

Building Brands THE ALIBABA WAY

The Lion Brand Yarn Company enjoys broad retail distribution in the U.S. where the craft and hobby market is well established. The company's products are not sold in China, but that could change soon.

"We're really not doing anything in China now," said Evan Blumenthal, director of global business development with Lion Brand Yarn Company. "We did a small test about five years ago with a partner and offered products in their (online) stores, but we just showed up and expected that to make a difference. We really didn't invest enough to tell our story."

Blumenthal expects to develop Lion Brand's China strategy in the next six months, which is why he was among the roughly 3,000 attendees at Alibaba's inaugural Gateway '17 conference. He wanted to better understand the opportunity in China, where rising incomes are creating new opportunities for all types of U.S. suppliers, especially those in the hobby and craft business positioned to capitalize on Chinese pursuit of leisure activities.

While the company's eventual strategy is a work in progress, Blumenthal already knows it will look different than the approach in the U.S. where 90 percent of sales are B2B.

"The way we go to market in the U.S. is not the way we have to do it in China. Our strategy will be e-commerce first in China," Blumenthal said. "When we launched our U.S. e-commerce business in 1996 it was essentially an online version of a catalog, but we evolved it to become a place to provide content and inspiration and offer free patterns as opposed to just selling product."

The blending of commerce and content is a trend seen worldwide, but it works especially well in China with consumers who may need to be educated about unfamiliar brands and products. That was the case with Ocean Spray when the company decided to sell cranberries online. The only problem with that idea is that cranberries are not indigenous to China so Ocean Spray had to invent a Chinese word for cranberry and it began by selling through Costco's store on Alibaba's Tmall platform in 2014.

"It was a way to test and learn and understand the marketplace," said Cheryl Sullivan, Ocean Spray's director of e-commerce. "We started selling direct in October 2015 with a flagship store on Tmall because it is a great way for us to reach a vast audience and tell our story. We have a direct relationship with consumers and can teach them

about how cranberries are grown by our cooperative of 700 growers."

The strategy appears to be working with 70 percent of the company's sales in China coming from e-commerce, according to Sullivan, an e-commerce veteran who spent 12 years with toymaker Hasbro's e-commerce unit prior to Ocean Spray.

While Ocean Spray's China strategy was intentional, Stadium Goods market entry was more opportunistic. The consignment retailers of used sneakers and streetwear opened a store in Manhattan in October 2015 and soon became aware of the sales opportunity in China.

"Our first month in business a customer spent \$10,000 with us on product to resell in China," said co-founder and CEO John McPheters. Not long after that Stadium Goods set up shop on Alibaba and began direct sales to China. "There are a lot of products that Chinese consumers still can't get because supply has not caught up with demand."

One category where demand for U.S. products is especially strong is for beauty products. That's why vertically integrated beauty products manufacturer and retailer 100% Pure recently established a storefront on Alibaba's Tmall.

CEO Ric Kostick had been using Alibaba's platform to source packaging for his cosmetic products since 2004. The company's U.S. retail operation currently consists of 12 stores, eight of which are in California, but 70 percent of sales volume is done online. Even though Kostick expects to



▲ Ric Kostick, Founder and CEO, 100% Pure.

operate about 50 stores in the U.S. in four years, he also expects the company's business in China to grow dramatically.

"Our business in China will be bigger than the U.S. in four or five years," Kostick said. **RL**



◀ John McPheters, Co-Founder and CEO, Stadium Goods.



▲ Evan Blumenthal, Director Global Business Development, Lion Brand Yarn Company.