

China Online Shopping Industry Report, 2010



Benefitting from the rapid development of the Internet, online shopping has become more and more popular among consumers, with the share in China's total retail sales of social consumer goods increasing from 0.24% in 2005 to 3% in H1 2010, and the trading volume growing at a CAGR of 97% during 2005-2010.

As of June 2010, China had 420 million netizens, and Internet penetration rate had climbed to 31.8% as well. Now, China's Internet is developing upward and full of potential. Thus, the increasing improvement in Internet penetration rate has provided a good user basis for the online shopping industry.

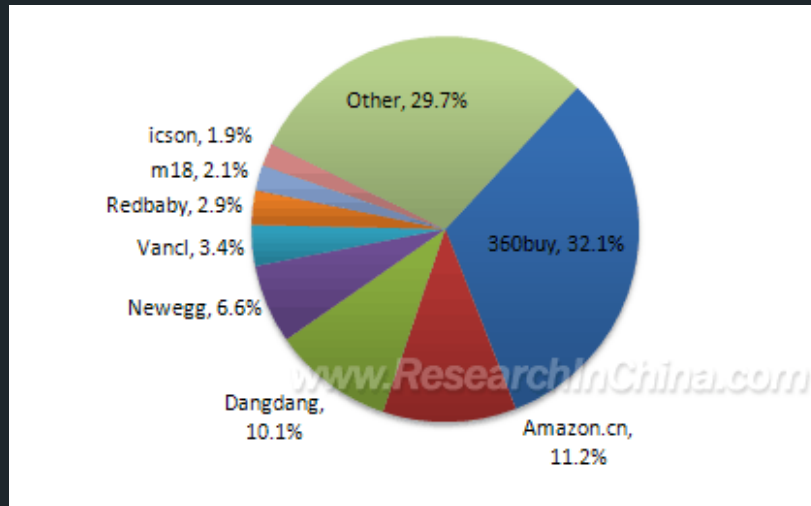
As far as Internet application is concerned, the application of business transaction is still at a lower level. By June 2010, the penetration rate of online shopping was only 33.8%. However, the number of business transaction users witnessed the fastest growth rate, reaching 31.4%. As the personal disposable income successively increases, and online shopping customer group increasingly becomes mature, online shopping trading volume will see a robust upward trend in the good macroeconomic environment.

The online shopping can be categorized into B2C (Business to Consumer) and C2C (Consumer to Consumer) by service mode. In China, C2C takes an overwhelming lead in the online shopping market. Online shopping experienced a robust growth in 2009, and C2C contributed to 89% of the total trading volume. Among C2C shopping platforms, Taobao holds the largest share, which achieved 83.5% in H1 2010.

With China's e-commerce development, B2C, with smaller trading volume at present, will develop rapidly relying on legitimate product supply channels and comprehensive after-sales services, while C2C growth will drop year by year. Currently, China's B2C websites are experiencing growing competition, and striving for more market shares through promotion, category expansion and service improvement. Besides 360buy, Joyo Amazon and Dangdang, C2C companies such as Taobao and Baidu Youa are shifting to the B2C field.

In the meantime, many independent-sales B2C shopping websites are vigorously expanding their commodity varieties. For example, Redbaby has expanded from a store purely selling maternity and baby products to a general merchandise shopping mall selling cosmetics, household and health supplies; 360buy, originally a 3C digital products seller, also begun to sell daily necessities and household supplies in early 2009. Therefore, commodity diversification is likely to be a way out for B2C websites in the future. In addition, the rapid growth in China's cell phone users has turned e-commerce companies' attention to the mobile e-commerce market. Now, some shopping websites have already begun their strategic deployment in fields such as mobile payment, mobile IM and mobile store, and taken the lead in migrating from the Internet to mobile Internet platforms.

Market Shares of China's Independent-sales B2C Shopping Websites, H1 2010



Source: ResearchInChina

Search engines like Google and Baidu have started to present shopping search services in line with the increasingly popular online shopping. Youdao, NetEase's search engine, is able to provide consumers with the search for the commodities of over 200 B2C shopping malls.

Traditional giants have also sped up the B2C deployment through their own advantages. Taking advantage of their manufacturing strength, Foxconn and COFCO invested in Efeihu.com and Womai.com respectively; State Post and Suning Appliance, making full use of their channel or logistics advantages, respectively invested in Ule.tom.com and Suning.cn.

In 2010, the rise of group purchase websites has brought a new way of online shopping for Chinese netizens. Mostly providing service-type products, such websites have become popular among consumers, and experienced explosive growth in H1 2010.

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