

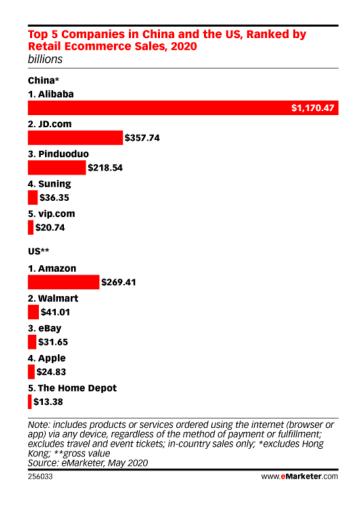
## The Ecommerce Game Is a Tale of Two Countries, and China's Companies Are Pulling Ahead

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hina is the largest digital market in the world, leading all countries in terms of ecommerce, mcommerce and social commerce. It's also home to many of the largest ecommerce conglomerates, including Alibaba and JD.com, who are generating sales at a scale that far exceeds that of companies in the US—including Amazon.





According to our latest ecommerce estimates, companies in China continue to lead the pack in terms of online transactions. (Note that the figures above are for total in-market sales for each company in its home country, not its global sales.)

For reference, we project that Amazon's total worldwide ecommerce sales will reach \$416.48 billion this year, which means that China's second-largest player, JD.com, transacts almost as much inside China as Amazon does globally. China's third-largest player, Pinduoduo (PDD), dwarfs every other American company besides Amazon. Each of these companies does a large majority of its ecommerce business in its home market, so the relative stature of each is representative of its global position.

It's important to note that gross merchandise value (GMV)—as reflected in our data—is a very different metric from revenues or profit. To put that into perspective, Amazon makes money much more



efficiently than Alibaba, JD.com or PDD, hence its ability to generate greater revenues and higher profit margins than its peers—despite its relatively lower transaction volumes. Amazon is also a much bigger company than Alibaba, which is indicative of how poorly the latter profits off its inflated GMV. However, when it comes to ecommerce activity, the winner is clear.

China's companies are excelling in the ecommerce game for a number of reasons. For one, while they do most of their business in a walled-off, protected marketplace, that market is enormous, hyper-competitive and demands constant innovation.

Companies in the country have also consistently created user interfaces that lead the world in terms of ease of use, propelling consumers in the region to participate in ecommerce. The latter point can be partially credited to the digital innovations—including world-leading digital payment solutions—generated long ago by companies like Alibaba and Tencent. This has led to rapid ecommerce uptake in the early days, and eventually a symbiotic, mutually reinforcing cycle of support between consumers and the ecommerce industry.

We estimate that 88.3% of internet users in China will make an online purchase this year, and that 41.2% of all retail sales will take place online. In the US, for comparison, 82.4% of internet users will participate in ecommerce, but only 14.5% of retail will be ecommerce. In other words, consumers in China increasingly prefer to do an enormous amount of their shopping online. Whereas in the US, as in most countries, ecommerce is used for only a small percentage of shopping needs. This habit partially accounts for why Amazon remains more dominant in the US than Alibaba is in China: The ecommerce pie in the US is limited, and Amazon can serve nearly all demand.

In China, demand is vast and diverse, and there is space for companies like JD.com and PDD to meet—and create—new demand.

