2015 China Banking E-commerce Industry Report

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EXECUTIVE SUMMARY

- The Chinese e-commerce sector is poised for significant future growth underpinned by the world’s largest online user base and rising internet penetration rates
  - China has the world's largest internet population with 649 million internet users, of which 557 million are mobile internet users, compared to the United States (“US”) which has 277 million internet users
  - China’s Internet penetration rate of 47.9% is well below rate experienced in Western economies including the US which has an internet penetration rate of more than 87%

- China’s e-commerce market grew 21.3% in 2014, reaching RMB 12.3 trillion, and is expected to nearly double to RMB 24.2 trillion by 2018
  - Online shopping grew 48.7% in 2014 reaching RMB 2.8 trillion and accounted for 10.7% of total consumer retail sales in China
  - Online shopping in China is expected grow significantly as a result of a growing internet population user base, the rapid uptake of mobile shopping, increasing penetration of e-commerce players in China's lower-tier cities and rural areas as well as the increasing number of debit and credit cards on issue
  - Mobile shopping grew 239.3% to RMB 929.7 billion in 2014 and is expected to grow approximately 5.0x to RMB 4.5 trillion of sales in 2018
EXECUTIVE SUMMARY

- Chinese banks are well positioned to capitalize on the significant growth opportunities in China’s e-commerce markets
  - Vast platforms from which to grow their e-commerce businesses with 382 million individual online banking users and 301 activated mobile banking users in China
  - High levels of interaction and customer engagement, with mobile banking users in China launching their mobile banking app 17.5 times per month on average
  - A reputation for trust and security in payments; unique ability to provide accurate customer marketing through data and insights from online and offline spending; and ability to provide a seamless customer experience by aggregating e-commerce functionality within existing online and mobile banking infrastructure
  - Enhanced user experience to drive customer growth and future profit growth in China’s banking sector

- Specialist e-commerce service provider: 99 Wuxian
  - 99 Wuxian, awarded ‘Best Partner for Mobile Finance’ by iResearch in April 2015 is a specialist e-commerce service provider to Financial Institutions in China
  - 99 Wuxian aggregates over 300 million high quality consumers and leading merchants, providing a wide range of products and services through mobile and tablet applications of China’s leading financial institutions
  - 99 Wuxian provides a one-stop, secure and trusted shopping platform to bank customers, assisting Chinese banks to rapidly ramp up their m-commerce activities, enhance customer engagement and increase revenue
1. Environment for the Growth of E-commerce in China’s Banking Sector

1.1. China’s Internet Population and Penetration

1.2. Current State of China’s E-commerce Market

1.3. Performance of China’s Banking Sector

1.4. E-commerce Opportunities in China’s Banking Sector
China’s Internet Population and Penetration

Internet Population Hits 649 million, Mobile Internet Population Surges

China has the world’s largest internet population, reaching 649 million users in 2014. China’s Internet penetration rate reached 47.9%, which remains well below the 87.0% internet penetration rate of the United States (“US”). The number of people using mobile handsets to go online in China grew 11.4% to 557 million, accounting for 85.8% of the country’s total Internet population. The large user base and relatively low penetration rate provides tremendous growth potential for the Internet sector, and creates significant opportunities for companies across many industries.

Source: Data on Chinese Internet and mobile Internet population sourced from CNNIC, data on US Internet population taken from PEW.
In 2014, the Chinese e-commerce market continued its strong growth, with GMV totaling 12.3 trillion Yuan, up 21.3% over the previous year. Business-to-business (“B2B”) continued to dominate the market, comprising 73.4% of e-commerce GMV. The online shopping segment increased its market share by 4.2%, comprising 22.9% of total e-commerce GMV in 2014. In addition, both online travel and local lifestyle online-to-offline (“O2O”) increased their market share compared to the previous year.

Note: 1. E-commerce GMV includes B2B GMV (inclusive of the GMV of corporation B2B and SME B2B), online shopping GMV and the GMV of online travel and local lifestyle O2O, temporarily excludes the GMV of such product categories as the downloading of paid digital products, online payment services, etc. 2. The GMV of local lifestyle O2O market is the combined GMV of market segments including catering, entertainment, beauty and hairdressing, wedding and parenting services. Source: Based on the financial results published by enterprises, interviews with experts and iResearch statistical model.
Online Shopping Share of Total Consumer Goods Retail Sales Topped 10% for the First Time, Mobile Shopping Demonstrated Huge Growth

In 2014 expenditure on online shopping in China totaled 2.8 trillion Yuan, growing 48.7% over the previous period and accounting for 10.7% of total consumer goods retail sales. Mobile shopping GMV was 929.7 billion Yuan in 2014, increasing 239.3% over the previous period and comprising 33% of total online shopping GMV.

The size of the online shopping market is expected to grow as a result of the rapid rise of mobile shopping and the increased penetration of e-commerce players into China’s lower-tier cities and rural markets. As a result, China’s online shopping market will maintain strong levels of growth over the medium term and the e-commerce service industry market will also experience rapid growth.

Note: Online shopping GMV is the sum of GMV of C2C and B2C business.
Source: The data is based on the financial results published by enterprises, interviews with experts and iResearch statistical model.
Performance of China’s Banking Sector

Bank Cards on Issue Continue to Rise

The number of cards (debit and credit) issued by Chinese banks totaled 4.94 billion in 2014, up 17.1% over 2013. Credit cards comprised 9.2% of total bank cards issued in 2014, increasing by 16.4% over the previous year to 455 million. According to iResearch, the People’s Bank of China’s policy to replace magnetic stripe cards with integrated circuit cards fueled a new round of bank card growth, with the number of bank cards per capita growing to 3.6 (higher in tier-one cities). The rising volume of bank cards continues to lay a solid foundation for the growth of e-commerce in China.

![Total Number of Bank Cards and Credit Cards in China 2006-2014](image)

Source: Payment reports of the People’s Bank of China.
Performance of China’s Banking Sector

Infrastructure for Offline Transactions in Need of Further Investment

In 2014, networked merchants in China climbed to 11.99 million, up 50% over the prior year. Over the same period, the number of networked point-of-sale ("POS") devices grew 58% to 15.75 million. Significant investment has been made to improve the infrastructure for offline transactions in China. Since 2009, both the number of networked merchants and number of POS devices have increased steadily. Nevertheless, material further investment is required given the presence of over 60 million merchants and 4.94 billion bank cards on issue in China.

Number of Networked Merchants and POS Devices in China 2006-2014

Source: Payment reports of the People’s Bank of China.
Decelerating Growth of Net Profit of Banks Makes Strategic Transition Inevitable

In 2014, net profits in the Chinese banking sector reached 1.6 trillion Yuan, up 9.3% over the previous year. As the sector’s rate of profit growth has declined over recent years, a need has been created for Chinese banks to develop new growth drivers. Opportunities exist for Chinese banks to diversify their products and services by growing intermediary services, such as consulting, fund custody and fee collection, as well as their retail banking products, such as expanding personal loans operations. Compared to developed countries such as the United States, Japan and Great Britain, these services are at an early stage in China. The sector has also realized the importance of the Internet, with Chinese banks actively improving their electronic banking services. Currently 80% of bank services are now available online. Online and mobile banking provides Chinese banks with an opportunity to increase revenues, reduce operational costs and attract new customers.

Total Net Profit and Growth of Financial Institutions in China’s Banking Sector 2006-2014

Source: Based on the data published on the official website of China Banking Regulatory Commission.
E-commerce Opportunities in China’s Banking Sector

E-commerce Platforms Consolidate the Strengths of Banks and Create New Growth Opportunities

The existence of a large established user and merchant base; extensive off-line outlets; secure and developed payment & settlement system; and traditional financial services covering wealth management, credit and loans, combine to provide a powerful base for the Chinese banking sector to shift to e-commerce. In addition to business expansion and optimizing structure by extending competitive strengths online, e-commerce platforms also help increase revenues, reduce costs and provide new growth opportunities.

- Bring stable traffic to merchants while providing more secure value-added services such as payment, settlement, etc.
- Turn existing individual and corporate users into e-commerce users and form stable consumer and supplier ecosystem
- Acquire more complete transaction data and optimize credit rating system on the basis of the existing system
- Enable banks to standardize internal management and enhance working efficiency

Value-added Services

Financial Services

Extension of Strengths to Online

Customer Base

Optimize Credit System

Reduce Costs

New Growth Opportunities

Increase Revenue

Attract merchants, expand retail business and increase revenue from intermediary business
Increase revenue from payment, settlement, financing, and other businesses by linking with more corporate and individual clients
Drive up the number of bank card holders, improve the frequency of use and boost personal deposits

Integrate professional financial services with e-commerce services to form “online mall + online loan” model to provide consumers with one-stop services
2 Status Quo of E-commerce in China’s Banking Sector

2.1 Current State of Online Banking in China

2.2 Current State of Mobile Banking in China

2.3 Status Quo of E-commerce in China’s Banking Sector
Online Banking GMV Topped 1 Trillion Yuan

China's online banking GMV rose 40.2% to 1,304.4 trillion Yuan in 2014, which was higher than the 24.6% growth experienced in 2013. By the end of 2014, individual users of online banking reached 382 million, making up 58.9% of the Internet population. Corporate users of online banking grew to 17.3 million, up 27.7% over the previous year. After years of growth, the online banking sector has built up a stable and extensive user base which provides a solid foundation for Chinese banks to grow their e-commerce businesses. Innovative businesses, such as e-commerce and Internet finance will become major growth engines for online banking GMV.

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**China Online Banking GMV and Growth 2009-2018**

- **Online banking GMV (trn Yuan)**
- **% Growth rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>GMV (trn Yuan)</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>326.0</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>515.8</td>
<td>58.2%</td>
</tr>
<tr>
<td>2011</td>
<td>596.7</td>
<td>15.7%</td>
</tr>
<tr>
<td>2012</td>
<td>746.3</td>
<td>25.1%</td>
</tr>
<tr>
<td>2013</td>
<td>930.2</td>
<td>24.6%</td>
</tr>
<tr>
<td>2014</td>
<td>1,304.4</td>
<td>40.2%</td>
</tr>
<tr>
<td>2015e</td>
<td>1,727.5</td>
<td>32.4%</td>
</tr>
<tr>
<td>2016e</td>
<td>2,220.5</td>
<td>28.5%</td>
</tr>
<tr>
<td>2017e</td>
<td>2,810.9</td>
<td>26.6%</td>
</tr>
<tr>
<td>2018e</td>
<td>3,509.5</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

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**Individual Users of Online Banking**

- **382 mn**
- **Penetration of Internet Population**
  - **58.9%**

**Corporate Users of Online Banking**

- **17.3 mn**
- **Dec. 2014 vs. Dec. 2013**
  - **+12.6%**
  - **+27.7%**

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Note: 1. Online banking GMV refers to the GMV generated from services including money transfer, receipt and payment, investment and wealth management via online banking by corporate and individual users. 2. Online banking user base refers to the number of corporate and individual users who activated general or professional online banking service by the end of 2014. Source: The data is based on the financial results published by enterprises, statistics from China Banking Regulatory Commission, and iResearch statistical forecast model.
Current State of Mobile Banking in China

Robust Growth of Mobile Banking GMV and User Base

China mobile banking GMV hit 32.8 trillion Yuan in 2014, surging 157.1% over the previous year. By the end of 2014, the number of mobile banking users reached 301 million, increasing 40.8% over the year, and represented 54.1% of the mobile Internet population. The explosive growth of mobile banking GMV and user base in recent years reflects the importance Chinese banks have attached to their mobile banking businesses. Moving forward the focus of Chinese banks will be on enhancing the user experience in order to attract more users.

China Mobile Banking GMV and Growth 2011-2018

Note: 1. Mobile banking GMV refers to the GVM generated from services including money transfer, receipt and payment, investment and wealth management, lifestyle applications via mobile banking by individual users. 2. Mobile banking user base refers to the number of individual users who activated mobile banking service by the end of 2014. Source: The data is based on interviews with enterprises and experts and iResearch statistical model.
Current State of E-commerce in China’s Banking Sector

Growing User Base of Self-built E-commerce Platforms

Average monthly [unique visits] (“UV”) to the online shopping malls of major Chinese banks varied significant between Q3 2012 and Q4 2014. Among them, self-built (non-bank) e-commerce platforms saw considerable growth, with average monthly UV topping 1 million. By contrast, the average monthly UV of credit card malls remained low. Compared with traditional e-commerce platforms, the banking sector’s e-commerce platforms are at an earlier stage of growth but with tremendous potential. By comparison, as at Q4 2014, the average monthly UV of Taobao, Tmall and JD reached 64.47, 34.24 and 10.28 million respectively.

Note: Average monthly UV=quarterly UV/number of months in the quarter.
Source: iUserTracker. April 2015. Based on the long-term measurement of online behavior of 400 thousand home and office (excluding public Internet cafes) panelists.
In recent years there has been rapid growth in the number of Chinese bank customers utilizing mobile banking. Customers commonly use mobile banking apps for payment functions, such as completing money transfers or paying a bill. Chinese consumers launched their mobile banking applications 17.5 times per month on average. This compares to online banking users who averaged 7.7 site visits per month. The strong affiliation with payments and the high level of interaction with mobile services, provides an excellent platform for banks provide value added m-commerce services and cross-sell financial products to their customers.

**Strategic Positioning of Banks to offer M-commerce**

<table>
<thead>
<tr>
<th>Trust and Confidence</th>
<th>Data and Insights</th>
<th>Positioning</th>
<th>Aggregation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Key competitive advantage</td>
<td>• Customer data provides banks with a valuable insights into individual online and offline purchasing habits</td>
<td>• The proliferation of mobile banking and high level of mobile banking customer engagement provide banks with a high level of traffic</td>
<td>• M-commerce functionality compliments the existing use of mobile banking apps</td>
</tr>
<tr>
<td>• Reputation for security and infrastructure for clearing and settling</td>
<td>• Offer merchants highly accurate customer targeting, reducing brand damage from spam and maximizing the cost effectiveness of their marketing spend</td>
<td>• Combined with a transaction ready customer, this provides a perfect platform for m-commerce</td>
<td>• Ability to provide a seamless experience which is connected to existing accounts and payment mechanisms</td>
</tr>
<tr>
<td>• Long standing relationship and trusted by customers to handle their money</td>
<td></td>
<td>• Makes purchasing and delivery easy</td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. Average monthly visits per user is worked out by dividing total monthly visits per user in 2014 by 12. 2. Monthly visits per user refers to the average number of times each user visit online banking websites or launch mobile banking apps in a month.

The large corporate and individual customer bases of banks, combined with extensive offline outlets, are core resources for banks in conducting e-commerce. Banks must balance the financial needs of corporate clients which include business expansion, payment security, payment convenience, marketing and finance, with individual customers’ desire for quality and cost-effective products, transaction safety and convenience, diverse products and payment options, and efficient service systems. The future profitability of China’s banks hinges on the diversification of their business strategies based around their core resources and value proposition.

**Corporate Clients**

- **B2B**
  The market size of corporation-based e-trading is large. As the electronic payment market is not yet fully open, future growth of the e-commerce market in the banking sector hinges on the expansion of B2B business.

- **Industry Chain Finance**
  Industry chain finance provides a comprehensive suite of services covering direct financing, indirect financing, corporate wealth management, information consulting, logistics tracking, etc. and takes the support of financial products for companies to a new height.

**Individual Customers**

- **Personal Consumption (Shopping & Wealth Management)**
  Traffic is vital to the growth of e-commerce platforms. E-commerce platforms of banks help merchants increase transactions and attract more merchants through loyalty points redemption, promotions, etc.

- **Crediting Service**
  Build an e-commerce-optimized credit rating system based on transactions data and change the practice of relying on credit records of banks so as to rationalize the allocation of credit resources and control financial risks.

- **O2O**
  As a new model, O2O brings e-commerce to a new stage and facilitates banks to fully leverage their extensive networks of outlets.
3.1 Industry Chain of E-commerce in China’s Banking Sector

3.2 Case Studies of Major Participants
E-commerce Industry Chain of China’s Banking Sector

Regulators
- CIRC (China Insurance Regulatory Commission)
- CSRC (China Securities Regulatory Commission)
- PBOC (People’s Bank of China)

Suppliers
- Fund Companies
- Insurance Companies
- Telecom Operators
- Brand Owners
- Gaming and Others
- E-commerce Operators

E-commerce Platforms of Banks
- PC: Official Sites/E-commerce Sites/Credit Card Malls of Banks
- Mobile: Mobile banking App and Wap, Independent m-commerce App and Wap of banks, App and Wap of Credit Card Mall

E-commerce Service Providers
- Operating Platform
- IT Service Providers
- Warehousing & Logistics
- Marketing, Customer Services, etc.

Portal
- Search
- Navigation
- Rebate
- Price Comparison

Individual Users
- Corporate Users

Case Studies of Major Participants
E-commerce Industry Chain of China’s Banking Sector

E-commerce Service Providers Play An Important Role in the Growth of the Industry Chain

The industry chain of e-commerce in China’s banking sector is maturing alongside the banking regulatory system, offering diverse product categories, a growing number of e-commerce platforms and improved service capabilities. This development is also providing access to new fields including search, navigation, rebate, price comparison, while offering technical operation, warehousing & logistics, marketing, and customer services. Furthermore, due to legacy issues and strategic positioning, banks typically do not have service capabilities for personal consumption and shopping. Therefore, e-commerce service providers play an important role in the e-commerce initiatives of banks.

**Case Studies of Major Participants**

**Suppliers**
- Acquire stable bank users, increase sales channels and improve total sales
- Deepen the cooperation with banks in financial sector and enhance capital efficiency of companies

**Commercial Banks**
- Earn income by selling their own financial products
- Earn value-added service fees such as membership fees, commissions and payment through merchants
- Earn financial service fees from industry chain parties

**E-commerce Service Providers**
- Help banks build and operate e-commerce platforms by tapping into their technology and experience in e-commerce sector

**Portal**
- Improve exposure of e-commerce platforms of banks
- Help consumers make purchasing decisions
- Increase transactions on e-commerce platforms of banks
E-commerce Industry Chain of China’s Banking Sector

In recent years the e-commerce service market has expanded, offering more professional and constantly improving services. Service offerings have progressed from immature specialized services, to integrated end-to-end solutions which provide a wider scope of services, covering: IT, e-commerce operation, marketing, warehousing & logistics, and customer services.

- Build, integrate and update IT systems of clients to adapt to e-commerce operation
- Provide brand management and marketing planning to help commercial banks accelerate the shift towards e-commerce
- Send push notifications of products and financial services to targeted consumers based on data analysis, and enhance retention of users and merchants
- Pre-sales and after-sales consulting services, change and returns, including call center, online customer service, etc.

*E-commerce in China’s Banking Sector*

Case Studies of Major Participants

- Provide outsourcing services to the e-commerce industry chain, such as web design, platform operation, customer service, etc.
- Provide professional logistics services, improve logistics efficiency and quality, and reduce logistics cost
- Services mainly include: warehousing & delivery, value-added logistics services and various logistics management software
E-commerce Industry Chain of China’s Banking Sector

Professional E-commerce Service Providers Facilitate the Expansion of Banks E-commerce Operations

It has proven difficult for China’s banking sector to rapidly enter the e-commerce and m-commerce markets, due largely to outdated traditional thinking, heavy reliance on cooperation with e-commerce operators, maladaptation of internal appraisal mechanisms to the operation of Internet products and weak operating capabilities. As a result, cooperation with professional service providers represent the best choice for China’s banking sector to map out e-commerce strategies and expand the banking e-commerce market.

Commercial Banks
Competitive Edge

- Individual users of online banking hit 382 mn, accounting for 58.9% of Internet population
- Mobile banking users reached 301 mn, making up 54.1% of mobile Internet population
- Corporate users of online banking totaled 17.35 mn
- Issuing volume of bank cards arrived at 4.94 billion
- Offline transactions stayed at 12.5 trn Yuan, capturing 12% of total retail sales of consumer goods

E-commerce Service Providers
Professional Services

- Access to quality merchants to provide diversified products
- E-commerce platforms and technical support facilitate small and medium-sized commercial banks to enter e-commerce and m-commerce market
- Marketing services enhance exposure of banking e-commerce platforms and consumer reach rate
- User incentives improve user retention and activity
E-commerce Service Provider: Baozun

**Positioning:** Founded early 2007, Baozun provides integrated end-to-end e-commerce services, including website design, development and hosting, IT infrastructure, customer service, warehousing and logistics services, as well as digital marketing.

**Business Model:** Baozun is a comprehensive service company, which is not only a servicer, but also a dealer* for various businesses. Baozun generates revenues mainly from sales, consignment and professional services.

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**Categories**
- Across 8 categories
- Apparel, Appliance, Electrics, Home, Food and Health, Cosmetics and FMCG, Insurance, Auto

**Clients**
- Nearly 100 international brands, clients across key categories include:
  - Apparel: Nike, Levi’s, Coach
  - Appliance: PHILIPS, SHARP, Panasonic
  - Food and Health: Haagen-Dazs, GNC, Godiva
  - Home and Construction: Dulux, American Standard
  - Cosmetics and FMCG (Fast Moving Consumer Goods): Borghese, Johnson & Johnson

**Services**
- Provides e-commerce strategies to connect with Chinese consumers
- Operate both official brand sites as well as Tmall flagship stores
- Services includes: IT Solutions, Store Operations, Digital Marketing, Customer Service, Warehouse & Fulfillment, Inventory Ownership

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Note: *. Distributor refers to a wholesaler that purchases goods from manufacturers or companies and resell them for profit.
Case Studies of Major Participants

E-commerce Service Provider: 99 Wuxian, Best Partner for Mobile

99 Wuxian is an m-commerce service provider that offers m-commerce operation and value-added services to China's leading financial institutions. 99 Wuxian aggregates over 300 million high quality consumers and leading merchants, providing a wide range of products and services.
Case Studies of Major Participants

Value Proposition of 99 Wuxian

99 Wuxian provides merchants with a new sales channel through its proprietary m-commerce platform which is embedded within the mobile apps of China’s commercial banks. While providing a one-stop, secure and trusted shopping platform to the customers, it assists commercial banks to rapidly ramp up their e-commerce businesses, enhance user retention and value, and increase revenue.

Merchant
- 155 merchants
- Expand channels and consumer reach
- Access to high quality customer base
- Secure and trusted payment gateway
- Targeted marketing and merchant tools

Partner
- 52 banks, 3 telecom operators and 5 insurers
- Single m-commerce gateway to multiple merchants
- New channel to reach customers
- Deepen customer engagement and enhance user retention
- Defend against encroachment from 3rd party payment providers
- Seamless, secure integration with banking system
- Cost-effective, customizable self-service platform
- Data-driven marketing

Customer
- 43 mn registered users
- One-stop m-commerce gateway
- Secure and trusted payment environment
- Easy-to-use mobile interface
- Royalty points redemption
- Pre-qualified bank customers with high standards and less price sensitivity

Bank Card Holder

E-commerce in China’s Banking Sector
Case Studies of Major Participants

99 Wuxian Helps Commercial Banks Maximize Loyalty Through Marketing

Survey data shows that online banking and mobile banking users are willing to convert bank loyalty points into purchases of products and services. More than one fifth of survey respondents redeemed loyalty points over 5 times per year. 99 Wuxian’s platform is the only mobile platform that enables customers to convert loyalty points into a diverse range of products and services. This unique service enables banks to maximize the marketing and attraction of their loyalty programs.

Loyalty Points Redemption of China Online and Mobile Banking Users 2014-2015

Share of Different Functions by Users

- Local lifestyle services: Online banking 62.5%, Mobile banking 72.6%
- Online shopping: Online banking 60.0%, Mobile banking 68.6%
- Loans & financing: Online banking 50.2%, Mobile banking 43.1%
- Third-party account top-up: Online banking 46.7%, Mobile banking 52.4%
- Payment for utility bills, telecom service fees, etc.: Online banking 44.5%, Mobile banking 51.2%
- Investment & financing: Online banking 39.7%, Mobile banking 36.3%

Frequency (Times) of Points Redemption

- Above 5: Online banking 21.9%, Mobile banking 28.2%
- 4~5: Online banking 17.7%, Mobile banking 20.1%
- 2~3: Online banking 31.6%, Mobile banking 29.5%
- 1: Online banking 10.6%, Mobile banking 7.5%

Sample: N of online banking users=N of mobile banking users=1,000, acquired through online survey conducted on iClick in April 2015.
Case Studies of Major Participants

99 Wuxian’s Joint Marketing Campaigns Help Commercial Banks Improve User Satisfaction

A rich online marketing experience enables 99 Wuxian to provide customized marketing services and design unique marketing campaigns for commercial banks, which include diversified prize offerings, heavy discounts and interesting bidding. Meanwhile, 99 Wuxian helps commercial banks enhance the precision of marketing based on proprietary big data, allowing them to expand their user base and improve user activity.

**Loyalty Points Bring Good Luck**

Credit card holders of Pudong Development Bank (SPD Bank) who register on SPD Bank Credit Card Website or follow and subscribe to the official account of SPD Bank Credit Card Center on WeChat in 2014 are entitled to a loyalty-points-based lucky draw and even have the opportunity to participate in an activity initiated by 99 Wuxian for its special members to win a “private flight”.

**Environmental Protection Campaign Initiative by ICBC**

Customers who activate ICBC e-banking products and complete designated transactions during the campaign period from 2014 to 2015 are entitled to e-banking public welfare points for “emission reduction”. With “emission reduction” points, customers are able to participate in a series of special offers on a regular basis. Customers also have the chance to win the latest Apple products, digital cameras, JD cards, an all-electric Tesla Roadster, and other gifts.
Case Studies of Major Participants

99 Wuxian’s Merchandise Categories Precisely Match the Needs of Mobile Banking Shoppers

According to survey data, 73.7% of mobile banking users topped up mobile phones via m-commerce platforms of banks and 20.8% of users used the service most often to do so. In addition, over 20% of users purchased gaming products and virtual money. As 99 Wuxian’s m-commerce platform mainly offers virtual goods and e-coupons covering lifestyle, entertainment and travel, its merchandise categories precisely match the needs of mobile banking shoppers.

**Purchase of Virtual Products by Mobile Banking Users in China 2014-2015**

- **Gaming products**: 27.4% purchased, 1.8% most frequently purchased
- **Virtual money (Q coin) top-up**: 26.8% purchased, 1.9% most frequently purchased
- **Mobile top-up**: 73.7% purchased, 20.8% most frequently purchased

Sample: N=735, acquired through online survey conducted on iClick in April 2015.
Case Studies of Major Participants

99 Wuxian Provides Mobile Banking Users With a Convenient, Secure, and Trusted Shopping Experience

Survey data shows mobile banking users attached more importance to convenience, payment security and product quality when shopping through a mobile banking app. Through its long-term co-operation with major commercial banks and strict screening of online merchants and products, 99 Wuxian provides mobile banking users with convenient access to quality products within a secure and trusted payment environment. These competencies also serve to safeguard the brand reputation of the banks through which it offers its services.

**Major Reasons for Shopping on Mobile Banking Apps 2014-2015**

- **Convenient**: 35.4%
- **Time-saving**: 26.7%
- **Low commission rate**: 12.0%
- **Secure**: 6.0%
- **Diversified functions**: 5.7%
- **Numerous special offers**: 5.5%
- **Recommended by relatives and friends or used by everyone nearby**: 3.3%
- **Product design fits usage habit**: 3.2%
- **Recommended by marketers or salespersons**: 2.2%

- **Secure payment**: 23.8%
- **Quick search of products**: 13.6%
- **Cheap**: 9.7%
- **Discounts for installment plans**: 9.3%
- **Genuine products**: 8.6%
- **Numerous special offers**: 8.4%
- **More choices for fine goods**: 5.9%
- **Trusted brands**: 5.2%
- **Good logistics service**: 2.6%
- **Customized goods**: 2.6%
- **Detailed product information page**: 2.5%
- **Convenient exchange and returns**: 2.2%
- **Reviews from other shoppers**: 2.2%
- **Good customer service**: 2.0%
- **Various imported products**: 1.2%

**% Reasons for using mobile banking apps**

**% Advantages of shopping via mobile banking apps**

**% Reasons to shop via mobile banking apps**

Sample: N of online banking users=1,000, N of mobile banking users=735, acquired through online survey conducted on iClick in April 2015.
Case Studies of Major Participants

Competitive Edge of 99 Wuxian

Compared with traditional m-commerce platform, the competitive edge of 99 Wuxian lies primarily in the following:

### For Merchants
- Single m-commerce gateway to reach mobile users of its 60 partners
- Premium marketing services
- Screen and tailor merchants and product categories to fit consumption preferences of banking users
- Expands channels and consumer reach
- Access to high-value customers

### For Commercial Banks
- Screen and select quality merchants and products to safeguard brand reputation of banks
- Increase startups of bank apps and enhance user retention
- Joint marketing helps increase sales of financial products of banks and increase the share of revenue from intermediary business
- Increase scenarios and frequency of using bank loyalty points
- Focus on mobile Internet services to reduce Operating costs of banks

### For 99 Wuxian
- Asset-light operating model, zero inventory risk
- Occupy the entrance to mobile banking
- Strong reputation in the sector contributes to the growth of partners, customers and business
- Focus on mobile sector with deep mobile application technology experience, high risk control systems, advanced backend platform and proprietary data mining systems
- Constantly optimize system and platform service procedures to develop refined operational capabilities and mature consumer protection mechanism
Case Studies of Major Participants

Partner and User Base Increased in 2014

2014 saw stable growth of both partner and user base of 99 Wuxian. Its business partners totaled 60 at a YoY growth rate of 42.9% and covered leading financial institutions including commercial banks and insurance companies, as well as the three telecom operators in China. In 2014, its registered users grew to 43 million, an increase of 54.7% YoY. Alignment with the financial sector assists 99 Wuxian in building a strong reputation, which drives the growth of both the partner and user base, while also driving GMV and revenue.

Source: Based on interviews with enterprises and publicly available data.
4 E-commerce Trends in China’s Banking Sector

4.1 M-commerce: Wave of the Future

4.2 Construction of O2O Model

4.3 Big Data System Enhancement to Accelerate Bank IT-enablement
E-commerce Trends in China’s Banking Sector

M-commerce: Wave of the Future

In the next few years, the continued maturity of the industry chain will continue to drive robust growth of m-commerce in the banking sector. First, smart devices are becoming cheaper with more powerful functions, which diversifies consumer choice. Second, further popularization of 4G networks will significantly improve the Wi-Fi environment. Lastly, different players within the industry chain, including m-commerce service platforms, marketing platforms, ICS and logistics systems will all gradually mature.

Mainstream commercial banks see m-commerce as a key market, so they keep improving their products and services for users of apps or WAP.

Convenient Access to M-commerce

- Lower Internet access cost;
- Higher penetration of mobile devices (lower price, better performance)

Maturity of E-commerce Apps

Convenient and diversified mobile payment options;
- More precise marketing;
- Improved logistics service;
- More accurate user portrait

Comprehensive M-commerce Service
E-commerce Trends in China’s Commercial Banks

Construction of an O2O Model

Cloud technology provides for the integration of multiple channels, including the integration of offline outlets of commercial banks with their online platforms and cooperation between offline merchants and e-commerce platforms. Conversely, big data analysis facilitates precision marketing which enables customers to access desired banking products and services anytime and anywhere, while banks’ operating costs are also reduced.

Omni-Channels: seamless integration of different channels on products, services, operating procedures and technology enables customers to access banking products or services from different channels at any time.
E-commerce Trends in China’s Commercial Banks

Big Data System Enhancement to Accelerate Bank IT-enablement

In recent years, China’s banking sector has continued to explore Internet based growth. Banking players are systematically promoting the construction of IT-enabled banks in terms of procedures, data, platforms and products in an attempt to find a future-oriented and sustainable growth path. E-commerce platforms and third-party e-commerce service providers enable the banking sector to acquire online transaction data, financial data and logistics information of individual and corporate users, which, coupled with existing information of financial status, deposits and loans, allows the banking sector to build a comprehensive data warehouse.
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Data related to operators’ revenues and market forecasts are mainly obtained through interviews related to the industry, marketing survey, secondary sources and other research methods, some of which have not been directly confirmed by the related operators. Some data published in this report is based on sampling method and is therefore influenced by sample structure. Due to the limitation of research method, sample size and scope of data collection, part of the data may not precisely reflect real market situation. This report is for reference only and iResearch is not liable for the accuracy of the data in this report.

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