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# **New form of parallel trading within Russia-China economic relations**

**Sergey Sosnovskikh<sup>1</sup>**

Management and Entrepreneurship Department  
Leicester Castle Business School  
De Montfort University

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**Abstract:** This paper investigates the phenomenon of ‘daigou’. Daigou are perceived as harmful in China as they do not pay any import taxes. However, daigou have established well-organised supply-chain channels on the borders between Russia and China and have helped to boost sales for Russian regional businesses. With the help of in-depth interviews, this study provides three core findings. Firstly, it describes the entire supply-chain structure of daigou activity in Russia-China trade relations and the methods used by daigou to bypass border customs controls. Secondly, it explores the key benefits for Russian manufacturers and retailers and shows how they cooperate with Chinese daigou. Finally, it proposes that daigou are not just purchasing representatives but that they also act as consultants to Russian manufacturers and retailers and may therefore have a significant impact on the marketing costs, product development, and internationalisation strategies of those manufactures and retailers.

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<sup>1</sup> For correspondence: Hugh Aston Building, Gateway House. Leicester, United Kingdom, LE1 9BH.

Email: [sergey.sosnovskikh@dmu.ac.uk](mailto:sergey.sosnovskikh@dmu.ac.uk)

ORCID: <https://orcid.org/0000-0002-3744-740X>

**Keywords:** daigou, Russia, China, parallel trading, cross-border mobility, social embeddedness, mobility, virtual community

## **Introduction**

Daigou started in the middle of the 2000s, when Chinese tourists began travelling abroad in large numbers and noticed how much cheaper certain items were overseas (Gao, 2008). The reasons for such high prices in China were higher transportation costs, protectionist import taxes and mark-ups by retailers (Barnett & Sergi, 2019). With time, Chinese tourists spotted potential business opportunities to purchase certain goods abroad and transport them to individual customers in China, so avoiding the payment of numerous taxes. Even though daigou included margin and transport costs in the price of final products, it was still cheaper for customers to buy from daigou than for them to buy similar products in domestic markets (Huang et al., 2019). Furthermore, there were doubts concerning the quality of products within China, especially after the milk scandal in 2008, when six children died from melamine being added to powdered milk. This sparked even more demand for foreign brands, which were perceived as safer and better quality (Chang et al., 2019). China also has a complicated and expensive process for approving items for import (Chu & Wang, 2018; Giessen et al., 2016), and daigou were sometimes the only option for Chinese consumers to access the desired products quickly.

Daigou are not yet a well-studied phenomenon, although their supply chains are important and not well-understood sales channels in China (Jin & Hurd, 2018). In some cases, daigou channels are so successful that a single daigou e-commerce store can be larger than an official branded e-commerce one (Martin, 2017). Daigou means 'purchasing representative' or 'to buy on behalf of' and is pronounced 'dye-go'. This term relates to the person who sources and resells products, even though that person is not an authorised distributor. A daigou provides an informal consumer-to-consumer channel. The term also refers to the people who do the buying (Xie, 2018). In the early days of China e-commerce, a typical daigou was a student or a tourist who would bring back luxury clothes, bags and other products to sell online. This has now evolved into large and well-organised professional organisations that have established formal relationships with brands (Jin & Hurd, 2018). Commonly imported products include luxury clothes and accessories, cosmetics (especially cruelty-free ones), pharmaceuticals, and nutritional goods (Gao, 2008). Daigou use social media platforms such as Wechat or Taobao to connect with their final customers (Gao, 2008; Jin & Hurd, 2018; Martin, 2017; Xie, 2018). The Chinese government strives to regulate this activity because daigou do not pay full customs tax. However, regulation is difficult given that this grey market ranges from individual students at the one end to professional resellers who even offer the services of professional shoppers at the other (Jin & Hurd, 2018; Xie, 2018).

Existing literature has discussed the topic from different theoretical perspectives such as: the development of information and communication technologies (ICT) and internationalisation (Jin &

Hurd, 2018); barriers for small and medium enterprises (SMEs) to enter new markets (Jin & Hurd, 2018; Som & Blanckaert, 2015); mobility paradigm (Martin, 2017; Xie, 2018); and social embeddedness and virtual community (Gao, 2008; Rein, 2014). Academic scholars have not so far actively researched the daigou phenomenon. Discussions in the studies listed above were mainly based around interrelated theoretical concepts rather than around the topic of daigou. The daigou phenomenon is a relatively new topic, with variations in each country. In Russia, daigou have not been appropriately studied due to the nature of their business operations. The fact that daigou activity is illegal makes it difficult for researchers to conduct data collection in any form (e.g. observations, ethnographic studies, interviews) or to access any secondary data. Although the topic has received much attention from local businesses. For example, according to a publication by Dubravitskaya (2019) in the RBK News, more than 20,000 daigou operated in Russia in 2019: a total of around 12,000 in Moscow and St. Petersburg and 8,000 in another 13 cities, each with a population of more than a million citizens. Moreover, in 2018, the volume of the daigou market in Russia amounted to about 42 billion rubles, equivalent to 670 million US dollars, and the turnover of one daigou (at purchasing price) was circa 175,000 rubles per month, equivalent to 2,791 US dollars<sup>2</sup>.

This study aims to understand the essence of daigou business activities in the Russian context. There are three research questions. 1) What is the supply-chain structure of daigou in Russia-China trade relations? 2) What are the benefits for Russian manufacturers and retailers in cooperating with daigou? 3) How do daigou impact business activities in the Russian market? The paper is structured as follows. A literature review provides a theoretical discussion covering the topics of ICT and internationalisation, barriers for SMEs to enter new markets, the mobilities paradigm, social embeddedness, virtual community, and parallel trading; and, how they are related to the daigou phenomenon. Next, data collection and analysis methods are described. A case study approach was employed in this research. In total, fourteen semi-structured interviews were conducted with the help of the snowball sampling technique. The third section presents and discusses the findings according to the three identified research questions. Finally, the paper concludes with a reflection on the implications of the findings for future discussion on the impact of daigou and the development of their business activities in Russia, together with recommendations for further research. This research has found that in Russia, large daigou organisations use the services of standard transport companies to transport goods officially through customs. However, these goods go through customs under a different item code to the one which they should be assigned. This is done by bribing customs officials on particular transport hubs and appears to be a semi-legal international trade. Also, Russian retailers and manufacturers cooperate with daigou and treat them as partners. Daigou help Russian SMEs to

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<sup>2</sup> US\$1 equals 62.7 rubles, which was an average exchange rate during 2018 according to the Central Bank of Russia

gain and retain customers and they also provide access to international markets. Finally, the collaboration between daigou and Russian businesses (both manufacturers and retailers) involves the former providing consultancy services to the latter concerning product improvement and internationalisation strategies.

## **Literature review**

### ***Manufacturing and retailing***

Manufacturing is the processing of raw materials or parts into finished products using tools, human labour, machinery and chemical processing (Schonberger, 2008). Large-scale manufacturing enables the mass production of goods using assembly line processes and innovative technologies as core assets. Effective production methods allow manufacturers to take advantage of economies of scale by making more units at a lower cost (Plinere & Aleksejeva, 2019). Production is the process of creating added value, which allows enterprises to sell finished products at a higher price than the cost of the raw materials used to create them (Seitz & Licht, 1995). Retail is the sale of manufactured goods to end users, not for resale, but for use and consumption by the buyer (Sorescu et al., 2011). The point of purchase can be a retail store (e.g. brick-and-mortar), an online shopping store, a catalogue or even a mobile phone. Manufacturers sell a large number of products to retailers, who try to sell those products on to consumers (Schonberger, 2008; Sorescu et al., 2011). Retailers are the last link in the supply chain between producers and consumers. Retail is vital because it allows manufacturers to focus on the production of goods, without being distracted by the colossal effort needed to interact with the end-users who want to purchase those goods (Oubiña et al., 2006; Schonberger, 2008).

Retailers act as manufacturer's customers when they buy manufacturer's brands. Nevertheless, they are competitors when they sell their retail brands along with manufacturer's brands in their stores (Oubiña et al., 2006). Thus, the manufacturer must carefully consider the production of retail brands since the distributor plays the double agent role (customer and competitor). The manufacturer's dependence on the retailer and the power of the retailer in the channel are probably the two main elements of the distribution management of retail brands as value brands, with the price-quality relationship favouring quality (Lennerts et al., 2016). At the same time, the different goals of manufacturers and retailers regarding the production and sale of retail brands affect the impact that the manufacturer's competitive position with respect to the manufacturer and retail brands has on the degree of dependence and satisfaction perceived by the manufacturer in their relationship with the distributor (Wanke, 2012; Zondag & Brink, 2015). The relationship between the manufacturer, retailer and the customer has changed significantly due to the emergence of the ICT, which also stimulated and facilitated the businesses go global. Digital online platforms provide a variety of e-commerce formats, including business-to-business (B2B), business-to-consumer (B2C), and

consumer-to-consumer (C2C). These digital platforms enable firms to sell their products and services to a large number of customers, not only at a lower price than standard retail channels but worldwide (Jin & Hurd, 2018). Moreover, daigou acts in this chain as a connector between manufacturers, retailers and customers with the help of ICT and digital platforms, which facilitates and adds value to these processes (Jin & Hurd, 2018; Martin, 2017).

### ***ICT and internationalisation***

ICT and the wide reach of the Internet have changed many conventional business models and practices. From a business perspective ICT facilitates the exchange of information, increasing productivity throughout the entire value chain for most firms and industries (Angehrn, 1997; Barnes et al., 2004; Elango, 2000). According to Fernandez & Nieto (2006), ICT is the most cost-effective instrument in assisting businesses to capture bigger markets and to achieve competitiveness against larger companies globally. ICT is a particularly vital factor in acquiring knowledge when entering new foreign markets (Moen et al., 2008; Sin Tan et al., 2009). Speed, low cost and the accessibility of the Internet have boosted the dissemination of e-commerce globally. Furthermore, cross-border e-commerce activities allow businesses to grow globally through digital platforms which generate new opportunities, especially for SMEs (Fisher et al., 2007; Wade et al., 2004). SMEs play a key role in economic growth for most nations (Alkhoraf et al., 2019). In contrast to MNEs, SMEs commonly suffer from resource constraints both in local and foreign markets, experiencing financial and cost related issues and suffering from lack of market knowledge when they internationalise (Lin & Ho, 2019; Majer & Nohammer, 2009). SMEs are known to have various market entry barriers, especially to international markets. Given the fierce rivalry that Russian SMEs face when entering the Chinese market, the opportunities offered by digital platforms seem to be promising, though not well yet understood. Daigou have the potential to act as an alternative tool to gain knowledge about markets and facilitate the process of internationalisation (Jin & Hurd, 2018; Martin, 2017).

### ***Market barriers for SMEs***

Market entry barriers are obstacles, which companies encounter when they enter a new market or industry sector. Physical distance, resource limitations and knowledge of markets commonly affect a company's strategy (Morrison, 2017). According to Lu & Beamish (2001), human resource limitation is also an essential factor as it restricts a company's ability to gain the information and knowledge necessary to enter new markets and to develop its business successfully. According to Jonsson & Elg (2006), the internationalisation of retailers is challenging and complex compared to the internationalisation of manufacturing. For each new market, the retailer must go through the process of assessing and evaluating that market and its consumers, searching and developing stores, solving

logistical problems, selecting new staff, etc. For a retailer who seeks to effectively manage this process, developing a strategy for the exchange of knowledge between markets should be especially important. Firms are less capable of obtaining an in-depth knowledge of markets with greater cultural distance, and of understanding the infrastructure and political system in which those markets operate (Trompenaars & Hampden-Turner, 2011; Williams & McGuire, 2010). Cultural differences are often linked to different business practices (Binder, 2016; Jarratt & O'Neill, 2002). Hence, it is important to understand the peculiarities of a national culture and its different approach to management in order to reduce psychic distance and improve the efficiency of international operations.

The development of ICT has changed conventional business practices and social norms significantly. This includes internationalisation strategies (Dunn & Salazar, 2004; Rangone et al., 2002). It has become easier to gain access to international markets, customers, suppliers, distributors and logistics, to collect information and conduct market research and to expand networks. According to Yamin & Sinkovics (2006), one of the core characteristics of e-commerce is that it allows the connection of a large number of actors in business operations quickly and at low cost. Through ICT and online interactivity, companies understand consumer behaviour and preferences and obtain insights into environmental differences in foreign markets, hence decreasing psychic distance. Arenius et al. (2005) suggest that the Internet provides a worldwide sales channel that mitigates the consequences of liability abroad and overcomes scarcity of resources, therefore helping to speed up the internationalisation of firms. The Internet can help improve knowledge acquisition by improving the availability and use of information, as well as via interactive communication (Balocco et al., 2012).

The benefits of the Internet and of ICTs affect business performance and innovation and emphasise the fact that digital platforms such as Amazon have changed the supply chain management structure (Scuotto et al., 2017). With the help of digital platforms, SMEs, and most especially microfirms, are able to connect with their customers and suppliers directly all over the world and to commence internationalisation quickly despite their size and resource limitations (Schniederjans et al., 2020). Nevertheless, ICT benefits also come with a number of disbenefits such as a faster oversaturation of markets and stronger competition (Kelly & Harrison, 2009). This raises a serious debate about the mobility concept, which has been actively discussed by scholars.

### ***Mobility paradigm***

The mobility paradigm is most strongly influenced by sociologists, including John Urry (2007), Mimi Sheller (Sheller & Urry, 2006) and Anthony Elliott (Elliott & Urry, 2010). This paradigm is based on the assumption that it is human and non-human mobility, rather than geographically delineated societies, which centrally determines social life in the modern world. Consequently, sociology is faced



with the task of looking beyond societies to study all forms of movement (Urry, 2012), at the same time as recognising that movement abilities are unevenly distributed, and that access to mobility and connection for some relies on the stasis and separation of others (Sheller & Urry, 2006). What is new in social life in an era of mobility is the concept of network capital (Tehseen & Sajilan, 2016). For Urry, network capital is a prerequisite for living in the complex, multi-network world of late capitalism (2007). The notion of network capital is fundamental according to Urry because it attempts to define the social consequences of mobility. Urry further suggests that network capital is a substitute for the concept of social capital, as developed by Robert Putnam (Urry, 2007, 2012). While Putnam believes that social capital is created through geographic proximity in small communities, Urry insists that in an era of mobility, relationships of interpersonal trust and joint presence are usually formed and maintained at a distance. The beneficial effects of network capital for those hypermobile groups possessing a high level of such capital (a typical example being the new breed of ultra-rich 'globals') exceed the benefits provided purely by the economic and cultural capital of these groups (Elliott & Urry, 2010).

Two main points arise from this discussion. The first is that by shaping the ability to move and communicate at a distance as capital, the concept of network capital normatively is related to mobility with advantage (Elliott & Urry, 2010). Given only a brief mention of impaired forms of mobility, mobility in these accounts seems to be inextricably linked with power (Franquesa, 2011). In other words, network capital is presented paradigmatically as a strong form of capital associated with the strategic movements of influential entities. The second point is that this new version of social capital (i.e. network capital) is conceptualised as geographically rampant. This is open to debate, if considered in the light of the life experience of some groups in the field of mobility (Dubos, 2001; Kan, 2007). In the case of this research, this debate is related to the life experience of daigou practitioners and their business practices within an international context. So, the concept of network capital may require rethinking when taking into account such cases.

### ***Social embeddedness***

Traditional studies of the relationship between an action and a social network commonly choose an economic action as an object of study and offer the concept of nesting embeddedness (Johannisson et al., 2002; Parrilli, 2009; Uzzi, 1997). The classical concept of embeddedness is generated by debate about whether economic action in an industrial society is economically rationalised and separated from interpersonal networks and other personal qualities (Beckert, 2003; Granovetter & Swedberg, 2011). Modernisation theory also argues that the structuring of market exchange should isolate economic actions from personal relationships and human emotions (Mol & Spaargaren, 2000). Nevertheless, according to Davern (1997), social relations and social networks still operate in a

modern economy. It is not problematic to identify the dynamics of embeddedness as both economic action and social networks operating in a modern world. On the other hand, the growth of the virtual community raises the concern about whether online economic activity is embedded in social networks. Since the premise of embeddedness is that social actors mobilise their social networks for economic action, new forms of trade relations should be taken into account (Papacharissi, 2010).

### ***Virtual community***

Scientists have discussed the inconsistencies arising between the definitions of physical, technological, and social mobilities in China (Qiu, 2009; Wallis, 2013; Wang, 2016; Yuan, 2014). According to Wang (2016), online and offline ethnography on the use of social media by Chinese migrant workers suggests that dual migration of migrants, both online and offline, is a controversial image of the social world. Apart from migration from rural areas to the cities, Wang witnesses another migration from offline to the online world. This is a convergence of two phenomena, which are as profound and consequential as each other. Online is a different and better parallel world for some migrant workers who feel otherwise lonely and isolated. Wallis (2013) concludes that the impact of mobile phones on female migrant workers in Beijing is “immobile mobility”. Wallis argues that, on the one hand, phones serve as a social and technological means of overcoming spatial, temporal, physical and structural boundaries for workers and on the other hand, that the use of mobile phones is based on specific practices such as text messaging, images, and socialisation, and coping with the limitations of everyday experience. In relation to such activities as cross-border travelling, consumption, reselling or smuggling, daigou activities are also interconnected with mobility policies in terms of inconsistent control and the usage and representation of mobile people and objects in different contexts (Ayimpam, 2015). For example, Zhang (2015) describes how Chinese daigou practitioners have invented a new assumption as a cultural, technological, and economic solution to the contradictions in the competing demands of various gender regimes. However, despite gaining significant autonomy, flexibility and mobility abroad, Chinese women in the study are limited to structures of class, race, and nationality. Researching on the gender and racial patterns of mobility, Martin (2017) illustrates mobility as a dialectical dynamic in daigou micro-entrepreneurship. Martin demonstrated that there were relatively fixed, localised and diasporic employment networks in Australia, as well as moderately mobile, transnational and digital retail chains among transnational Chinese people.

With growing popularity in countries such as Australia, Japan, New Zealand, and the United States, the daigou industry creates both global and inter-Asian flows of money, people and consumer goods. The flexibility of overseas online and offline shopping generates alternative models of cash flows, consumption and delivery of goods through the reselling of Chinese transnational products via social media (Jin & Hurd, 2018; Khwaja et al., 2019; Martin, 2017; Zhang, 2015). Considerable attention has

been paid to China as the host country for the international expansion of firms (Deng, 2009; Luo, 1998; Rottig & Torres de Oliveira, 2019; Xin et al., 2018). Moreover, China is one of the largest e-commerce markets in the world, with a growth rate of cross-border consumer e-commerce estimated at 50% annually (Huo & Ouyang, 2018). However, daigou activity is illegal and also considered as another form of parallel trading (Xie, 2018), which will be discussed further.

### ***Parallel trading***

When a manufacturer sells its authorised goods in different regions and countries, prices and availability can vary depending on living standards, local taxes, and trade policies. Parallel traders see the difference in prices between markets or regions as an opportunity to profit by redirecting manufacturers' authorised goods from low-price markets and reselling them in markets with higher prices (Danzon, 1998; Huang et al., 2019). Due to the improvement of information and logistics technologies, over the past three decades, parallel traders have developed very quickly in many product categories such as electronics, jewellery, watches, luxury goods, and pharmaceuticals (Huang et al., 2019; Maskus & Stähler, 2014; Matteucci & Reverberi, 2014). Parallel trading is an unauthorised trade between countries of non-counterfeit goods transported without the permission of the owner of the relevant intellectual property (Mueller-Langer, 2012; Mukherjee & Zhao, 2012). According to Stothers (2007), a competitive global market creates a grey market. Shao et al. (2016) suggest that competition between the manufacturer and the retailer acts as the main driving force for the emergence of parallel traders. Authorised companies seek to curb parallel trading through a variety of marketing strategies, including strategic pricing, differentiating services, lowering prices, and supply interference. With various flexible pricing strategies, when firms sell across multiple channels, they balance prices to protect themselves from parallel traders. A pricing strategy allows authorised firms to mitigate the adverse effects of parallel trading without losing a significant portion of the market (Ahmadi & Yang, 2000; Xiao et al., 2011).

Different scholars suggest contrasting findings concerning the impact of parallel traders on manufacturers. Ganslandt & Maskus (2004) claim that the intervention of parallel traders leads to a sharp decline in sales of authorised products, and this effect is enhanced as more parallel traders enter the market. By contrast, according to Ahmadi & Yang (2000), parallel trading can help a manufacturer achieve greater market coverage. However, parallel trading increases the profits of producers only under certain market conditions, such as various local protectionist policies. Also, assuming that both market players (manufacturer and parallel trader) can invest in expanding the size of the market, parallel trading can be beneficial to both when the effect of investment spillover and the underlying market size are relatively high (Autrey et al., 2015). Zhang (2016) states that parallel trading harms manufacturers' profits. However, by offering the appropriate discount on sales

to customers in the high-price market, it is possible to completely curb grey marketing and achieve coordination of the supply chain. Finally, according to Huang et al. (2019), the manufacturer can potentially choose a lower level of quality when developing its product in order to weaken the competitiveness of a parallel trader. Also, the optimal producer distribution strategy is determined by the gap between the desire of customers to pay in two markets and the client's tolerance for late consumption. Moreover, parallel trading harms customer surplus and social welfare in a low-price market and benefits them in a high-price market when those two markets are moderately balanced.

### ***Summary***

The current literature about daigou is quite limited, and the daigou phenomenon has not been studied extensively. This work investigates the different contexts of parallel trading. It reveals potential cooperation between manufacturers, retailers, and the parallel trader, and how this cooperation benefits all the actors in the supply chain. It also discusses the topic from different theoretical angles such as the impact of ICT and internationalisation, the role of SMEs and market entry barriers, the mobilities paradigm, social embeddedness, and the effect of virtual communities, in order to gain an in-depth understanding of the phenomenon. So, this paper studies the Chinese daigou in Russia, whose work practices link them into both the relatively fixed, localised, diasporic employment networks of Russian business and also into the relatively mobile, transnational, digitally mediated trading networks involved in the micro-entrepreneurial activity of daigou or parallel trading. It further aims to show how Chinese daigou, through their illegal but successful business development practices, change the landscape of Russia-China trade relations. This is within a context of entrepreneurial practices of hyper-connectivity and network building at the transnational scale involving mobile media, technologies, goods, people and money.

### **Research context**

It is essential to observe the background to Russia-China economic relations in order to understand the context within which daigou activities operate. In particular, the following section aims to describe the key areas of cooperation and trade between the two countries. Throughout 2018 Russia and China continued to develop widespread connections and strategic cooperation (Kaczmarek, 2015; Skalamera, 2016). Bilateral trade reached a record 107 billion US dollars (Figure 1). Russia succeeded in its efforts to diversify the structure of commodity circulation (Tovar-García & Carrasco, 2019). In particular, cooperation had grown in the supply of agricultural goods (Korolev & Portyakov, 2018; Malle, 2017). Sanctions imposed by Western countries against Russia since 2014 had stimulated the growth of trade between Russia and China, expanding cooperation and building Russia-China transport infrastructure (Sergi, 2018). Also, China plans to expand the energy flow from

Russia up to 20% of all crude oil with potential for a further increase. Furthermore, Russia has an economic and political need to compensate for financial instability by actively expanding within international energy markets (Konno, 2016; Arapova & Isachenko, 2019) and cooperation with China is expected to support this need. At the same time, China is also seeking to invest in hydrocarbon production in Russia (Jackson, 2019; Samokhvalov, 2018). Due to bilateral cooperation in the energy sector, Russia can successfully distribute both transit and consumer risks and accelerate the development of its territories in Siberia and the Far East (Kaczmariski, 2015).

[Insert Figure 1 here]

Both countries jointly develop large-scale projects in the spheres of energy, space and communications (Jackson, 2019). Cooperation in the fields of agriculture, finance, innovative technologies and international electronic commerce is also rapidly expanding (Lukin, 2018). In 2018 Russia-China trade turnover grew by 27.1%, reaching a ten-year high of 107.6 billion US dollars. This growth started in 2016 after a sharp decline in 2015 (Figure 1).

[Insert Table 1 here]

Exports from Russia to China grew faster (+ 44.1%) than imports from China to Russia (+ 8.7%) in 2018 compared to 2017 (Table 1). This positive trend of growth in Russian exports to China was influenced by the state of world commodity markets, as well as by the growing collaboration between the two countries at regional and federal levels. According to Luzyanin & Huasheng (2019), cross-border e-commerce is developing rapidly too: in 2018, its volume exceeded 4 billion US dollars. The Chinese digital platform AliExpress has become the main platform for online shopping for Russians, and the prospect that this trend will continue is significant.

[Insert Table 2 here]

Concerning the structure of exports from Russia to China in 2018, there was an increase in the main product groups as compared with 2017 (Table 2). These include mineral fuel, oil and oil products (+ 55.1%), wood and its products (+ 4.9%), agricultural products and food products (+ 51.4%) and non-ferrous metals (+62.9 %).

[Insert Table 3 here]

Unlike Russia-China trade, the volume of direct mutual investments looks quite moderate. The volume of Chinese foreign direct investments (FDI) into Russia significantly exceeds Russian investments into China (Table 3). However, the volume of FDI from China to Russia has been significantly decreasing since 2014. Chinese investors in Russia predominantly invest in the energy, agricultural and construction sectors and in light industry (Korolev & Portyakov, 2018; Lukin, 2018; Luzyanin & Huasheng, 2019). The volume of FDI from Russia to China decreased from 2012 but has demonstrated a positive tendency since 2016. Russian investments into China are directed mostly to transportation and to the manufacturing and construction sectors (Jackson, 2019; Luzyanin & Huasheng, 2019; Malle, 2017).

[Insert Table 4 here]

By 2018, the area of cooperation in the field of payments system also deserves significant attention. The relevance of this is associated with an increase in payment settlements between Russia and China. Even though the average amount of each transfer from China to Russia has been decreasing since 2014, transfers from Russia to China have shown a generally positive growth tendency since 2012, despite some fluctuations (Table 4). The development of the necessary infrastructure to enable this has been especially relevant in the context of the growth of electronic commerce. The improvement of ICT infrastructure both in Russia and China is particularly crucial for daigou practitioners because they use various digital platforms (e.g. Wechat and Taobao) to communicate with their customers and to make payment transfers for purchases (Gao, 2008; Jin & Hurd, 2018; Martin, 2017; Xie, 2018).

## **Methodology**

The indicators mentioned above (trade turnover, the volume of exports, commodity structure of exports, FDI flows and payment transfers between Russia and China) have been examined because of their relevance to the discussion of parallel trading (Danzon, 1998; Nguyen et al., 2017). These indicators provide the context for Russia-China trade relations used for the purposes of this study. This paper aims to discuss the significance of daigou activities in trade relations between the two countries. Due to the lack of empirical studies on the daigou system, both in general and in Russia in particular, a case study approach has been used (Yin, 2009). This approach allows the development of a robust understanding of how such a phenomenon as daigou is evolving in the context of Russia-China trade relations, rather than relying on testing biased hypotheses derived from existing theory. The case study methodology provides an in-depth and multifaceted exploration of complex issues in their real-life settings, which helps to generate new ideas (Gerring, 2007). It is also considered an essential way of illustrating theories (Ridder, 2019) and can help show how various aspects of the phenomenon are related to each other (Ridder, 2019; Yin, 2009).

The snowball sampling method was employed in this study due to the peculiarity of daigou as businesses (in that they involve illegal activities) and the lack of direct accessibility to the respondents. Daigou typically hide the fact of their business activities and do not wish to reveal any information. Initially, the author contacted one of the relevant Russian companies - Woodbag Ltd., based in Ekaterinburg - through personal contacts. This company was the only option available to the author for gaining access to daigou. Woodbag is an international company supplying goods from China, which provides services for the search and delivery of goods. It helps to find the right products and suppliers and conducts a production inspection, checks the quality of the goods, selects the optimal route, clears the goods for customers and issues all the necessary supporting documentation. In 2017, the company started to cooperate with daigou in Russia to help them transport goods to China. This involves local Russian manufacturers and retailers, as a result establishing a complex network. Initially, the director of Woodbag Ltd. was also interviewed in order to gain primary understanding of the daigou phenomenon and of how daigou operate in Russia. Next, the company provided the author with access to several daigou in three cities, with which it had previously cooperated. These daigou were subsequently interviewed for this study. Twelve interviews were conducted with daigou: five from Ekaterinburg, four from Moscow and three from St. Petersburg. Questions covered the topics related to the research objectives of this study, enquiring about the structure of the supply chain from Russia to China, aspects of cooperation between daigou and local Russian businesses and how the activities of daigou potentially impact Russian markets. All the respondents asked to stay anonymous. These were not Chinese students but professional daigou-entrepreneurs living in Russia who had been in business for three to four years. These were semi-structured interviews with a total of thirteen respondents. Additionally, one of the senior state authorities from the Ministry of International and Foreign Economic Relations of the Sverdlovsk region was interviewed in an unstructured format to discuss the overall features of daigou activities in the Sverdlovsk region and across Russia in general. In total, fourteen interviews were conducted for this study in the form of face-to-face meetings during July-August 2019. Interviews were recorded. Those interviews conducted in Russian were subsequently translated and transcribed into English for consistency and convenience in data analysis. Detailed information about the interview results of data collection are presented in Table 5.

[Insert Table 5 here]

Concerning the data analysis process, an open-ended analytic process on the interview transcripts was employed by going through each sentence to identify ideas and text to code (Boyatzis, 1998). A largely deductive approach was used. Coding and theme development were directed by three topics

according to the objectives of the study. The qualitative analysis software, NVIVO, facilitated the systematic process. Through in-depth open coding and the use of the constant comparison method, which provided the basis for delineating central themes in the data (Guest et al., 2011), common statements or ideas were identified and grouped into codes. The codes were then reviewed for overlaps and combined where there were few occurrences (Locke, 2001). As there were three types of respondent, the number of codes varied for each. Views were quite consistent among the three types of respondent. This was an exploratory study. Therefore, minor inconsistencies and additional elements of the qualitative data provided by respondents were used as a triangulation tool in the data analysis (Miles et al., 2014). This aligned three varying perspectives and led to a broader and more comprehensive understanding of the daigou phenomenon. Data were analysed and interpreted rather than just paraphrased or described. Illustrative comments were identified for use in the subsequent narrative.

## **Findings**

### ***Supply Chain Network***

Daigou respondents explain that the typical process for them includes visiting various physical shops, choosing what to buy and being in regular contact with customers through social networks such as WeChat. The process also includes confirming an order, buying an item, receiving money through the payment system and sending the item to China. Daigou stay in regular contact with their customers via social media, sending pictures, discussing the size of the items, the prices (converted according to the exchange rates offered by daigou), the delivery charges and a deadline for the service. Because communication occurs at a distance, daigou act as substitutes or personal buyers for their customers by trying on goods, selecting items and even making final purchase decisions. Such a role requires extremely high levels of mobility. Daigou are familiar with things like types of shops, local staff, jargon, and business tactics. This familiarity is inextricably linked with the routine elements of their movements - routes, mobility models and forms of interactivity (Martin, 2017). Such daigou practices involve long-term dedication to establishing specific knowledge and relationships with people and places in Russia. Also, daigou provide their customers with a live streaming experience via social media. This creates real-time virtual and creative mobility for customers. Daigou facilitate the customers' imaginative journey to Russia, acting as substitutes and coordinators between them and the sales experience, or just showing vivid images of shopping trips. In this sense, the values and experience of the daigou are expanded through social media, creating the feeling of the simultaneous presence of mobility experiences that are both real-world and virtual (Jin & Hurd, 2018). Online presence conveys a sense of personality and connectivity to others. Socially linked bodies also involve a combination of online and offline activities, social networking, and even entrepreneurial behaviour (Khwaja et al., 2019). Despite the fact that such communication is to underpin a business transaction,



it also involves a significant element of trust (Jin & Hurd, 2018). Respondents suggest that in some cases the customer pays for an item in advance for the daigou to buy it. In other cases the customer pays after the purchase has been conducted by the daigou. Daigou commonly do not deliver items to customers until full payment for those items has been received. Once the payment has been made, daigou deliver the goods by various methods.

Cases published in academic literature about daigou suggest that they use two main ways of transporting items from one country to another: via post office delivery and with the help of carriers/border runners (Huang et al., 2019; Jin & Hurd, 2018; Martin, 2017; Xie, 2018). The first method is not very popular because only a small number of items can be sent, which eventually becomes costly (Gao, 2008). This method was employed when daigou had just started to operate (Gao, 2008; Xie, 2018). With time, daigou business activity has grown and required more sophisticated ways of transporting items in large volume. Daigou themselves prefer not to risk going to customs checks on the borders. Instead they use the services of so-called 'shuikē' – carriers or cross-border runners (Xie, 2018). In some cases, these people cross borders several times a day. According to Xie (2018), shuikē are typically poor and elderly looking people dressed in run-down clothing and transporting heavy boxes or bags with wheelbarrows. However, customs officers are experienced and spot these carriers very easily. Parallel trading based on the use of physical mobility is also associated with illegal activities such as smuggling and illegal labour.

[Insert Figure 2 here]

In Russia, the supply chain approach is more sophisticated. According to the interview findings, daigou in Russia also use the services of shuikē or transport the items to China themselves. However, large daigou organisations, which send items in significant volume, also use the services of standard transport companies, which are typically Chinese (Figure 2). These are legally registered companies in the Russian Federation. However, this is a semi-legal activity, even though it does not involve hiding goods in bags or wagon compartments. Daigou respondents explain that at customs control, transport companies bribe or negotiate with customs officers, and the goods are fully processed but under a different item code to the one under which they should be processed. So, some taxes are still paid. As a result, on paper, this looks like an entirely legal activity. All the additional costs incurred are included in the final price of the product for customers in China. The price is set per kilogram of goods but varies by type of goods. For customers, this is still cheaper than purchasing officially imported goods in China. Three main hubs for the transportation of goods from Russia into China are Blagoveshchensk – Heihe, Ussuriysk (Pogranichny) – Suifenhe, and Zabaykalsk – Manzhouli. After crossing the border,

transport companies deliver goods to the hub-warehouse belonging to the transport company, and from there smaller transport companies distribute goods to customers.

### ***The Benefits of Cooperation with Russian Businesses***

According to the director of Woodbag company, the daigou market has been a fundamental driving force for the internationalisation of Chinese consumers and for brand education. Professional daigou have a database of regular customers who trust them not only to deliver quality products but also to recommend new ones that the daigou consider suitable for their clients' lifestyle. There is a focus on strong trust relationships in Chinese culture (Djankov et al., 2010; Estrin & Prevezer, 2011; Kwon, 2012; Puffer et al., 2010), and this focus is evident in the daigou phenomenon. Also, interview findings suggest that professional daigou are flexible and rather than being afraid of new policies they adapt to them. Legitimate daigou have the resources and knowledge to build their own businesses and comply with local laws. Changes in regulations and economic fluctuations eliminate weak actors from the market. More entrepreneurial daigou have found ways to cooperate with local retailers and manufacturers. All three types of respondent claim that local businesses do not view daigou as competition for official channels. On the contrary, daigou are one of the companies' most active supporters, helping them to gain and retain customers and providing access to international markets. Russian experienced retailers and manufacturers take daigou as partners, seeking ways to help their business evolve. In Russia's challenging economic environment, local SMEs that use daigou as force multipliers have the most to gain.

Daigou activities help to boost local consumption and regional economies. Daigou respondents inform that several multi-stores and manufacturers in home and hygiene goods production have already cooperated with daigou. The Russian government does not currently pay any attention to this activity because it sees an overall positive impact from it on local economies. According to the interview respondent from the Ministry of International and Foreign Economic Relations of the Sverdlovsk region, sales taxes and other taxes are being paid at customs borders and the volume of trade is increasing, as is the amount of tax being paid. Daigou activity also increases tourism and transport, as people have to travel back-and-forth regularly between countries and within the regions of Russia. According to data from Woodbag Ltd, the most popular types of products being purchased in Russia by daigou are: cosmetics and hygiene products (73%), nutrition, health food and dietary supplements (16%), pharmaceutical (6%), and other products (5%). In Russia branded items such as clothes and bags are more expensive than in Europe. Cosmetics and medical products are however cheaper in Russia, and perceived to be of outstanding quality. Russian cosmetic manufacturers and stores have claimed that 50% of their sales are made through daigou. Payments are commonly made through WeChat for sums of up to 50 US dollars and Alipay for higher amounts.

### ***Impact on the Business Environment in Russia***

Daigou proliferate in the China-Russia e-commerce ecosystem, providing certain advantages for both Chinese consumers and Russian manufacturers and retailers, according to the views of all three types of respondent. Cooperation between daigou and Russian local SMEs involves three specific features. Firstly, there is a well-established purchasing process both for the seller in Russia and for the customer in China. Daigou provide authenticity: products are sourced directly from the country of origin, manufacturer or retailer. Some Chinese consumers believe that goods sold in China are of a different quality from those sold in the domestic market where they are produced. Others may fear fraud or distrust the supply chain. For Russian SMEs, daigou are regular shoppers or even wholesale buyers who bring regular profits. Secondly, cooperation between daigou and local Russian businesses (both manufacturers and retailers) involves the former providing consultancy services for the latter concerning the branding of manufactured goods, packaging, size and even pricing strategy. Russian SMEs struggle to get access to international markets and daigou are the only chance for them to gain this access. Daigou can also provide consultancy on product improvement and internationalisation strategies. As a result, daigou are no longer merely influencing the business environment but are instead providing direction for local businesses for further development. So daigou provide not only a customised shopping experience for Chinese customers but also a professional management consultancy service for Russian businesses. Daigou help educate both sides involved in business activity and provide them with solutions. They live outside China and can obtain quality foreign products. They normally operate in a demand-driven way, with little in-stock inventory, or through a 'just-in-time' approach (Lai & Cheng, 2016; Pan & Liao, 1989). Finally, daigou can offer better deals or an even better selection of products to their customer than official stores. At the same time, they provide access for Russian manufacturers and retailers to a number of potential clients in China, so reducing additional marketing and operational costs.

According to Xie (2018), the party, which suffers the most from daigou activity, is the Chinese government. At first, it was mainly supportive of daigou, understanding that they satisfied the needs of the market by helping when a brand had not yet entered the Chinese market or could not communicate effectively with Chinese consumers (Xie, 2018). Daigou have however taken advantage of loopholes and the Chinese government has been specifically concerned about tax evasion as well as about the safety and reliability of products. Therefore Chinese customs often check things such as expiration dates and product authenticity (Huang et al., 2019). In January 2019, the Chinese government implemented a new e-commerce law, which was expected to restrict the activities of daigou (Chang, 2019). Firstly, daigou were required to register and acquire licenses both in China and in the country where they shopped, making their businesses subject to taxation, especially when

crossing borders. Additionally, social media platforms such as WeChat and Taobao have measures to identify unregistered daigou on their platforms and remove their posts and listings (Chang, 2019). The Chinese government has also reduced import taxes for specific products to encourage customers to buy products from within the country (Table 6).

[Insert Table 6 here]

Following the implementation of this law, daigou in Russia have become more cautious in conducting communications with their customers and receiving payments. However, according to the interview findings, no significant changes have occurred because it is difficult to assess the borderline where daigou are conducting their business via social media platforms, or ordinary users are discussing goods. In China there is an entrepreneurial culture in which many people try to sell or resell goods (Djankov et al., 2010; Puffer et al., 2010; Smallbone & Welter, 2012). Therefore, these changes have not impacted daigou operations in Russia.

## **Discussion**

This paper investigates the daigou phenomenon, which is also considered as parallel trading within Russia-China trade relations. By introducing the idea of parallel traders as operationalizing the tactical form of network capital (Tehseen & Sajilan, 2016), this study has sought to extend the concept of network capital devised by Urry (2007, 2012). In contrast to Urry's framing of network capital, geographic and social attachment can benefit individuals and groups, but being extracted from one place to another entails losses that cannot be adequately compensated by the flawed machinations of network capital. The example of daigou in Russia also demonstrates that both opportunities and risks may be associated with the particular nature of daigou business activity. The daigou phenomenon shows that online economic activities remain embedded in social networks, including online and offline networks. In order to start daigou activity, one has to construct a social network and create trust in a given virtual community (Martin, 2017; Tehseen & Sajilan, 2016). At the same time, online shopping penetrates the offline world through the actions of initiators and customers (Wang, 2016). Some initiators must mobilise their social networks in the physical world to complete all daigou processes. Consequently, the economic effect of the network is double-embedded both in the virtual community and in social networks in the physical world (Wallis, 2013; Zhang, 2015). Although the Internet and the virtual community make it easier to initiate some economic activities, their operation is not isolated from the real world, and the daigou is a connecting link.

A lack of awareness of e-commerce operations in China and the differences in business practices between Russia and China continue to create entry barriers to the Chinese market for Russian firms.

They also face entry barriers due to a lack of resources and market knowledge and to fierce competition with local firms in the Chinese market. Interview findings suggest that Russian SMEs view daigou practitioners, in the context of e-commerce, as providing a significant opportunity to gain access to the Chinese market. Social networks based on digital platforms can facilitate the internationalisation of Russian SMEs. Cooperation with daigou and within digital platforms has given Russian firms opportunities to enter the Chinese market at relatively low cost, as well as providing a channel through which to access that market and the chance to benefit from partnerships with daigou. This study has found that Russian firms can avoid time-consuming and costly registration procedures in China by selling their products through daigou in Russia. Daigou have therefore helped Russian SMEs overcome financial resource constraints.

Daigou also enable Russian firms to obtain market knowledge through their networks and expertise. They provide consultancy services to Russian businesses on how to better present their products to potential customers in China and how to improve branding and packaging and amend their business strategy. To a certain extent, they prompt local businesses to cooperate with them as they represent a reliable and direct link between Russian sellers and Chinese customers. Moreover, digital platforms are seen as a means of addressing trust issues in China (Wang, 2016). At a theoretical level, daigou activity implies that embeddedness of economic activity is not only an abstract generalisation of the relationship between economic behaviour and social structure (Granovetter & Swedberg, 2011) but also that the dynamics of economic actions follow the principles of the interpersonal relations of a given society (Beckert, 2003; Papacharissi, 2010). The initiators of daigou business manipulate various social relationships or networks, both in the real world and in virtual communities. This indicates that it is not only the concept of embeddedness that matters, but also how economic actions and embeddedness are implemented in various social contexts. This parallel trading form can also be considered a contemporary type of shuttle trading (Stammler-Gossmann, 2012; Yukseker, 2007), which involves digital forms of communication and social networking.

From an international perspective, daigou businesses show how the consumption of Russian products by the Chinese population has shaped the nature of trade relations between China and Russia. In response to the consumption patterns of Chinese customers in the international supply chain, the real shopping economy in Russia began to adjust its transaction and communication models to meet the needs of those customers. Recently many companies operating in cosmetics, nutrition and the pharmaceutical industry have started to cooperate with daigou and to use digital platforms such as WeChat and Alipay. Using these online platforms, they are trying to expand their business markets by incorporating Chinese contacts, especially those who are involved in daigou activities. The interview findings revealed that daigou stimulated the growth in profits of Russian manufacturers and retailers

and helped them to internationalise. Hence, daigou in Russia are developing certain business practices within a local context then gradually transferring them to an international level.

## **Conclusion**

There are three key findings of this research. Firstly, it has revealed the supply chain structure of daigou on the border between Russia and China. The delivery of goods by post or with the help of cross-border carriers ('shuikou') is not optimal due to the high volume of goods being transported regularly to China. Large daigou organisations in Russia employ the semi-legal activity of transporting goods across borders by truck using official transport companies. These companies move the goods officially but under false item codes and by bribing customs officials on specific customs borders. The second finding suggests that Russian manufacturers and retailers essentially benefit from cooperating with daigou. In particular, daigou help Russian businesses to gain and retain customers, to facilitate the internationalisation process, and to provide access to the Chinese market. This is especially relevant for Russian SMEs, which face challenges with the internationalisation process due to various entry barriers such as lack of knowledge, logistics, competition, and cultural distance (Binder, 2016; Mau, 2017; Morrison, 2017). Finally, daigou have a positive impact on the business environment in Russia. They provide a well-established purchasing process both for the seller in Russia and the customer in China. For Russian SMEs, daigou are reliable shoppers and wholesale buyers who bring consistent profits. Furthermore, digital platforms are considered a reliable means of communication, which addresses trust and payment transaction issues. Additionally, daigou provide consultancy services to Russian businesses (both manufacturers and retailers) regarding product improvement and internationalisation strategies, and so help to reduce additional marketing and operational costs.

The main limitation of this research is that it is of an exploratory nature and based on a small sample. Nevertheless, the insights it has given provide some recommendations for future research. The marketing aspects of the daigou phenomenon can be further studied - in particular how these practitioners act as personal buyers for their customers in China and how they consult local businesses on branding. In fact, the results of this paper demonstrate that daigou are not just intermediaries between sellers and buyers within an international context, but that they can also significantly impact business strategies and consumer behaviour. These areas are worth further study with a larger sample size and the examination of different countries as case studies. Finally, as this was an exploratory study, it has highlighted some interesting implications for studying the impact of digital platforms on internationalisation strategies for SMEs in the context of emerging markets.

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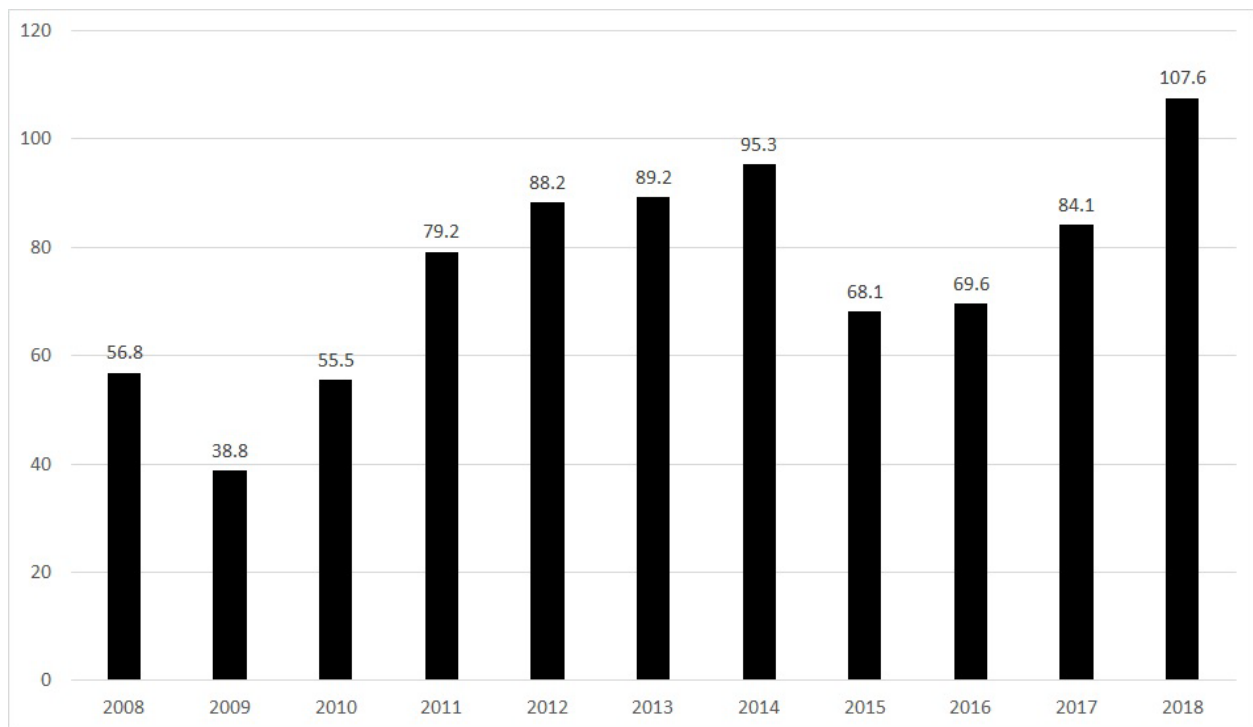
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**Figure 1. Trade turnover between Russia and China 2008-2018, billions of US Dollars**



Source: Created by the author using data sourced from the Central Bank of Russia:  
[http://www.cbr.ru/statistics/macro\\_itm/svs/](http://www.cbr.ru/statistics/macro_itm/svs/)

**Table 1. Volume of exports and imports between Russia and China, millions of US dollars**

Indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exports to China	21,142	16,687	20,326	35,030	35,766	35,631	37,492	28,061	28,012	38,919	56,066
Imports from China	34,780	22,795	38,964	48,202	51,634	53,212	53,773	34,948	38,022	48,056	52,218

Source: Created by the author using data sourced from the Russian Federal State Statistics Service:

<https://gks.ru/folder/210/document/12993>

**Table 2. Commodity structure of exports from Russia to China in 2018**

Commodity group	Export volume (Millions of US dollars)	Share in total exports, %	Changes compared in 2017, %
Mineral fuel, oil, and oil products	42,290.4	71.6	55.1
Wood and wood products	4,692.2	7.9	4.9
Agricultural products and nutrition	3,195	5.4	51.4
Non-ferrous metals	3,032	5.1	62.9
Fish, mollusks and crustaceans	2108.2	3.6	46.9
Ores, slag, and ash	1,553	2.6	22.7
Paper pulp and cellulose	1,140.1	1.9	28.5
Chemical products	1,021	1.7	-5.5
Machinery and equipment	604	1	-21.1
Fertilizers	551.3	0.9	11.4
Precious stones and metals	388.3	0.7	8.4
Paper and cardboard products	221.7	0.4	113.3
Mineral products	110.8	0.2	16.1

Source: Created by the author using data sourced from the Central Bank of Russia:

[http://www.cbr.ru/statistics/macro\\_itm/svs/](http://www.cbr.ru/statistics/macro_itm/svs/)



**Table 3. Foreign direct investment between Russia and China, millions of US dollars**

FDI	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
From China to Russia	-49	231	336	126	450	597	1271	645	345	140	-13
From Russia to China	25	22	30	20	63	14	54	11	6	33	35

*Source: Created by the author using data sourced from the Central Bank of Russia:*

*[http://www.cbr.ru/statistics/macro\\_itm/svs/](http://www.cbr.ru/statistics/macro_itm/svs/)*

**Table 4. Average amount of one transfer, US dollars**

Direction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
To Russia	2017	2203	2380	2607	2715	2876	2853	2475	1354	1285	1800
To China	473	2402	2237	1966	1993	2042	2162	2087	2177	2332	2157

*Source: Created by the author using data sourced from the Central Bank of Russia:*

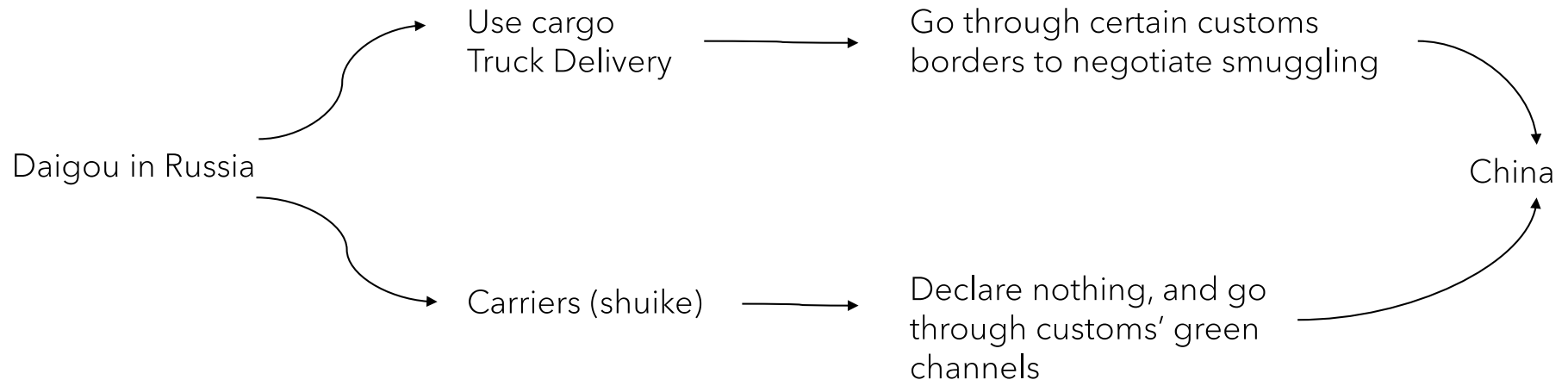
*[http://www.cbr.ru/statistics/macro\\_itm/svs/](http://www.cbr.ru/statistics/macro_itm/svs/)*

**Table 5. Summary of interview results**

<b>Type of respondent</b>	<b>Location</b>	<b>Number of respondents</b>	<b>Language</b>	<b>Duration of interview</b>	<b>Themes covered</b>
Director of Woodbag Ltd.	Ekaterinburg	1	Russian	2 hours	<ul style="list-style-type: none"> <li>- The role of the company within the supply chain structure of daigou</li> <li>- How daigou find their customers in China and communicate with them</li> <li>- How daigou find their business partners in Russia</li> <li>- How daigou plan and organise the effective delivery of goods from Russia to China</li> <li>- The basis of cooperation between daigou and Russian SMEs</li> <li>- How daigou cope with new regulations introduced in China in January 2019</li> </ul>
Daigou	Ekaterinburg	5	English-Russian	1-1.5 hours	<ul style="list-style-type: none"> <li>- How daigou find their customers in China and communicate with them: e.g. trust, international payments, digital platforms</li> <li>- How daigou find their businesses partners in Russia (manufacturers and retailers): e.g. meetings, focus groups, digital platforms</li> </ul>
	St. Petersburg	3	English	1-1.5 hours	<ul style="list-style-type: none"> <li>- How daigou plan their delivery processes to China: e.g. supply chain structure, use of transport, transport hubs, volume of items per delivery</li> <li>- The most efficient way to transport goods from Russia to China: e.g. means of transportation (by cargo trucks or shuik), special customs borders</li> </ul>
	Moscow	4	English	1-1.5 hours	<ul style="list-style-type: none"> <li>- The format of cooperation with Russian businesses: e.g. consulting on branding, packaging, and overall product implementation and development</li> <li>- How daigou manage to cope with new regulations introduced in China in January 2019</li> </ul>
Senior State Authority	Ekaterinburg	1	Russian	1 hour	<ul style="list-style-type: none"> <li>- The current state of Russia-China economic relations</li> <li>- How the respondent understands the essence of the daigou phenomenon</li> <li>- Does the Russian government perceive daigou as a threat to Russia's regional economies?</li> <li>- The benefits of daigou for Russian manufacturers and retailers</li> <li>- Measures that the government intends to take to stimulate or prevent daigou business</li> </ul>

					activities in Russia
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**Figure 2. Supply Chain**



**Table 6. Reduced import taxes on certain products in China, %**

<b>Product type</b>	<b>2012</b>	<b>2018</b>
Cosmetics	6.5 – 10	2 – 5
Jewellery	35	10
Watches	20	8 – 15
Infant formula	10 – 20	0 – 15
Clothing	14 – 25	7.1

*Source: Chang (2019)*