

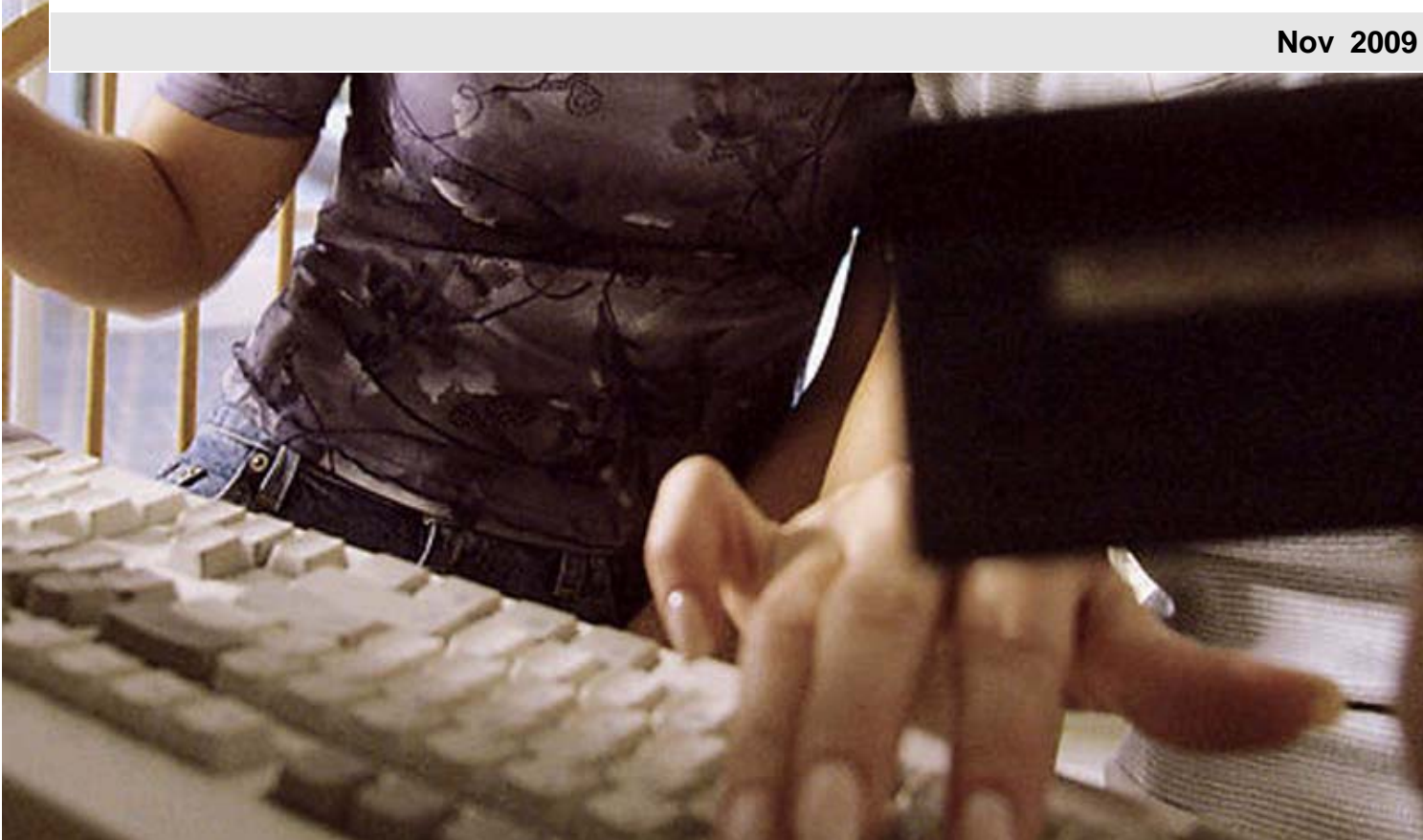


**ResearchInChina**



**China Online Shopping Industry Report, 2009**

Nov 2009



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### 1.1 Definition

Online shopping is the process consumers go through to purchase products or services over the Internet. In the process, any one part including the funds flow, logistics and information flow, connects with internet, it is called online shopping.

### 2.3 Consumption Level and Desire

In 2009, China's online shopping market has seen rapid development so far, and the ratio of online shopping transactions to total retail sales of social consumer goods increased to 1.6% and 1.9% respectively in 2009 Q1 and Q2 from 1.3% in 2008. In addition to consumer's increasingly preference to online shopping, financial crisis is also in favor of online shopping development. The financial crisis improves consumer's sensitiveness on price, so the price advantage of online shopping attracts more and more consumers.

**Ratio of China's Online Shopping to Total Retail Sales of Social Consumer Goods, 2008Q2-2009Q2**



Source: CNNIC, ResearchInChina

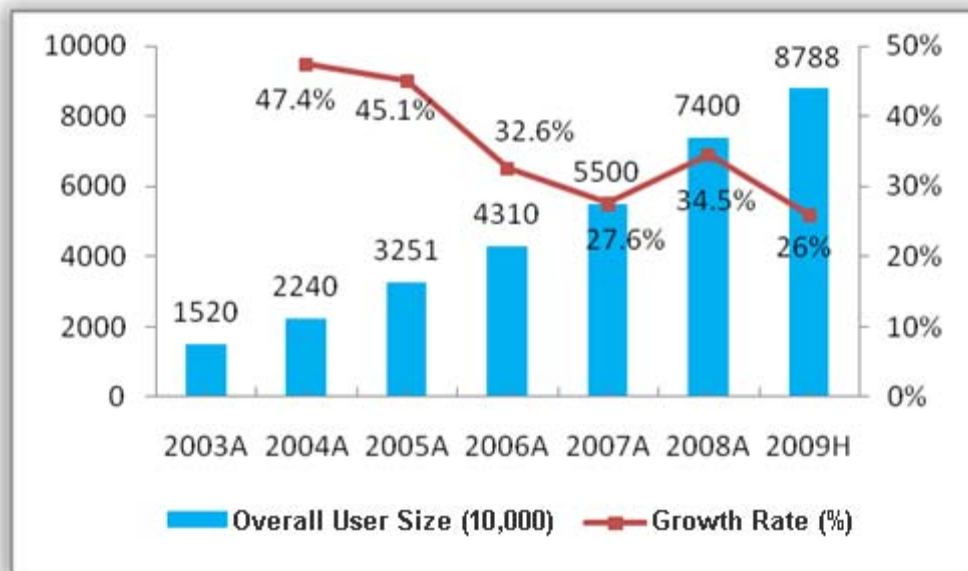
In the USA, the online marketing accounts for 4% total retail sales of social consumer goods, In South Korea, the proportion is 12%. It is expected that when the total retail sales of social consumer goods surpasses RMB20 trillion, the online shopping will achieve RMB1 trillion if it takes up 5% of the total retail sales of social consumer goods. That means the online retailing market will grow ten times in the coming ten years.

### **3.1 Market Size**

#### **3.1.1 User Growth**

In the first half of 2009, the number of users by shopping online rose amid global financial crisis to 87.88 million from 74 million, an increase of 14 million. Now an increasing number of Internet customers have been accustomed to shop online due to its transparent price and convenience. Currently in China, one in four online customers shops online, while in the countries with high Internet penetration rate like Europe, the US and Korea, two in three Internet users are online shoppers, which can be seen that China has great potentials in online shopping market.

**Overall User Size and Growth Rate of China's Online Shopping Market, Dec 2003-Jun, 2009**

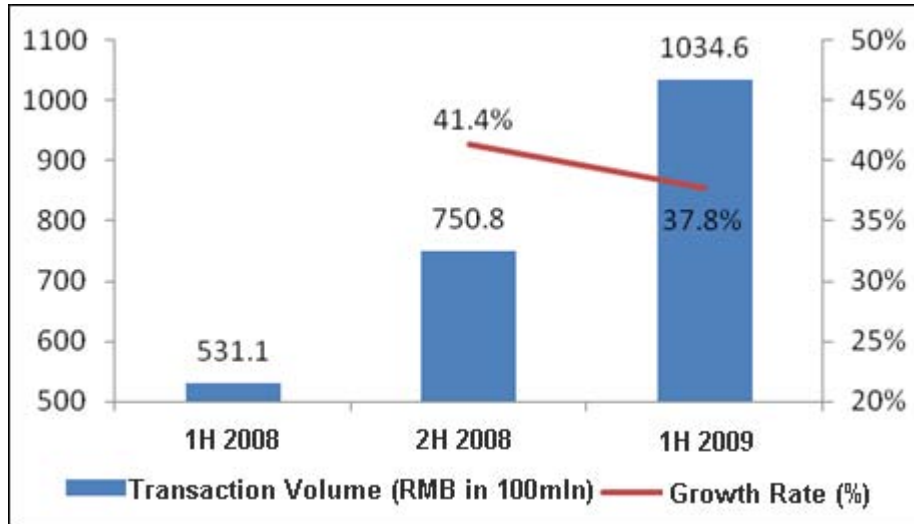


Source: CNNIC, ResearchInChina

**3.1.2 Transaction Volume**

By the first half of 2009, the number of online shopping customers in China had breached 100 million, i.e. one in 3.38 Internets users on average buys online. The online shopping market size had reached RMB103.46 billion, up rapidly 94.8% from first half of 2008.

**Transaction Volume of China's Online Shopping Market, 2008-2009**



Source: CNNIC, ResearchInChina

The online shopping market tends to be mature and saturated in tier-one cities which have become the online shopping centers with sound shopping environments and solid user base. In 2009, the tier-two and tier-three cities will be the main drivers of China online shopping market, which ensures this market to continue a rapid growth momentum.

**4.1 Taobao**

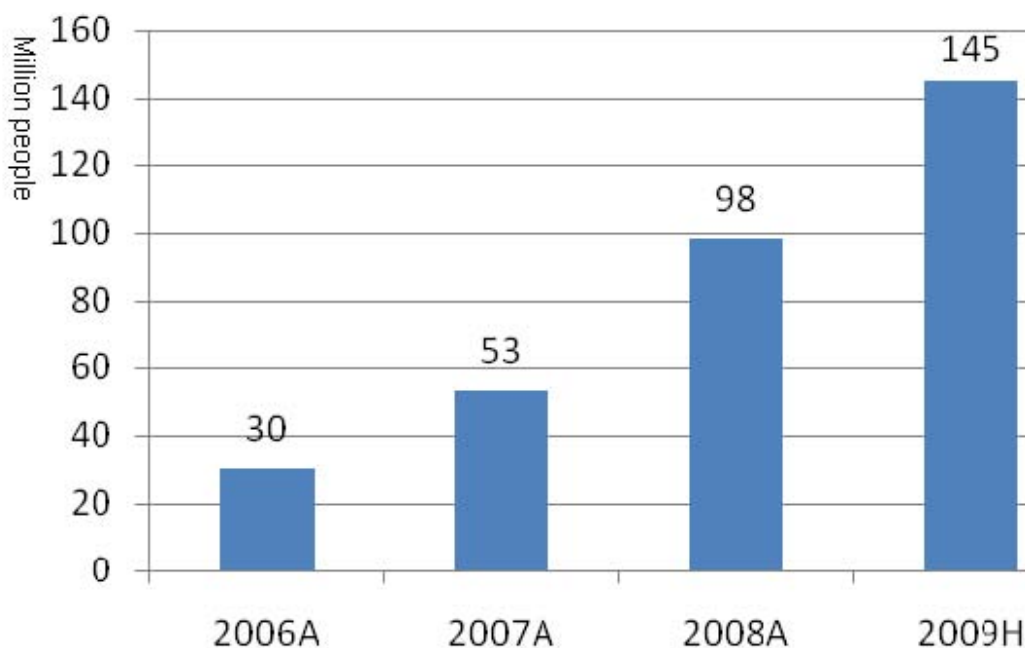
**4.1.1 Profile**

Established in May 2003, Taobao (www.taobao.com) was invested by Alibaba. From Feb. 2004, Taobao's market share was rocketing up greatly, and took the second largest market share followed EachNet; after one year, relying on free application alipay, Taobao took the first position by market share. Up to 2006, it became the largest online shopping website in Asia.

After four years' development from 2003 to 2007, the turnover of Taobao surpassed the total of Walmart (China) and Carrefour (China). In 2009, the market share of Taobao had reached above 80%. However, Taobao earned its life fully by Alibaba's investment till 2008, and the annual investment was about RMB300 million. The subsidized business of Taobao such as Alimama and Koubei websites also relied on Alibaba's investment. The Taobao insiders said that Alibaba was striving to prompt Taobao's transformation from C2C to B2C for profit making.

In the first half year of 2009, there are totally 145 million registered users, accounting for 43% of total number of netizens. The number of online shoppers also increased by more than one times, which is three times than that of China netizens. According to statistics, in the second half year of 2008, the average price of each transaction is RMB74, down 40% compared with RMB143 in 2007. In the first half year of 2009, the average price of each transaction is RMB71.5. The goods price in Taobao keeps steady decrease.

**Number of Taobao Registered Users, 2006-2009**

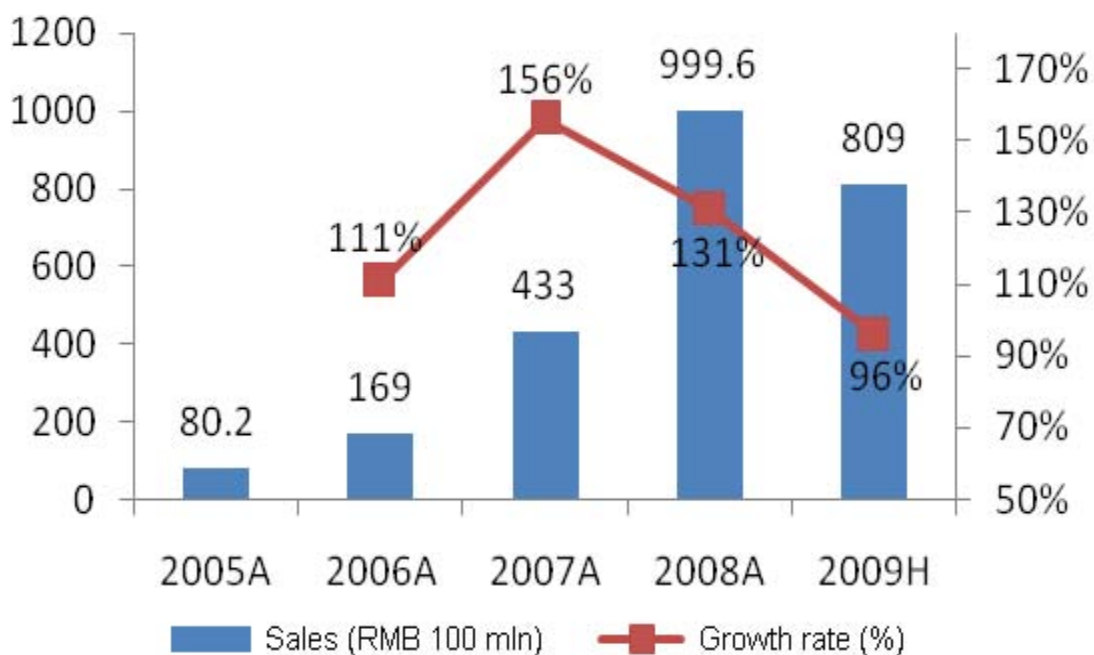


Source: ResearchInChina

### 4.1.3 Operation

In the first half year of 2009, Taobao realized transaction amount of RMB80.9 billion, nearly close to that of full year in 2008-RMB99.96 billion. Compared with the total retailing amount of social consumption goods in the first half year of 2009 released by National Bureau of Statistics of China—RMB5,871.1 billion, Taobao’s transaction amount took 1.4%, up 0.4 percentage points than of that in the end of 2008.

**Taobao Sales and Growth Rates, 2005-2009**



In the first half year of 2009, the transaction amount of enterprise stores in Taobao Stores presents fast growth, and was three times than that in the end of 2008 till the end of June. It was not only higher than the sales growth of offline traditional shopping malls, but also higher than the average growth speed of Taobao.

In the first half year of 2009, there are nearly 10,000 newly-opened stores each day in Taobao, one times more than that in the second half year of 2008. Also, there are about 30,000 newly-added sellers each month in Taobao, far more than that in 2008.

In the first half year of 2009, the ranking of Taobao goods sales makes change, the always-first Clothing & Accessories takes the second position, while household goods is up from the fourth in 2008 to the first. It is indicated that the consumption goods in Taobao market will tend to be the mainstream consumption.



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