The logo graphic consists of a vertical black line on the left, a yellow square at the top, a red square below it, and a blue square at the bottom, all overlapping. The text 'BUPT' is in a bold, blue, sans-serif font to the right of the graphic.

BUPT

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# E-commerce Business Models in China

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# E-commerce Business Model in China

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- Business Models of China E-commerce
- Air Vouching
- Taobao
- Mobile phone wholesale online
- Focus Media
- Happy Farm
- Short Message ( SMS )
- Key Factors of Business Models
- Internet Era



# Business Models of China E-commerce

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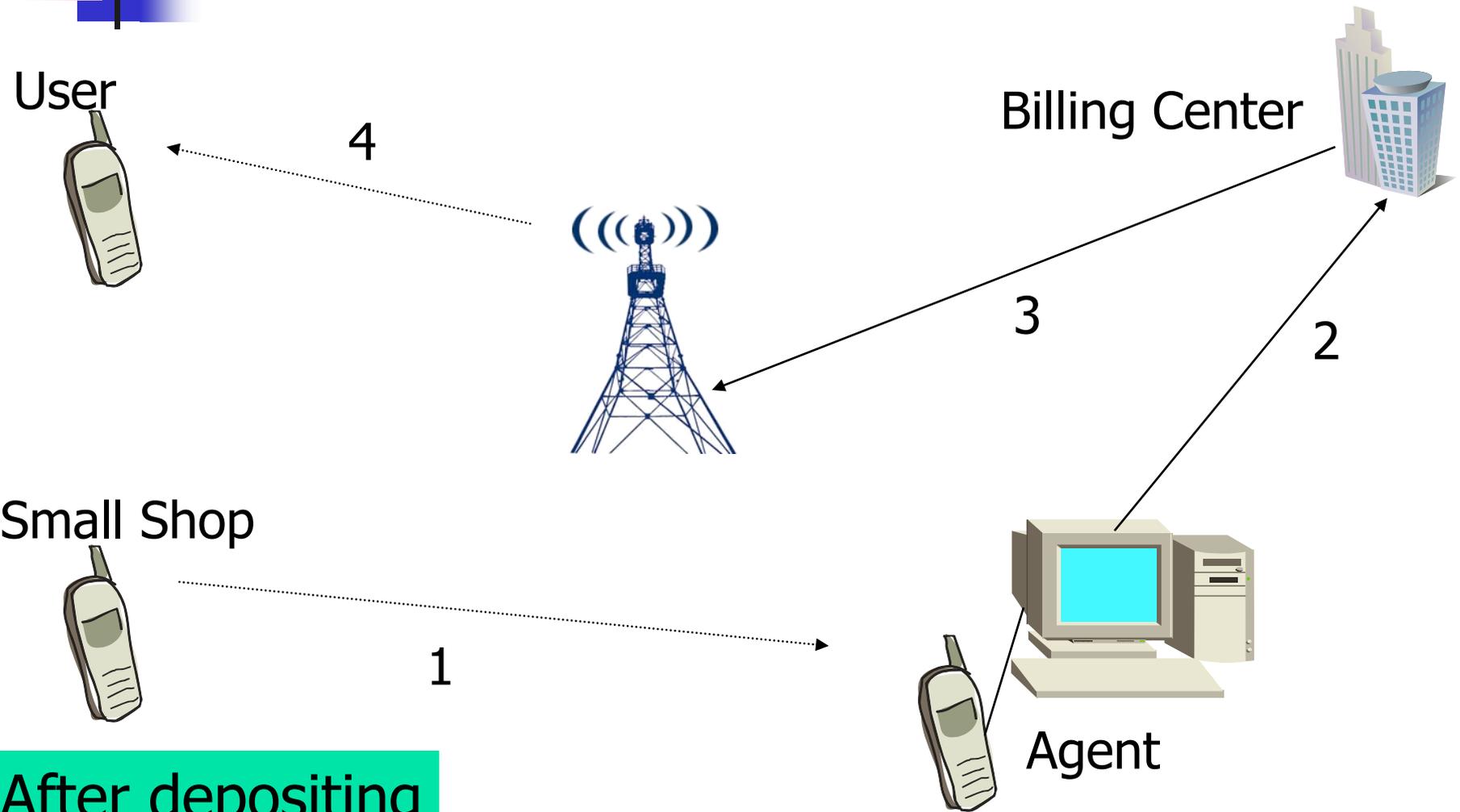
- 广告Advertising
- 会员Membership
- 搜索排名Search ranking
- 联盟Alliance
- 佣金Commission ( 转包、分销、在线交易 )  
(subcontracting, distribution, online transactions)
- 游戏装备Play Equipment
- 试用到收费from trial to charge
- 细分预定准确推送 select booking and push
- 软件即服务SAAS
- 线下活动Off-line activity

# Air Vouching

## —E-payment , Large area

- Air Vouching is a way by which China Mobile get mobile service payment in countryside ( very large area )
- A shopkeeper in a small variety shop in countryside paid a deposit to a China Mobile agent near to him
- The agent marked his mobile phone No. in the system
- After he sent a short message to the agent with writing XX Yuan to XXX (a mobile phone No.), the agent would vouch for XXX and deduct from his deposit at same time.
- The person could get 1% commission from CM
- By this way CM need not to purchase too many computers and to link them, no need vouching cards and more safety
- This is a very efficient payment system **to cover large area**
- User convenient and very low cost

# Air Vouching



After depositing

# Taobao

## —E-payment , Numerous

- Taobao is a China online P2P e-mall, providing e-payment means, with 62Million businesses, daily trading volume is 0.2Billion Yuan
- Taobao online payment tool called ZFB. ZFB can be used by a lot of online merchants, not limited to clients registered on Taobao web site
- ZFB asks the buyer to establish a ZFB account, and the seller also has a ZFB account
- Before transaction buyer need to pay money into his ZFB account
- When transaction occurs, the seller requires ZFB to receive money from buyer ZFB account. After the money is received, ZFB notify the seller to ship goods. After acceptance of goods, the buyer notification ZFB pay the seller, ZFB will pay to seller in 3 days.
- ZFB account is a temporary transfer account, avoiding the buyer and seller contact each other's bank account, more safe than online bank and credit card
- ZFB avoids logistic people contacting with the money to reduce the risk in transit and accelerate the money return

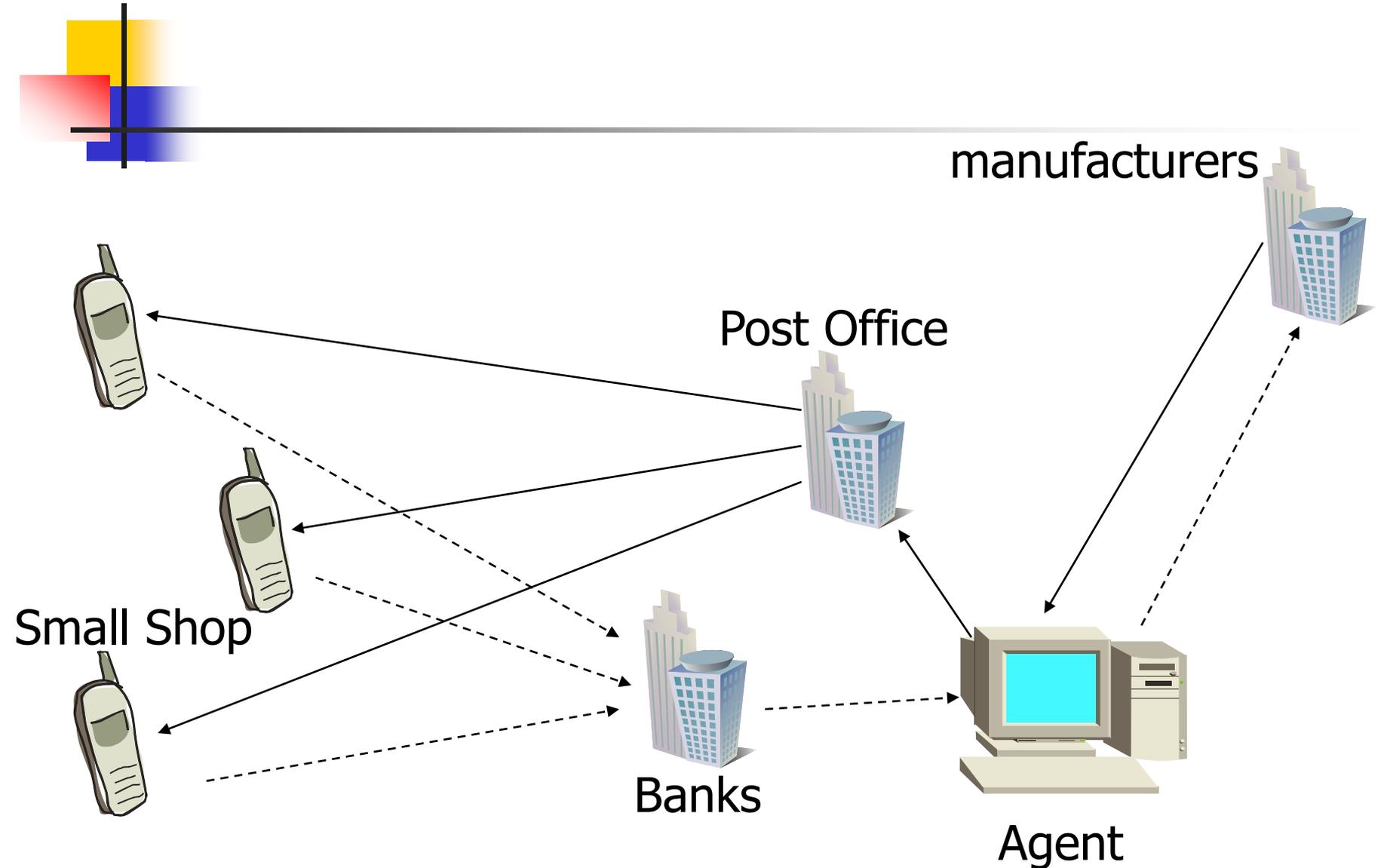
# mobile phone wholesale online

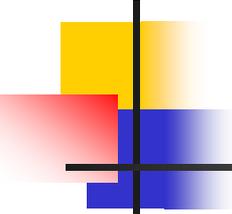
## --Online combining Offline

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- This company is a wholesaler of the mobile phone manufacturers
- Finding large number of small shops(mobile phone seller) in towns under county one by one
- calling promotion, membership
- A small shop starts to be subscriber after ordering 2 mobile phones
- A B2B wholesale website, telephone, fax, SMS for making order
- Postal delivery and online payment is safe and reliable
- Got order, take phones; Received payment ,start delivery
- Getting better and better reputation, increasing members(more than 10K), more and more volume(business flow)
- Lower cost : leaping over the original distribution levels
- **Combination : Online and off-line**
- **Conditions: The value and size of goods suit to be transited by this way**

# mobile phone wholesale online



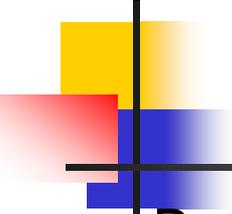


# Focus media(FM)

## —Online combining Offline

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- FM put Framedia advertise close to elevator in buildings
- FM signs contract with building owners one by one to hold the walls close to elevators in many buildings ( **Offline** )
- But it is very hard for FM to find advertisers
- FM asked a consulting company to make a business Planning
- 1、 The statistics average time of the people waiting for elevators is over 5 minutes every day
- 2、 The attention of waiting people is very easy to concentrate on an advertise nearby and special to video
- 3、 The different customers can be segmented by different buildings
- With the conclusions of the consulting report, advertisers like Hennessy, Audi, Nokia, DHL were convinced by FM
- FM was successful listing IPO in 2005
- **FM found a new way to advertise**



# Happy Farm—A New Service

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- Real online community, people know each other
- Virtual games : such as: vegetables planting, **stealing** vegetables, breeding chickens, cattle and pigs
- Plowing, sowing, weeding, pesticides, fertilizer, harvesting
- Free game, selling equipments
- active users of more than 16 million people, a monthly gaming revenue of RMB 50 million
- Several close friends usually do not have time to meet together
- No matters often to talk or write online
- Play /joke /trifle, relaxed and friendship maintain
- **A new way of leisure**

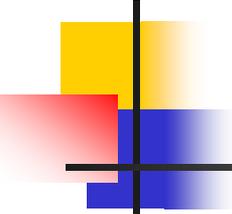
# Happy Farm Online



# Short Message ( SMS )

## —Service Positioning

- In 1998 : application/monthly rent/pay for every message
- Change1: no application,no monthly, 0.1 Yuan for every message
- Change2 : Operator joints SP / CP, an open interface, to provide billing, payment and getting commission (for the air transmission to phone)
- SP / CP: jointing SMS writers, Download Commission, ranking on web page according to download times
- Many kind of contents:New Year or birthday congratulations, motto, poem, doggerel, jingle, jokes etc.
- To download and forward messages with each other become a fashion , forming a viral transmission
- Stimulating the P2P SMS application, Rescued China's SP / CP
- Pulling the development of mobile communication
- Re-positioning, From P2P to Web2P, from communication to media
- Dividing business (Web2P/P2P) , Expansion of industrial chain ( SP/CP )



# The keys of Business Model

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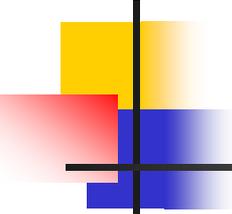
- The digital economy must address problems in the real economy (like: Taobao displace logistics)
- The digital economy has the advantage of cross-regional and high-speed information transmission
- How to use this advantage?(like: air vouching)
- Business model means:where to get money, where to spend money (like: SMS)
- Business model is a trading model of every business, it is varied due to different business and different company, no unified modus(like:Bio Evolution)



## Key 2\_\_industry chain

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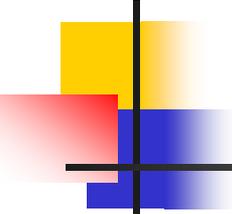
- Business model is distribution model on the various sectors of the industry chain (including VC & end Customer)
- The business will be paid by the sectors who think of the business is more important or more urgent for them (e.g. internet in last century paid by VC not consumer)
- History may be also the reason of business model (e.g. internet on today)



# Key 3\_\_How to divided

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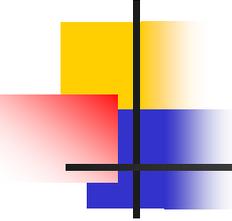
- One business can be cut into some pieces (like:SMS)
- How to divide ( Positioning ) ?
- Which one should be done by our self?
- Which one should be done by outsourcing?
- Which one should be done by outside?
- Depending on the characteristic of the business (wholesale)
- Depending on the resources that can be got
- requests of the various company parts (mainly: cultural differences, geographical differences, resource differences)
- Depending on how to receipt money easier (e.g. selling game play equipment, not changing on play time)



# Internet Era

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- Traditional: A new consumption goes gradually down from the high-end consumers to low-end consumers, pay first and then get goods or services
- More and more services is tech push not demand pull, Experiential Marketing
- High-speed flow of information makes imitation to be very easy and rapid
- There is lot of hot money in the world, company can first get money from other side not only from consumers
- 21th century: Company can not wait the market of an new service to spread naturally, get goods or services first and then pay or free
- Is this the business feature of internet economy?



The END

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Thank You !