

# 2015 China Banking E-commerce Industry Report

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- **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

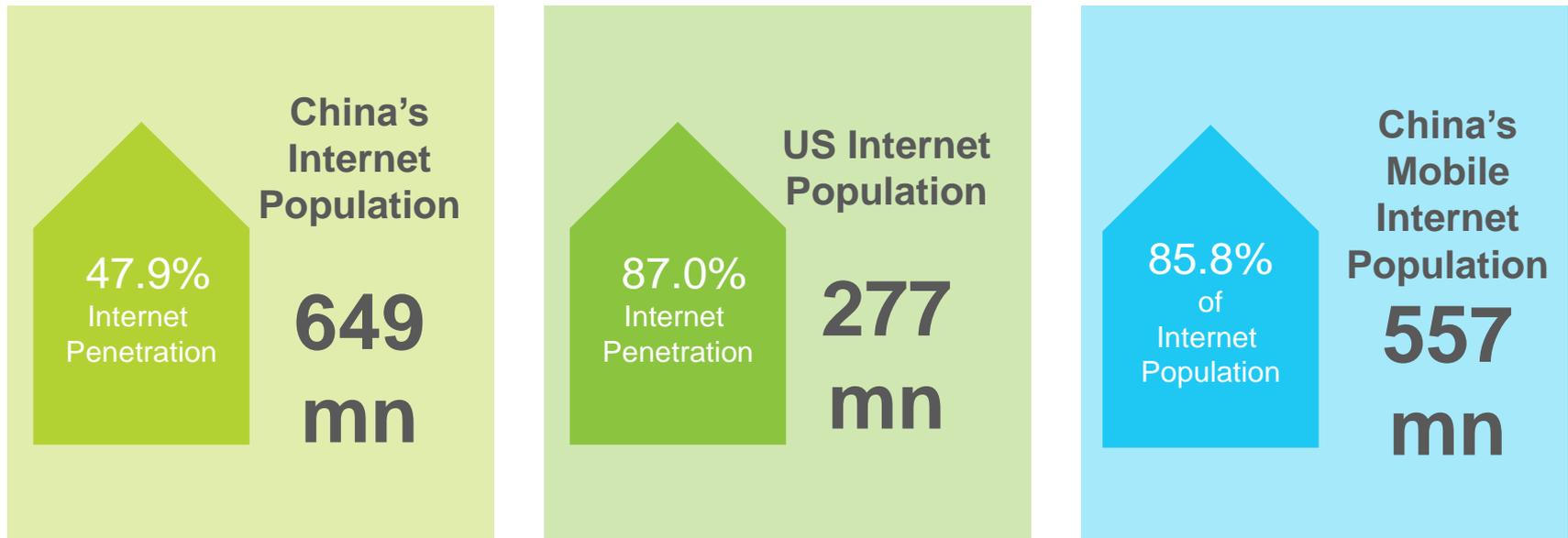
- **Chinese banks are well positioned to capitalize on the significant growth opportunities in China's e-commerce markets**
  - Vast platforms from which to grow their e-commerce businesses with 382 million individual online banking users and 301 activated mobile banking users in China
  - High levels 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.

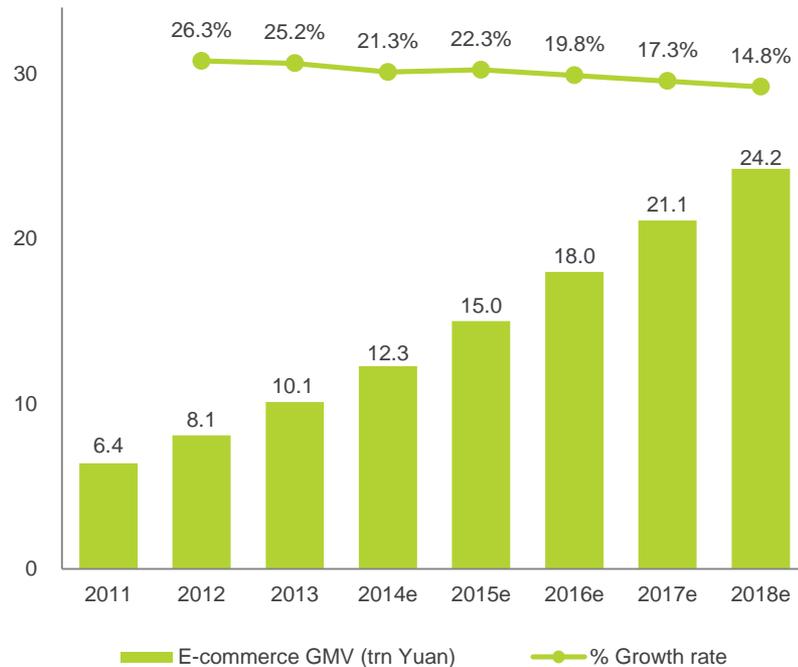
E-commerce market growth  
Current State of Banking Sector

# Current State of China's E-commerce Market

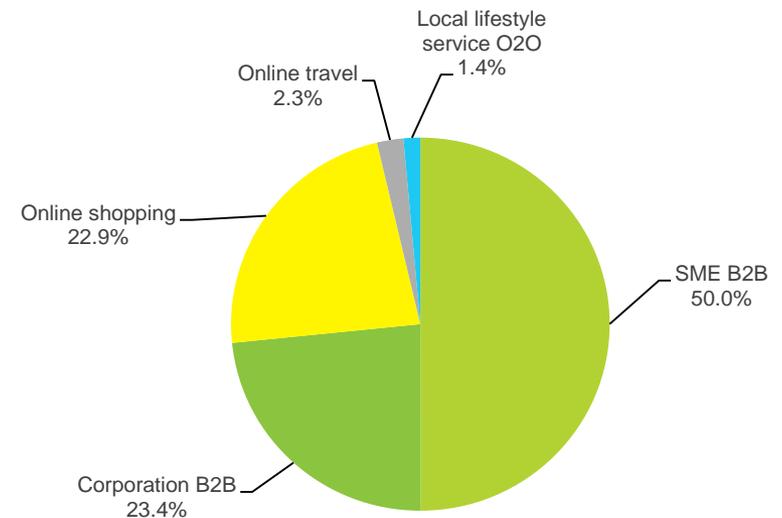
## Stable Growth Continued in E-commerce Market, Share of Online Shopping Jumped

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.

### China E-commerce GMV 2011-2018



### Market Share of China E-commerce Segments in 2014



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.

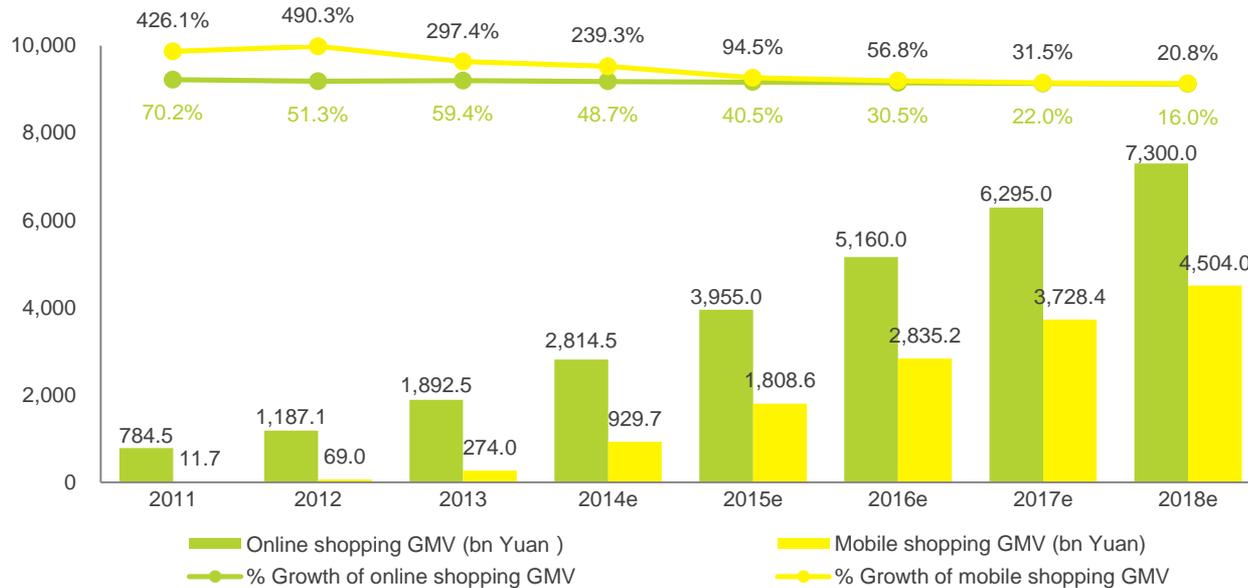
Source: Based on the financial results published by enterprises, interviews with experts and iResearch statistical model.

## 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.

### China Online and Mobile Shopping GMV 2011-2018



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.

## 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**

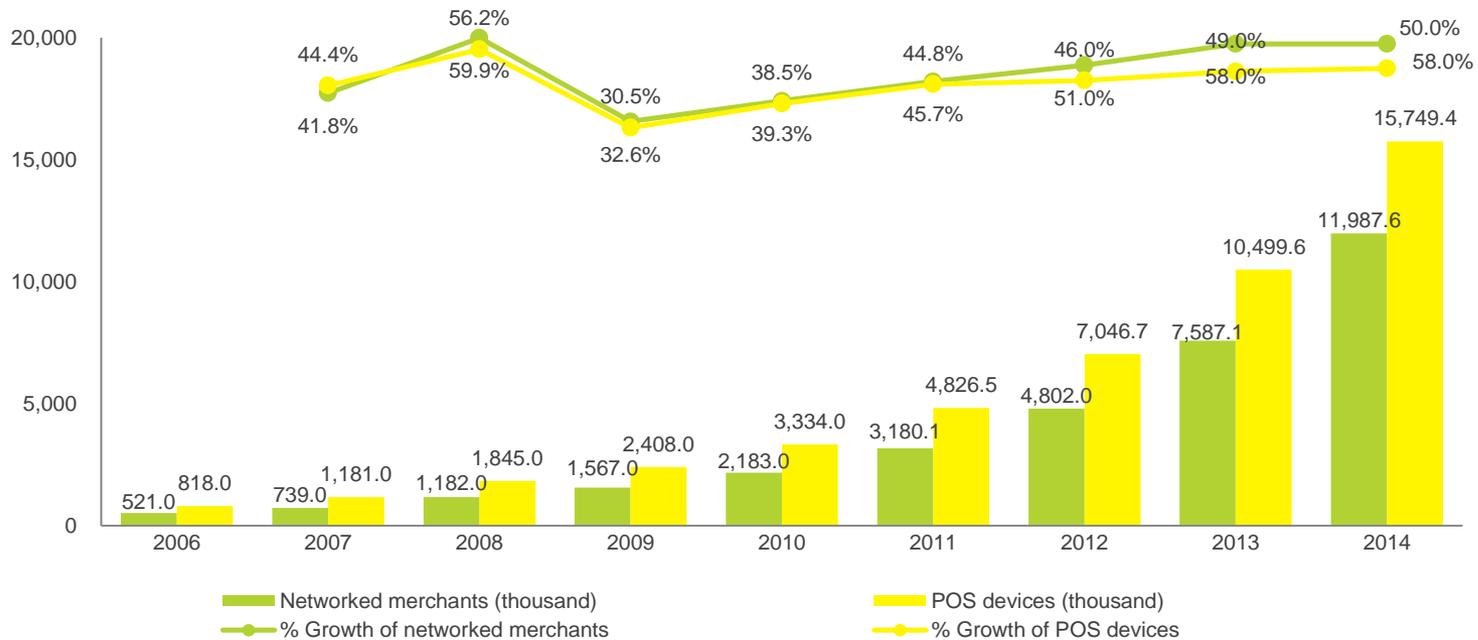


Source: Payment reports of the People's Bank of China.

## 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**

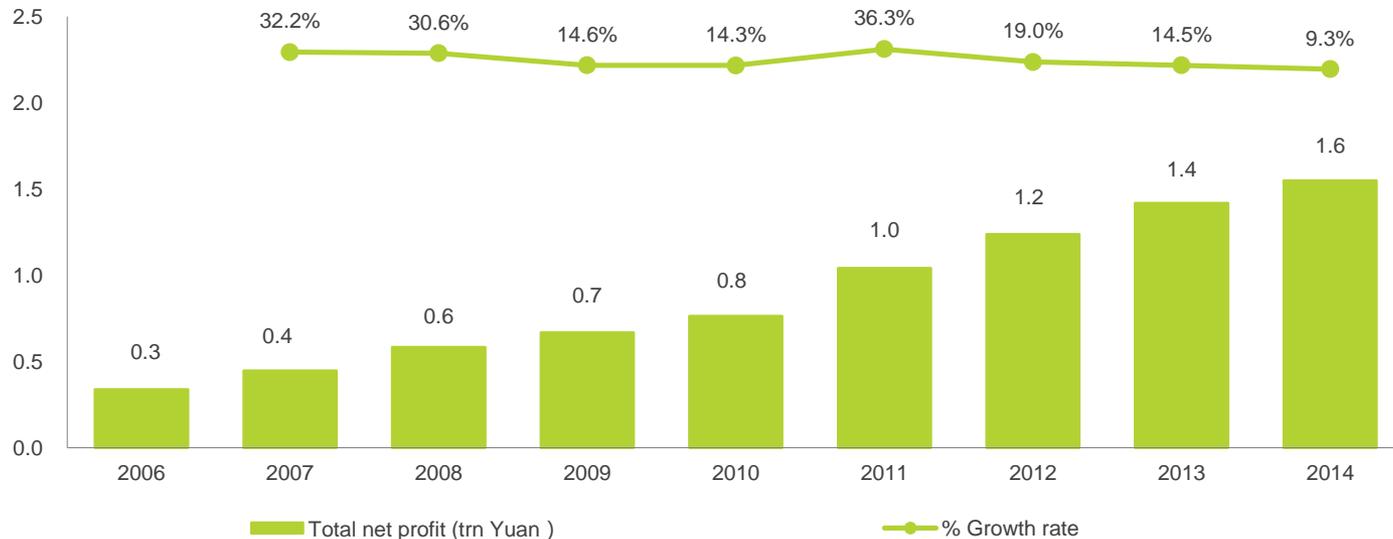


Source: Payment reports of the People's Bank of China.

## 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**

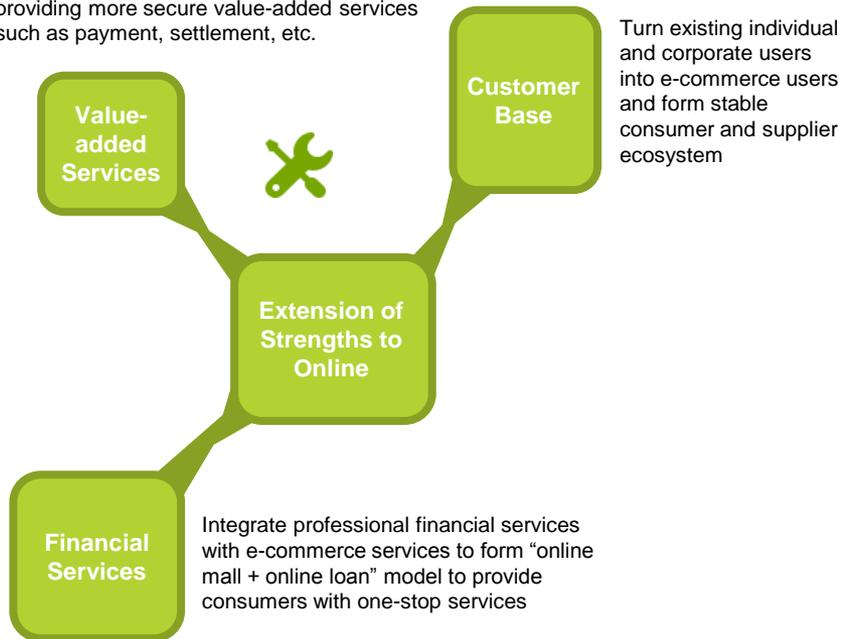


Source: Based on the data published on the official website of China Banking Regulatory Commission.

## E-commerce 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.



Acquire more complete transaction data and optimize credit rating system on the basis of the existing system



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

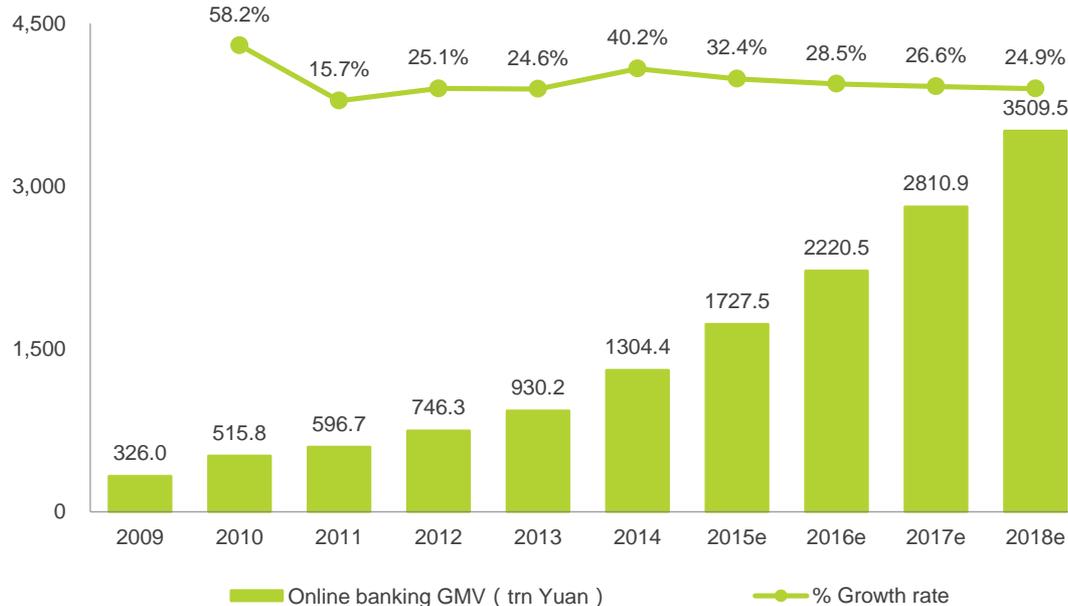
Status Quo of E-commerce in China's Banking Sector

# Current State of Online Banking in China

## 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.

China Online Banking GMV and Growth 2009-2018



Individual Users of Online Banking  
**382 mn**  
Penetration of Internet Population  
**58.9%**



Dec. 2014 vs. Dec. 2013

Corporate Users of Online Banking  
**17.3 mn**



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.

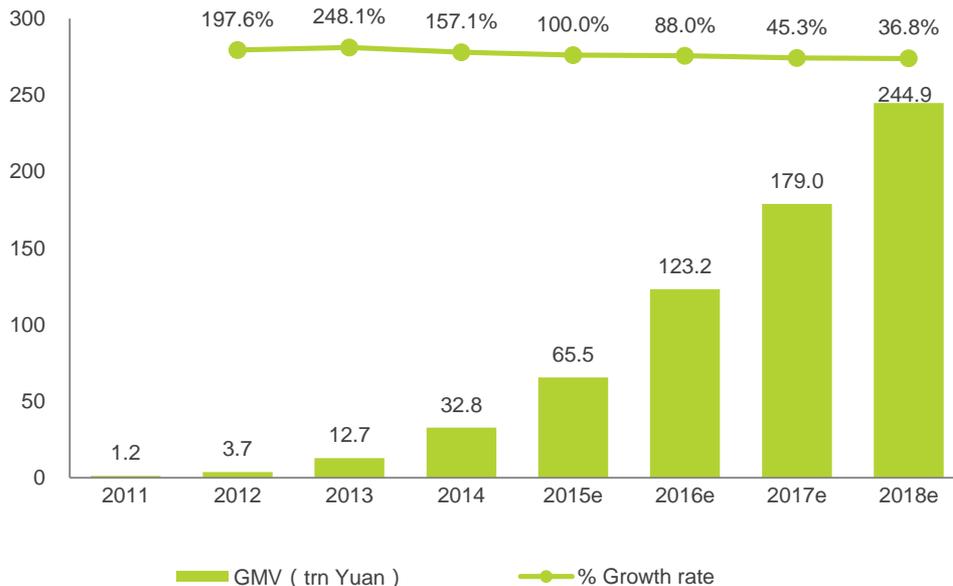
Source: The data is based on the financial results published by enterprises, statistics from China Banking Regulatory Commission, and iResearch statistical forecast model.

# 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



Mobile Banking User Base

**301 mn**

Penetration in Mobile Internet Population

**54.1%**

**+ 40.8%**

Dec. 2014 vs. Dec. 2013

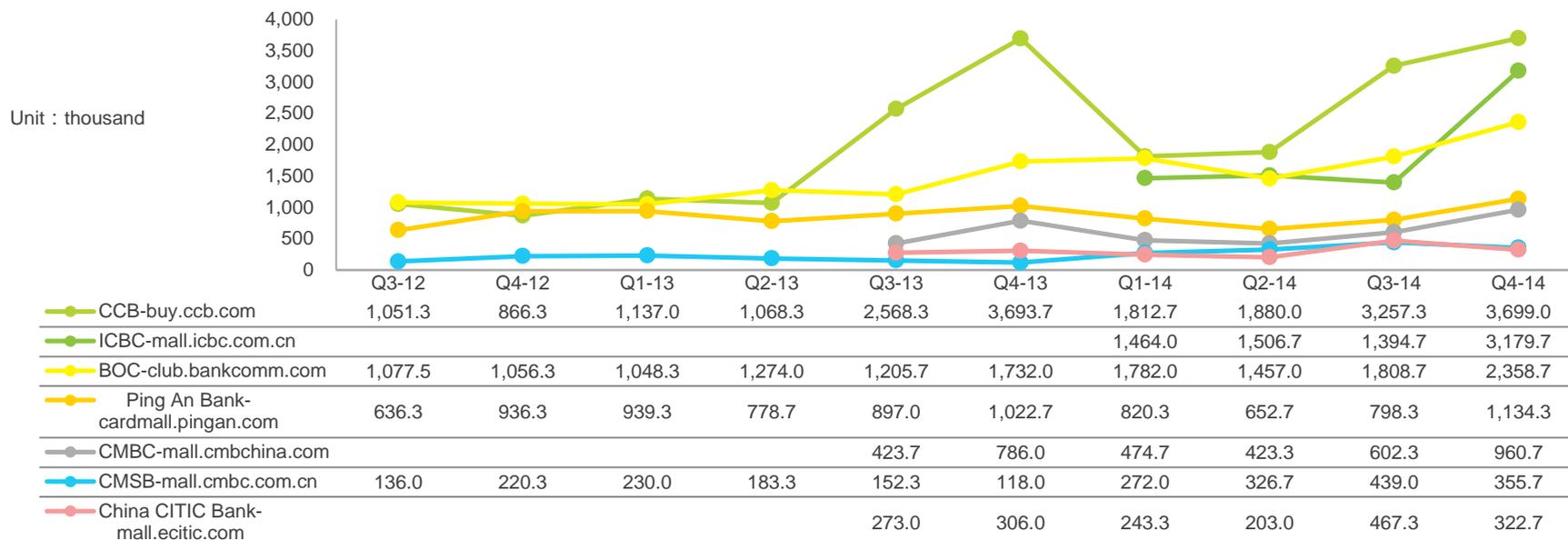
Note: 1. Mobile banking GMV refers to the GVM generated from services including money transfer, receipt and payment, investment and wealth management, lifestyle applications via mobile banking by individual users. 2. Mobile banking user base refers to the number of individual users who activated mobile banking service by the end of 2014.

Source: The data is based on interviews with enterprises and experts and iResearch statistical model.

## 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.

**Average Monthly UV of Online Marketplace of Banks Q3 2012-Q4 2014**



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) panels.

# Current State of E-commerce in China's Banking Sector

## Chinese Banks are Well Positioned to Provide M-commerce

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

Trust and Confidence	Data and Insights	Positioning	Aggregation
<ul style="list-style-type: none"><li>• Key competitive advantage</li><li>• Reputation for security and infrastructure for clearing and settling</li><li>• Long standing relationship and trusted by customers to handle their money</li></ul>	<ul style="list-style-type: none"><li>• Customer data provides banks with a valuable insights into individual online and offline purchasing habits</li><li>• Offer merchants highly accurate customer targeting, reducing brand damage from spam and maximizing the cost effectiveness of their marketing spend</li></ul>	<ul style="list-style-type: none"><li>• The proliferation of mobile banking and high level of mobile banking customer engagement provide banks with a high level of traffic</li><li>• Combined with a transaction ready customer, this provides a perfect platform for m-commerce</li></ul>	<ul style="list-style-type: none"><li>• M-commerce functionality compliments the existing use of mobile banking apps</li><li>• Ability to provide a seamless experience which is connected to existing accounts and payment mechanisms</li><li>• Makes purchasing and delivery easy</li></ul>

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.

Source: 1. iUserTracker. Home Office Edition. May 2015. Based on the long-term measurement of online behavior of 400 thousand home and office (excluding public Internet cafes) panelists. 2. mUserTracker. May 2015. Based on the long-term measurement of usage behavior 150 thousand iOS and Android smart device panelists.

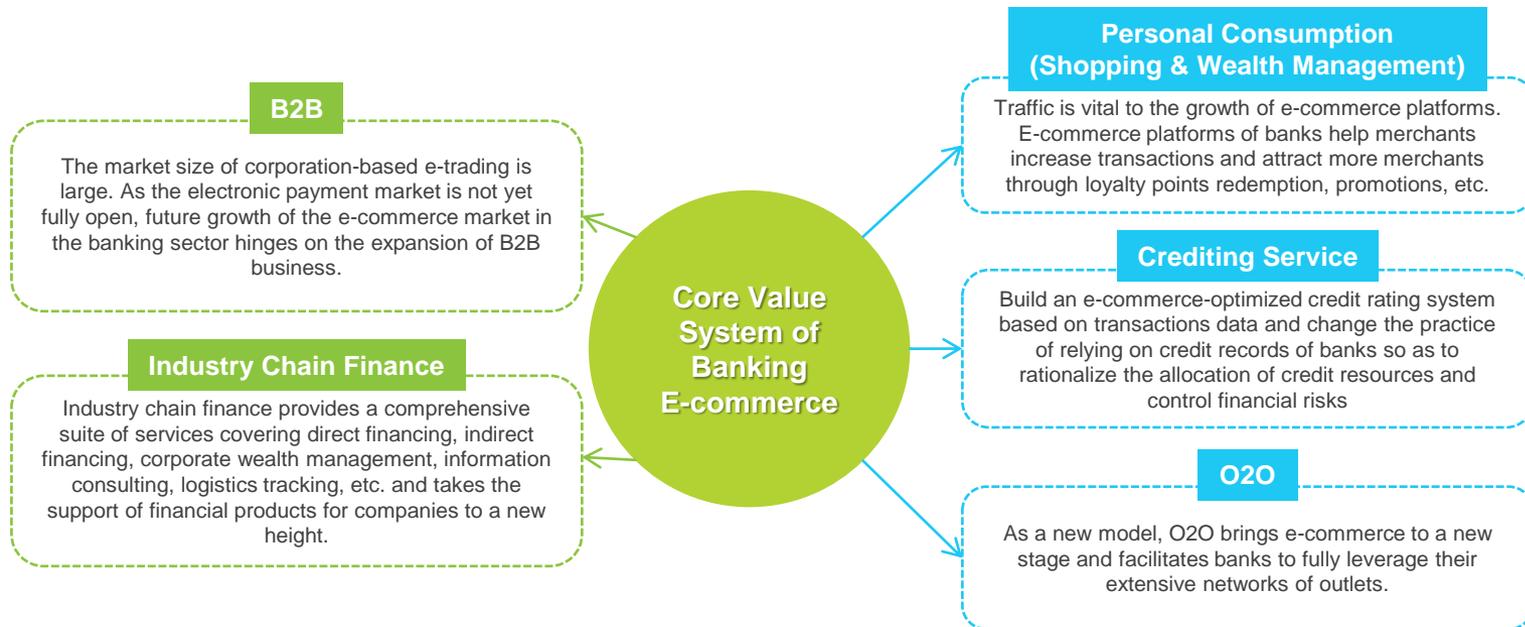
Online Banking  
Mobile Banking  
Banking E-commerce

## Maximizing the Core Value of Banking E-commerce Platforms Through Diversified Business Strategies

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

### Individual Customers



3

E-commerce Industry Chain of China's Banking Sector

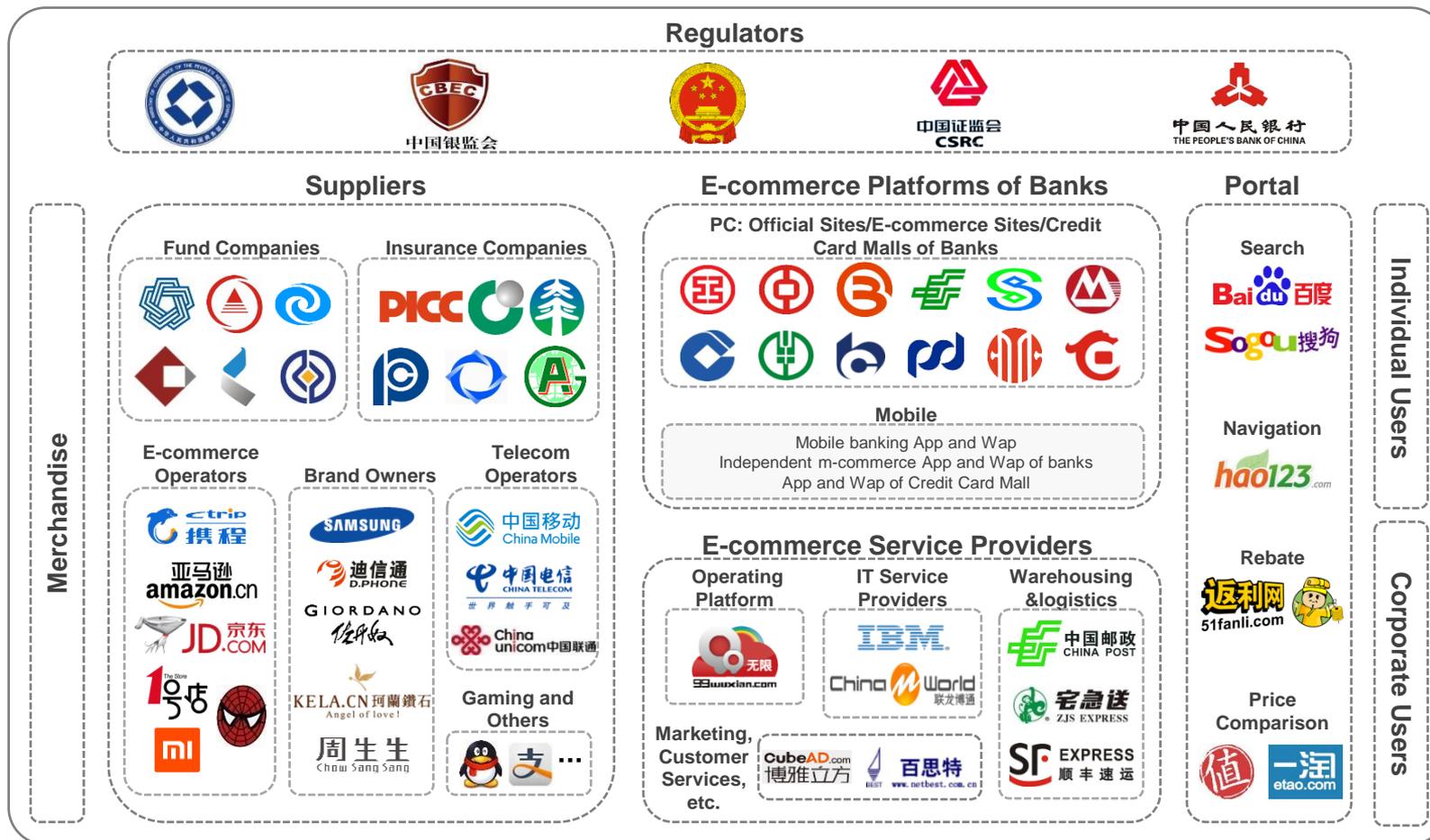
3.1

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



## 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.**

### 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

## Constantly Improving Service Capabilities for E-commerce Service Providers

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.

- 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



- 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.

## 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

Banking  
E-commerce  
Market

# Case Studies of E-commerce Service Provider

## 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.



### 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

Note: \*. Distributor refers to a wholesaler that purchases goods from manufacturers or companies and resell them for profit.  
Source: <http://www.baozun.com>.

# 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.

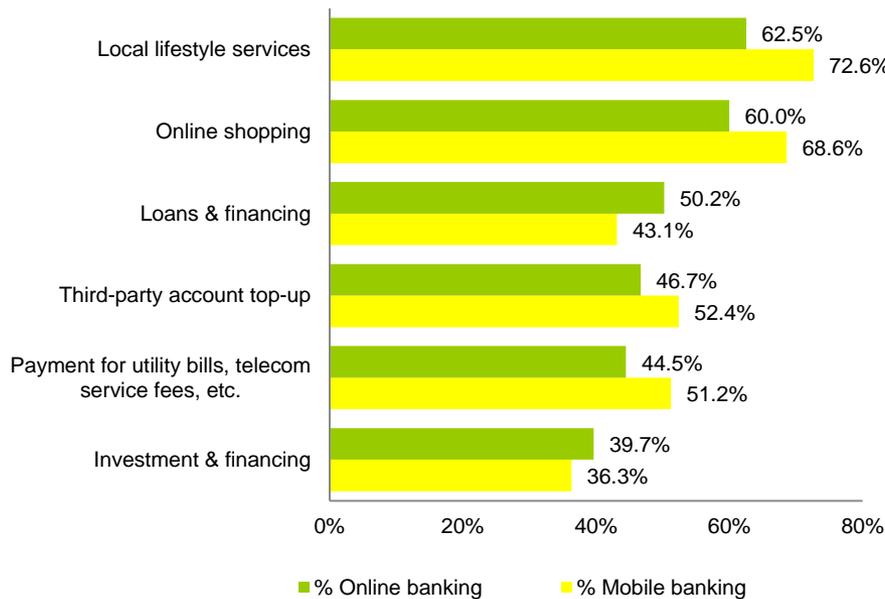


## 99 Wuxian Helps Commercial Banks Maximize Loyalty Through Marketing

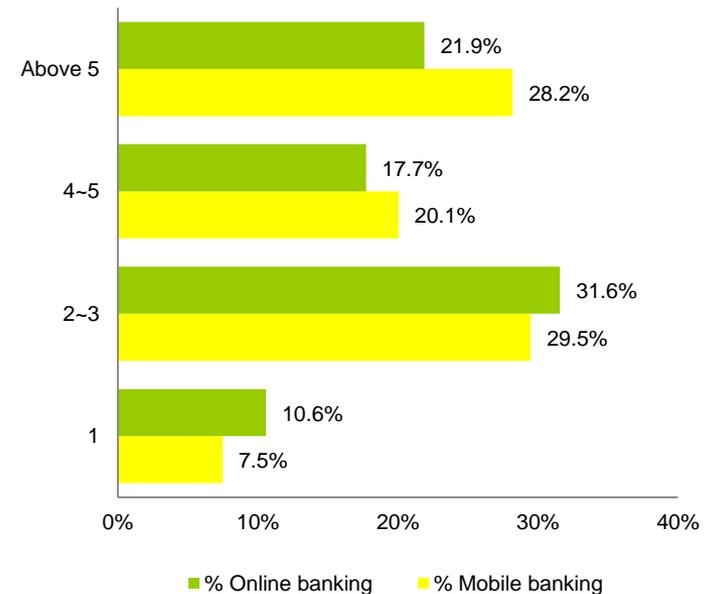
Survey data shows that online banking and mobile banking users are willing to convert bank loyalty points into purchases of products and services. More than one fifth of survey respondents redeemed loyalty points over 5 times per year. 99 Wuxian's platform is the only mobile platform that enables customers 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



Frequency (Times) of Points Redemption



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".

**浦发银行 | 信用卡**  
SPD BANK | Credit Card 新思维·心服务

**小积分 大运气**  
多一分，快一步，秒杀抢私人包机

2014年9月1日至9月30日，浦发银行信用卡持卡人在浦发银行信用卡中心抽奖网站注册或关注并绑定浦发银行信用卡中心官方微信账号即可参与“积分抽奖”，更有机会参加“99无限”平台的特别会员“秒杀抢私人包机”活动。

**活动秘籍**

- 可选择的飞行区域：中国大陆、香港、澳门、台湾
- 持卡人可以用888积分，1999积分在相应的爱迪进行抽奖。奖品分别有信用卡积分、刷卡金、99无限幸运币（获得活动承办为99无限特别会员资格，可参与99无限平台的“秒杀抢私人包机”活动）等。
- “秒杀抢私人包机”活动由99无限平台承办，客户通过抽奖活动获得本环节的特别会员资格后，可以参加99无限特别会员100元起秒杀抢私人包机活动。
- 活动详情请登录浦发银行信用卡中心网站或官方微信，具体活动内容咨询合作方99无限客服热线：400-670-8866

### ICBC 金融@家

**金融@家 环保有我**

动动手指做环保  
轻松赢取特斯拉

手机银行、工银e支付、基金、理财、网上缴费、外汇、转账

活动时间：2014年4月-2015年1月

活动内容：参与手机银行、手机支付、工银e支付、通过网上银行、手机银行完成转账汇款、理财、黄金买卖、外汇、基金、工银e支付等指定交易即可参与赢取手机话费、数码产品、时尚家电、更有机会赢取“特斯拉”绿色助力跑车。

参与方式：使用微信扫描二维码，或者登录浦发银行公众账号“icbc99wuxian”。

咨询热线：400-670-8866

网站 [www.icbc.com.cn](http://www.icbc.com.cn) 服务热线 95588

您也可以用手机登录99wuxian.com.cn或者关注微信99wuxian，享受银行多渠道的金融服务。

### Environmental Protection Campaign Initiative by ICBC

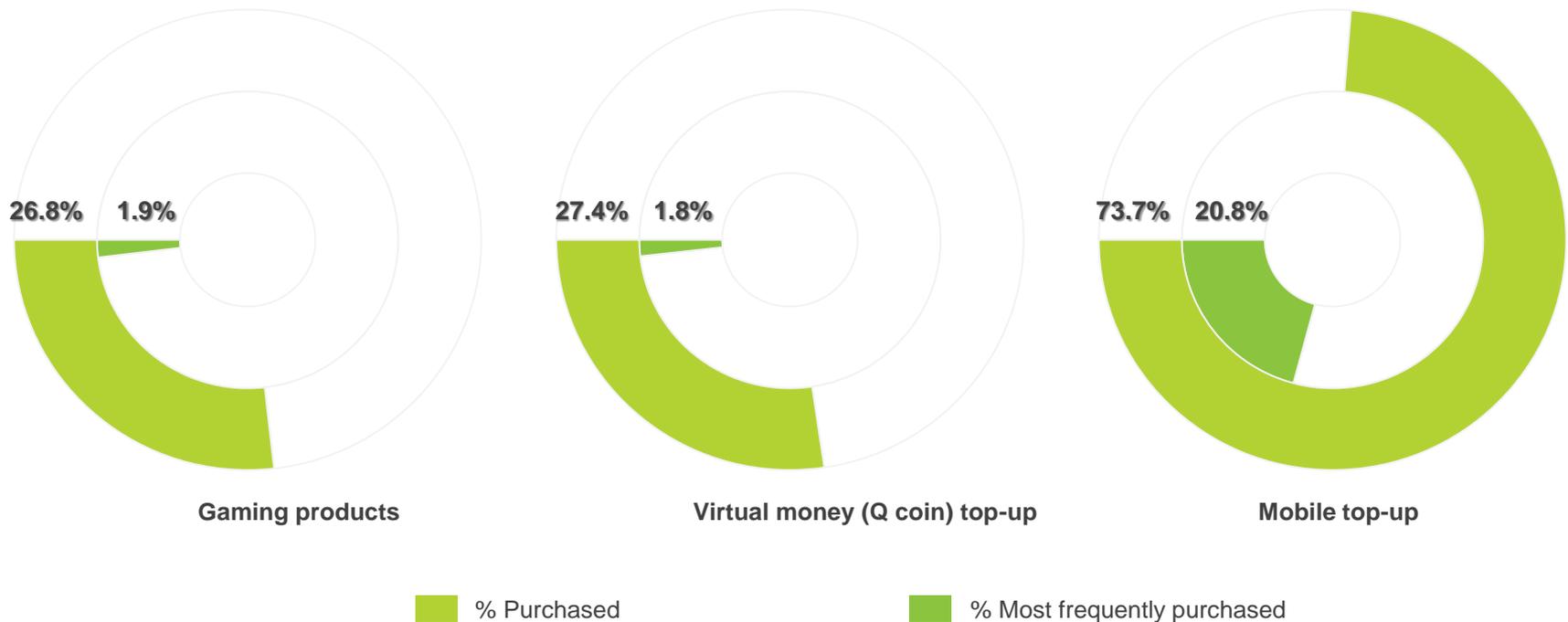
Customers who activate ICBC e-banking products and complete designated transactions during the campaign period from 2014 to 2015 are entitled to e-banking public welfare points for "emission reduction". With "emission reduction" points, customers are able to participate in a series of special offers 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



Sample: N=735, acquired through online survey conducted on iClick in April 2015.

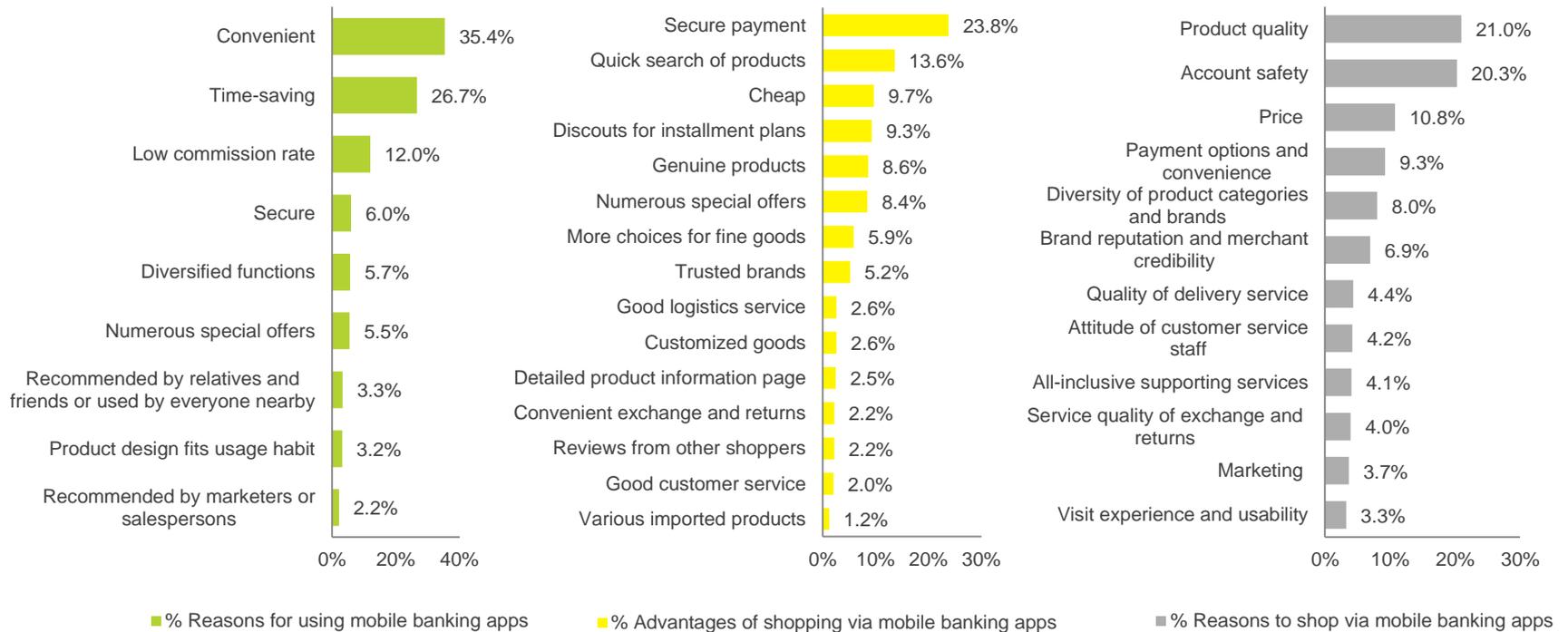
E-commerce in China's Banking Sector  
Case Studies of Major Participants

# 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**



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

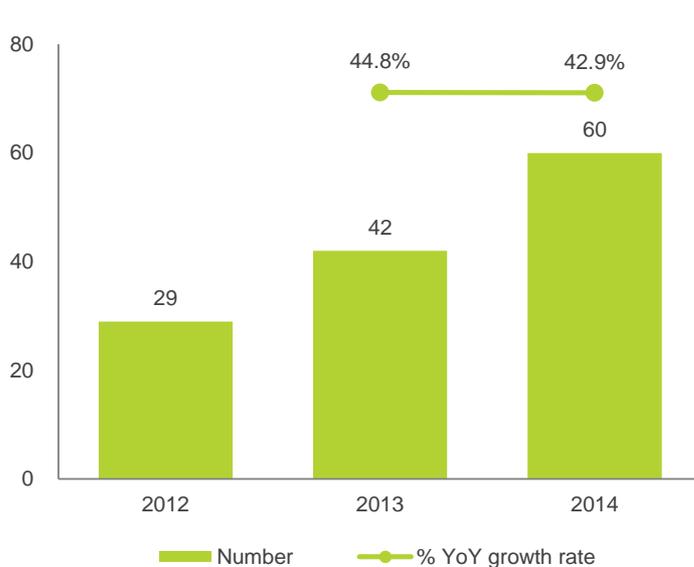
- Asset-light operating model, zero inventory risk
- Occupy the entrance to mobile banking
- Strong reputation in the sector contributes to the growth of partners, customers and business
- Focus on mobile sector with deep mobile application technology experience, high risk control systems, advanced backend 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

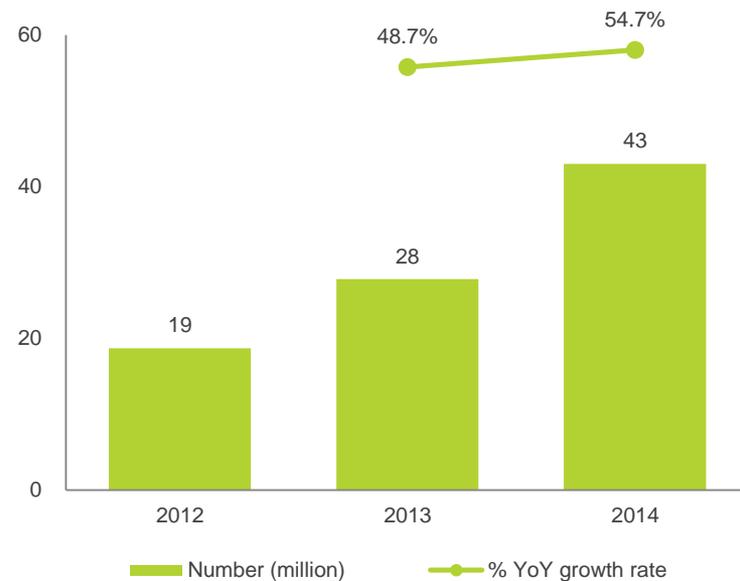
## Partner and User Base Increased in 2014

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.

### Number of Large Financial Institution Partners of 99 Wuxian 2012-2014



### Registered User Base of 99 Wuxian 2012-2014



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

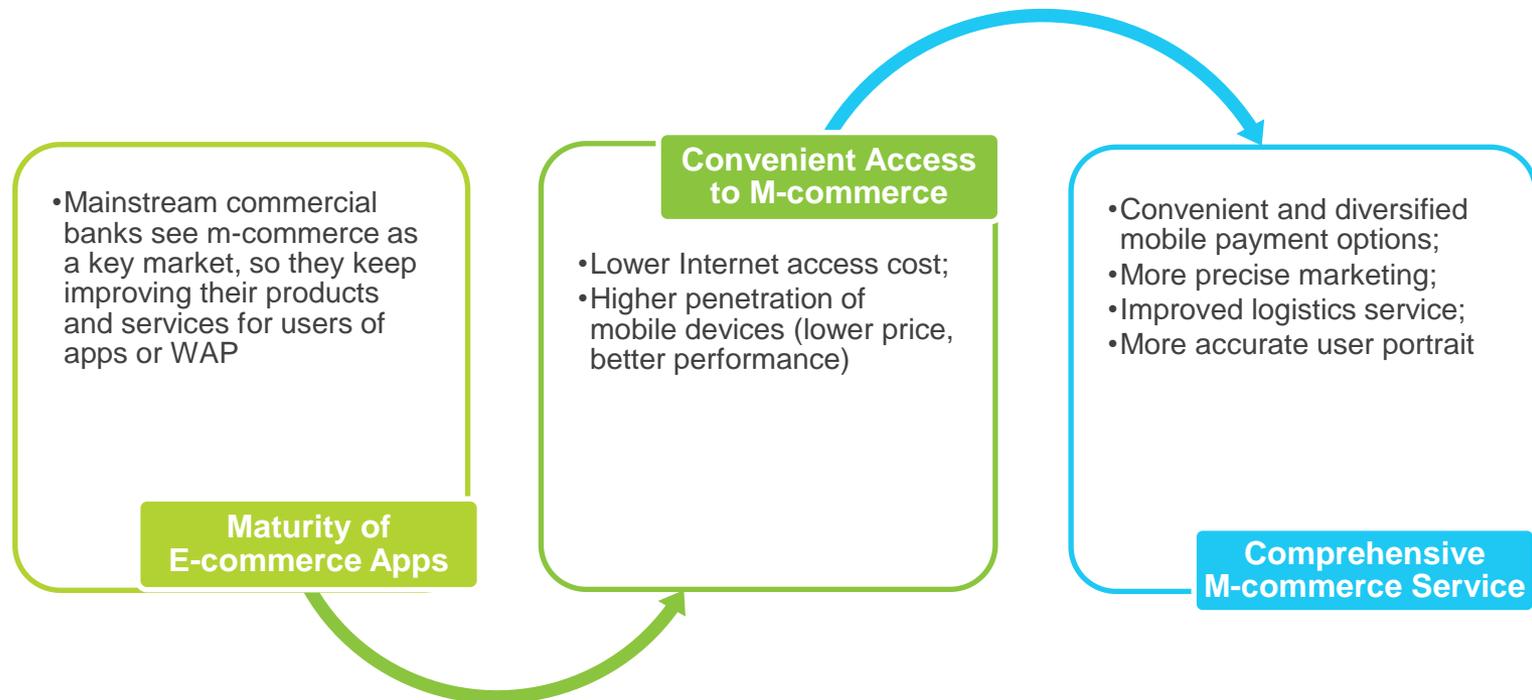
### 4.3

### Big Data System Enhancement to Accelerate Bank IT-enablement

# E-commerce Trends in China's Banking Sector

## M-commerce: Wave of the Future

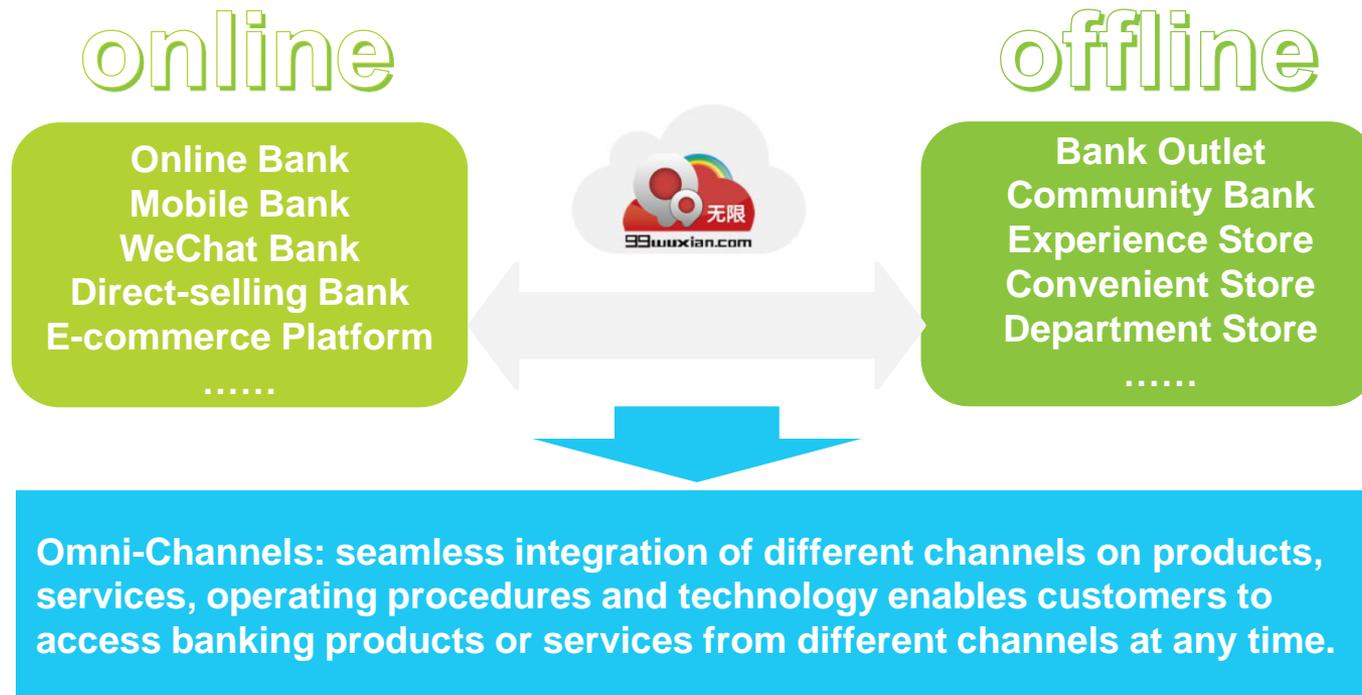
In the next few years, the continued maturity of the industry chain will continue to drive robust growth of m-commerce in the banking sector. First, smart devices are becoming cheaper with more powerful functions, which diversifies consumer choice. Second, further popularization of 4G networks will significantly 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.



# E-commerce Trends in China's Commercial Banks

## Construction of an O2O Model

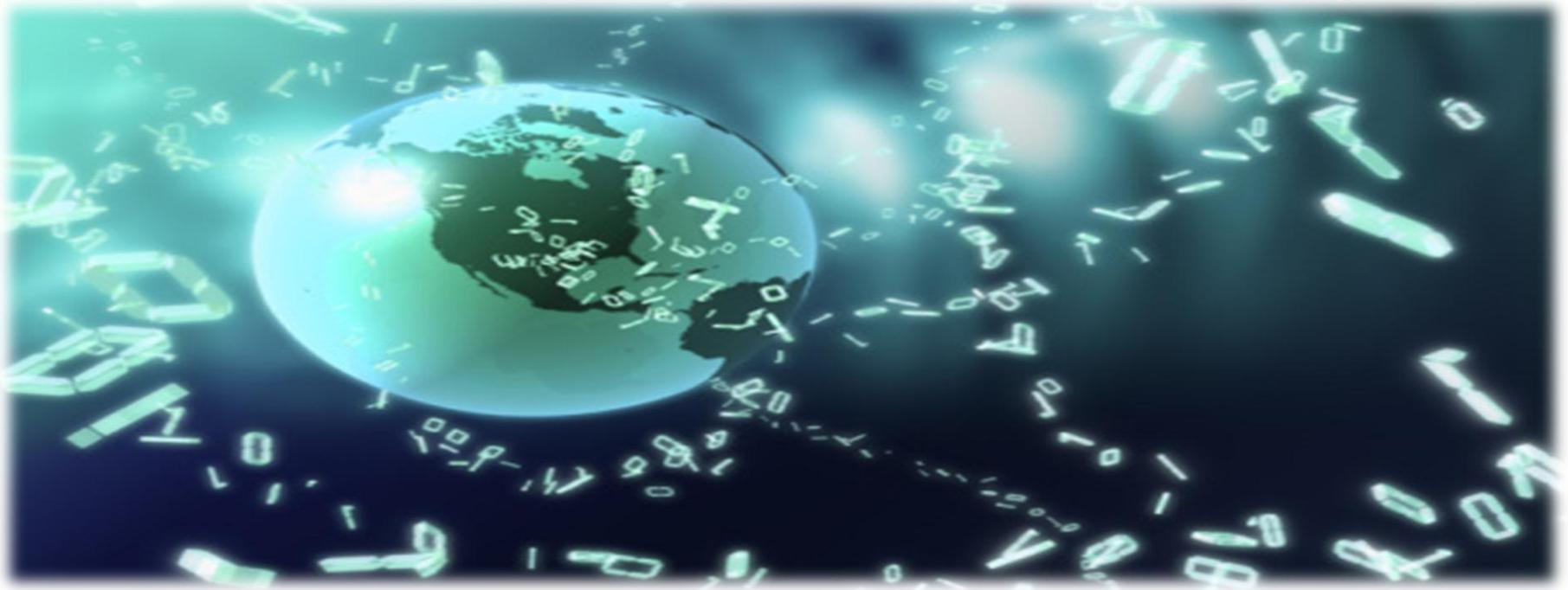
Cloud technology provides for the integration of multiple channels, including the integration of offline outlets of commercial banks with their online platforms and cooperation between offline merchants and e-commerce platforms. Conversely, big data analysis facilitates precision marketing which enables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



# 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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