

China: number one online market —and still growing

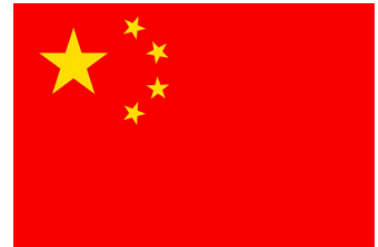
China has been the most populous country in the world for centuries. In 1980, after 50 years of communist rule, the country began allowing commercial trade again. By 2013, China was second only to the United States in nominal gross domestic product and purchasing power parity. Three factors have driven the most recent development:

- 1. The growth of the middle class, with more disposable income than ever before.** China now has more than 300 million middle class citizens—equal to the entire population of the United States.
- 2. Broadband Internet access, which has expanded more quickly than any other utility.** China has the world's largest online population, with 130 million residential broadband accounts—yet broadband penetration is only 30 percent.¹
- 3. Mobile phone use, providing immediate connections for buyers and sellers alike.** China had 500 million mobile Internet users at the end of 2013—80 million more than a year before.² In the United States, about 19 percent of mobile phone users buy goods through online payment systems; in China, the figure is 55 percent and growing.³

A significant and growing global presence

"In 2014, for the first time, consumers in Asia-Pacific will spend more on ecommerce purchases than those in North America, making it the largest regional ecommerce market in the world."⁴

Tiernan Ray of *Barron's* predicts that China will soon account for nearly half of all ecommerce worldwide: "China's ecommerce market has grown 2.9X faster than the U.S. market and 2.5X faster than the overall ecommerce market outside of China. In all, by 2018, we see the \$1,315 billion China ecommerce market growing to be 2.7X larger than the U.S. market, making up 45% of global ecommerce."



Country

Full name: People's Republic of China

Capital: Beijing

Largest city: Shanghai

Size rank: 4th largest country in world

People

Population: 1,360,000,000+

Median age: 35

Official language: Mandarin (spoken), Simplified Chinese (written)

Economy

Currency: Renminbi (RMB)

GDP: \$9.24 trillion USD (2013)

GNI per capita: \$11,850 USD (purchasing power parity, 2013)

Internet users*

Age 15-24: 27 percent

Age 25-34: 32 percent

Age 35-44: 25 percent

*This online population represents more than 40 percent of the total in Latin America⁴

Third-party payments lead the way

The Chinese online payments market is dominated by three main players: Alipay, Tenpay and UnionPay. These three players account for approximately 80 percent of the payments landscape.

Alipay, introduced in 2004 by Alibaba, provides eWallet services. Thanks to its affiliation with leading marketplace sites, and to generally low usage of credit cards among Chinese shoppers, Alipay handled nearly half of all online payments made in China this past year. The next largest provider, Tenpay, managed about one-fifth of all payments for the same period.

eWallets have grown as quickly as mobile phone use and ecommerce itself. Five years ago, 70 percent of online consumers chose cash on delivery as their preferred payment method. Today, 70 percent choose services such as Alipay and Tenpay.

UnionPay is the largest bank card network in the world and the only domestic bank card network in China. With a recent entrance to online payments UnionPay's share is smaller than its competitors Alipay and TenPay. However it has enormous reach across the entire Chinese consumer population.

iResearch, a market research and consulting company in China, estimates the country's third-party online payment market at nearly 5,373 billion Yuan in 2013 (about \$870 billion). That represents an increase of more than 46 percent over the previous year.

How Digital River can help

Digital River has extensive experience doing business in Asia. By partnering with us, you'll get a cost-effective and customized payment program, without the overhead costs and risks of setting up and maintaining your own local entity. We will also consolidate and streamline all transactional data into one reporting structure for reconciliation.

Whether you have an Asian entity or not, we can provide a direct connection to our partner acquirers and alternative payments. Our business models can support your business growth today—and tomorrow.

[Learn more about market insights in China](#)

Single's Day

November 11 is known as "Single's Day" in China. The date 11-11 is associated with the Chinese phrase "bare branches for bachelors and spinsters." Traditionally, young Chinese people go out for a drink that day to celebrate (or mourn) their single status.

Taobao and Tmall, founded by Alibaba, started promoting online shopping on Singles' Day in 2009 with dramatic but temporary discounts. The idea caught on immediately, and has become a popular annual event. In 2013, total online sales for Singles' Day exceeded \$5.75 billion. In comparison, Cyber Monday, typically the biggest shopping day for ecommerce in the United States, generated \$2.29 billion in sales.

1 McKinsey Global Institute Report
2 China Internet Network Information Center
3 KPMG International
4 eMarketer

About Digital River

Digital River, the revenue growth experts in global cloud commerce, helps companies of all sizes build and manage their online businesses, maximize online revenue, reduce costs and minimize risk. Founded in 1994, the company is headquartered in Minneapolis, with offices across the United States, Asia and Europe.

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