The Future of E-commerce
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Dr. Ming ZENG
Chief Strategy Officer
11.11 Shopping Festival: 2013 vs 2014

Total GMV\(^{(1)}\):

- **2013**: RMB 36.2Bn (US$5.8Bn)
- **2014\(^{(2)}\)**: RMB 57.1Bn (US$9.3Bn)

GMV Growth:

- **YoY Growth (%)**: 57.7%

Time-spending to achieve:

- **RMB 1Bn GMV**: ~6mins vs ~3mins
- **RMB 5Bn GMV**: ~38mins vs ~14mins
- **RMB 10Bn GMV**: >5hrs vs ~38mins

Note:

- (1) All 11.11 GMV settled through Alipay
- (2) All 2014 11.11 GMV and other figures are subject to final auditing following conclusion of the event.
11.11 Shopping Festival: GMV

Note:
(1) All 11.11 GMV settled through Alipay
(2) The above 11.11 GMV for 2009 – 2012 are unaudited.
(3) The 11.11 GMV for 2014 is unaudited and is subject to final auditing following conclusion of the event.
What’s going on?

Internet is fundamentally transforming business in China
China and U.S. E-commerce Comparison


(US$ Bn)

CAGR (2009A – 2015E)

U.S.: 13.7% vs China: 52.4%
China’s Rapid Internet Growth

China Internet Population and Penetration

(Million) (%)

China’s Internet population grew >600% over past ten years

Source: CNNIC
Note: (1) 2014 Internet population and penetration rate are as of June 30, 2014
Rapid Growth in China’s Online Shoppers

China Online Shopper Population and Penetration

(Million)

China’s online shoppers population has grown tremendously

Source: CNNIC
Note: (1) 2014 Internet population and penetration rate are as of June 30, 2014
China’s Retail Infrastructure is Weak...

Shopping Mall Penetration

► Shopping malls in China are much less prevalent than in developed countries
► Vast China’s population is greatly underserved!

<table>
<thead>
<tr>
<th></th>
<th>2013 Population</th>
<th>No. of Shopping Malls</th>
<th>Malls per Million People</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>65.8MM</td>
<td>1,570</td>
<td>23.9</td>
</tr>
<tr>
<td>U.S.</td>
<td>317.3MM</td>
<td>3,810</td>
<td>12.0</td>
</tr>
<tr>
<td>South Korea</td>
<td>50.2MM</td>
<td>368</td>
<td>7.3</td>
</tr>
<tr>
<td>China</td>
<td>1,361MM</td>
<td>3,222</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Source: (1) Population - INSEE, Korean Statistical Information Service, United States Census Bureau, Statistics Korea, National Bureau of Statistics of China
...but Internet Infrastructure is Strong

China’s Internet penetration rate (46%) approaches that of developed countries...

...but the scale of retailer concentration lags far behind.

E-commerce steps in to fill the gap!
The Big Bang of Taobao

GMV (Taobao Marketplace + Tmall)

(RMB Bn)

Taobao’s GMV growth in a decade

Total GMV

For 12M ended March
A New Model: E-commerce Ecosystem

- With Taobao growing so fast, many third-party services flourished (e.g. logistics providers, IT services)

- Instead of converting Taobao to a traditional B2C model, we recognized the power of an eco-system approach and made that our strategy in 2008

- The core of the eco-system is a dynamic market built on Internet and Big Data
And it keeps evolving...

- Eventually, every step of the business process will be transformed, from advertising, to sales, to distribution, to logistics, to supply chain.

- This will not merely be the “digitization” of each piece, but rather an end-to-end reinvention of a native e-business model.
The Future: C2B

**Consumer Centric/Driven**
Consumers are much more empowered
Direct links between consumer-business

**Mass Customization / Personalization**

**From Supply Chain Management to Value Network Coordination**

**Real-time Data Sharing**
Industry versus information Economy

Industry Economy
- B2C
- Standardization
- Mass production
- Low Cost
- Assembly Line
- Supply Chain
- Hierarchy

Linear • Mechanical • Control

Information Economy
- C2B
- Customization
- Differentiation
- Value
- Network
- Social Collaboration
- Self Organizing

Web • Ecological • Enable
The Future of Business

A Paradigm Shift

B2C → C2B → Industry → Information

China Model → Emerging Markets Model

Impact to developed B2C models?