

## Bargain-minded Chinese embrace group-buying craze

March 28 2011, by Sebastien Blanc

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People walking pass signboards for a Chinese Internet group buying company at a subway station in Beijing on March 22. China has fallen in love with group buying, a concept that has electrified e-commerce -- nearly 2,000 sites already exist in the country and the global dotcom phenomenon Groupon has just been introduced to the world's largest Internet population.

Like millions of Chinese, Liu Wen has fallen in love with group buying, which has electrified e-commerce in a country where getting the best possible discount is virtually a national pastime.

"My first experience was buying a beauty salon coupon. I just wanted to try it and it was great value," the 24-year-old children's chess teacher told AFP.

"Ever since, I've gotten in the habit of using it to buy meals every time I

go to a restaurant," she said.

In group buying, websites offer goods or services at a special low price, but on the condition that a minimum number of customers get in on it.

Thanks to the Chinese zeal for a bargain and the country's huge [Internet market](#) -- its online users are estimated at more than 450 million -- practically anything can be bought or sold or here.

On the country's first site, lashou.com, buyers can purchase DVDs, sweets, beauty creams, hotel rooms, fruits and vegetables, basketball shoes, tablet computers, wedding portraits and a myriad of other offerings.

Each item shows how many buyers must commit for the "great offer" to become a reality. Sometimes all it takes is five or ten people.

For example, one hour of karaoke in Beijing, normally costing 60 yuan (about \$9), could drop to 20 yuan through a group-buying deal. Buyers receive a text message with a code and have one month to redeem it for their session.

In September, [taobao.com](#) -- China's answer to [eBay](#) -- launched its first group-buying offer with a batch of 205 ultra-compact Smart cars at a price of 135,000 yuan, nearly 25 percent off the regular price.

They sold out in just under three and a half hours.

Group buying has redefined the relationship between Chinese consumers who must work together to make the best deal happen.

For their part, group-buying sites canvas businesses and fiercely negotiate discounts.

A restaurant prefers to have 150 guaranteed diners for lunch -- even if they pay half the price -- over possibly only having 20 customers.

Diners pay in advance, with the website taking a cut from the bill -- often less than 10 percent of the total.

Shenzhen-based consumer rights advocate Zou Tao even launched a real estate service that leverages group-buying power against property developers with the initial aim of helping 10,000 people buy homes.

Things evolve quickly in China's group-buying world, where about five new websites pop up each day, according to official statistics, mainly targeting urbanites aged 25 to 35.

China had 1,880 group-buying sites at the end of 2010, up from 1,215 at the end of August, according to the China E-business Research Centre.

China's overall e-commerce activity rose 22 percent last year.

A website's success depends on how impressive their rebates are, said Leo Chen, founder of cosmetics group-buying site [jumei.com](http://jumei.com).

"We started last April and have hired 200-plus employees by now," he told AFP, declining to share other growth figures.

There are nearly 20 million regular group buying customers among China's 160 million e-commerce consumers, according to the China Internet Network Information Center, indicating plenty of room to grow.

Group buying got a dose of added visibility when state broadcaster China Central Television (CCTV) aired a prime-time special on the topic in January.

But CCTV also warned consumers to beware of scams, highlighting cases in which buyers did not receive iPhones after a site processed payment and then quickly shut down.

But growth expectations are nonetheless high, and experts say online consumer spending could double within two years.

That potential gold mine has attracted giants such as Groupon, one of the most dazzling successes of not only group buying, but e-commerce in general.

The Chicago-based company, which refused a \$6 billion purchase offer from Google, launched in China at the end of February in partnership with Chinese web giant Tencent.

But in an example of how competitive the landscape is, Groupon found a Chinese rival was already operating a site called [groupon.cn](http://groupon.cn). and it faces nearly 2,000 similar Chinese sites offering what is known here as "tuangou".

The Chicago company's Chinese web site is [gaopeng.com](http://gaopeng.com), which is roughly translated as "cherished friend."

With giants like Groupon and Tencent entering the fray, 2011 will be a tough year for smaller sites, [jumei.com](http://jumei.com)'s Chen said.

But [lashou.com](http://lashou.com) Chief Executive Wu Bo is confident about his company's home field advantage.

"We do not need to be afraid of Groupon," Wu said.

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