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The Taobao Effect and Online Shopping Threaten the Viability of Mega Retailing in China

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SHANGHAI, Feb. 17, 2011 /PRNewswire via COMTEX/ -- It was today revealed that what people and companies say about products online is the number one influence on one third of all retail sales in Shanghai - US\$ 34 billion. This was one of the main findings of a DDMA and Focus Group China research report into the influence of online information on consumer purchases, the impact of "The Taobao Effect" and the huge potential of online shopping in China. With only 6% of their advertising budgets being spent on online media in China, this report highlights the need to re-think marketing communication strategies.

The Influence of Online Information on Chinese Consumer Buying Behavior finds that Chinese consumers are likely to leapfrog brick and mortar western retail models and move an increasing share of their purchases online. China's online population (457 million) exceeds the entire population of the USA, and is increasing at 19% per year.

DDMA found that the equivalent of one tenth of all Shanghai retail sales are made online - a share equal to the UK, and about half of these online sales are made through Taobao.

The year-long DDMA consumer study identifies 13 key drivers of online shopping, including: "The Taobao Effect"; product authenticity; cultural socio-economic factors which fuel the popularity of online shopping in China.

Importantly for marketers, qualitative Focus Group China research finds that the type of product consumers are planning on purchasing has identifiable bearings on the information search path. Point in case, online information is the main reason behind two in three 3G and smartphone sales, but only one in seven passenger car sales.

"From a marketing perspective in China the need is not to simply measure website traffic but to truly understand the full extent of the influence online information has on consumer purchases," said Sam Mulligan, Director DDMA, "Understanding how and what information consumers seek, as well as where they collect and how they exchange this information is key to planning an effective marketing communication strategy." Taobao's sales revenue in 2010 was equivalent to 2.5% of total China retail sales.

To purchase the full report: www.ddm-asia.com DDMA DDMA provides market research and business consultancy in China and across Asia Pacific.

Focus Group China Focus Group China is the in-house qualitative research unit of DDMA.

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