

Chinese e-commerce rivals challenge Alibaba (Update)

August 29 2014, by Joe Mcdonald

China's biggest property developer, Wanda Group, and Internet giants Baidu and Tencent unveiled a new e-commerce venture Friday in a challenge to industry leader Alibaba Group ahead of its U.S. stock offering.

The three companies said they will integrate online and offline selling, with e-commerce services in Wanda's 107 shopping malls, as well as its hotels and resorts. They said they would invest 5 billion yuan (\$814 million) to start.

The venture adds to competition for Alibaba, whose Taobao, Tmall and other platforms account for some 80 percent of Chinese online commerce. The company is preparing for a U.S. initial public offering that analysts say might value it between \$150 billion and \$200 billion.

The new venture will develop services including online finance, the owners said. That could pose a challenge to Alibaba's popular banking service, Yu'eobao.

China is the world's most populous Internet market, with more than 600 million people online. The consulting firm McKinsey has said online shopping might triple from 2011 levels to \$400 billion a year by 2015.

Wanda will own 70 percent of the new venture, the Wanda E-Commerce Co.

Baidu Inc., operator of China's most popular search engine, and Tencent Holdings Ltd., which operates games and the popular WeChat instant message service, each will hold 15 percent.

The development of such online-to-offline, or O2O, models is "an inevitable trend" in e-commerce, said the CEO of Wanda E-Commerce, Dong Ce, in a statement. He said the joint resources of the three owners should make the company the biggest of its kind.

Tencent also owns a stake in JD.com, China's second-largest e-commerce company. Tencent has launched ventures to integrate e-commerce and online finance services with WeChat, which it says has more than 400 million active users.

Alibaba, Baidu and Tencent are increasingly intruding into each other's core businesses. They have spent more than \$7 billion since the start of 2013 to acquire or launch e-commerce, entertainment and other ventures.

The companies are trying to become one-stop services for Web surfers who increasingly go online using smartphones and want more convenience, industry analysts say.

Wanda said it estimates its shopping malls and other outlets will attract 5 billion customers a year by 2020, making the company the "world's largest offline commerce platform."

Dong said the company expects to sign up 40 million e-commerce users this year and increase the total to 100 million by next year.

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