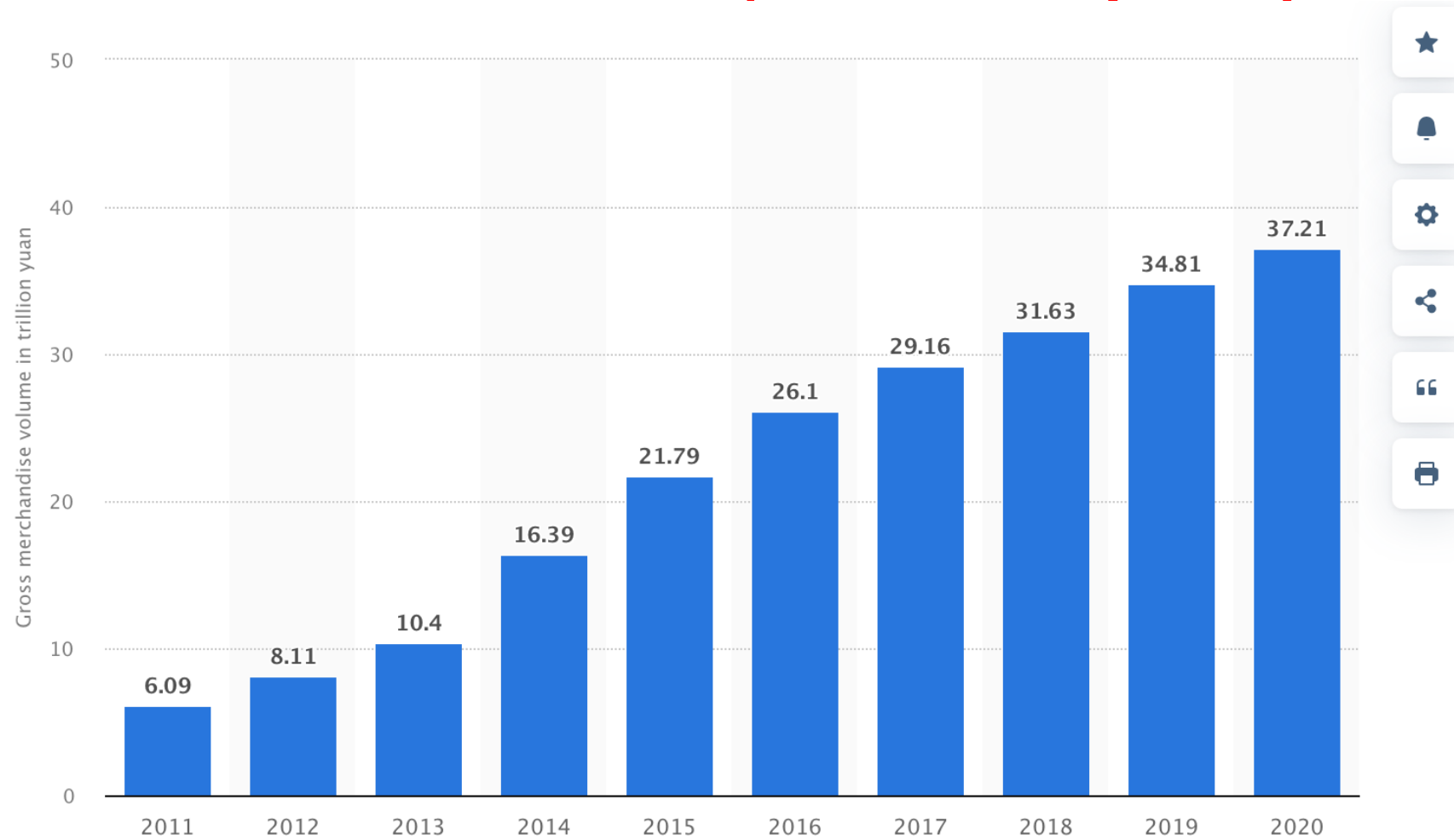


# E-Commerce in China

# Gross merchandise volume of China's e-commerce market from 2011 to 2020 *(in trillion yuan)*



**Table 1.1. E-Commerce Development in the World (2017)**

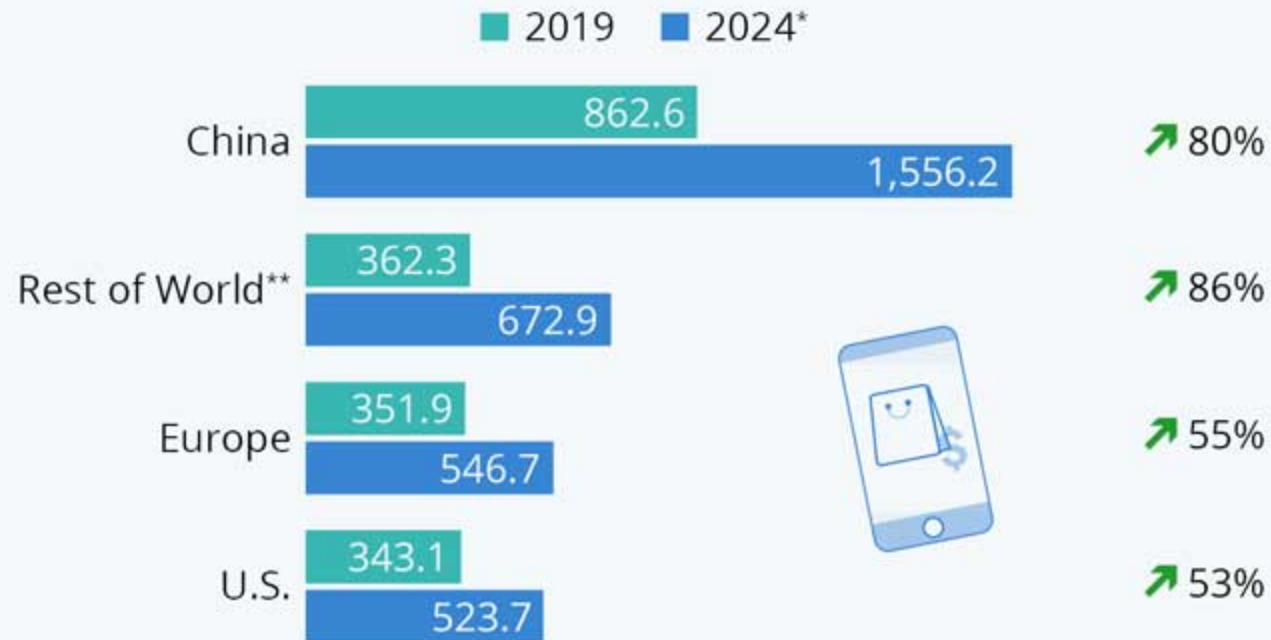
	Annual online retail sales (billion USD)	Share of world total	Annual growth compared to previous year
Asia and Pacific	1,349.2	58.6%	31.1%
Central Eastern Europe	44.8	1.9%	24.6%
Latin America	44.6	1.9%	21.9%
Middle East and Africa	23.3	1.0%	24.9%
North America	486.8	21.1%	16.7%
Western Europe	355.4	15.4%	15.4%
<b>China*</b>	<b>1,055.9</b>	<b>45.8%</b>	<b>32.2%</b>
Total	2,304.1	100%	24.8%

Note: China, Ministry of Commerce 2018a.

\*According to WDI (World Bank), 2017 average exchange rate is 6.8 yuan per US dollar.

# Where E-Commerce Is Growing Fastest

Projected increase in e-commerce sales in selected countries between 2019 and 2024 (in billion U.S. dollars)



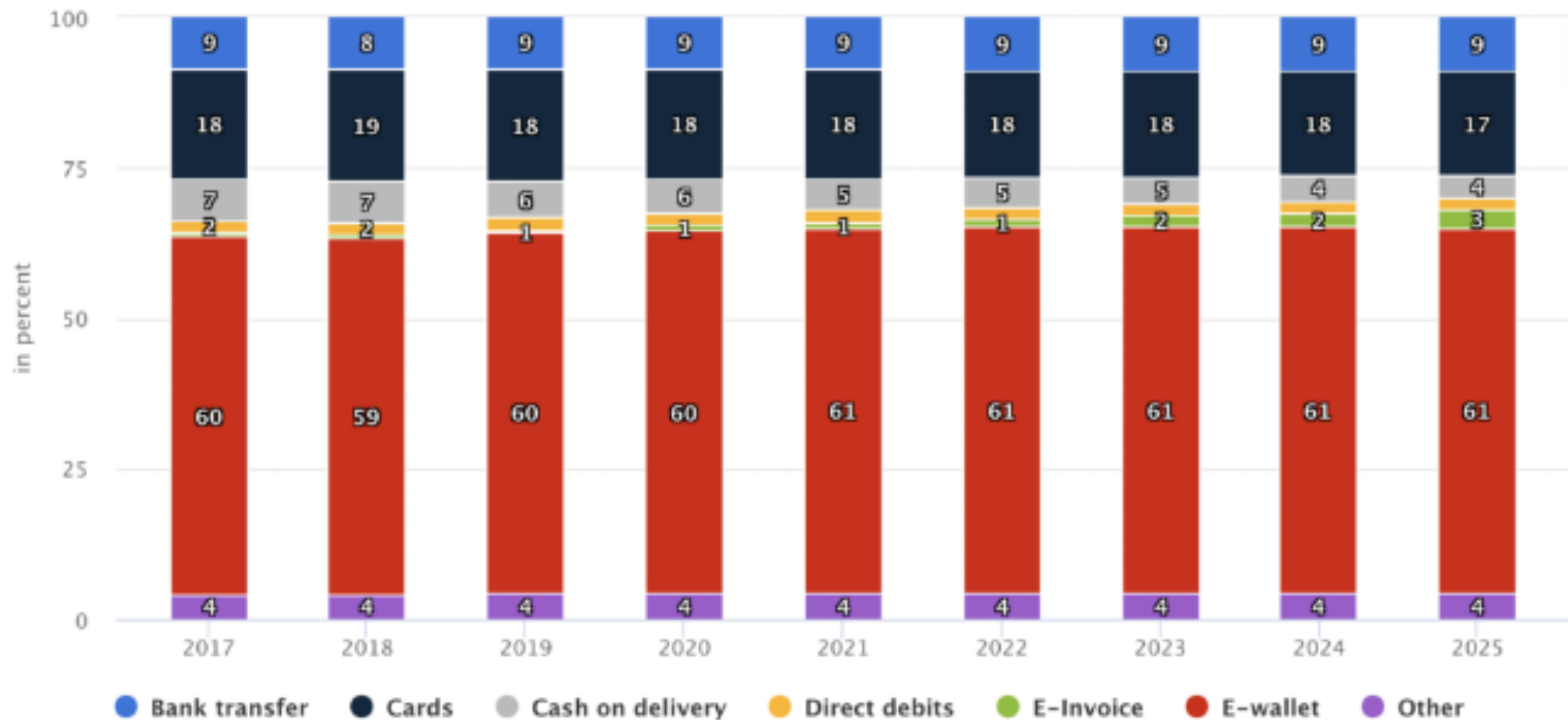
\* projected

\*\* out of a total of 151 countries

Source: Statista Digital Market Outlook



## REVENUE SHARE PAYMENT TYPES



Most recent update: Dec 2021

JAN  
2021

# FINANCIAL INCLUSION FACTORS

PERCENTAGE OF THE POPULATION AGED 15+ THAT REPORTS OWNING OR USING EACH FINANCIAL PRODUCT OR SERVICE



CHINA

HAS AN ACCOUNT WITH  
A FINANCIAL INSTITUTION



80.2%



HAS A  
CREDIT CARD



20.8%



HAS A MOBILE  
MONEY ACCOUNT\*



[N/A]

we  
are  
social

MAKES ONLINE PURCHASES  
AND / OR PAYS BILLS ONLINE



48.8%

PERCENTAGE OF WOMEN  
WITH A CREDIT CARD



18.2%

we  
are  
social

PERCENTAGE OF MEN  
WITH A CREDIT CARD



23.4%



PERCENTAGE OF WOMEN  
MAKING ONLINE TRANSACTIONS



48.5%



PERCENTAGE OF MEN  
MAKING ONLINE TRANSACTIONS



49.1%

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# ECOMMERCE ACTIVITY OVERVIEW

PERCENTAGE OF INTERNET USERS AGED 16 TO 64 THAT HAS PERFORMED EACH ACTIVITY IN THE PAST MONTH



CHINA

SEARCHED ONLINE FOR  
A PRODUCT OR SERVICE  
TO BUY (ANY DEVICE)



GWI.

72.3%

VISITED AN ONLINE  
RETAIL SITE OR STORE  
(ANY DEVICE)



91.5%

USED A SHOPPING  
APP ON A MOBILE  
PHONE OR ON A TABLET



GWI.

76.1%

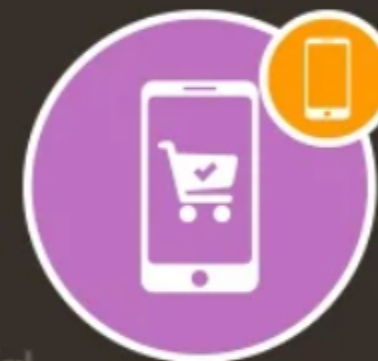
PURCHASED A  
PRODUCT ONLINE  
(ANY DEVICE)



we  
are  
social

77.4%

PURCHASED A  
PRODUCT ONLINE  
VIA A MOBILE PHONE



we  
are  
social


64.3%



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# ECOMMERCE SPEND BY CATEGORY

THE TOTAL AMOUNT SPENT IN CONSUMER ECOMMERCE CATEGORIES IN 2020, IN U.S. DOLLARS

 CHANGES TO CATEGORY DEFINITIONS AND REVISIONS TO HISTORICAL DATA MEAN VALUES ARE NOT COMPARABLE WITH PREVIOUS REPORTS



CHINA

TRAVEL, MOBILITY, &  
ACCOMMODATION\*



\$117.8  
BILLION

statista 

FASHION  
& BEAUTY



\$284.3  
BILLION



ELECTRONICS &  
PHYSICAL MEDIA



\$205.5  
BILLION

we  
are  
social

FOOD &  
PERSONAL CARE



\$215.9  
BILLION

FURNITURE &  
APPLIANCES



\$133.3  
BILLION



TOYS, DIY  
& HOBBIES



\$278.3  
BILLION

we  
are  
social

DIGITAL  
MUSIC



\$1.91  
BILLION

statista 

VIDEO  
GAMES




\$42.42  
BILLION



JAN  
2021

# ECOMMERCE GROWTH BY CATEGORY

YEAR-ON-YEAR CHANGE IN THE TOTAL AMOUNT SPENT IN CONSUMER ECOMMERCE CATEGORIES IN 2020 vs. 2019

 CHANGES TO CATEGORY DEFINITIONS AND REVISIONS TO HISTORICAL DATA MEAN **VALUES ARE NOT COMPARABLE** WITH PREVIOUS REPORTS



CHINA

TRAVEL, MOBILITY, &  
ACCOMMODATION\*



statista

**-51.9%**

FASHION  
& BEAUTY



we  
are  
social

**+30.6%**

ELECTRONICS &  
PHYSICAL MEDIA



we  
are  
social

**+17.9%**

FOOD &  
PERSONAL CARE



**+46.8%**

FURNITURE &  
APPLIANCES



we  
are  
social

**+20.3%**

TOYS, DIY  
& HOBBIES



we  
are  
social

**+30.8%**

DIGITAL  
MUSIC



statista

**+30.9%**

VIDEO  
GAMES



**+26.0%**

# Some facts

- China is the largest e-commerce market globally, generating almost 50% of the world's transactions
- China's e-commerce market is larger than the United States, the United Kingdom, Japan, Germany, and France combined.
- China's e-commerce sales in 2021 is about 52% of total retail sales, making it the first country in the world ever to have more online sales than traditional retail sales.
- China has 1.6 billion mobile users and 75% of them transact with eCommerce platforms using these devices.
- **M-Commerce** is huge in China and 83.1% of ecommerce in China is expected to become Mcommerce in 2022. Most shoppers in China skipped the desktop era and joined the internet age directly via mobile devices.

# The development of China's E-commerce

- The Initial Stage
  - 1996 to 2000: 5.2% of the current E-commerce platforms are established at this time
  - On 21 June 2000, certificated by the government, the China Electronic Commerce Association was officially established.
- E-commerce industry faced three main problems
  - Internet users in China numbered only four million
  - logistics and distribution networks were not fully in place
  - a lack of confidence in the online payment system and distrust of long-distance purchasing.

# The development of China's E-commerce (cont'd)

- The Accelerated Develop Stage
  - the sector expanded from enterprise services to personal services
  - the number of Internet users in China reached 210 million people by December 2007, of which 46.4 million were using online shopping sites, accounting for 22.1% of Internet users.
  - The amount spent on online shopping reached 56.1 billion yuan in the same year.
- In 2002, the US C2C E-commerce company eBay bought a 33% stake of Each Net for US\$ 30m, the first foreign capital to enter China's E-commerce sector.
- In May 2003, Alibaba invested 100 million yuan to establish Taobao, its C2C business model.
- In August 2004, Amazon bought Joyo Net for US\$ 75m.
- In January 2004, "Jingdong Multimedia Network" was established
- In October 2004, Alibaba launched Alipay using a third-party guarantee to promote online payment services to improve the trust deficit in online payments and long-distance purchases
- In 2005, Taobao signed a logistics supply agreement with YT Express. The three main problems in the early development of China's E-commerce were tackled at this stage.

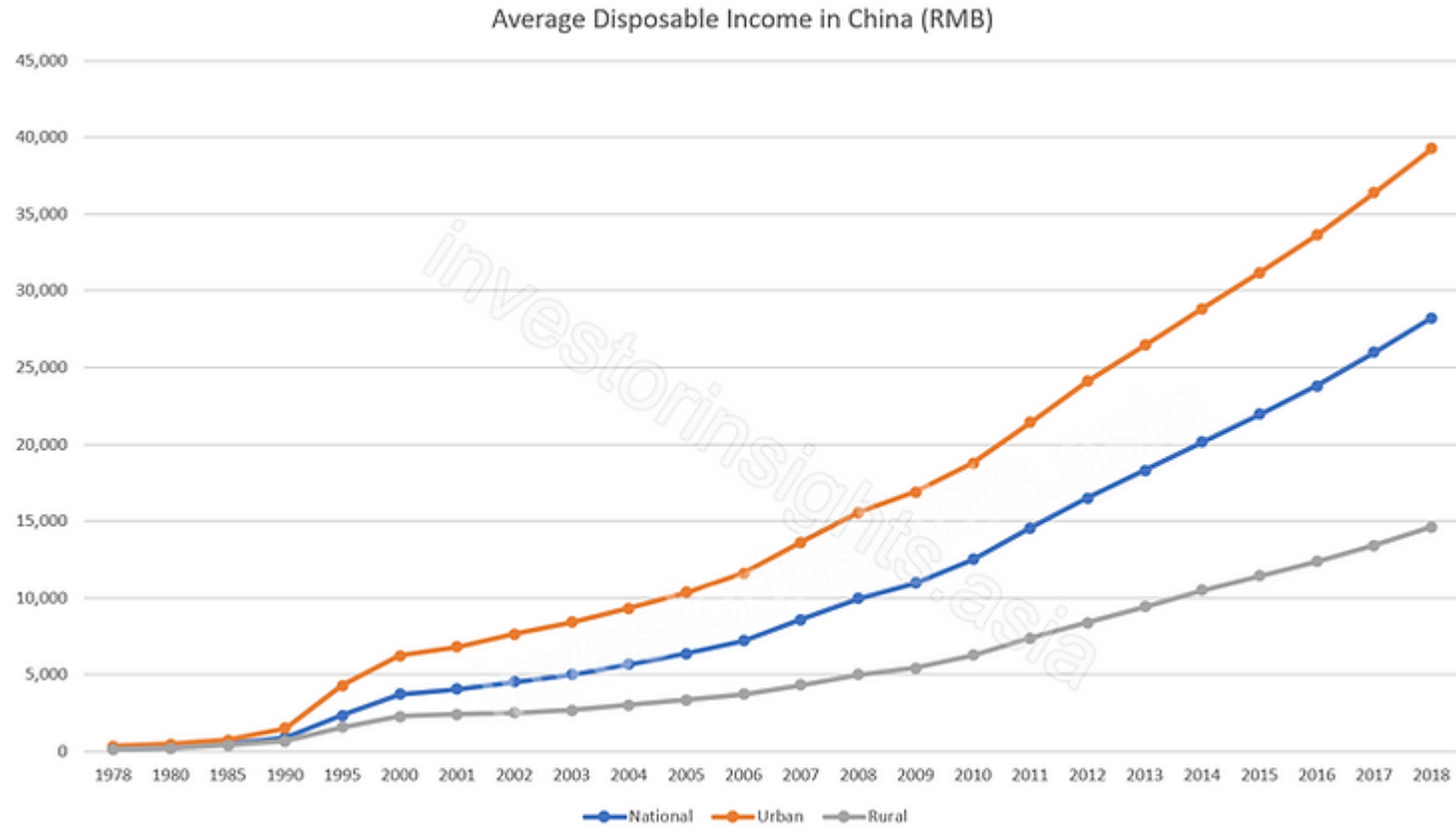
# The development of China's E-commerce (cont'd)

- The Standardization Stage (2008 to 2014)
  - In 2009, the Ministry of Commerce issued the "E-commerce model specification" and "online shopping service standard".
  - 2010: the State Administration for Industry and Commerce issued "Online comm
  - In 2011, the State Council formulated "the Guiding Opinions on the Development of E-commerce at the 12th Five-Year Plan", "the Guidance on the Establishment of National E-commerce Demonstration Base", "the Third Party E-commerce Transactions Platform service specification".
  - In May 2011, the People's Bank of China announced the first 27 enterprises granted permission for payment transactions.
  - Many other legal and business regulations were established

# The development of China's E-commerce (cont'd)

- The Globalization Stage
  - In April 2014, Jumei shares were traded on the New York Stock Exchange
  - Jingdong went public on Nasdaq in May, becoming the second largest business platform in China.
  - Alibaba was listed on the New York Stock Exchange in September and became the largest IPO in American history.
  - many regions of China started to develop cross-border E-commerce

# Mapping the E-commerce development with consumers



Data Source: National Bureau of Statistics of China

# Mapping the E-commerce development with consumers (cont'd)

- The Dawn of Chinese E-Commerce (2003)
  - Prior to 2003, JD only had a single physical store selling electronic devices in *Zhongguancun*,
  - In contrast, Alibaba did have a small e-commerce platform, only a business-to-business (B2B) wholesale website that allowed domestic and foreign companies to purchase Chinese-manufactured goods.
  - With the outbreak of SARS, China entered a near-lockdown state by early 2003. Without customers being able to shop in physical malls, JD was forced to adapt to the epidemic by accepting orders by phone and email, then subsequently mailing the goods to customers to fulfill their orders. Eventually, an online retail platform was launched in 2004.

# Mapping the E-commerce development with consumers (cont'd)

- The era of price sensitive consumers (2003-2010)
- since China joined the WTO in 2001, the country entered a rapid growth phase that tripled the average citizen's annual disposable income in just a decade.
- Both Alibaba and JD targeted their efforts on the residents of China's coastal [first and second tier cities](#) that benefited the most from the country's rise in manufacturing and trade, although still lower level of income
- Alibaba offer a wide range of low-value, low quality products manufactured by factories in villages that didn't have a brand
- Most purchases made on Taobao were for daily household essentials and fast-moving consumer goods (FMCG) that were cheaper online

# Mapping the E-commerce development with consumers (cont'd)

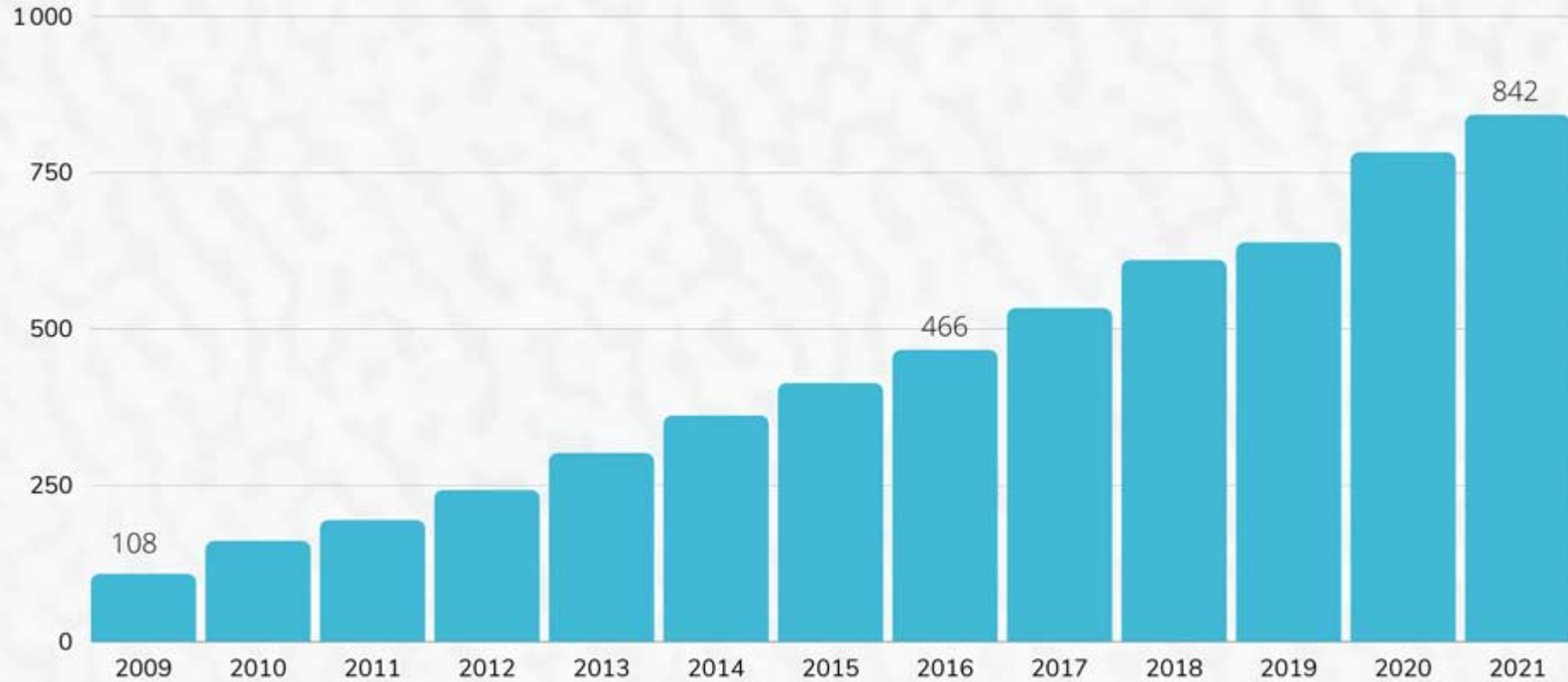
- An Era of Upgrading: China's Increasingly Wealthy Middle-Class (2010 - )
  - T-Mall
- China's Forgotten Market: The Lower Income Consumer (2015 - )
  - Pinduoduo
- The Era of Convergence, Experimentation, and Diversification (2020 -)

# How did China's e-commerce market become the biggest in the world?

- The size of the population?

## ONLINE SHOPPERS IN CHINA

in Million

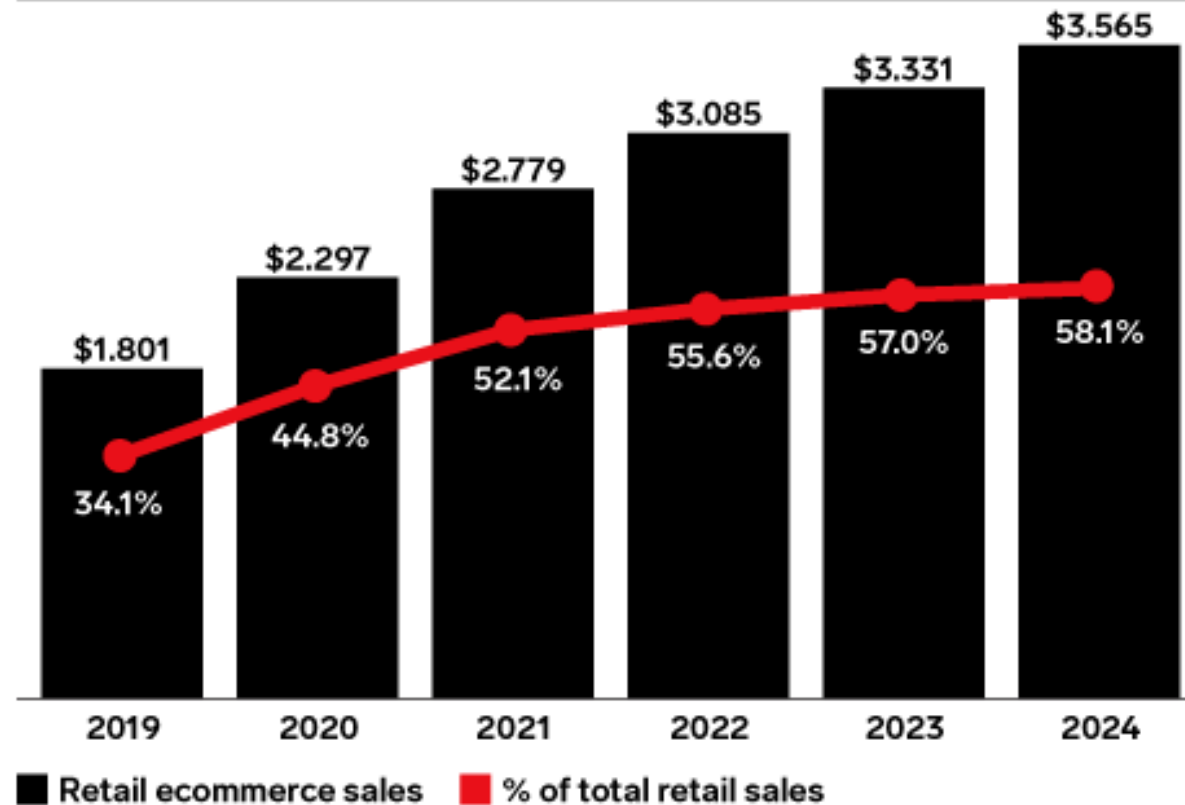


GMA

<https://marketingtochina.com/guide-ecommerce-china/>

## Retail Ecommerce Sales in China, 2019-2024

trillions and % of total retail sales



*Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales; excludes Hong Kong*

*Source: eMarketer, Dec 2020*

263350

eMarketer | InsiderIntelligence.com

<https://www.adchina.io/china-ecommerce-market/>

# Why did the Chinese e-commerce market grow so rapidly?

- Until 2010, e-commerce activity barely registered, despite growing adoption elsewhere in the world.
- Incumbent retailers were weak
  - China's existing, bricks and mortar, operators lacked scale, well recognized brands and national footprints, and therefore offered limited resistance to online growth.
  - Consumption habits were less well established. China's top 20% retailers together comprised only 7% market share compared to 24% in the US
  - Retail space per capita is only 2 sqft, vs. 24 sqft in the US
- Low labor costs
  - Reduced cost of delivery logistics
- Vertical living
  - Chinese population predominately reside in high-rise condos, making delivery arrangements easier

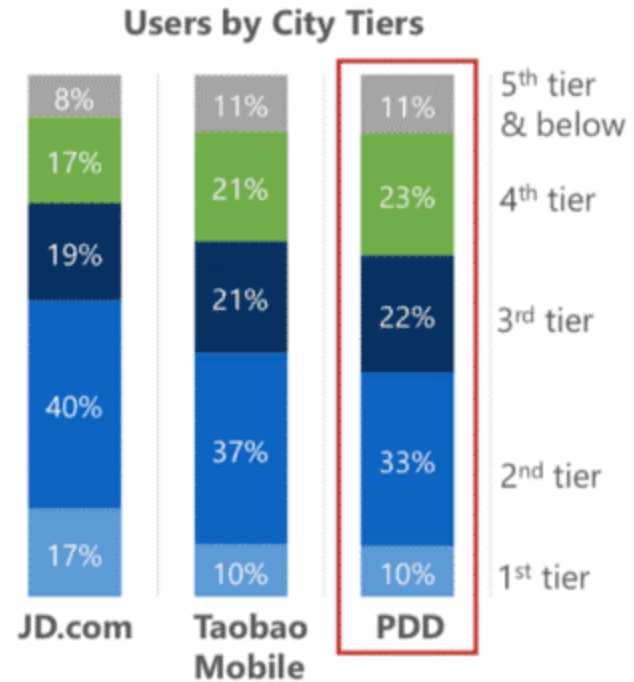
# Why did the Chinese e-commerce market grow so rapidly?

- Distributed supply
  - Fragmented suppliers and inefficient multi-layer distribution arrangements
  - Common for supply chains to operate separate national, provincial, and city level distributors between manufacturers and consumers
  - Offered e-commerce the opportunity to dramatically reduce costs and offer competitive pricing and a broad range of products to customers
- Driving lifestyle
  - Car ownership relatively lower making trips to offline retail locations more difficult
- Price

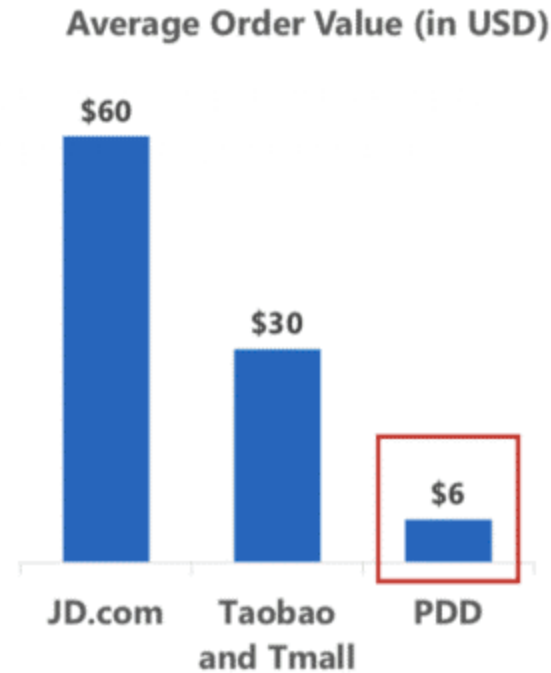
# Market share decomposition

- Alibaba's Taobao and Tmall 50.8 % of market share
- JD.com 15.9 %
- Pinduoduo 13.2 %
- Suning, Gome, Vipshop, Yihaodian, Dangdang, Mogujie, and JuMei, comprise the remaining market share

# PinDuoDuo demographics and average order value



Source: Jiguang Data & CMS  
(China Merchants Securities)



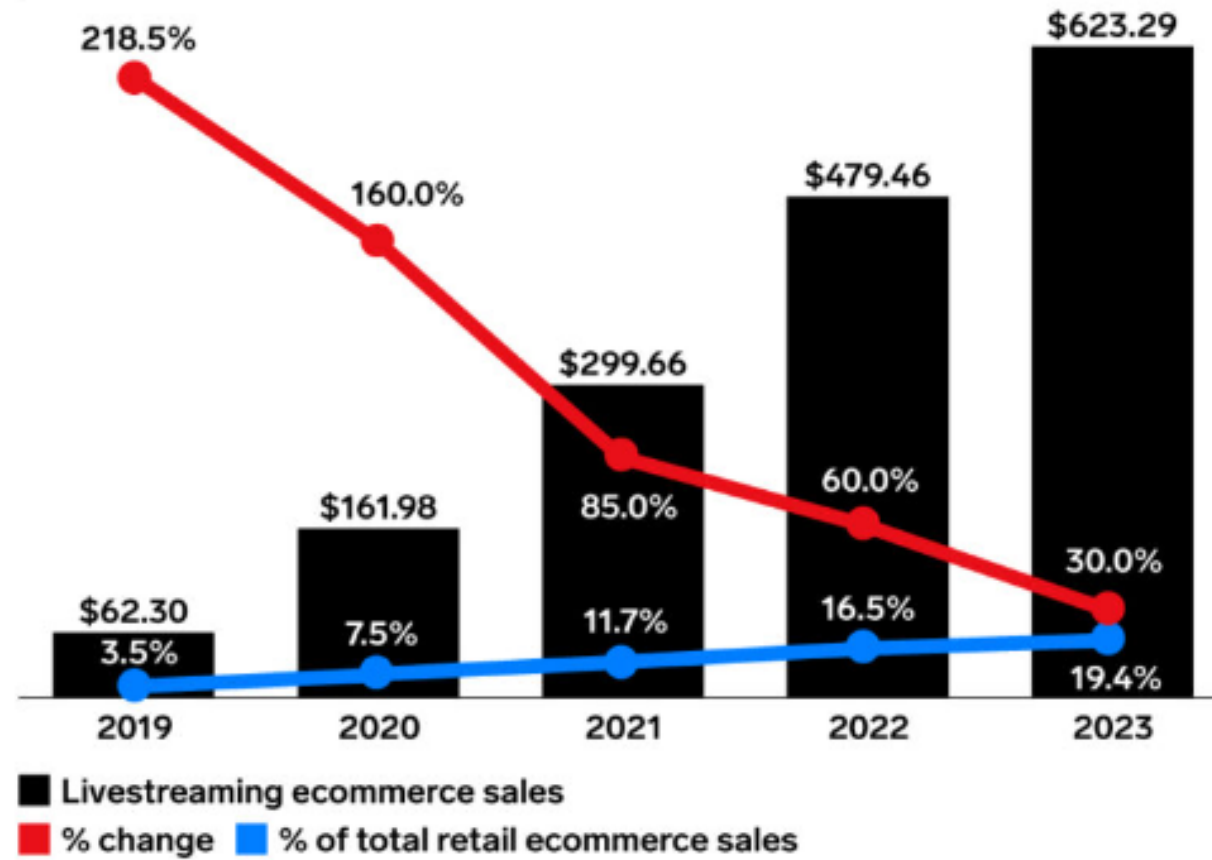
Source: Companies' filings

PinDuoDuo demographics and average order value

# New Trend

## Livestreaming Ecommerce Sales in China, 2019-2023

billions, % change, and % of total retail sales



Note: includes products or services ordered via online video streaming where the presenter demonstrates and discusses the offering and answers audience questions in real time; the livestream session can take place on an ecommerce website or on a social media platform; includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes virtual items gifted by viewers to livestream presenters, travel, and event tickets

Source: eMarketer, May 2021

- <https://www.youtube.com/watch?v=JQIV7GkQiqc>
- <https://youtu.be/JQIV7GkQiqc>

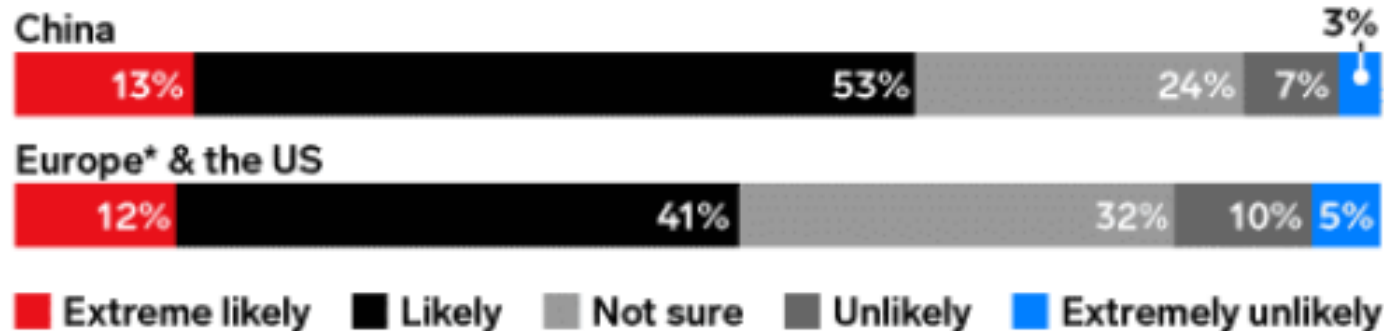
# Livestreaming E-commerce

- Very popular form of e-commerce in China
- Key Opinion Leaders (KOLs) conduct live video broadcasts of themselves while they market different goods to their audiences.
- Individual KOL can be very effective in generating sales for a product. For example, TaoBao's top livestreamer, Wei Ya sold \$31 billion worth of goods on her livestream show in 2020, and her Singles Day 2020 Livestream attracted over 43 million viewers

# Can KOL be successful everywhere?

## How Likely Are Livestream Viewers in Select Countries to Buy Products Recommended by Influencers They Follow?

% of respondents, Sep 2020

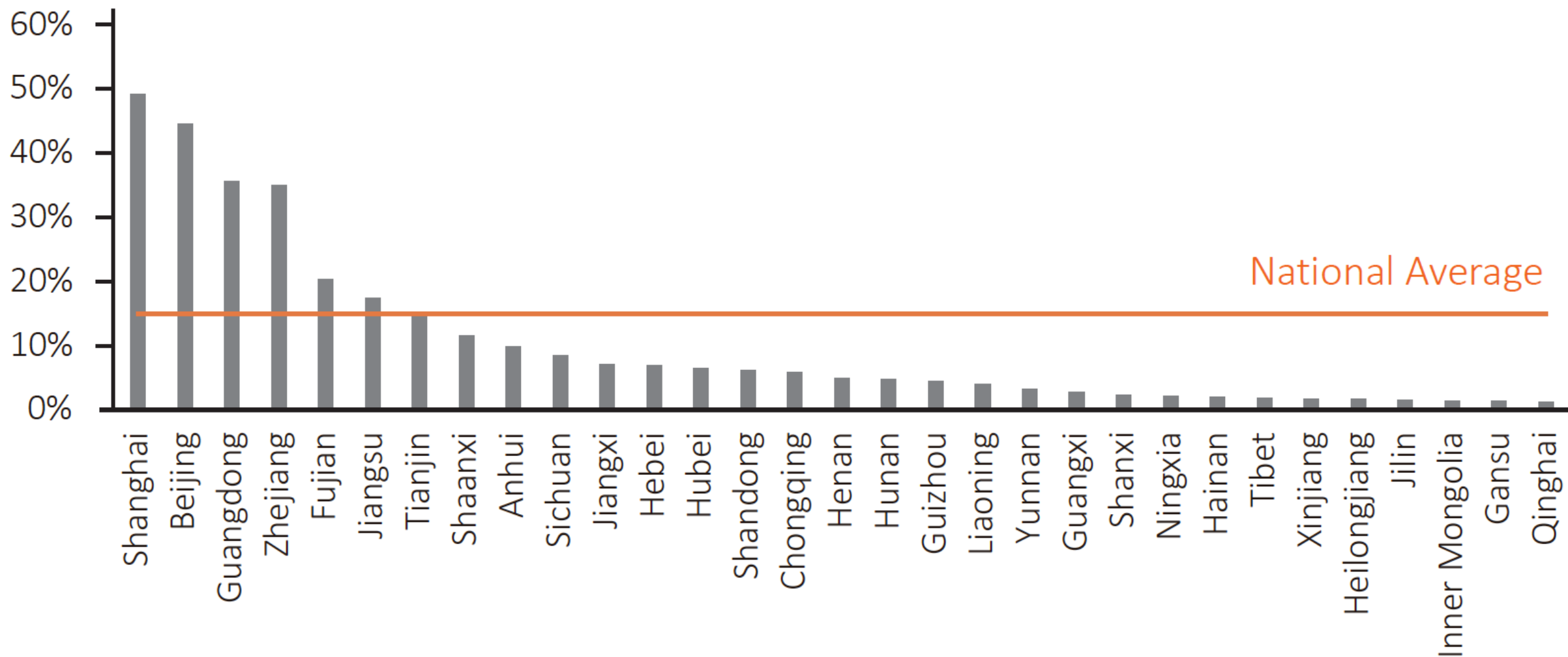


Note: n=2,118 ages 16-64; \*France, Germany, and the UK  
Source: GlobalWebIndex, "Entertainment 2021," Jan 14, 2021

# Impacts on poverty reduction

- Agriculture has been a particular beneficiary of E-commerce
- Lowering trade and information costs to urban markets
- =>
- increase rural incomes through higher demand for local production
- better access to inputs and stronger incentives for rural entrepreneurship.
  
- But, much less emphasis on the potential benefits to rural consumers.
  
- A video about Taobao village
- <https://www.youtube.com/watch?v=GwQQt7g3MO0>

**Figure 1.5. Share of Online Retail Sales of Goods to Total Retail Sales of Consumer Goods in Provinces (2017)**



Source: Staff calculation based on China Statistical Yearbook 2018.

# What Taobao Village brings about?

- In Taobao Villages, households that participate in e-commerce have per capita income 80 % higher than households that do not participate
- e-shop workers have wage levels equal to or higher than workers in urban private industries
- Most people in Taobao Villages, especially e-households, perceived their social status as equal to or higher than it was five years ago, and they believe they will have equal or even higher social status two years in the future.

# More positive sides of e-commerce

- E-commerce also offers employment opportunities in developing countries and in rural areas for semiskilled workers and other groups (including people with disabilities)
- The ratio of women to men entrepreneurs in e-commerce is at or near parity on the Alibaba platforms (this number is 1:3 in all business)
- Three quarters of rural e-tailers are 20-29 years old.
- *Younger, better educated households benefit more and women are strong beneficiaries.*

- In Shuyang and Suining, Jiangsu province, many young and talented people, including women, have returned, bringing back with them the skills and entrepreneurial spirit needed to develop e-commerce businesses and earn incomes similar to or higher than they did in the cities, while enjoying family life with their elders and children. Many have become leaders of e-commerce in their home villages and are role models for fellow villagers.
- In Heze, Shandong province, people gained wealth by creating and developing niche products and whole new industries—in this case, special clothing, such as performance dresses for holiday occasions—and sell large volumes through online platforms serving the domestic and international markets.
- In Mengjin, Henan province, people are enriched by access to new markets through online platforms for traditional cultural products, such as peony painting and Tang tri-color ceramics. Many young people have started to (re)learn traditional skills that will sustain the local cultural heritage.
- In Xifeng, Guizhou province, households receive a higher farmgate price for kiwis and therefore have an incentive to increase production through online sales to domestic as well as European markets.

# Challenge

- Similar products and low level competition
- Small scale
  - two-thirds of Taobao Village e-shop owners are self-employed and have no employees
  - a third have fewer than five workers
- Sustainability
  - Need continued support and innovation
- The future?

Negative impact?