutions is poised for sustained expansion, projected to reach RMB311.5 billion by 2029.

Market size of paper consumer packaging solutions in China, 2020-2029E



Key analysis

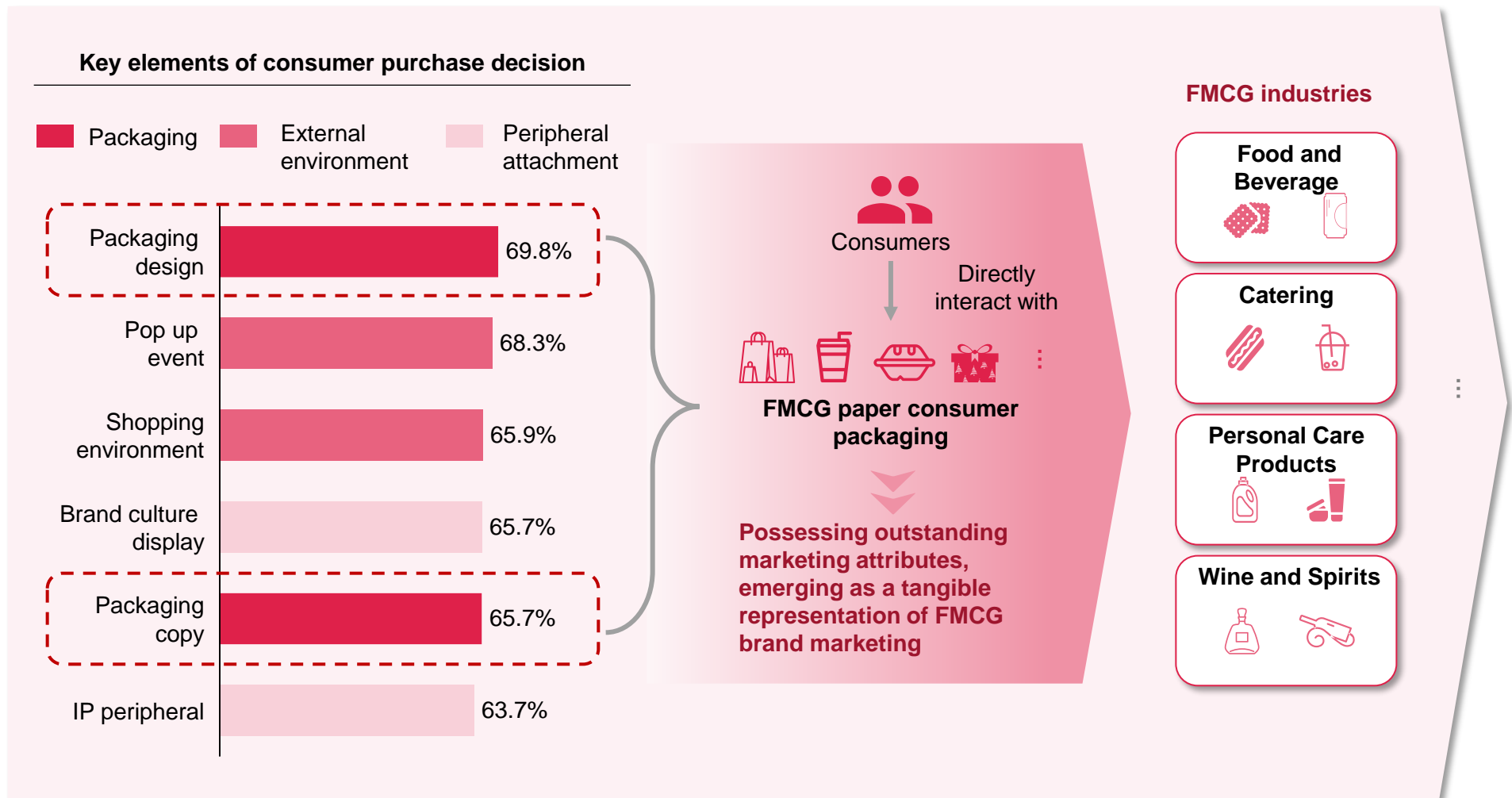
- Amidst intensifying competition and transformations in the consumer market, the marketing value of paper consumer packaging is increasingly pronounced. Paper consumer packaging contributes to elevating the product experience, swiftly establishing brand identity, and actively participating in differentiated competition through innovative packaging. Consequently, downstream industries are consistently augmenting their investments in paper consumer packaging solutions. The market size of paper consumer packaging solutions in China was RMB248.3 billion in 2024, as measured by revenue.
- The market size is notably impacted by fluctuations in raw material prices, whereas the processing fees associated with paper consumer packaging have exhibited a comparatively consistent growth pattern. Fueled by the evolution of packaging marketing concepts and heightened investments, the market size of paper consumer packaging solutions in China is poised for sustained expansion, and is projected to reach RMB311.5 billion by 2029.

Note1: Processing fees refer to the additional revenue components apart from the paper cost.

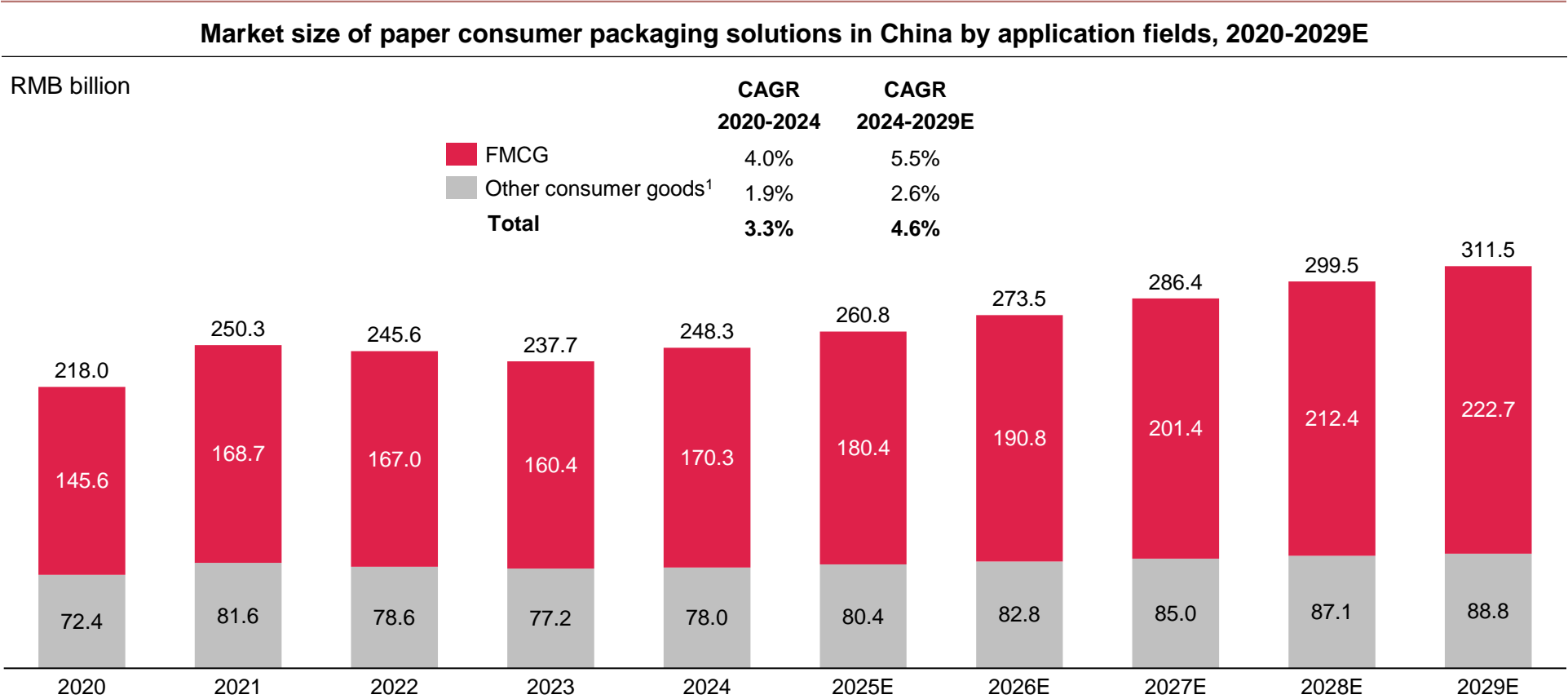


# The FMCG industry is the primary application field of China's paper consumer packaging solutions. Amidst an increasing emphasis on sustainability and consumer experience, consumers increasingly prefer FMCG paper packaging.

- Paper consumer packaging solutions can be primarily used in FMCG and other consumer goods, including cigarettes, consumer electronics and medicine. FMCG paper consumer packaging solutions refer to a suite of paper consumer packaging solutions specifically catering for the FMCG (fast-moving consumer goods) industry.



Among the application fields of paper consumer packaging solutions, FMCG paper consumer packaging commands the largest share. Projections indicate that by 2029, the market size will ascend to RMB222.7 billion.



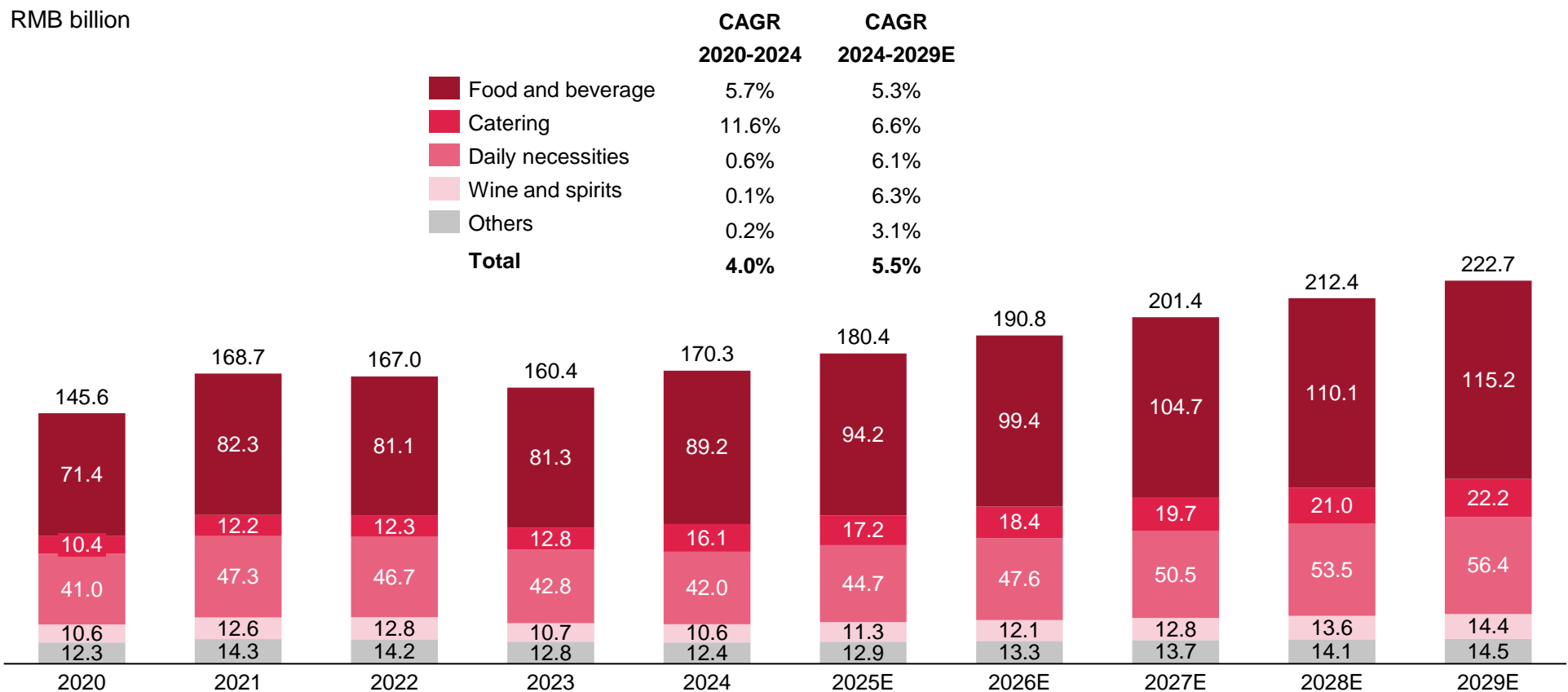
Key analysis

- As high-frequency consumer goods in everyday life, FMCG is characterized by substantial consumption volume, thereby creating significant demand for packaging solutions. Paper packaging also impresses FMCG consumers with its attributes, including lightweight, environmentally friendly, and high esthetics value. Amidst an increasing emphasis on environmental sustainability and consumer experience, consumers increasingly prefer paper packaging.
- Among paper consumer packaging solutions market in China, the market size of FMCG paper consumer packaging solutions increased from RMB145.6 billion in 2020 to RMB170.3 billion in 2024, with the continual realization of the marketing value inherent in FMCG packaging, the market size of FMCG paper consumer packaging is expected to experience sustained expansion, and is projected to reach RMB222.7 billion by 2029.

Note1: Other consumer goods include cigarette, consumer electronics, medicine, and others.

As different segmented categories within the FMCG industry intensify their attention and investment in paper consumer packaging, the market size for FMCG paper consumer packaging solutions is anticipated to maintain a steady growth.

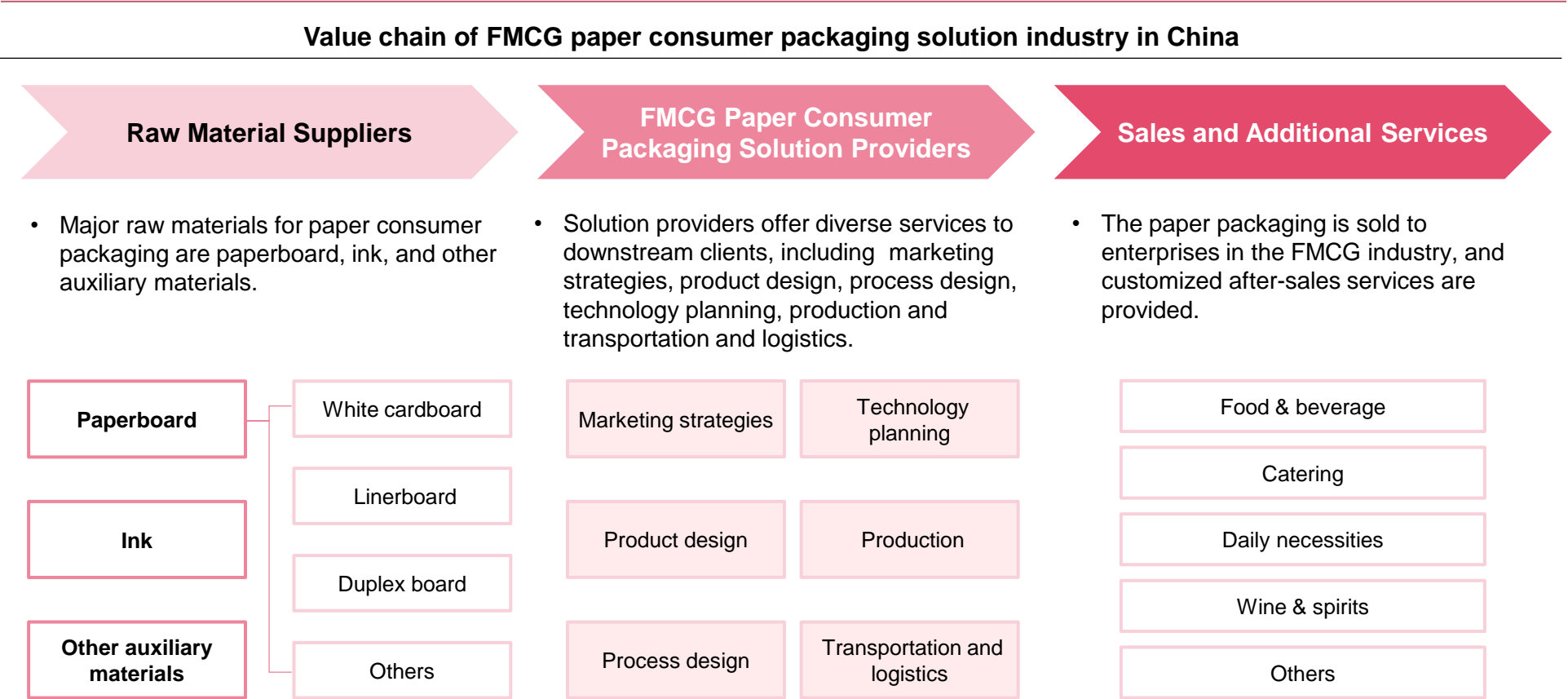
Market size of FMCG paper consumer packaging solutions in China by product categories, 2020-2029E



Key analysis

- FMCG refers to consumable products characterized by a short lifespan and rapid consumption, encompassing categories such as food and beverage, catering, daily necessities, wine and spirits, and others. As different segmented categories within the FMCG industry intensify their attention and investment in paper consumer packaging, the market size for FMCG paper consumer packaging solutions in China is anticipated to maintain a steady growth trajectory.
- The market size of FMCG paper consumer packaging solutions increased from RMB145.6 billion in 2020 to RMB170.3 billion in 2024, with the continual realization of the marketing value inherent in FMCG packaging, the market size of FMCG paper consumer packaging is expected to experience sustained expansion, and is projected to reach RMB222.7 billion by 2029.

# The value chain of FMCG paper consumer packaging solution industry in China includes raw material suppliers, FMCG paper consumer packaging solution providers, and sales and additional services.

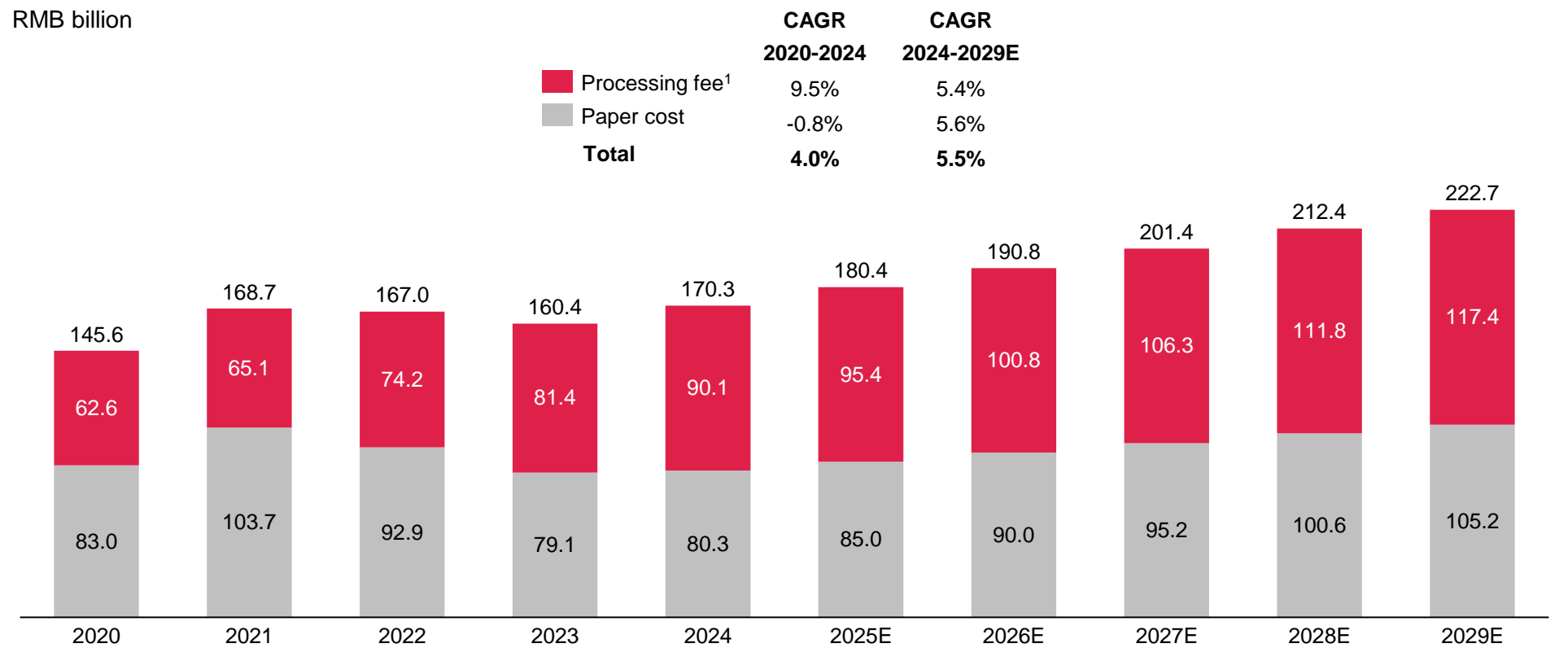


## Key analysis

- The value chain of FMCG paper consumer packaging solution industry in China includes raw material suppliers, FMCG paper consumer packaging solution providers, and sales and additional services. Among various solution providers, the one-stop solution providers extend their offerings beyond the fundamental packaging production, encompassing supplementary services like marketing strategies, product design, process design, technology planning, production and transportation and logistics. The following diagram illustrates the value chain of FMCG paper consumer packaging solution industry in China.

With the continual realization of the marketing value inherent in FMCG packaging, the market size of FMCG paper consumer packaging solutions is poised for sustained expansion, projected to reach RMB222.7 billion by 2029.

Market size of FMCG paper consumer packaging solutions in China, 2020-2029E



Key analysis

- FMCG paper consumer packaging plays a crucial role as the primary interface between consumers and FMCG products during the purchasing process. It serves as a pivotal element to influence consumer buying decisions and as an ideal medium for brands to convey brand philosophies and implement marketing strategies. Consequently, the FMCG industry continues to witness a sustained increase in investment in paper consumer packaging solutions.
- The market size of FMCG paper consumer packaging solutions in China has grown from RMB145.6 billion in 2020 to RMB170.3 billion in 2024, in terms of revenue. With the continual realization of the marketing value inherent in FMCG packaging, the market size of FMCG paper consumer packaging solutions is expected to experience sustained expansion, and is projected to reach RMB222.7 billion by 2029.

Note1: Processing fees refer to the additional revenue components apart from the paper cost.

# Main drivers of FMCG paper consumer packaging solution market in China



## 1 Acceleration in the Introduction of New Product Releases

- With the continuous enhancement of consumer purchasing power, consumers have increasingly higher expectations for FMCG products. To meet the constantly evolving product demands, the FMCG industry has been experiencing a surge in innovative FMCG products, encompassing new brands, flavors, and formulations. Furthermore, there has been a rapid increase in the frequency of product category updates. Consequently, the FMCG industry's evolving requirements for paper consumer packaging have generated additional demand in the FMCG paper consumer packaging solution market in China.



## 2 Environmental Policies Expanding the Utilization of Paper Packaging

- Amidst growing environmental awareness, China has consistently introduced environmental policies in the packaging sector. These ongoing initiatives continue to drive the substitution of fossil-based products such as plastic packaging with renewable and environmentally friendly materials such as paper. For example, the 'Opinions on Further Strengthening the Governance of Plastic Pollution' (〈關於進一步加強塑料污染治理的意見〉) advocate for the widespread adoption of environmentally friendly alternatives, including cloth bags, paper bags, and other non-plastic products, in locations such as shopping malls, supermarkets, pharmacies, bookstores, and similar establishments. In addition, the '14th Five-Year Action Plan for Plastic Pollution Control' (〈'十四五' 塑料污染治理行動方案〉) advocates for scientifically and prudently promoting the use of plastic alternative products. Fully consider the environmental impacts throughout the life cycle of bamboo and wood products, paper products, biodegradable plastic products, etc., and improve the quality and food safety standards of relevant products accordingly. Paper packaging, distinguished by its natural biodegradability, exceptional packaging performance, and cost-effectiveness, emerges as a primary alternative to plastic packaging. The continuous displacement of plastic packaging by paper packaging solutions in the FMCG industry, propelled by environmental considerations, is poised to create an expanding market space for FMCG paper consumer packaging.








## 3 Enhanced Added Value of Packaging

- In the FMCG industry, competition among similar products is intensifying. The formulation of a brand philosophy is pivotal for establishing product differentiation, meeting the ever-expanding consumer demands for experiential and emotional value, and ultimately fostering brand loyalty. To bolster brand awareness, FMCG enterprises increasingly prioritize the outward manifestation of brand philosophy, highlighting the increasingly significant role of consumer packaging in marketing. Consequently, marketing design for FMCG consumer packaging is consistently becoming more sophisticated and the demand for added value of consumer packaging is increasing, leading to a continuous uptrend in industry investments in FMCG paper consumer packaging.

# Launching new products is a common strategy for FMCG brands to sustain growth, the marketing impact of the associated consumer packaging is receiving increasing attention, with continuous enhancement of packaging demand.




## Overview of FMCG new releases and demands on consumer packaging

	Description	Key Purpose	New Demands on consumer packaging	
New Packaging	Adjustment of the appearance of existing products, design, other product appearance features, etc. Sometimes limited in time and region.	<ul style="list-style-type: none"> <li>Market product and promote sales effectively</li> <li>Enhance product image and appeal</li> <li>...</li> </ul>	McDonald's continuously follow the trend of the times and <b>update the packaging design to stay competitive</b> . In 2021, McDonald's designed simple, bright and colorful packaging to reflect "McDonald's Joy of Joy".	
New Brand	New brands that are incubated by established brands or companies, and completely new brands founded by start-up companies.	<ul style="list-style-type: none"> <li>Create new image and explore new markets</li> <li>...</li> </ul>	In 2023, Yili launched a new milk powder sub-brand, Light Moo, a red ginseng revitalizing formula with customized nutrition for women, for which it <b>designed the gift box packaging and paper bag</b> .	
New Category	Newly launched product categories that are not originally covered by the company	<ul style="list-style-type: none"> <li>New product positioning</li> <li>New consumer group</li> <li>New geographic area</li> <li>...</li> </ul>	In 2023, Si Nian Foods has launched a new series of Si Nian Cheese Rolls in addition to the original pastry category, and <b>has designed paper packaging for this new series</b> .	
New Taste	Flavors that have not been introduced to the market before. Some flavors are only available within certain time frame or geographical region	<ul style="list-style-type: none"> <li>Enhance the frequency of purchase and penetration of the product in a specific group of people</li> <li>Draw positive market attention by providing limit and special products to pique customer interest.</li> </ul>	In 2023, Luckin Coffee introduces a new coffee flavor, Soy Latte, and designs the paper cup sleeve and paper bag which seamlessly integrate classic packaging elements from Maotai, achieving a <b>powerful co-branded marketing effect</b> .	
New Formula	Upgrading or transformation of the company's original products, adjusting product formulations or ingredients.	<ul style="list-style-type: none"> <li>Enhancement of product features or optimization of existing products to improve its market competitiveness and extend product life</li> <li>...</li> </ul>	In 2023, Estée Lauder launched the new Red Pomegranate Collection, introducing pomegranate-red paper box packaging, it <b>enhances the ritualistic purchasing experience</b> .	



With environmental protection becoming a societal consensus, policies and regulations keep propelling the substitution of plastic packaging with renewable materials, paper packaging emerges as a primary alternative to plastic packaging.

### Environmental protection policies on packaging industry

Theme	Policy Content	Time	Policies and Regulations
 <b>Plastic Packaging Alternatives</b>	<ul style="list-style-type: none"> <li>Reduce the use of excessive and single-use packaging, and encourage the use of biodegradable and recyclable packaging materials.</li> <li>Promote the use of plastic alternatives. In places such as malls, supermarkets, pharmacies, bookstores, etc., promote the use of eco-friendly bags, paper bags, and other non-plastic and biodegradable shopping bags.</li> <li>Fully consider the life-cycle environmental impact of bamboo and wood products, paper products, biodegradable plastic products, etc., and improve the quality and food safety standards of relevant products.</li> </ul>	2022.9	China Packaging Industry Development Plan (2021-2025) 《中國包裝工業發展規劃（2021-2025）》
		2022.9	Notice on Further Strengthening the Governance of Excessive Packaging of Goods 《關於進一步加強商品過度包裝治理的通知》
		2022.4	Opinions on Further Unleashing Consumption Potential to Promote Sustained Recovery of Consumption 《關於進一步釋放消費潛力促進消費持續恢復的意見》
 <b>Developing and Optimizing Paper Packaging</b>	<ul style="list-style-type: none"> <li>Strengthen green governance of express packaging. Promote the use of lightweight, high-strength express packaging cardboard boxes, and adhesive-free cardboard boxes and reduce the use of fillers through optimizing packaging structures.</li> <li>Enhance and optimize the quality of printing and writing paper, household paper, packaging paper, special paper and board, paper products, etc., to meet the diverse and personalized demands of the consumer market.</li> <li>Encourage and support the design and process innovation of lightweight, high-strength paper composite materials, such as honeycomb products and pulp-molded products, to promote the substitution of paper for plastic and wood in heavy packaging and special fields.</li> </ul>	2021.12	Paper Industry 14th Five-Year Plan and Medium- to Long-Term Outline for High-Quality Development 《造紙行業“十四五”及中長期高品質發展綱要》
		2021.9	Notice on the Action Plan for Plastic Pollution Control during the 14th Five-Year Plan 《“十四五”塑膠污染治理行動方案的通知》
		2021.3	Guiding Opinions on Accelerating the Establishment of a Green, Low-Carbon, and Circular Development Economic System 《關於加快建立綠色低碳迴圈發展經濟體系的指導意見》
		2020.11	Opinions on Accelerating the Green Transformation of Express Packaging 《關於加快推進快遞包裝綠色轉型的意見》
 <b>Development towards Green Packaging</b>	<ul style="list-style-type: none"> <li>Encourage enterprises to undertake green design, choose eco-friendly materials, implement green procurement, develop green manufacturing processes, adopt green packaging, conduct green transportation, and achieve comprehensive green environmental protection throughout the entire product life cycle.</li> <li>Promote the greening, reduction, and circularization of product packaging and packaging in the distribution process. Implement pilot projects to promote green consumption.</li> </ul>	2020.3	Opinions on Accelerating the Establishment of a Regulatory Policy System for Green Production and Consumption 《關於加快建立綠色生產和消費法規政策體系的意見》
		2020.1	Opinions on Further Strengthening the Governance of Plastic Pollution 《關於進一步加強塑膠污染治理的意見》

To bolster brand awareness, the sophistication of marketing design and the investment for FMCG consumer packaging is consistently on the rise, contributing to a sustained elevation in the added value of consumer packaging.

## Importance of brand philosophy



### Stand out in intense competition

- In the FMCG industry, **competition among similar products** is becoming increasingly **intense**.
- The development of a brand philosophy plays a crucial role in **creating product differentiation**.



### Enhance consumer stickiness

- Consumer demands for **experiential and emotional value** are continuously growing.
- Brand philosophy address the consumer demands , and ultimately **enhance consumers' brand loyalty**.



### Improve economic efficiency

- Effective brand development can **expand the sales reach** of a product and **command premium prices** in the market compared to similar offerings.
- Economic performance and competitive capabilities is enhanced.

## Added value enhancement due to marketing requirements

To bolster brand awareness, FMCG enterprises increasingly prioritize the outward manifestation of brand philosophy, underscoring the heightened marketing role of consumer packaging.

Brand	Selected Case
 <b>Luckin Coffee</b>	<ul style="list-style-type: none"> <li>Luckin Coffee launches Tom and Jerry Christmas Edition paper bags and cup sleeves designing packaging styles through co-branding and holiday qualification to enhance consumer interaction.</li> </ul> 
 <b>Yili</b>	<ul style="list-style-type: none"> <li>Yili has launched six dairy AI packages. The series of packages, from concept to visual design, are all participated and even led by AI. In the future, Yili will accelerate the application of AIGC technology dairy packaging.</li> </ul> 
 <b>Li Ziqi</b>	<ul style="list-style-type: none"> <li>Li Ziqi uses ancient style and national tide illustration style packaging to fit the brand's concept, echoing the Chinese food for sale and increasing brand awareness.</li> </ul> 
 <b>Three Squirrels</b>	<ul style="list-style-type: none"> <li>Three Squirrels adopts a stylish and youthful approach in packaging design, and frequently introduces co-branded packaging, allowing young people to experience a unique sense of their own..</li> </ul> 

# Main trends of FMCG paper consumer packaging solution industry in China



## 1 Market consolidation

- The demand for environmentally friendly technologies in FMCG paper consumer packaging solution continues to grow alongside the increasing environmental consciousness and heightening environmental protection requirements. Leading enterprises in this sector demonstrate robust environmental production capabilities, enabling better adaptability to evolving market demands. Conversely, smaller players at the industry's tail end, lacking the necessary production environments and technologies, may be forced to exit the market. Simultaneously, stricter standards for environmental protection and hygiene contribute to the higher demand for quality raw materials, leading to a gradual increase in raw material costs in the industry. Packaging enterprises without advanced technology and effective cost control capabilities may find their competitive edge diminishing. In contrast, leading enterprises with advanced technology and strong bargaining power over raw materials are positioned to dominate, which could result in a more pronounced industry concentration and the prevalence of key players.



## 2 In-depth Service Enhancement

- As paper consumer packaging gains prominence in the FMCG industry, solution providers for FMCG paper consumer packaging are increasingly involved in the packaging development process. They offer one-stop solutions, covering marketing design, process design, technology planning, production, and transportation and logistics continually enhancing service depth. To provide marketing designs and production management tailored to the characteristics of packaging products and clients' demand, solution providers need to possess an in-depth understanding of packaging materials, structures, and processes. Furthermore, the provision of in-depth services places heightened demands on the technological capabilities across various facets of solution providers, encompassing marketing design, process design, technology planning and production. Leading packaging enterprises actively participate in various stages of the packaging development process, enhancing the collaboration effect of each stage and production efficiency, thereby providing significant support to FMCG enterprises.



## 3 Category Coverage Capability Enhancement

- With ongoing product innovation in the FMCG industry, the demand for more diverse paper consumer packaging categories from FMCG enterprises is expected to continue to rise. To better serve FMCG clients, solution providers in FMCG paper consumer packaging are expected to consistently broaden the spectrum of packaging product types. For instance, paper-based packaging for fast food is rapidly replacing plastic cups, plastic food containers, and other plastic consumer packaging products, thereby presenting significant market growth opportunities. Companies need to expand their production capacity for paper packaging for quick service restaurants and enhance its waterproof and grease-resistant properties to achieve business expansion. Meanwhile, enterprises with stronger category coverage capabilities are better equipped to meet the evolving packaging needs of existing clients. They also have the potential to attract more clients with similar needs, thereby securing additional orders and revenue. Consequently, FMCG paper consumer packaging solution providers with comprehensive category production capabilities are poised to gain a significant advantage in the market.

# As the environmental protection requirements tightening, leading paper consumer packaging companies demonstrate robust environmental production and cost control capabilities, resulting in a more pronounced industry concentration.

## Elevated Environmental Requirements

With the heightened awareness of environmental conservation and the continual improvement of environmental regulations, there is a constant elevation in the environmental and hygiene standards for FMCG paper consumer packaging enterprises.

### Improved Environmental Regulations

- Strive to reduce the comprehensive energy consumption of industrial unit products during the "14th Five-Year Plan" period for pulp from 350 kgce/t to 320 kgce/t and for paper and paperboard from 480 kgce/t to 450 kgce/t.
- Close production facilities that fail to meet emission standards, have relatively outdated energy consumption levels, and exhibit weak product competitiveness.
- The utilization of biomass energy accounts for more than 35% of total energy consumption.



## Technology

The environmental technology requirements are constantly increasing.



## Cost

With the increasing national requirements for environmental and sanitary standards, the upstream raw material costs are gradually rising.

## Increased Industry Concentration

### Premier large-scale enterprises



### Small and medium-sized enterprises



### Production Environment and Technology



Possessing enhanced environmental production capabilities to better adapt to the increasingly stringent requirements for environmental compliance.

Lacking the necessary production environment and technology, some players will be compelled to exit the market.

### Cost Control



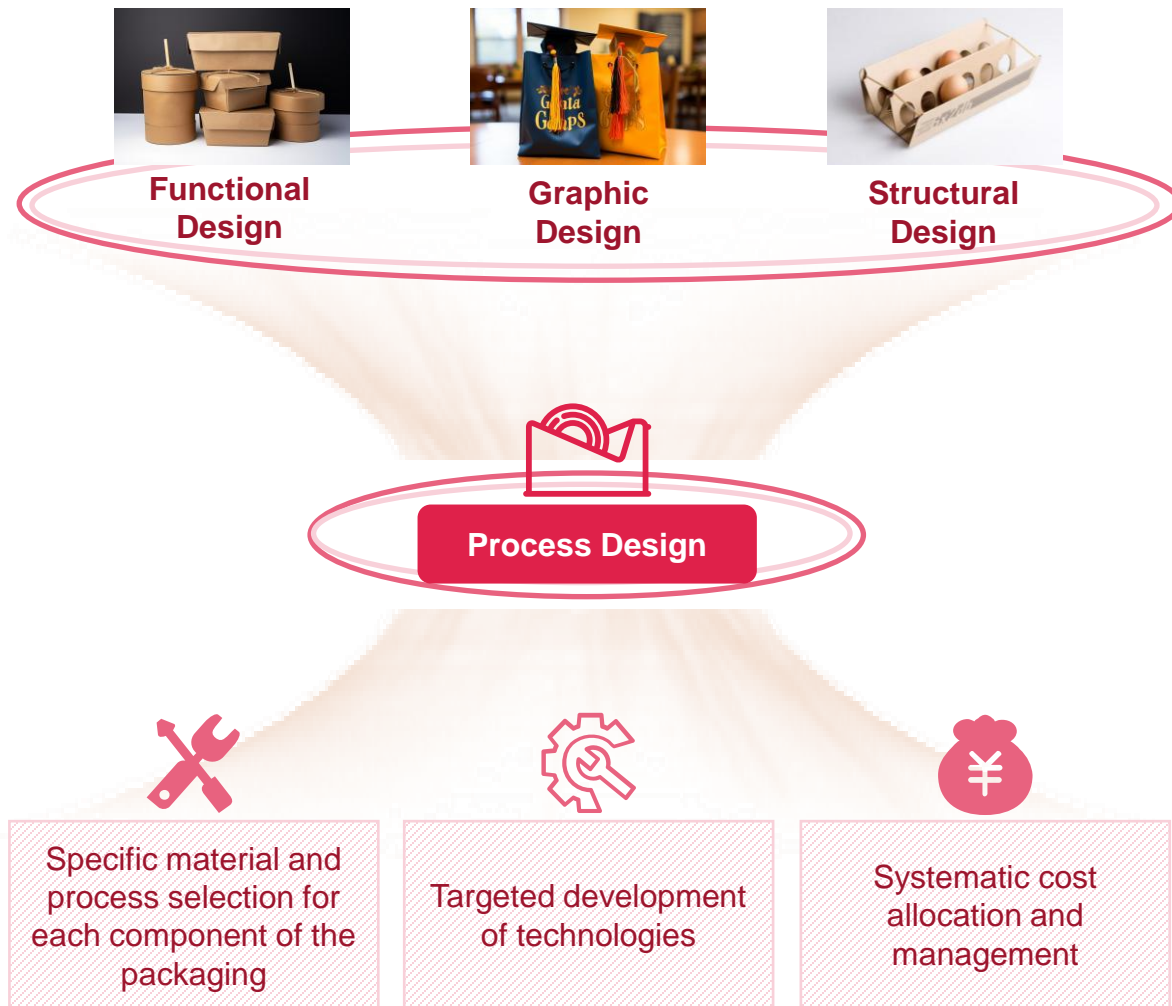
Strong bargaining power in raw material negotiations help gain a competitive advantage.

Lack of technical expertise and cost control further weakens competitiveness.

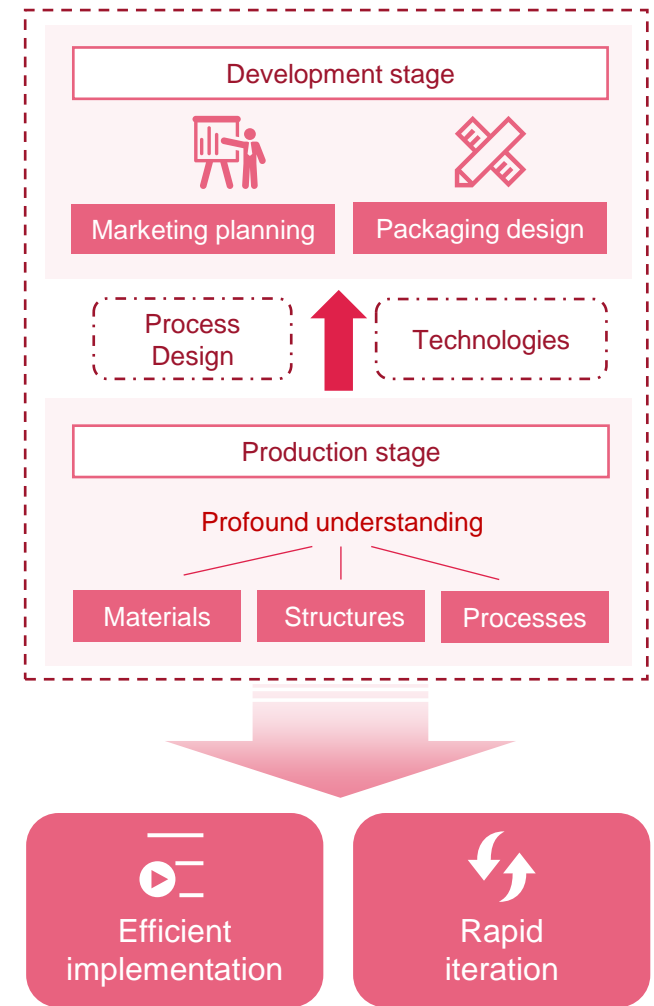
Leading enterprises with advanced technology and strong raw material bargaining power will gain a competitive advantage, making industry concentration and the dominance of major players more pronounced.

With profound expertise, solution providers enhance the collaboration and production efficiency across various stages by process design and related technologies, resulting in their deeper engagement in the whole process.

### Marketing design in the realm of paper consumer packaging solutions



### Synergies across various stages





To better serve FMCG clients, solution providers will consistently broaden the spectrum of packaging product types through innovations, thereby continuously expanding their packaging category coverage.

### Main categories of FMCG paper consumer packaging



### Key Analysis

- With ongoing product innovation in the FMCG industry, the demand for more diverse paper consumer packaging categories from FMCG enterprises is expected to continue to rise. To better serve FMCG clients, solution providers in FMCG paper consumer packaging are expected to consistently broaden the spectrum of packaging product types. For instance, paper-based packaging for fast food is rapidly replacing plastic cups, plastic food containers, and other plastic consumer packaging products, thereby presenting significant market growth opportunities. Companies need to expand their production capacity for paper packaging for quick service restaurants and enhance its waterproof and grease-resistant properties to achieve business expansion. Meanwhile, enterprises with stronger category coverage capabilities are better equipped to meet the evolving packaging needs of existing clients. They also have the potential to attract more clients with similar needs, thereby securing additional orders and revenue. Consequently, FMCG paper consumer packaging solution providers with comprehensive category production capabilities are poised to gain a significant advantage in the market.

**Based on the sales revenue generated from FMCG paper consumer packaging solution in 2024, the Group ranked the first in China's FMCG paper consumer packaging solution market.**

**Competition landscape of China's FMCG paper consumer packaging solution market, 2022**

Ranking	Company	Revenue generated from FMCG paper consumer packaging solution in 2022 (RMB billion)	Market share
1	The Group	2.0	1.2%
2	Company E <sup>(1)</sup>	~1.7	~1.0%
3	Company F <sup>(2)</sup>	~1.4	~0.8%
4	Company G <sup>(3)</sup>	~1.4	~0.8%
5	Company H <sup>(4)</sup>	~1.2	~0.7%
Sum of top 5 players		~7.7	~4.5%

#### Key analysis

- In terms of revenue in 2024, FMCG paper consumer packaging solution market in Mainland China accounted for 68.6% of paper consumer packaging solution market in China, and the latter accounted for 10.3% of packaging solution market in China. The total market share of the top five participants in China's FMCG paper consumer packaging solution industry was approximately 4.5%. As environmental protection and automated production requirements intensify, leading enterprises are well-positioned to capitalize on this trend. There is an anticipation that market concentration will persistently rise in the future.
- The Group is the largest FMCG paper consumer packaging solution provider in Mainland China, in terms of revenue in 2024.

Notes: (1) Company I was established in 1996, and is headquartered in Shenzhen, China. It is a packaging solution provider mainly providing color boxes and gift boxes. It is a listed company on the SZSE.

(2) Company J was established in 1990, and is headquartered in Guangdong Province, China. It mainly provides folding cartons, rigid boxes, molded pulp and promotional tools, etc. It is a listed company on the SZSE.

(3) Company K was established in 1988, and is headquartered in Shanghai, China. It is centered on packaging and printing, and supported by FMCG distribution, import and export trade, real estate, and venture capital. It is a listed company on the SZSE.

(4) Company L was established in 1996, and is headquartered in Guangdong Province, China. Its products mainly include boutique boxes, color boxes, paper boxes, cigarette packs, wine packaging and leather boxes, etc.



# Entry barriers of FMCG paper customer packaging solution industry in China (1/2)

## Entry barriers of FMCG paper customer packaging solutions industry in China

### One-stop Service Capability

- The FMCG paper consumer packaging solution providers demonstrate their overall strength through their capability to provide one-stop service, encompassing marketing design, production, and transportation and logistics, thereby fostering coordination and efficiency throughout diverse phases of packaging development. Simultaneously, the one-stop service capability substantially reduces the number of parties engaged in the packaging development process, thereby reducing both time and costs for customers who would otherwise contract with multiple service providers. In effect, leading solution providers can increase customer satisfaction levels and add value to packaging production through the provision of one-stop services. This comprehensive solution presents a considerable challenge for other market participants, as most of them often grapple with the complexities of providing such services, impeding their ability to establish advantageous customer relationships and competitive service pricing.

### Top-tier Client Coverage

- Top-tier FMCG enterprises have forged partnerships with numerous prominent clients, ensuring a consistent revenue flow through the steady demand for packaging from these major FMCG players. Concurrently, these leading FMCG companies set higher benchmarks for the technological and quality aspects of paper consumer packaging, compelling solution providers with certain scale to continually enhance their research and development capabilities and technical expertise. Furthermore, the experience gained from servicing top-tier clients not only validates the corporate strengths of FMCG paper consumer packaging solution providers but also serves as a magnet for potential clients, thereby facilitating the expansion of their business footprint. Conversely, relatively small enterprises encounter formidable challenges in their business development endeavors due to the absence of resources associated with top-tier clients.

### Process Design and Technology Planning Capability

- Process design plays a pivotal role in marketing design for FMCG paper consumer packaging and carries substantial importance in achieving the functionality, structure, and graphic design goals of FMCG paper consumer packaging. Process design encompasses precise selection of materials and processes for packaging production, targeted planning of technologies, and meticulous cost allocation and management. By actively engaging in process design, FMCG paper consumer packaging solution providers are required to seamlessly integrate ideas and information of marketing design into the production process, leading FMCG paper consumer packaging solution providers adeptly provide process design services to clients, addressing their branding and marketing needs more effectively. This demands extensive process design experience, excellent craft expertise, and robust research and development capabilities, posing a formidable barrier for relatively small enterprises.

# Entry barriers of FMCG paper customer packaging solution industry in China (2/2)

## Entry barriers of FMCG paper customer packaging solutions industry in China

### Adaptability to the Policy Environment and Emphasis on ESG

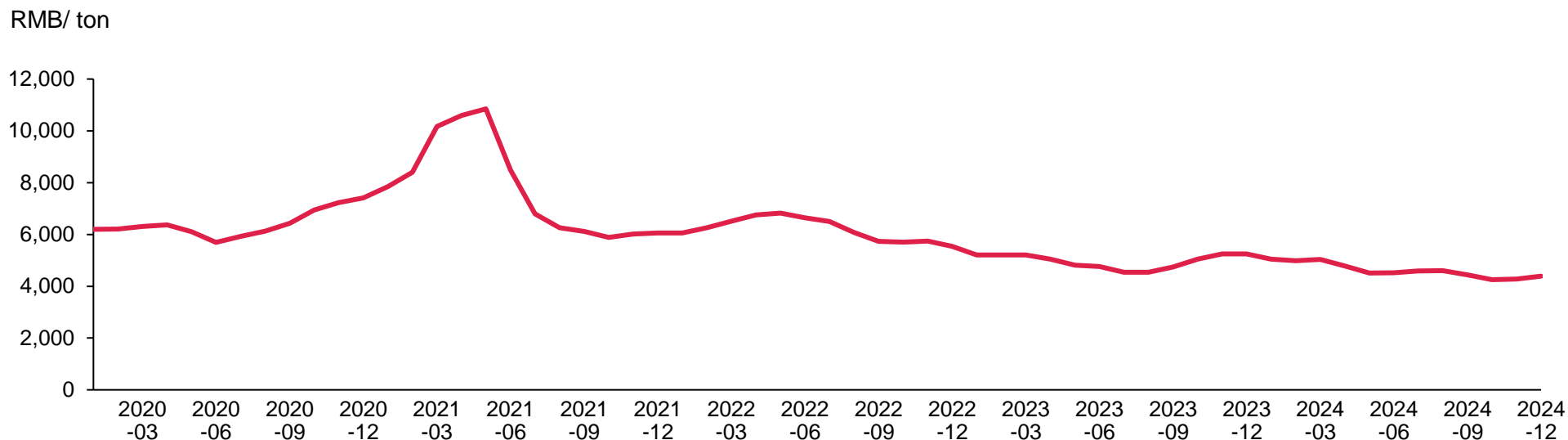
- As an integral component of the FMCG products, FMCG paper consumer packaging is widely seen in daily life with large volumes, and both of its production and post-use disposal are expected to have a significant influence on our society and environment. The evolving landscape of environmental awareness and the implementation of ESG policies are reshaping the policy environment for FMCG paper consumer packaging. There is a discernible industry shift towards embracing the “Replace plastic with paper” trend, leading to an escalating emphasis on environmental standards for FMCG paper consumer packaging. Forward-thinking industry leaders are proactive in anticipating policy changes, enabling them to secure a competitive advantage in the dynamic market landscape. Conversely, relatively small enterprises often lack the accumulated expertise in the research and development of functional paper packaging solutions and the validation of plastic substitutes, making it challenging for them to adapt to shifts in the policy environment.

### Technology and Innovation Capability

- In response to the persistent trend of heightened differentiation in the competitive FMCG market landscape, there is a growing need for advanced technology and innovation capabilities to consistently develop innovative, high-quality paper packaging products. Furthermore, in an environment where labor costs are steadily increasing, the adoption of automated production through digitization and intelligent technologies has become an essential requirement for attaining cost advantages. This poses a formidable challenge for relatively small enterprises, especially when contending with leading FMCG paper consumer packaging solution providers who have already solidified proficient research and development teams and implemented sophisticated digitized production processes.

**White cardboard have emerged as the dominant raw material employed by FMCG paper consumer packaging, exerting a pronounced influence on both costs and pricing dynamics within the FMCG paper consumer packaging solution industry.**

**Historical price of white cardboard in China, 2020-2024**



### Key Analysis

- At present, white cardboard have emerged as the dominant raw material employed by FMCG paper consumer packaging. Due to macroeconomic conditions, supply and demand, as well as changes in global pulp future market, the price of white cardboard underwent substantial fluctuations from 2020 to 2024. Particularly in 2021, the price of white cardboard surged to its highest level in nearly five years, driven by the upward movement in pulp prices upstream, which exerted a pronounced influence on both costs and pricing dynamics within the FMCG paper consumer packaging solution industry. A combination of various social and economic factors, such as strikes, global reflation and Renminbi appreciation, drove the increase in pulp price in 2021. For example, the large-scale strike in South Africa and the outbreak of the pandemic in South America in the second half of 2020 led to a reduction in production volume of major raw materials for white cardboard paper, including softwood and hardwood pulp. From the demand side, since the latter half of 2020, major economies worldwide, with China at the forefront, have embarked on a recovery phase, stimulating downstream demand and driving the increase in pulp price. The following diagram illustrates the historical prices of 250g white cardboard in China for the periods indicated.
- The pricing of FMCG paper consumer packaging is predominantly dictated by the raw material costs, along with supplementary charges arising from processing procedures. Commonly encompassed within these costs are printing plate charges, paperboard materials costs, printing processing fees, and post-processing fees. The selection of paperboard material, its quantity, and the techniques employed to achieve marketing design objectives, encompassing both the quantity and complexity of processes, all contribute to the determination of the final product price. Additionally, FMCG paper consumer packaging solutions enable packaging enterprises to diversify revenue streams by offering a wide range of value-added services. During the Track Record Period, Jihong were able to pass on most of the increase in raw material prices to our customers and our gross profit margin had not been materially and adversely affected by the fluctuation of raw material prices during the Track Record Period.

# Verifications

- For the year ended December 31, 2024, Jihong's ROI, which was 191.2%, was higher than the industry average.
- Jihong is among the first companies empowering their business with AI technology in China.
- Jihong was among the first batch of green paper packaging providers in Mainland China.
- In 2022, 2023 and 2024, the inventory to sales ratios of Jihong's cross-border social e-commerce business amounted to 3.7%, 3.2% and 4.0%, respectively, which were below the industry average.
- In 2022, 2023 and 2024, Jihong's ROI was 208.3%, 189.8% and 191.2%, respectively, which were higher than the industry average.
- Meta (including Facebook and Instagram), Google (including YouTube) and TikTok are the major social media platforms globally.
- Nowadays, China's B2C outbound social media e-commerce enterprises place their advertisements on social media platforms primarily through contracting with digital marketing service providers.
- A worldwide increase in inflation began in mid-2021, with many countries seeing their highest inflation rates in decades.

# Verifications

- ROI is a common performance metric embraced across the digital advertising industry and social media e-commerce industry, as the sales of both markets stem directly from the advertising efforts of market players.
- Many social media platforms, including those jihong's place advertisements on, turned to SKAd Network-based ("SKAN-based") advertising attribution technology, which provides aggregated insights in measuring the effectiveness of advertisements placed with no user level data and has been commonly adopted by social media platforms since Apple's policy change.
- Asian users have a preference for shopping online through social media platforms.
- Jihong stands out as the only one among the top ten players in China's B2C outbound social media e-commerce companies, generating more than 30% of its revenue through this "goods discovering people" model in the Asia market.
- Jihong is one of the few public companies in China that adopt this "goods discovering people" model.
- It is a common industry practice for e-commerce companies to enlist the services of digital marketing service providers.
- As testament to the efficacy of jihong's supply chain management capabilities, in 2024, for jihong's cross-border social e-commerce business, jihong's inventory to sales ratio was 4.0%, which was below the industry average.
- In 2024, Jihong's ROI, which was 191.1%, was higher than the industry average of 180.0%.
- The outbreak of the pandemic impacted consumption patterns to gradually move from offline to online, especially in 2022, being the peak periods of the pandemic

# Verifications

- Northeast Asia has (i) a comparatively higher average selling price per order, in line with the stronger purchasing power exhibited by the population, and (ii) a relatively higher order fulfillment rate.
- The median age of the population in Southeast Asia is approximately 31.9 in 2024 and is expected to increase to approximately 33.4 in 2029.
- The market size of China's B2C outbound social media e-commerce market in Vietnam and Indonesia amounted to US\$3.0 billion and US\$1.1 billion in 2024, respectively, in terms of revenue.
- Placing advertisements through digital marketing service providers on social media platforms is in line with industry norm.
- it is not uncommon for advertisers engage third-party advertisement producers to facilitate the advertisement content creation.
- Typical paper packaging manufacturers primarily provide packaging production services, manufacturing standardized packaging products in accordance with designs designated by customers.
- The social media e-commerce penetration rate in European and Latin America increased from 11.4% and 11.5% in 2020 to 12.6% and 13.3% in 2024, respectively.
- Witnessing the growth in China's B2C outbound e-commerce, more and more consumer goods SMEs are seeking opportunities to sell their products overseas.
- A large number of upstream consumer goods SMEs in China do not have the capability to front the complexity and uncertainties arising from cross-border logistics processes such as transportation, customs clearance and tax payment, as well as from using different currencies and payment systems, and language barriers.

# Verifications

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- In terms of revenue in 2024, FMCG paper consumer packaging solution market in China accounted for 68.6% of paper consumer packaging solution market in China, and the latter accounted for 10.6% of packaging solution market in China.
- In 2022, 2023 and 2024, the inventory turnover days of Jihong's packaging solution business, which amounted to 58.7 days, 57.4 days and 54.5 days, respectively, were below the industry average.
- Corn starch and phyto-based ink are widely-recognized as eco-friendly materials in the industry.
- Placing advertisement on overseas social media platforms is in line with industry norms.
- There are intensified market competition and exchange rate fluctuations in certain regions in 2024.
- Acquisition targets who has existing brands in the Asian market developed by third parties that in the daily consumption categories (including but not limited to cosmetics, jewelry and accessories and sportswear) that are among the top 30 suppliers in the relevant categories as ranked by leading e-commerce platforms with distinctive brand recognition, an existing well-established supply chain and no less than 15% customer repurchasing rate are generally available in the market.





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China Insights Consultancy

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