

Buoyed by Alibaba's success, China to make up 50 per cent of global e-commerce market by 2018 as it eyes 'digital Silk Road'

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E-commerce is expected to make up 28.6 per cent of all retail sales in China by 2018.
Photo: Xinhua

The Chinese mainland will account for over half of the global retail e-commerce market by 2018 as its growing middle class and broad use of smart mobile devices nationwide drive domestic consumption.

This anticipated development puts the country squarely at the centre of efforts to help expand global e-commerce by building a "digital Silk Road", which is one of the main topics at this year's World Internet Conference hosted in the town of Wuzhen, Zhejiang province.

South China Morning Post

New York-based research firm eMarketer on Wednesday predicted China's total retail e-commerce sales in 2018 to increase 133 per cent to US\$1.568 trillion, up from an estimated US\$672 billion this year.

Worldwide retail e-commerce sales are forecast to grow 80 per cent to US\$3.015 trillion in 2018 from this year's estimated US\$1.671 trillion, it said.

China is also expected to make up the bulk of the Asia-Pacific online retail market by 2018, when the region's total sales is projected to reach US\$1.892 trillion

Monica Pearl, eMarketer's director of forecasting, said the rapid online retail growth in China and the rest of the Asia-Pacific, combined with faster internet service and greater mobile uptake, is "heating up the competitive landscape, where large local players are increasingly vying for market share by improving their logistics and mobile platforms".

That buoyant retail e-commerce expansion is best exemplified by Singles Day on November 11, the annual red-letter day in China that has fostered the world's biggest online shopping festival.

Over the past few years, Singles Day has turned into a two-horse race between e-commerce giant Alibaba Group and Tencent Holdings-backed JD.com.

Retail Ecommerce Sales in Select Countries in Asia-Pacific and Worldwide, 2014-2018

billions

	2014	2015	2016	2017	2018
China*	\$472.91	\$672.01	\$911.25	\$1,208.31	\$1,568.39
Japan	\$78.55	\$89.55	\$100.30	\$111.33	\$122.46
South Korea	\$35.01	\$38.86	\$42.75	\$46.59	\$50.55
Australia	\$17.40	\$19.02	\$20.66	\$22.31	\$23.94
India	\$6.10	\$14.00	\$24.61	\$39.45	\$55.26
Indonesia	\$1.94	\$3.22	\$5.29	\$8.21	\$10.92
Other	\$35.00	\$40.95	\$47.37	\$52.22	\$60.55
Asia-Pacific	\$646.92	\$877.61	\$1,152.21	\$1,488.42	\$1,892.07
Worldwide	\$1,336.16	\$1,670.99	\$2,050.36	\$2,498.48	\$3,015.15

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; *excludes Hong Kong

Source: eMarketer, Dec 2015

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Alibaba and JD have each steadily assembled substantial brand and merchant alliances, as well as set up extensive logistics infrastructure, to support their growing operations.

This year's Singles Day saw Alibaba post a record gross merchandise volume (GMV) — the total value of goods sold on an e-commerce platform — of 91 billion yuan (US\$14 billion), up 60 per cent from 57 billion yuan last year.

Alibaba affiliate Cainiao Logistics handles 467 million delivery orders during that 24-hour shopping period, up 68 per cent from 278 million orders at last year's Singles Day event.

Cainiao cooperated with 49 logistics partners across the world in order to provide smooth and timely delivery for customers in 224 countries and regions.

JD did not disclose the amount of its GMV on November 11, but said it achieved a 130 per cent year on year increase in the number of orders placed on that day.

The company processed those orders by having what it claims as the largest fulfilment infrastructure of any e-commerce services provider in China.

It operates seven fulfilment centres and a total of 166 warehouses in 44 cities, as well as 4,142 delivery stations and pickup stations in 2,043 counties and districts across China, staffed by its own employees.

Alicia Yap, the head of China internet research at Barclays, credited mobile transactions through smartphones and tablets for the strong GMV growth of those two mainland online retail services providers.

"We saw both Alibaba and JD deliver significant growth in mobile bookings," Yap said.

Alibaba's mobile GMV surged 158 per cent year-on-year to 63 billion yuan, exceeding its 57 billion yuan overall GMV last year.

JD reported that its Singles Day mobile transactions — made through its native mobile application as well as Tencent's WeChat and Mobile QQ platforms — accounted for 74 per cent of its total transactions on that day.

"We believe via the Singles Day promotion, many international brands have had a chance to experience the rising consumption power of Chinese consumers and we believe this will help attract even more foreign brands to work with either or both JD and Alibaba," Yap said.

E-commerce is forecast to account for 28.6 per cent of total retail sales in China by 2018, up from an estimated 15.9 per cent this year, according to eMarketer.

That would surpass the estimated 11.4 per cent share of global retail e-commerce sales in 2018, it said.

Jack Ma Yun, the lead founder and executive chairman of Alibaba, said in October that the company's domestic expansion efforts were [aimed to boost "consumption power" in China](#), which would help drive the economy forward.

"There are currently 300 million [members of the] middle class in China, and that number will rise to 500 million in 10 to 15 years," Ma said.