

China Online Shopping Market Survey Report 2006

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Survey Findings

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Introduction

China's C2C Market Players

- Taobao – A C2C Marketplace operated by Alibaba.com, a local Internet company in which Yahoo bought 40% stake in Sept. 2005. Alibaba.com also boasts the world's largest B2B marketplace.
- eBay Eachnet – eBay's 100% owned China operations
- Paipai – a new launched C2C marketplace operated by Tencent, which owns QQ, China's most popular instant messenger.

Note: In this presentation, eBay refers to eBay Eachnet or eBay China Operations only.

CNNIC C2C Shopping Market Survey Coverage

Random Sampling Telephone Survey

- Covers C2C shoppers in 3 Cities – Beijing, Shanghai and Guangzhou
- Number of Valid Respondents: 1,856

Online Survey

- Conducted on 3 C2C marketplaces – Taobao, eBay, and Paipai
- Surveyed both buyers and sellers
- National coverage
- Number of Valid Respondents: Buyers – 3,299; Sellers - 1,775

Basic Findings

- 3.3 million people have shopped Online (both B2C and C2C) in the 3 cities surveyed. Penetration rate is 25.5% of total online population.
- 2 million people in the 3 cities have shopped on a C2C marketplace (auction Website). Nationally, C2C shoppers are estimated to exceed 10 million people.
- According to number of shoppers and their shopping frequency, Taobao and eBay had a market share of 67.3% and 29.1%, respectively, in the 3 cities over Year 2005.

About Taobao and eBay

- Both female buyers and sellers play a vital role on Taobao website, while eBay is still a male dominated marketplace.
- Taobao has a user base proportionally consisted of non-profit individual sellers, part-time sellers, full-time sellers and business sellers, while eBay has larger proportions of both non-profit individual sellers and business sellers, comparatively smaller proportions of part-time and full-time individual users.
- Taobao's online user community (BBS) is much more active, which help buyers/sellers exchange shopping information and increase user stickiness.
- Taobao has an effective instant messenger that provide unhindered communications between buyers and sellers. eBay users just began to adopt Skype.
- And Taobao is free of charge

Random Sampling Telephone Survey C2C Online Shopping in the Three Cities

C2C Shoppers in the 3 Cities

| | Beijing | Shanghai | Guangzhou | 3-City Total |
|---------------------------------|---------|----------|-----------|--------------|
| Online Population, '000 | 4,280 | 4,630 | 3,360 | 12,270 |
| Number of Online Shoppers, '000 | 1,350 | 1,270 | 680 | 3,300 |
| Number of C2C Shoppers, '000 | 750 | 850 | 380 | 1,990 |
| Online Shopping Penetration | 31.6% | 27.4% | 20.1% | 25.5% |
| C2C Shopping Penetration | 17.5% | 18.5% | 11.5% | 16.2% |

C2C Shoppers in the 3 Cities Who Have Shopped:

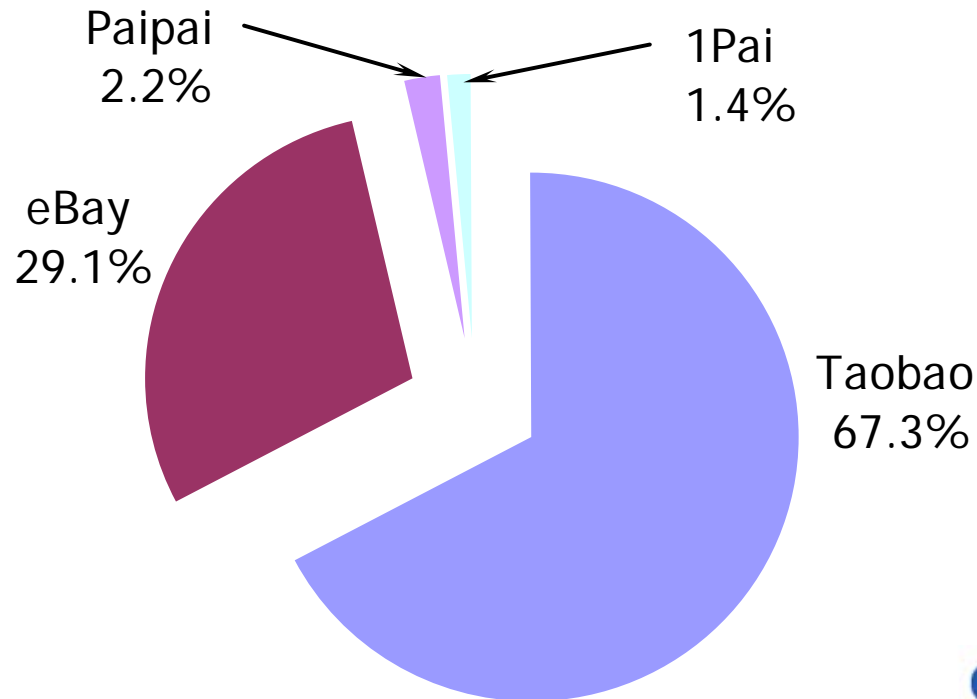
| | Beijing | Shanghai | Guangzhou | 3-City Total |
|----------------------------------|---------|----------|-----------|--------------|
| Only on Taobao.com | 54.6% | 43.2% | 50.2% | 48.8% |
| Only on eBay.com.cn | 23.4% | 24.7% | 25.2% | 24.3% |
| On both Taobao and eBay Websites | 20.1% | 28.9% | 18.5% | 23.6% |
| Others | 1.9% | 3.2% | 6.1% | 3.3% |
| Sum | 100.0% | 100.0% | 100.0% | 100.0% |

C2C Shoppers in the 3 Cities Who Shopped in 2005

| | Taobao | eBay | Paipai |
|------------------------------------|--------|-------|--------|
| No. of Shoppers All-Time, '000 | 1,450 | 960 | 80 |
| No. of Shoppers in 2005, '000 | 1,170 | 700 | 50 |
| Average Shopping Frequency in 2005 | 4.25 | 3.08 | 3.19 |
| No. of Total Purchases, '000 | 4,970 | 2,150 | 160 |

C2C Shoppers in the 3 Cities Market Shares in 2005

Market share is defined as number of purchases made on a C2C Website against total purchases by all users across all C2C Websites.



C2C Shoppers in the 3 Cities

Concerns About C2C Online Shopping:

(Multiple selections are accepted)

| | Beijing | Shanghai | Guangzhou | 3-City Total |
|--------------------------|---------|----------|-----------|--------------|
| Quality of Goods | 66.5% | 63.1% | 62.6% | 64.1% |
| Sellers' Feedback Scores | 34.2% | 34.2% | 33.6% | 34.0% |
| Online Payment | 13.5% | 12.7% | 18.7% | 14.9% |
| Delivery | 9.6% | 5.8% | 10.2% | 8.5% |
| Dispute Settlement | 3.2% | 3.5% | 5.2% | 4.0% |
| Customer Services | 9.0% | 8.3% | 10.3% | 9.2% |
| Others | 6.3% | 9.5% | 10.0% | 8.6% |
| Nothing to worry about | 9.0% | 9.3% | 8.9% | 9.1% |

C2C Shoppers in the 3 Cities

Based on your own experience, will you Recommend C2C online shopping to others?

| | Beijing | Shanghai | Guangzhou | Total |
|----------|---------|----------|-----------|--------|
| Yes | 68.4% | 65.5% | 64.8% | 66.2% |
| No | 19.4% | 21.0% | 20.7% | 20.4% |
| Not Sure | 12.2% | 13.5% | 14.6% | 13.4% |
| Sum | 100.0% | 100.0% | 100.0% | 100.0% |

C2C Shoppers in the 3 Cities

6-Month Intention to Buy More on:

(Multiple selections are accepted)

| | Beijing | Shanghai | Guangzhou | Total |
|----------|---------|----------|-----------|-------|
| Taobao | 65.8% | 63.9% | 58.9% | 62.9% |
| eBay | 35.6% | 43.8% | 35.1% | 38.2% |
| Paipai | 2.4% | 3.0% | 5.7% | 3.7% |
| Dangdang | 11.1% | 2.2% | 3.8% | 5.7% |
| Joyo | 8.8% | 3.4% | 1.5% | 4.6% |

Dangdang and Joyo are two of leading B2C Websites in China. Joyo is now 100% owned by **Amazon.com**

C2C Online Shopping 3 Cities vs. China Total

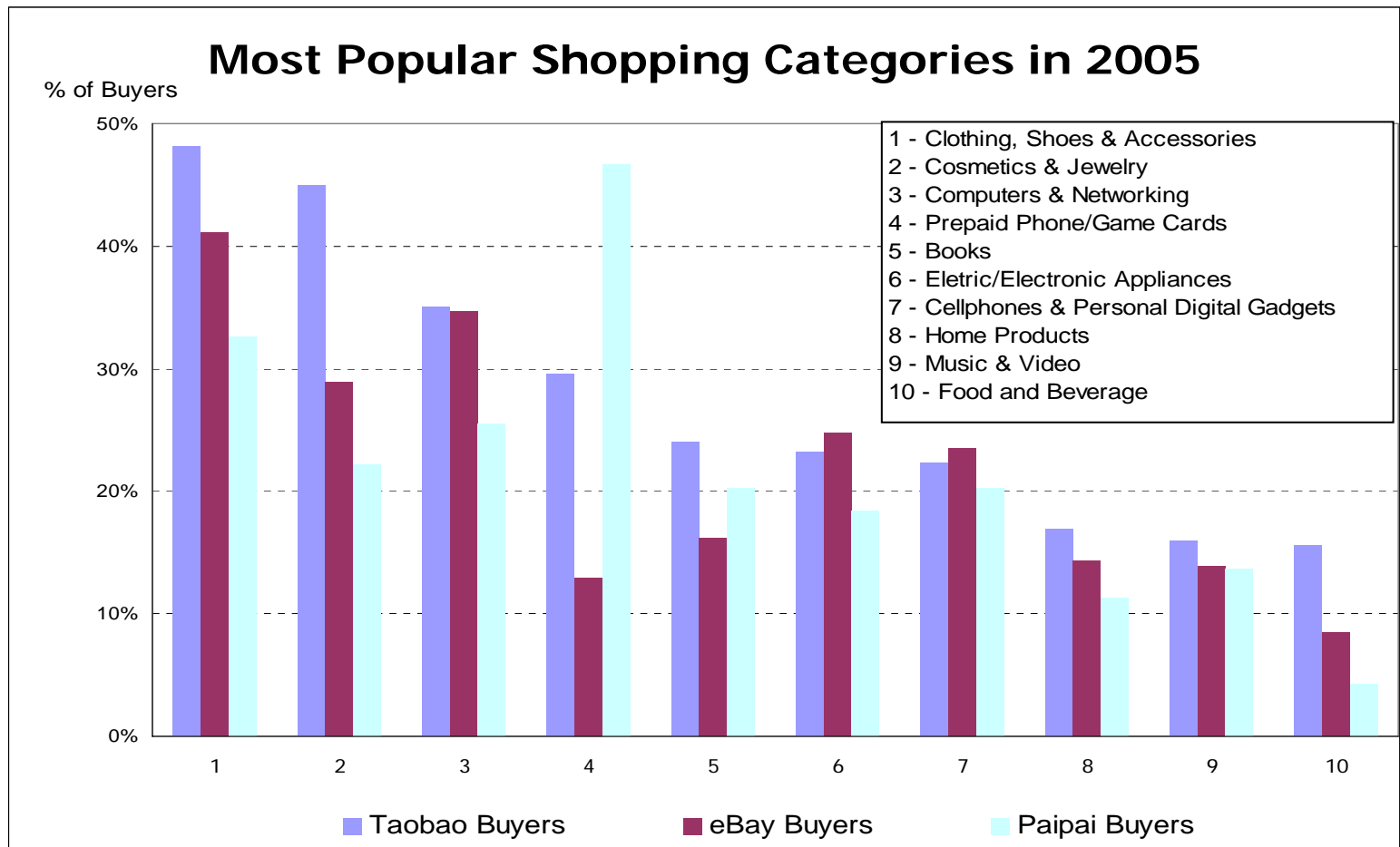
Expressed as % of China Total:

| Online Survey Results | Taobao | eBay | Paipai |
|--|--------|-------|--------|
| Number of Buyers in the 3 Cities | 18.0% | 16.5% | 14.5% |
| Number of Sellers in the 3 Cities | 26.9% | 34.9% | 15.8% |
| Number of Purchases Made by Buyers in the 3 Cities | 35.3% | 38.4% | 29.2% |
| Number of Goods Sold by Sellers in the 3 Cities | 50.0% | 55.9% | 47.0% |

Online Survey Findings **Buyers' Report**

Buyers

Most Popular Shopping Categories in 2005



(Multiple selections are accepted)

Buyers

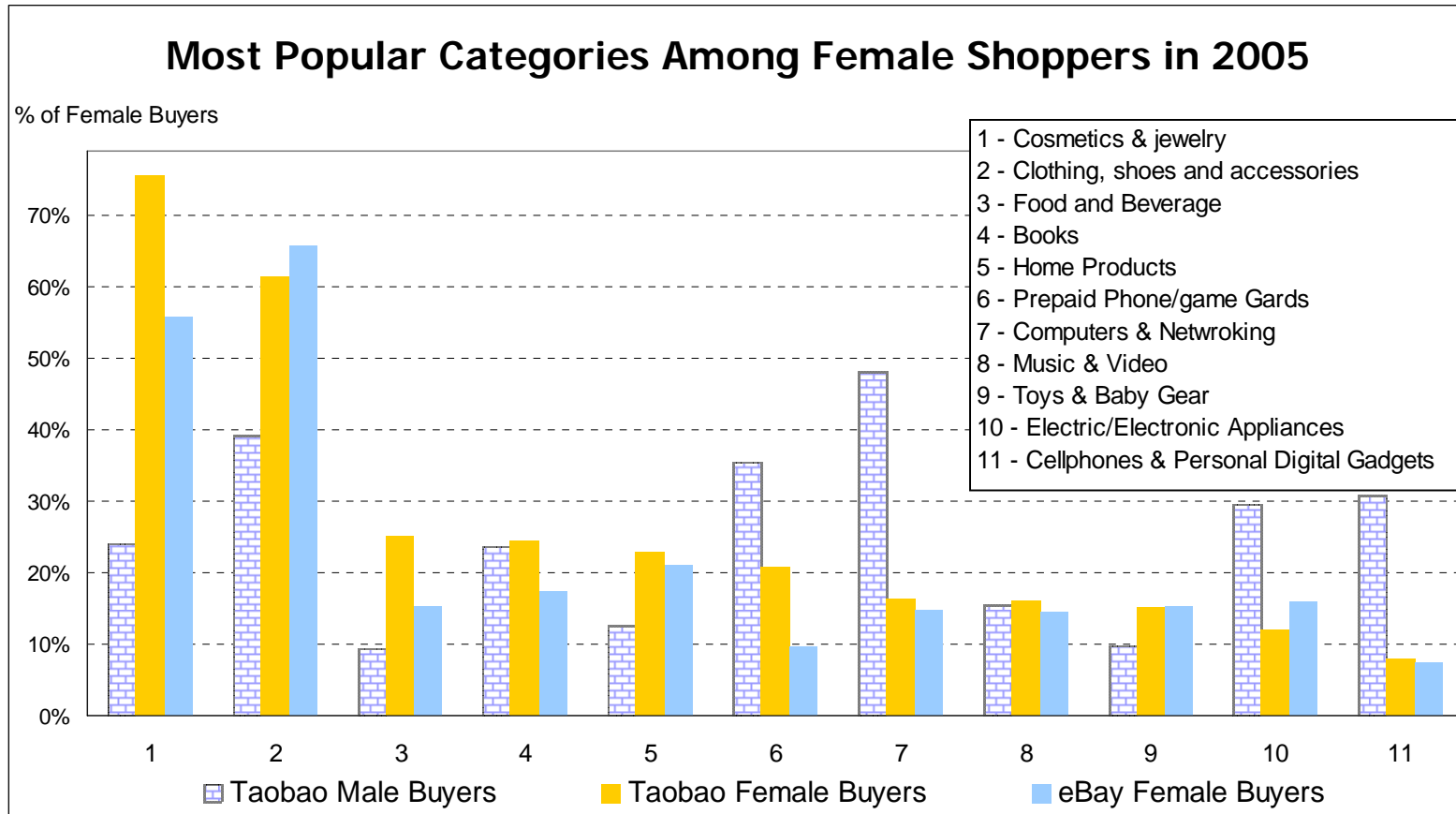
Shopping Frequency in 2005

| | Taobao | eBay | Paipai |
|--------------------------------|--------|--------|--------|
| Once or Twice in 2005 | 17.0% | 37.2% | 40.3% |
| Less than 6 Purchases in 2005 | 15.6% | 26.1% | 18.1% |
| Less than 12 Purchases in 2005 | 10.9% | 14.2% | 6.3% |
| More than 12 Purchases in 2005 | 14.9% | 8.7% | 5.9% |
| Basically Once a Month | 25.2% | 10.8% | 22.6% |
| Basically Once a Week | 15.3% | 3.0% | 6.8% |
| Sum | 100.0% | 100.0% | 100.0% |
| Percentage of Frequent Buyers | 55.4% | 22.4% | 35.3% |

Frequent Buyers defined as those who basically shopped on the Website at least once a month and who made more than 12 purchases in 2005.

Female Buyers

Most Popular Shopping Categories for Female Shoppers in 2005



(Multiple selections are accepted)

Female Buyers

Shopping Frequency for Buyers in the Clothing, Cosmetics & Jewelry Categories

| Female, Clothing/Cosmetic/Jewelry Buyers | Taobao | eBay |
|---|--------|--------|
| Once or Twice in 2005 | 12.5% | 26.4% |
| Less than 6 Purchases in 2005 | 11.9% | 26.8% |
| Less than 12 Purchases in 2005 | 12.5% | 19.9% |
| More than 12 Purchases in 2005 | 16.0% | 9.7% |
| Basically Once a Month | 30.0% | 11.8% |
| Basically Once a Week | 17.2% | 5.5% |
| Sum | 100.0% | 100.0% |
| Frequent Buyers as % of Buyers in This Category | 63.2% | 27.0% |
| Frequent Buyers as % of Female Buyers | 54.6% | 21.6% |
| Frequent Buyers as % of Total Buyers | 26.7% | 8.5% |

Buyers

Online Behavioral Pattern

Purpose for the Goods Bought:

- More than 95% are for personal use
- More than 30% are for gifts to others

In Choosing a Seller:

- More than 75% of buyers are concerned about the price or the price-to-quality factor
- More than 75% of buyers are concerned about the seller's feedback scores and transaction records
- More than 55% of buyers are concerned about the quality of goods
- 39% Taobao buyers place emphasis on how they feel in communicating with the seller.

Communication Tools Between Buyers and Sellers:

- 89% Taobao buyers use Wangwang
- 61% eBay buyers use Email
- 93% Paipai buyers use QQ

Buyers

Online Payment

Online Payment:

- 94% of Taobao users vs. 63% of eBay users and 87% of Paipai users

Online Bank Account:

- More than 50% use ICBC (Industrial and Commercial Bank of China)
- 15% use CMB (China Merchants Bank)

Buyers

Unpleasant Online Shopping Experiences

(Multiple selections are accepted)

| | Taobao | eBay | Paipai |
|---|--------|-------|--------|
| Items bought were not in accordance with the descriptions, of bad quality or fake | 47.1% | 53.6% | 29.5% |
| Items lost or damaged on delivery | 9.5% | 5.7% | 3.2% |
| Sellers did not honor the deal | 18.8% | 22.8% | 23.5% |
| Sellers swindled the payments | 8.3% | 14.3% | 19.4% |
| Sellers made revengeful/hostile feedbacks/remarks | 3.5% | 4.0% | 5.5% |
| Others | 17.2% | 17.1% | 12.9% |
| No unpleasant incidents/experiences | 47.5% | 38.7% | 55.3% |

Buyers

Based on your own experience, will you Recommend C2C online shopping to others?

| | Taobao | eBay | Paipai |
|----------------|--------|--------|--------|
| Absolutely Yes | 71.9% | 58.3% | 62.2% |
| Absolutely No | 0.6% | 2.8% | 2.0% |
| Not Sure | 27.5% | 38.9% | 35.8% |
| Sum | 100.0% | 100.0% | 100.0% |

Buyer Ratings

Ratings for Overall Performance

| Respondents from | Scores on 5-Point Scale | | | Relative to Taobao Scores | | |
|------------------|-------------------------|------|--------|---------------------------|------|--------|
| | Taobao | eBay | Paipai | Taobao | eBay | Paipai |
| Taobao.com | 4.29 | 3.25 | 3.44 | 100% | 76% | 80% |
| eBay.com.cn | 3.94 | 3.87 | 3.32 | 100% | 98% | 85% |
| Paipai.com | 4.28 | 3.78 | 3.91 | 100% | 88% | 91% |

Note: Only respondents who have accounts in respective sites can give scores to the sites respectively. For example, only those respondents from Taobao.com who also have accounts with eBay can give scores to eBay, vice versa.

Buyer Ratings

Ratings for Overall Performance - Overview

- Taobao received the highest ratings for overall performance, regardless of what sites the respondents are from.
- Each site's highest rating is given by its own respondents.
- The lowest ratings for Taobao and Paipai are given by respondents from eBay.com.cn
- eBay's lowest rating is given by respondents from Taobao.com
- In Taobao respondents' opinion, eBay is no better than Paipai.
- In Paipai respondents' opinion, Taobao is much better than eBay.

Buyer Ratings

Ratings on 18 Parameters

Of all 18 parameters,

Taobao respondents give highest ratings to:

- Taobao's online payment system, communication tools, listings of goods, and the Website's user interface

Lowest ratings to:

- Taobao's Dispute settlement, insurance on losses incurred by frauds, feedback score system, and sellers' credibility.

eBay respondents give highest ratings to:

- eBay's in-site search, functional stability of the Website, listings of goods, and online payment system

Lowest ratings to:

- eBay's fees, communication tools, online user community, and dispute settlement

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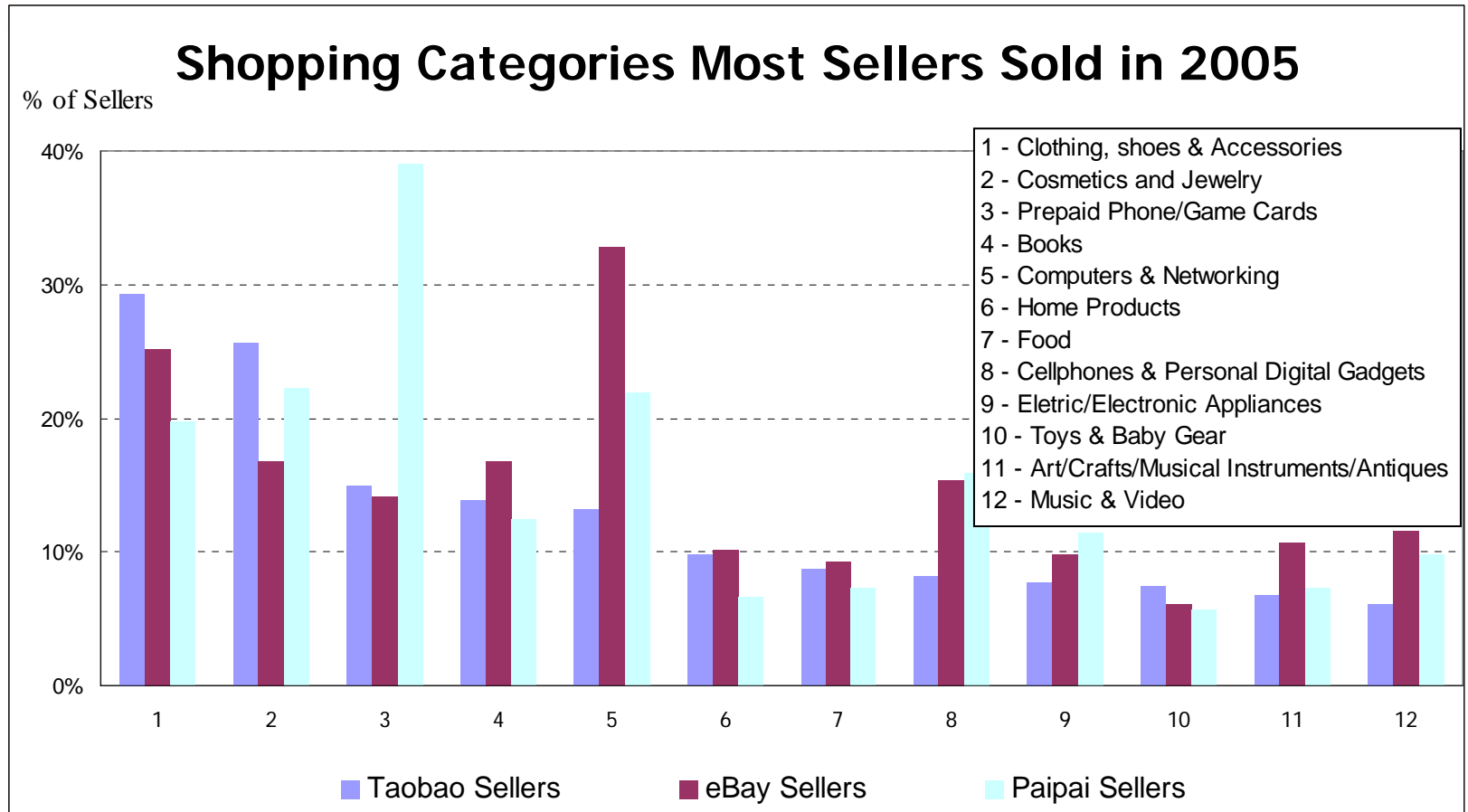
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Online Survey Findings

Sellers' Report

Sellers

Shopping Categories Most Sellers Sold in 2005



(Multiple selections are accepted)

Sellers

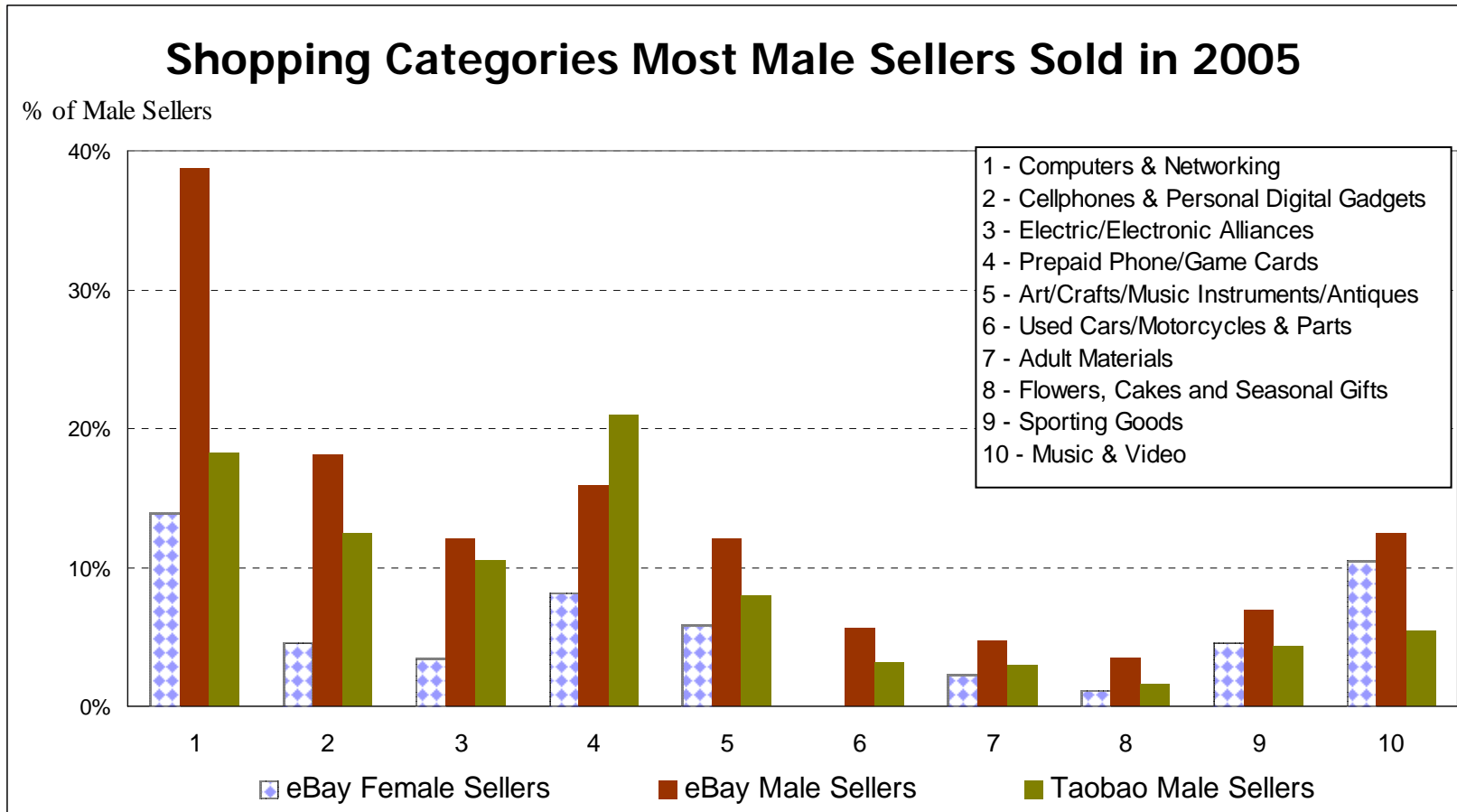
Sale Frequency in 2005

| | Taobao Sellers | eBay Sellers | Paipai Sellers |
|-----------------------------|----------------|--------------|----------------|
| Sold Every Day | 21.7% | 15.6% | 13.5% |
| Sold Every Week | 42.1% | 15.6% | 28.8% |
| Sold Every Month | 24.6% | 28.7% | 32.7% |
| Sold Less Than Once a Month | 11.5% | 40.2% | 24.9% |
| Sum | 100.0% | 100.0% | 100.0% |
| Active Sellers | 88.5% | 59.8% | 75.1% |

Active Sellers defined as those who sold items on the Website at least once a month in 2005.

Male Sellers

Shopping Categories Most Male Sellers Sold



(Multiple selections are accepted)

Sellers

Auction vs. Fixed Pricing

| % of Sellers who mainly sell items: | Taobao Sellers | eBay Sellers | Paipai Sellers |
|-------------------------------------|----------------|--------------|----------------|
| At Fixed Prices | 86.8% | 67.5% | 91.0% |
| On Auction | 3.6% | 29.5% | 3.6% |
| At Negotiable Prices | 9.6% | 3.0% | 5.4% |
| Sum | 100.0% | 100.0% | 100.0% |

Sellers

Customers Mainly Are:

(Multiple selections are accepted)

| % of Sellers | Taobao Sellers | eBay Sellers | Paipai Sellers |
|---|----------------|--------------|----------------|
| Old customers who bought from me before | 40.1% | 28.9% | 35.3% |
| New customers | 71.1% | 69.1% | 62.6% |
| Buyers on behalf of their work units | 4.9% | 4.7% | 5.5% |
| Others | 6.7% | 5.2% | 7.9% |
| I don't care or can't tell what my customers really are | 12.7% | 17.1% | 20.4% |

Sellers

Offline Transactions

(Multiple selections are accepted)

| % of Sellers | Taobao Sellers | eBay Sellers | Paipai Sellers |
|---|----------------|--------------|----------------|
| Transactions often took place offline after the 1st one done online | 15.1% | 26.8% | 18.8% |
| 1st transaction was done offline | 16.7% | 8.9% | 17.0% |
| Online buyers were introduced to my offline stores | 7.2% | 6.7% | 9.4% |
| Offline transaction is optional only with buyers in the same city | 38.1% | 24.9% | 35.9% |
| Never done offline | 37.4% | 43.3% | 36.8% |

Sellers

Long Distance Delivery

| | Taobao Sellers | eBay Sellers | Paipai Sellers |
|---|----------------|--------------|----------------|
| Sellers' Survey: Sales that were delivered to buyers in different cities against total sales in 2005 | 65.8% | 62.7% | 50.0% |
| Buyers' Survey: Purchases that were delivered from sellers in different cities against total purchases in 2005 | 64.0% | 65.0% | 53.6% |

Sellers

Unpleasant Online Selling Experiences

(Multiple selections are accepted)

| % of Sellers | Taobao Sellers | eBay Sellers | Paipai Sellers |
|---|----------------|--------------|----------------|
| Wicked bidding or ordering, no real intention of buying | 35.3% | 45.9% | 57.8% |
| Buyers did not honor the done deals | 50.4% | 61.6% | 42.2% |
| Buyers made revengeful/hostile feedbacks/remarks | 15.5% | 18.2% | 18.3% |
| Disputes incurred from third party delivery | 22.5% | 24.3% | 14.7% |
| Others | 25.9% | 25.4% | 27.8% |
| No unpleasant incidents/experiences | 26.9% | 19.3% | 20.8% |

Sellers Classifications

| % of Sellers | Taobao Sellers | eBay Sellers | eBay active Sellers | Paipai Sellers |
|--|----------------|--------------|---------------------|----------------|
| Individual, non-profit | 20.7% | 38.1% | 24.7% | 32.7% |
| Individual, part-time | 49.7% | 39.3% | 42.9% | 51.6% |
| Individual, full-time | 22.7% | 16.4% | 24.2% | 11.1% |
| Businesses, grown up from individual sellers | 3.4% | 3.9% | 6.6% | 2.6% |
| Businesses, others | 1.8% | 0.9% | 0.5% | 1.0% |
| Others | 1.8% | 1.5% | 1.0% | 1.0% |
| Sum | 100.0% | 100.0% | 100.0% | 100.0% |

Sellers

More Findings and Profound Analyses

- 👉 Classifications/categorizations based on age, genders, items sold, selling frequency, nature of sellers' online businesses, and sellers' accumulative feedback scores
 - Ratings on 18 parameters for each C2C marketplaces
 - Attitudes towards fees
 - Offline facilities for online store operations
 - Online store management
 - Number of the full-time and part-time employees
 - Incomes derived from online businesses
 - 6-month intentions for online businesses
 - Most concerns on the future online business development

Sellers

6-Month into the Future - Intentions for the Existing Stores

淘宝网 Taobao.com
阿里巴巴旗下网站

Expressed as % of sellers who actually have a store on the respective sites:

| Taobao Respondents | On Taobao.com | On eBay.com.cn | On Paipai.com |
|--------------------|---------------|----------------|---------------|
| To Expand | 75.7% | 31.7% | 43.5% |
| To Close | 0.6% | 19.1% | 9.3% |
| To Scale Down | 0.4% | 7.7% | 4.6% |
| To Keep Status Quo | 16.3% | 18.0% | 23.6% |
| I'm Not Sure | 7.0% | 23.5% | 19.0% |
| Sum | 100.0% | 100.0% | 100.0% |

38.6% of Taobao sellers have sellers' accounts with eBay, among them, 30.5% have existing stores on eBay site.

Sellers

6-Month into the Future - Intentions for the Existing Stores



Expressed as % of sellers who actually have a store on the respective sites:

| eBay Respondents | On Taobao.com | On eBay.com.cn | On Paipai.com |
|--------------------|---------------|----------------|---------------|
| To Expand | 61.0% | 63.2% | 29.5% |
| To Close | 3.4% | 1.2% | 5.1% |
| To Scale Down | 0.8% | 4.9% | 5.1% |
| To Keep Status Quo | 22.9% | 22.1% | 17.9% |
| I'm Not Sure | 11.9% | 8.6% | 42.3% |
| Sum | 100.0% | 100.0% | 100.0% |

68.3% of eBay sellers have sellers' accounts with Taobao, among them, 47.1% have existing stores on Taobao site.

Sellers

Influence of eBay's Fee-Lifting Promotions

| % of Sellers | Taobao Sellers | eBay Sellers |
|---|----------------|--------------|
| Not a big deal for me | 44.0% | 32.4% |
| May consider to increase selling activities on eBay in future | 24.1% | 31.2% |
| Already increased selling activities on eBay as a result of fee-lifting | 6.5% | 31.5% |
| I'm not sure, or not aware of | 25.4% | 4.8% |
| Sum | 100.0% | 100.0% |

For further information, feedbacks or suggestions, and for purchase of the **China Online Shopping Market Survey Report 2006**, please contact:

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