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What's Made in China Should Sell in China

by [Kathryn Hawkins](#) | Jul 14 2011

U.S.-based e-tailer DefySupply hopes to sell its Chinese-made products to Chinese consumers. But is Asia ready for the American e-commerce model?

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DefySupply wants to sell its made in China wares to local consumers.

Image: Design by Sean Driscoll

A Minneapolis-based e-commerce furniture site wants a bigger piece of China.

With a population of more than 1.3 billion people, a rapidly growing urban middle class, and an economy poised to dominate the world, China is an attractive consumer marketplace for American companies.

DefySupply wants some of that action.

"There are very few online retail companies selling directly to consumers there," says **Brent Gensler**, DefySupply's 27-year-old CEO. "The Chinese market is a world of potential."

DefySupply launched in 2008. The company ships furniture and other like products directly from Chinese manufacturers to U.S.-based consumers, saving customers thousands in wholesale costs. The firm employs 15 in the Chinese province of Guangdong, who work with manufacturers and organize product shipping. Gensler and his associate, **Gareth Mandel**, spend several months each year in China overseeing operations and negotiating partnerships.

DefySupply achieved success in the U.S., bringing in \$3.5 million in revenues for 2010. Now, the company hopes to expand by selling

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Venture capitalists have long been rushing in to fund Chinese e-commerce sites. Now the world's largest retailer is joining the game. [Read More](#)

A Long View on China



American entrepreneurs often see dollar signs when they think of opportunities in China, but the road to riches in the world's largest consumer nation is fraught with tough business dealings and taking things one day, and one deal, at a time.

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SPOTLIGHT ON EDITOR'S CHOICE



directly to consumers in China—but Gensler knows it may not be an easy sell.

An average sale at DefySupply is \$1,000, yet many Chinese workers make no more than \$3,500 in wages in an entire year. “It’s a little difficult to get people to pay a third of a year’s salary on a sofa,” he admits. As a result, DefySupply is marketing its products to the rising middle and elite classes. Because the products are manufactured in China, the company doesn’t need to incorporate freight costs into the equation. Its prices there will be about 30 percent lower than those charged to U.S. consumers.

Culture, rather than cost, could be a bigger obstacle to DefySupply’s growth in China. E-commerce is still a new phenomenon there: “It feels like the U.S. in 2002, when everyone went to eBay for everything,” says Mandel. “People had that natural fear about whether the products they were ordering were genuine.” Older generations in particular “want to go to the store to touch a product and see what they’re purchasing,” he says.

Adding to the frustration is the fact that many Chinese consumers don’t have credit cards and are distrustful of online-payment systems. But the company believes that a new merchant payment processor called **AliPay**, in which the customer isn’t charged until the product has actually arrived, could pave the way for widespread adoption of e-commerce. “As people buy more online, they’ll begin to understand that they have consumer protections,” says Mandel.

George T. Haley, University of New Haven professor and author of *The Chinese Tao of Business: The Logic of Successful Business Strategy*, believes that DefySupply may also find a culture clash when it comes to customer service. “The Chinese have become extremely demanding consumers, and service is something that they absolutely demand to a much greater standard than American consumers,” he says. He believes it will be essential for the company to maintain inventory so that it can guarantee delivery times, or risk customer backlash.

Likewise, he says, “the Chinese consumer is extremely brand-conscious.” He thinks that the company will need either to align itself with well-known and desirable suppliers, or it will need to focus on associating its own brand name with luxury. “They’re promoting low cost as a selling point, which won’t work there,” says Haley.

Despite the hurdles that DefySupply is likely to face, company officials are optimistic about opportunities in China. “We have a strong advantage because we have systems in place already,” says Mandel. “We have the supply side taken care of. Now we just need to find the best way to reach consumers.”

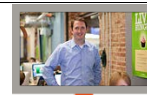
The DefySupply team has been concentrating on developing a China sales strategy for more than six months. The firm is building a Chinese-language website and researching what kinds of products to spotlight for consumers there. “They don’t want huge La-Z-Boy recliners,” says Gensler. “People have a lot less space, so they want smaller sofas.”

The next stage will involve working out logistical issues like shipping and pricing. Once DefySupply has finalized its mission, it plans to use Google AdWords to raise awareness of the new Chinese site. “In the first few months, we’ll be pretty quiet with how we promote the site, but once we really understand the system and can predict delivery times accurately, we’ll ramp things up,” says Gensler.

And after the company has perfected its Chinese marketing strategies, Gensler’s set on expanding the company yet again—this time, into the European market. “We can sell to basically anyone in the world,” says Gensler, “so why wouldn’t we?”



The month of May isn’t traditionally a good one for retailers, and this one wasn’t an exception. Of 24 retailers, about 60 percent missed expectations, but amid the lackluster data, the luxury and e-commerce sectors continue to shine. [Read More](#)



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If it seems like LivingSocial and Groupon have a lot in common, it’s because they do. But the tack of expanding overseas may set the two daily deal sites apart. [Read More](#)

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Kathryn Hawkins is a writer/editor/social media strategist/entrepreneur with a strong background in both

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Richard Biggs

Interesting article - I wish the company all the best. I'm mentoring 2 US based companies also producing in China but not selling there - they are perplexed by how to open up China and still protect their IP.

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Ernie Diaz · Works at Web Presence In China

The author obviously isn't based in China, and both Portfolio and Haley are guilty of the patronizing attitude to China that contributes to American companies staying out of the world's go-to market. The Chinese are just as used to buying online as Americans, and there is no mystical cultural disconnect to hamper transactions. Any doubters should come here and see the ubiquitous e-commerce ads, and mile-long lines at McDonald's. Get over your fear and distrust.

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Vera Yh Wang · Dallas, Texas

interesting read. I don't see why not. China is the second largest luxury consumer market next to

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