



Issue 2 | E-commerce

Executive Summary

China's online retail market continues to drive economic growth. China's online retail market, the world's largest, has shown resilient growth despite a slowing economy. The transaction value of China's online retail market increased 32.2% yoy to reach 7.18 trillion yuan in 2017. This rapid growth is attributable mainly to China's large population of Internet users and the early adoption of mobile shopping by Chinese consumers. Mobile commerce accounted for 81.3% of total online shopping transactions in 2017.

E-commerce giants strive to increase offline presence and expand their ecosystems. With the rise of omnichannel retailing, e-commerce giants are actively penetrating offline retailing with the idea of perfecting their physical retail networks and further expanding their business ecosystems. Alibaba and JD.com, in particular, have accelerated the pace of their offline expansion by merging with or acquiring physical retailers. They hope to build an all-encompassing business ecosystem that fully blends online and offline channels so as to become ubiquitous and indispensable in the daily life of all Chinese consumers.

Social commerce becomes increasingly popular; short video platforms facilitate digital marketing. Eying the high level of consumer penetration by social media platforms such as WeChat, Weibo, Pinduoduo, and live-streaming and short video platforms, such as Douyin, brands and retailers are increasingly trying to sell and market their products via these channels.

E-commerce players and Internet giants launch their own private labels. Some e-commerce companies have taken bold initiatives to launch their own private labels to offer consumers quality, premium and personalized products and services. NetEase, Alibaba, JD.com, Tencent, Xiaomi and Mia.com are cases in point. Some e-commerce companies have even set up physical stores to sell their own private labels.

Rural e-commerce continues to thrive. The rural online retail market has become a new growth engine for e-commerce in China with the near saturation of the urban online market. The government has been very supportive of this development. Recognizing the ample growth potential of the rural e-commerce market, leading retailers and e-commerce companies have adopted "going rural" strategies.

China's first E-commerce Law launches. The E-commerce Law, which is to take effect on 1 January 2019, is designed to safeguard the legitimate rights and interests of all parties involved in e-commerce; to regulate e-commerce practices; maintain the sound order of the market, and foster the further development of e-commerce in a manner that is sustainable and healthy.

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