



Chinese E-commerce's Self-built Logistics, Capital Game or General Trend?

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Rockefeller Creates PE Fund in China with Target Size of US\$2B

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Chinese E-commerce's Self-built Logistics, Capital Game or General Trend?

Written By Yolanda Zhang, Analyst with Zero2IPO Research Center

From the global perspective of the development of e-commerce enterprises, we can clearly see that self-built logistics system originated from Amazon.com. With the continuous development of China's e-commerce market, constant expansion of e-commerce enterprises, coupled with rounds of financing providing abundant capital, the self-built warehousing logistics has become a major competitive venue for large e-commerce enterprises, to cope with continuous growth of business scale and rapid increase of daily orders. Some e-commerce enterprises constantly asserted that the purpose of several rounds of financing is to build the logistics and distribution systems and platforms, which arouse suspicion that the Chinese e-commerce enterprises' self-built logistics system is a capital game or a general trend.

Four factors urge Chinese e-commerce enterprises to build their own logistics systems and platforms

From the viewpoint of the e-commerce enterprises with self-built logistics systems, the cause for building logistics systems mainly included following four aspects:

(I) Amazon's success in self-built logistics system sets a benchmark for numerous e-commerce enterprises.

The model of self-built logistics system is American online retailer Amazon.com, which invested a lot in building logistics system relying on its high IT technology. Besides meeting its own demand for logistics, it also provides supply chain management services to other enterprises. Such a model has become a development direction of Chinese e-commerce enterprises.

(II) Competition in services and cost control boost logistics building of e-commerce enterprises.

From different development stages of Chinese e-commerce market, the competition of all kinds of e-commerce enterprises was intensified, evolving from the competition of single products and price to the service competition. In order to seize users and to increase users' faithfulness, e-commerce enterprises try to enhance the user experience through the "last mile" construction. In addition, although the logistics system requires large funding in the

short run, in the long run, enterprises can save costs by means of logistics system management.

(III) Self-built logistics enhances e-commerce enterprises' capability in active control.

On the one hand, e-commerce enterprises can promote new business and brand via their own logistics systems for remarketing, to inspire purchase and enhance users' stickiness. Since the third-party logistics system fails to meet e-commerce enterprises' needs absolutely, the e-commerce enterprises can introduce services and products promotion through door-to-door services by their own distribution team. In the early days of the Redbaby.com.cn, its logistics system and product marketing form had motivate good feedback from the market.

(IV) Self-built logistics system can improve capital withdrawal.

At present, despite sustained user expansion in the third-party payment market, cash on delivery has always been favored by some users. With regard to e-commerce enterprises, the self-built logistics system reduced the capital turnover rate, improving the capital utilization rate.

Typical e-commerce enterprises witness close relationship between financing and logistics construction

Considering the current situation that major e-commerce players step up their fund-raising, and invest heavily in self-built logistics platforms, the logistics system has become the lifeblood of e-commerce enterprises' development. Taking 360buy.com as an example, 360buy.com is one of China's earliest enterprises that ensured the self-built logistics system strategy. On the one hand, it is related to the rapid development of e-commerce business of 360buy.com; on the other hand, it is associated with that 360buy.com takes Amazon as a benchmark. Long since 360buy.com devoted itself to building its logistics system, Zero2IPO Research Center has observed clearly the future of 360buy.com's open logistics, which will evolve into an "e-commerce + logistics system" model. Soon after, in July 2011, 360buy.com announced its open platform strategy of logistics system.

As self-built logistics system is definitely not the patent of big e-commerce enterprises, those vertical e-commerce enterprises have also stepped up the pace of construction of logistics system, such as letao.com, Masa Maso, tiantian.com and other enterprises. However, the construction of logistics system is inseparable from the support of capital.

Taking 360buy.com, dangdang.com and VANCL, the three typical e-commerce enterprises, as examples, it's not difficult to find that e-commerce enterprises' financing is relevant to the construction logistics system. For details, refer to the table below:

Self-built logistics system poses huge pressure to e-commerce enterprises besides improving ability to control the industry chain

At present, in spite of large transaction scales, most e-commerce enterprises have not made profits. Large inflow of external capital

has motivated the sustainable development e-commerce enterprises. However, these capitals concerned more about e-commerce enterprises' users scale, transaction size, margins, etc., but are unenthusiastic about the logistics system's infrastructure, showing a more cautious attitude. In addition, e-commerce enterprises and the capitalists have "valuation adjustment mechanism", which requires continued growth of the transaction size. Therefore, large and medium-sized e-commerce enterprises still face severe funding pressure for building logistics system.

Furthermore, the site selection and build of warehouse logistics system take a long time, and longer investment period means great fund injection. In addition, e-commerce enterprises' growth rate far exceeds the construction of logistics system, so self-built logistics system is unable to function. What's more, as the logistics industry has yet to be fully professionalized in China, Chinese e-commerce enterprises will have a long way to go for self-built logistics system and non-ignorable pressure in the short term. ■

Company	Financing	Financing Amt. (US\$ M)	Logistics Construction Overview
360buy.com	Series A round investment from Capital Today in Aug. 2007	10	360buy.com began to build its own logistics system in 2009.
	Series B round investment from Capital Today in Dec. 2008	21	Currently, it has logistics system centers in Beijing, Shanghai, Guangzhou, Chengdu and Wuhan. Its self-built logistics system has covered more than 60 cities.
	Series B round investment from Tiger Fund in Jan. 2010.	150	In 2010, 360buy.com invested RMB20.00M to establish "Shanghai Yuanmai Express Firm" to support the company's logistics system and distribution.

Source: Zero2IPO Research Center

Company	Financing	Financing Amt. (US\$ M)	Logistics Construction Overview
360buy.com	Series D round investment from Digital Sky Technologies in Mar. 2011.	500	In 2011, 360buy.com prepares to establish the "Asia No.1" project in Shanghai's Jiading. It purchased 260-mu land to build Asia's largest center of modern B2C logistics system.
VANCL	Series A round investment from CEYUAN VENTURES and IDG in Jul. 2007.	N/A	VANCL is a leader in e-commerce business of clothing. Its number of orders showed geometric growth and accelerated the construction speed of its own logistics system.
	Series B round investment from CEYUAN VENTURES, IDG and SAIF in Dec. 2007.	10	In 2010, VANCL established "Rufengda" Express Company, which has about 200 distribution staff, implementing the distribution strategy of two distributions a day. It will expand the distribution business of "Rufengda" to 10 regions including Hangzhou, Wuxi, Shandong, Guangzhou, Shenzhen, Jiangsu, Zhejiang, and other regions in the future.
	Series C round investment from	30	VANCL has established warehouses in 10 regions including Beijing, Shanghai, Guangzhou, Xi'an, Chengdu, Wuhan and regions. The warehouse space exceeds 200,000 square meters.
	Qiming Venture Partners, CEYUAN VENTURES, IDG and SAIF in Jul. 2008.		According to the data of VANCL, it is predicted that in 2011, VANCL will speed up the building of logistics system. Its Rufengda Company will cover 28 important cities, and open more than 400 stations, and the number of self-built logistics system employees will reach 5,000.
	Series D round investment from Tiger Fund in Apr. 2010.	48.8	
	Series E round investment from NewMargin Ventures, CEYUAN VENTURES, IDG, SAIF and Tiger Fund in Dec. 2010.	100	
Dangdang.com	Series A round investment from IDGVC and SB China in Feb. 2000.	6	In early 2011, Dangdang.com announced that it will proceed to take the lead in the formation of a dangdang.com controlled distribution service company, and will create an open platform for an independent logistics system to provide goods storage, sorting, packaging and COD services to more than 1,200 cities in China.
	Series B round investment from Tiger Fund in Feb. 2004.	11	From the construction of dangdang.com's own logistics system, at present, 70% users in more than 30 cities such as Beijing, Shanghai, Guangzhou, Zhengzhou, Tianjin, Langfang, Dongguan, Suzhou, Wuxi and Changzhou can enjoy the same day delivery service of dangdang.com.
	Series C round investment from DCM, Walden International and IDG in Jul. 2006.	27	
	Listed on NYSE in Dec. 2010.	To raise US\$272.00M	

Source: Zero2IPO Research Center

China Mobile-Internet Industry Investment Forum 2011

Date: August 18th, 2011 Venue: Park Hyatt Beijing

Capital Causes Mobile-Internet Storm

3G network is extensively spreading,
Intelligent terminal is rapidly popularized,
Applications witness blossom,
The world of handheld mobile is full of brilliance...

Micro-innovation on fingertips
Leading the way of mobile Internet applications
New application experience
Changing social life in the information age
The tentacle of capital has already preempted its layout and is
on the verge of breaking out...

Who will rise in industrial innovation?
Who will stand out from capital selection?
This August in Beijing
Zero21IPO—The 1st China Mobile-Internet Industry Investment Forum
—A Sumptuous Feast for the Industry and Capital
Capital serves as a fuse to trigger a mobile internet storm!

<http://events.pedaily.cn/2011/ciif/>

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IFC Transfers 7.0% Stake in Shanghai Bank to CIC; HSBC Plans to Exit

Aug. 11, 2011, 21st Century Business Herald

Shanghai Bank announced changes in the shareholder structure as it is committed to IPO. According to inside sources, 7.0% of equities held by IFC (International Finance Corporation) were transferred to China Investment Corp., which has obtained the approval from regulators. On top of that, another major international bank - HSBC holding an 8.0% of stake in Shanghai Bank has already decided to sell its shares, said an authoritative source. Over ten years ago, IFC and HSBC bought into Shanghai Bank. ■

Founder Securities Goes Public on Shanghai as 17th Listed Securities Company

Aug. 10, 2011, PEdaily.cn, Christina Chao

Founder Securities announced that it has a A-share capitalization of 6.1B shares, 825M of which will be quoted on Shanghai Stock Exchange on August 10 with an issue price of RMB3.90 per share and P/E Ratio of 19.5 times. This makes Founder Securities the 17th listed Securities Company within



The fund raised is expected to supplement its capital fund, so as to enhance the operational strength and anti-risk capacity of the Company.

The Prospectus indicated that back in August 2010, Guangdong Financial Investment Co., Ltd. received RMB1.25M worth registered capital of Founder Securities from BOCGI, 0.8% of the total shares; On October 26, 1994, Zhejiang Venture Capital Co., Ltd invested in Founder Securities, subscribing for RMB3.00M registered capital, or 0.7% of total shares. The two exited by transferring to Founder Group in 2002 and to Zhaorun Investment in 2004 respectively. ■

Worldia Wins RMB61.5M Co-investment

with a number of VCs, including Fortune, Tuspark, Huachang Shengjing, introducing RMB61.5M investment fund to feed the consistently rapid growth of Beijing World Super Hard Tools Co., Ltd.

The capital will be earmarked for the import of high-end equipment for processing high precision cutting tools and cutting wheels, as well as the construction of a standardized plant on an area of 60 acres, aiming at improving the quality and production capacity of super hard cutting tools and diamond cutting wheels and seeking for more development space for the company.

It is expected that Worldia will challenge a more rapid development with these investments through targeting at sales income above RMB150M and PAT over RMB50M in 2012 as well as sales income over RMB200M and PAT above RMB70M. ■

Wuhu Yaxia Lands on SMEB

Aug. 10, 2011, PEdaily.cn, Christina Chao

Wuhu Yaxia Automobile Corporation formally landed on the SMEB on Aug. 10, 2011 with the offering price of RMB22.35 per share and P/E ratio of 26.61 times. The company issued 22 million shares in total this time.

预览已结束，完整报告链接和二维码如下：

