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## Wal-Mart snaps up stake in Chinese online grocer Yihaodian

by [Hannah Kuchler, FT Tilt](#) • [More from this author](#)

Wal-Mart, the world's largest retailer by sales, has **bought** an undisclosed minority stake in Yihaodian, China's only national online supermarket, in a bid to get a slice of the country's growing online grocery market.

Foreign buyers have been **queuing up** to invest in Chinese e-commerce, leading some to suggest there could be a **bubble**, but so far the online grocery market has received scant attention as it is starting from a very low base.

The total Chinese business-to-consumer e-commerce market was worth Rmb501bn (\$77bn) in 2010, according to analysts at Macquarie, and Yihaodian had just 0.4 per cent of that pie even though it's the largest online supermarket. Yihaodian, which means No. 1 store, had more than 1m registered users in January, according to the analysts, and operates in more than 30 provinces in China. It sells everything from food to consumer electronics.

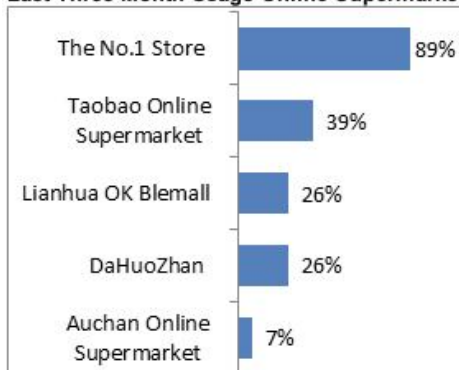
Mike Duke, Wal-Mart chief executive, **said** that the company ticked two important boxes for Wal-Mart -- expanding both online and internationally. In December, Wal-Mart **coughed up** for a stake in Chinese consumer electronics e-retailer, 360buy.com.

But despite the potential for growth, the biggest stumbling block for Chinese e-commerce companies is logistics. Delivering goods to homes across such a vast area with patchy infrastructure can **present challenges**.

Yihaodian already has a robust logistics system, according to the Macquarie analysts, but Yu Gang, the co-founder and chairman of Yihaodian, **said** he expects Wal-Mart to help improve its supply system and give it a competitive edge.

As this chart from market researchers DDMA shows, Yihaodian already has an edge in Shanghai where the competition is hottest because it has the most online shoppers and all the online supermarkets operate in the city. Out of the 150 surveyed, 89 per cent of those who shopped online in the last three months had used Yihaodian.

**Last Three Month Usage Online Supermarkets Shanghai**



Source: DDMA

In the top five in Shanghai, the only foreign player is the French retailer Auchan, but Carrefour also has an online supermarket in China, albeit a very marginal business. Tesco is **planning** on launching a site.

Chinese users tend not to do their whole weekly shopping online yet; instead, they use the internet to top up packaged goods, especially beverages, snacks and toiletries.

"While overall usage of online supermarkets is still relatively low, usage among the high income, white-collar segment in Shanghai is growing rapidly," said the DDMA in a report. "This group of people tends to be less price sensitive and are recognised as early adopters."

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