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Is There Any Chance behind Investment Events in China's E-Logistics Industry?

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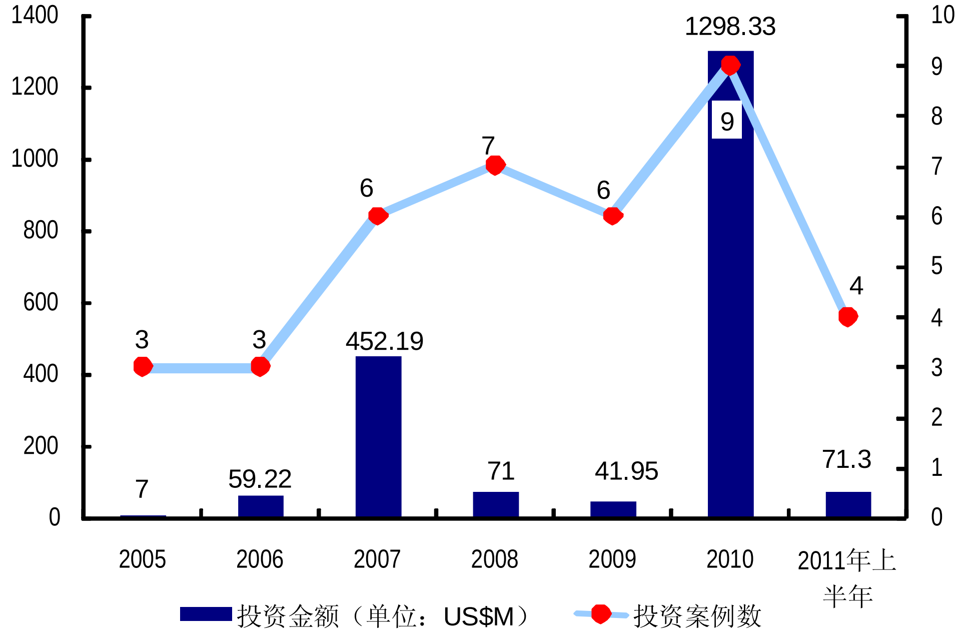
IWith the rapid development of e-commerce market in China, corresponding logistics system is facing unprecedented development opportunities and huge challenges. Reviewing its history of development, China's express delivery industry started in 1980 and took initial shape after the development for more than two decades. In 2007, China's relevant departments began to deepen the reform of the postal service system, as evidenced by the fact that the Express Delivery Service Standards, Express Delivery Market Management Measures and Yangtze River Delta Express Delivery Service Development Planning were implemented in succession. In particular, the new Postal Law promulgated in October 2009 specifies the access system for Chinese express delivery market and defines operation permits for six express delivery businesses including asset size, service capacity and safety guarantee. Since 2008, China's e-commerce market has experienced an explosive growth. Accordingly, the backward development of the logistics industry is seemingly out of line with the e-commerce development. In face of the historical opportunity, how could logistics enterprises grow up? And how would the capital market make the choice?

The logistics industry has fewer investment events, while e-logistics related investment events are more rarely seen.

The latest data of Zero2IPO database show that from 2005 to H1'11, a total of 38 investment events had been disclosed in China's logistics industry. Of them, 24 investment deals disclosed investment amounts totaling US $2.00B, with the average investment amount of US $83.37M. Compared with other industries, Chinese logistics industry has fewer investment events, which is related to the long-term nationalized monopoly in China's logistics industry. In comparison with other industries, however, Chinese logistics industry boasts relatively large scale of single investment on average. This is mainly because that the investments in logistics infrastructure have higher requirement for capital. For example, in 2010,

Figure 1 Comparisonof Investment Deals in Chinese Logistics Industry in 2005 - Q1'11



Source: Zero2IPO Research Center

BOC International Investment injected RMB7.50B into the construction of Shanxi-Shandong-Henan Railway. The relatively large scale of single investment pulled up the average investment amount of the entire logistics industry of China in 2010.

Among the 38 disclosed investment deals, eight deals are directly related to e-logistics. And six of the eight investment deals have disclosed the investment amount of US $46.54M in total, or US $7.76M on average. Of them, investment events that are directly related with e-logistics are shown below:

Because logistics industry faces more hidden and dominant risks, the capital has to be injected according to actual situations.

Although China's e-logistics industry has more investment opportunities, it still faces relatively high policy and industry risks. According to the analysis of Zero2IPO Research Center, Chinese e-logistics industry faces following risks in investments:

(I) Policy Risks

Firstly, policy supervision and control is a mess. The regulatory departments of logistics industry include the Ministry of Railways, Civil Aviation Administration of China, State Development Planning Commission and State Economic and Trade Commission. However, they failed to conduct a unified and suffered from overlapping management that may cause repeated construction. Additionally, China's e-logistics industry started relatively late, it has not created a self-disciplined and feasible management mode, thus facing more risks in policy supervision and control.

Secondly, as China just began to develop logistics industry, it has made unified planning, especially for backstage IT system. In this case, all of e-logistics enterprises have to

Time	Investor	Investee	Currency	Investment Amt. (US$ M)	Investment Round
2011.06	Vstone China Euro	fineex.com	RMB	1.54	A
2011.02	KPCB China, individual investors	BFE	USD	4	A
2010.04	Walden International, CDH Investments	Best Logistics Technology Co., Ltd.	USD	15	B
2010.03	Alibaba's strategic investment	Stars Express	N/A	N/A	A
2009	Alibaba, Foxconn	Best Logistics Technology Co., Ltd.	USD	15	A
2008.09	Shenzhen Capital	4PX Express	N/A	N/A	A
2008.04	Zheshang Venture Capital	Prolto	RMB	4	A
2005.09	ChinaVest, Fortis, SEAVI Advent Asia Investments	Chic Logistics	USD	7	A

develop corresponding IT system by themselves. As a result, these heavily invested IT systems may be hard to be compatible with the system of e-commerce companies. With the fast development of the logistics industry, China is likely to further promote a standardized IT system, which brings certain risks of capital investments to logistics enterprises.

(II) Industry Competitive Risks

Judging from the development of e-logistics industry, currently, private express delivery companies that absorb capital are relatively weak ones. They have greater gap with state-owned and foreign express delivery companies in capital, qualification and human resource. To narrow the gap, these companies need not only long-term accumulation, but also huge sums of capital for improvement. Nevertheless, their development goes with the improvement of the general situation; accordingly, total available capital also becomes one of main barriers during their development.

(III) Risk of Enterprises

Primarily, most e-commerce enterprises have relatively underdeveloped logistics infrastructure. Especially, most of private logistics companies have not established IT systems. These outdated backstage management systems will impact enterprises' development in the long term. Next, private third-party logistics companies are characterized by talent shortage and lack of modern management, which becomes a major bottleneck in the way of logistics development. Thirdly, private express delivery companies starve for normalized financial management, because distribution personnel do not get what they deserve. This non-standard financial management mode may bring hidden worries to their development.

As vertical logistics industry embraces great opportunities, IT backstage data collection capacity becomes a magic weapon to success.

Besides private express delivery enterprises that have relatively large investment value, IT technology providers and data collection providers also bring big opportunities. Leaving the industry chain links aside and only considering the general sense of logistics, Zero2IPO Research Center analyzes that the capital market shall pay special attention to logistics service companies serving vertical industries, such as logistics companies providing regional meal delivery service and distributing special items for small convenience stores. Although there is a gap between this type of logistics companies and e-commerce industry, they are similar in nature. ■

CIIF 2011
China Industry Investment Forum

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!

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Secoo.com Wins US$10M Capital Injection from IDG

Jul. 19, 2011, PEdaily.cn

Secoo.com, the largest luxuries transaction platform in Asia, announced the completion of round A financing on Jul. 19 with US $10M raised from IDG. Li Rixue, Founder and CEO of Secoo.com, told that the capital raised would be mainly used for the construction of entity shops for luxuries exchange and experience in tier-1cities and the creation of testing system online.

Zero2ipo Capital was designated to be the exclusive financial consultant for this round financing.

Secoo.com was established in 2009 and focuses on consignment business of secondhand luxuries. Relying on the professional testing center of luxuries, Secoo experi ence club and more than 20 franchise stores across China. Its sales revenue surpassed RMB30M in 2010 and is expected to hit RMB200M in 2011.

Xiong Xiaoge, Co-founder of IDG, expressed that the main motivation for IDG to invest into Secoo is their optimistic views towards luxuries market in China. Besides, the operation model of Secoo has well filled the blank of domestic mar ket of idle luxuries.

IDG Invests US$10M in iMedia

Jul. 19, 2011, Zhai Min & Peng Chao, Shanghai Securities News

iMedia, an emerging mobile terminal advertisement operator, recently won US $10M from IDG, which is the second time for IDG to invest in professional advertisement company following its capital injection into Allyes AdNetwork.

Headquartered in Beijing, iMedia has been dedicated to providing advertisement services related with mobile media and social media market, including mobile ads-placement agency, brand ads-placement and management, mobile creative production and microbolg marketing solutions, etc.

The relevant principal of iMedia told that their ads-placement management platform has covered more than 30% WAP media in China, accumulating over 1 million placement data from clients in latest three years.

YouGou.com Wins Hundreds of Millions of Dollar

Jul. 18, 2011, Tech.qq.com

YouGou.com confirmed officially on Jul. 18 that it has won hundreds of millions of dollar investment, which is mainly contributed by Belle, the giant in traditional shoe industry.

Besides, the core management team of YouGou comes to the front, Zhang Xuejun, former Vice President of Belle International Holdings Ltd., takes up the post of CEO, Zhang Xiaojun, former Vice President of Vancl, assumes the post of COO, Xu Lei, former Vice President of 360buy goes on the post of CMO.

It is learnt that the YouGou.com will launch the promotion activity for all commodities online. The consumer will get RMB100 cash deduction together with RMB100 cash coupon for every RMB300 spending at the website. What's more, consumers who have won cash coupon by participating in the activity