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Wal-Mart to 'Actively Invest' in China Internet Shopping

By Bloomberg News - May 18, 2011 5:25 PM GMT+0800

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Wal-Mart Stores Inc. (WMT), the world's largest retailer, said it will continue to invest in China's Internet shopping market after buying a minority stake in Yihaodian, an online supermarket operator.

"Online shopping has been rising very fast in China and Wal-Mart wants to actively invest and expand in the area," David Tiang, a vice president of Wal-Mart Asia, said in a media briefing in Beijing today. Details of the company's investment in Yihaodian weren't disclosed.

Wal-Mart said last week it agreed to buy an unspecified minority stake in Shanghai-based Yihaodian to expand its Internet offerings in the world's second-largest economy. Companies from Wal-Mart to Tencent Holdings Ltd. (700) are stepping up investments in technology and acquisitions as they seek to tap rising online consumer spending in China, home to 477 million Web users.

Shanghai's online retailers account for 10 percent of total sales in the city, the highest proportion in China, according to DDMA Market Research. The national average of 3.3 percent compares with 4.5 percent in the U.S. and 10.5 percent in the U.K., according to the Shanghai-based industry researcher.

Online commerce transactions in China will almost double in value to 904 billion yuan (\$139 billion) next year, from 463 billion yuan in 2010, according to brokerage CLSA Ltd.

Online Supermarket

Yihaodian was started in 2008 and offers more than 100,000 types of products, according to its website. The company has 2,000 employees, and warehouses in Shanghai, Beijing, Shenzhen and Guangzhou. It competes against online retailers including Alibaba Group Holding Ltd.'s Taobao.com.

The online-supermarket operator has 8 million registered users as of May and the number of customers has increased by 28 percent every month since the company was founded, Chairman Yu Gang said today at the same briefing.

Wal-Mart's purchase doesn't require regulatory approval from China's commerce ministry given it's a "minority investment," Tiang said.

The deal is expected to close within 60 days, Bentonville, Arkansas-based Wal-Mart said May 13. The company didn't disclose the transaction price, or earnings or revenue for the closely held Yihaodian, which sells groceries, consumer electronics, toys and clothing.

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Wal-Mart will continue to expand its Sam's Club warehouse retail chain in China, Tiang said, without elaborating.

Wal-Mart is speeding up its store openings in China, where it had 329 outlets at the end of its fiscal year in January. Its China operations generated \$7.5 billion in revenue during the year, Scott Price, chief executive officer for Asia, said in March.

Tencent, China's biggest Internet company, bought a \$84.4 million stake in ELong Inc. to expand in online travel and diversify from online games and social media.

To contact the editor responsible for this story: Frank Longid at flongid@bloomberg.net

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