

China to become biggest online market, study says

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A woman in Beijing shops online at the Taobao website on February 5, 2008. China's online sales are forecast to exceed \$420 billion annually by 2020, which will likely make the country the world's largest online retail market, a study showed Thursday.

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Global management consulting firm McKinsey & Co said sales are expected to reach between \$420 billion and \$650 billion, driven by a growing consumer class and the world's largest population of Internet users, now more than 500 million people.

"[China](#) is poised to become the world's largest e-tailing market," McKinsey said, adding sales in 2020 would match the current size of the US, Japanese, British, German and French markets combined.

China exercises tight control over the Internet, censoring content it deems obscene or politically sensitive, through what is known as the Great Firewall, a system of online limits and restrictions.

But McKinsey said the government had allowed Chinese e-commerce to develop without a great deal of intervention so far.

China's online retail sales reached \$120 billion in 2011 and surged further to an estimated \$190 billion to \$210 billion last year, the McKinsey report said.

That already put the country close to the United States, the current world leader, which had estimated online retail sales of \$220 billion to \$230 billion in 2012.

Online [retail sales](#) now account for five to six percent of total Chinese consumer transactions, slightly higher than the five percent in the United States, the report added.

"China could forgo the national expansion of physical stores commonly seen in Western nations and move directly to a more digital retail environment," the report predicted.

It said such a shift could help spur domestic consumption in China,

where the government is trying to shift away from heavy reliance on exports and investment.

But McKinsey urged China to expand broadband Internet infrastructure, support investment in logistics and encourage innovation in technology to create a better environment for online sales.

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