



The Top Five Features of Dogfight in Chinese Group Purchase Market

>>P2

Hot News

- P6 Taomee Plans to Raise US\$100M via IPO
- P6 Quantum Makes Its First Investment in China, MediaV Raises US\$50M
- P7 Shandong Ocean Investment Raises US\$3B Ocean Fund with Bright Stone Fund
- P7 Tencent Invested US\$84.4M in eLong
- P8 Carlyle Beijing RMB Fund's RMB3.2B Is in Place
- P8 TPG Targets China Insurance Agency, CNinsure to Be Next SDB
- P9 SMC Capital's Funds Target Six Projects with RMB350M Investment

Quantum Makes Its First Investment in China,
MediaV Raises US\$50M

>>P6



The Top Five Features of Dogfight in Chinese Group Purchase Market

Written By Zhang Yanan , Analyst with Zero2IPO Research Center

2010 witnessed the frenzy development of China's group purchase market. Various enterprises set their sight on this market, thanks to capital support, the group purchase market in 2010 could be described by "frenzy development" with the participation of many Chinese Internet tycoons. In mid and late 2010, industry insiders expressed their concerns about the market and boldly predicted that over 90 % of enterprises in the group purchase market in China will die out. Having said that, preliminary statistics show that as of March 2011, China has been home to over 3,600 group purchase websites with a nearly 30 % monthly growth rate. Still, new group purchase websites emerge on the horizon. Is it a "flourishing scene" or "an uneven development"? What is the status quo?

Feature I: China's group purchase market shows a rapid development trend with the number of related enterprises skyrocketing

After China's first group purchase website "Manzuo.com" is made online in January 2010, Meituan.com, Lashou.com and Nuomi.com, among other group purchase web-

sites have gone online one after another, showing a promising picture. According to the initial figure of CNNIC, as of March 2011, China has been home to over 3,600 group purchase websites with a nearly 30 % monthly growth rate. China's e-commerce consumer market and O2O mode enjoy a faster growth space, but for now, there remain many huge obstacles to attract and retain consumers, such as few varieties of commodities, lack of service quality for products of group purchasing. Zero2IPO Research Center projects that as the market competition goes exacerbated, some small and medium-sized group purchase websites may extinct and some regional group purchase websites may be acquired.

Feature II: there are five kinds of competitors in the group purchase market with distinctive features

At the moment, group purchase enterprises in China are divided into five modes: independent group purchase website, social networking merchants, traditional e-commerce enterprises, enterprises providing life-related information and services and traditional Internet

enterprises. The first class is represented by emerging group purchase websites, such as Meituan.com, Kutuan.com and Manzuo.com which enter into China's e-commerce market through group purchasing and win certain market status based on their advantages and sound reputation. The second category is marked by social networking merchants such as Renren.com and Kaixin001.com. Word-of-mouth marketing represents an important promotion method for the rapid networked development of group purchasing while the networking websites have provided users with the channel for real-time information exchanges. As the reliability of information transmitted in the established circle of users is high, the reliability of information increases. The third type is represented by Taobao.com, 360buy.com and Amazon.cn which are able to roll out one or several types of commodities based on accumulated merchants, users and existing platform to elevate the loyalty of users on the one hand, and serve as a novel way to promote merchants. The fourth category includes enterprises providing life-related information and services, such as Dianping.com and Fantong.com which have accumulated a wide array of information about various segments

and established sound relationship with merchants, thus, being the advantageous resources promoting group purchasing. The last type covers traditional Internet enterprises, such as Sina.com, Qq.com and Sohu.com. This is one of the segments that must be presented by Internet enterprises under the "large and all inclusive" strategy.

Zero2IPO Research Center believes that the five group purchasing modes are mutually complementary and distinctive in nature and will coexist if they can make the best of their own advantages and provide differentiated products or services.

Feature III: China's group purchase enterprises develop in both varieties and scale

According to Zero2IPO Research Center, from the perspective of time phrases, the development of China's group purchase market is driven by two forces. The first one is the pioneers of the market, such as Lashou.com, Meituan.com and Manzuo.com. While consolidating their market shares, they seek to expand the market in tier 2 and tier 3 cities and the varieties of commodities and develop themselves into large-scale group purchase websites with diversified varieties and wide coverage of multiple cities. Another driving force is the commodity-based or regional

group purchase websites. Judging from the perspective of varieties of products, some newcomers in the market choose ladies' and children's products to expand while some regional group purchase websites prefer to develop their businesses in regional markets. The developments of China's group purchase market are similar to those of online retailer enterprises in China. In this connection, it's fair to predict that commodity-based websites will gain the preference of capital market and the chances are that they may be acquired down the road.

Feature IV: tier 1 cities including Beijing, Shanghai and Shenzhen enjoy the most rapid development of group purchase businesses, followed by tier 2 cities

The statistics of Tuan800.com indicate that in March 2011, China's group purchase websites enjoyed positive development by transaction value in top 4 tier 1 cities, namely Beijing, Shanghai, Guangzhou and Shenzhen. But with the expansion of group purchase websites in tier 2 cities, Nanjing, Tianjin and Wuhan among other tier 2 cities also witnessed sound market performance. This indicates that the regional expansion of group purchase websites is closely related to the purchasing power of people in the regions.

Feature IV: tier 1 cities including Beijing, Shanghai and Shenzhen enjoy the most rapid development of group purchase businesses, followed by tier 2 cities

The statistics of CNNIC reveal that group purchasing in 2010 was featured by the upsurge of entertainment and dining products, accounting for 27% and 24.5% of the total respectively. To be specific, cosmetics, catering and KTV/performance/bar make up over 50% of the total. Zero2IPO projects that as the competition among group purchase enterprises becomes more intense, China's leading group purchase websites will seek to offer new commodities or services over time and the share of fitness, education, medical care and other group purchasing services will embrace the increases.

2011 will see the rapid expansion of regional group purchase websites and also be a year of "wide investments" in marketing and promotion. It makes sense to say that in 2011, group purchase enterprises will further rely on capital and the group purchase enterprises involved in the dogfight are expected to face a big reshuffle this year. ■

Chart 1 Comparison of Development of Group Purchase Websites in Major Cities

Region	Market Developments
Beijing	1. The statistics of Tuan800.com indicate that as of the end of March 2011, Beijing has been home to 582 group purchase websites which have certain scales and full-fledged websites had begun to expand their business scope across the country;
	2. According to Tuan800.com, leading group purchase enterprises in Beijing area include T.58.com, Meituan.com, Lashou.com, Tuan.sohu.com, Dianping.com, Ftuan.com, Nuomi.com, 24quan.com, Manzuo.com, Didatuan.com and 55tuan.com;
	3. The sales volume of mainstream group purchase websites is similar and their respective proportion of transaction value in the market accounts for 8%-14% and independent third party group purchase websites are developing on a fast track;
	4. The varieties of group purchasing commodities became diversified, apart from original varieties of entertainment, dining and food, wedding celebration, tourism, home buying and other commodities had been made available, driving up the unit price of single commodity in Beijing's group purchase market.
Shanghai	1. According to Tuan800.com, the transaction items and volume in Shanghai area are only second to Beijing;
	2. The statistics of Tuan800.com show that in the first two months of 2010, 4 group purchase websites in Shanghai had their transaction value surpassing RMB10M with Dianping.com topping on the list. And the statistics of the same period indicate that the top six group purchase websites in Beijing and Shanghai were identical, namely Dianping.com, Meituan.com, Nuomi.com, Lashou.com, T.58.com and Manzuo.com. This has pointed to the fact that the group purchasing pattern has taken shape in tier 1 cities.
	3. The statistics of the same period also indicate that dining and gourmet are the major commodities in group purchasing in Shanghai area.
Guangzhou	1. The statistics of Tuan800.com reflect that as of March 2011, Guangzhou has been home to 188 branches of nationwide group purchase websites and local ones with certain scale, represented by leaders in the market, such as Meituan.com, Manzuo.com, 24quan.com and Ftuan.com by transaction value;

Region	Market Developments
Guangzhou	2. Although local group purchase websites failed to rank among the top 10 group purchase websites, Huiketuan.com and Qieketuan.com performed well;
	3. Dining contributed greatly to the group purchase market in Guangzhou. In addition, wedding photo, children photo group purchasing and hot spring vacation were popular commodities.
Shenzhen	1. Shenzhen enjoys fast development of group purchase market and ranks among tier 1 group purchase markets in China;
	2. According to Tuan800.com, as of March 2011, Meituan.com and Lashou.com ranked first and second in Shenzhen, followed by Dianping.com and Tuan.qq.com. It's expected that Tuan.qq.com will enjoy greater space for development based on the advantages of local enterprises;
	3. Local group purchase website, Kugua.com, enjoyed positive market performance;
	4. The transaction value of dining and entertainment remained basically equal and movie tickets are preferable group purchasing commodities.
Nanjing	1. Nanjing is one of the cities that enjoy the fastest development in the group purchase market;
	2. The statistics of Tuan800.com indicate that as of March 2011, the top five group purchase websites in Nanjing in terms of transaction value were Lashou.com, Dianping.com, Ftuan.com, Meituan.com, T.58.com;
	3. Local group purchase, Kt.dsqq.cn, ranked the seventh in terms of transaction value with positive market performance;
	4. Dining, food and life-related services and commodities were popular among the consumers in Nanjing.
Tianjin	1. The statistics of Tuan800.com indicate that in terms of transaction value, Tianjin's group purchase market ranked sixth nationwide in March 2011 and the market was developing on a fast track;
	2. Tianjin's group purchase market was monopolized by nationwide group purchase websites; the top on the list in terms of transaction value are Meituan.com, Dianping.com, Nuomi.com, T.58.com, Lashou.com, 24quan.com, Didatuan.com, Ftuan.com, Tuan.qq.com and 55tuan.com.

Source: ZeroIPO Research Center

[To Be Continued]

Chart 1 Comparison of Development of Group Purchase Websites in Major Cities

Region	Market Developments
Tianjin	3. Dining and gourmet products were popular among consumers.
Wuhan	1. The statistics of Tuan800.com indicate that in March 2011, Lashou.com and Meituan.com topped the list in terms of transaction value;
	2. Recently, the development of the group purchase market in Wuhan had been slowing down;
	3. Local group purchase website, Genwotuan.com, performed well.
Xiamen	1. The statistics of Tuan800.com indicate, in March 2011, the transaction value of lashou.com ranked first in Xiamen's group purchase market, followed by T.qq.com. Total transaction value of the two accounted for 60%;
	2. The performance of local group purchase websites, such as Rituan.com and Xm06.com, was prominent, ranking third and fourth respectively by transaction value;
	3. Hotel lodging group purchasing was popular in Xiamen, which, to some extent, indicates that the hotel lodging group purchase market in tourism cities was blessed with promising prospects.
Chongqing	1. The statistics of Tuan800.com indicate that in March 2011, Lashou.com, 24quan.com and 55tuan.com were ranked as the top three in terms of transaction value and Meituan.com grew on a relatively fast track;
	2. Local group purchase website, Merrytogo.com, performed well and ranked seventh in terms of transaction value.
Chengdu	1. The statistics of Tuan800.com indicate that in March 2011, Chengdu's group purchase market grew on a relatively fast track;
	2. The statistics also indicate that the transaction value of group purchase websites nationwide, such as 24quan.com, T.qq.com, Meituan.com, Lashou.com and T.58.com accounted for a large part;

Source: Zero2IPO Research Center

Region	Market Developments
Chengdu	3. Chunxituan.com, a local group purchase website, performed relatively well;
	4. Apart from dining and gourmet products, photography was also popular among consumers.
Xi'an	1. The transaction of group purchase websites is even and Meituan.com and Lashou.com don't have very clear advantages as market leaders;
	2. Local group purchase websites developed on a fast track, such as Redutuan.com, which has pointed to the fact that local group purchase websites enjoy certain space for development;
	3. Dining and gourmet were still major commodities in group purchasing.
Shenyang	1. The statistics of Tuan800.com indicate, in March 2011, the average discount of commodities in group purchasing in Shenyang area was 36% of the original price, relatively higher than the national average. In particular, the average discount of catering group purchase was 47% of the original price, much higher than the national average;
	2. The statistics of the same period indicate that T.58.com, Manzuo.com, Lashou.com and Maituan.com accounted for 72.4% of the group purchase market in Shenyang, which has reflected the poor vitality of local group purchase websites;
	3. 01tuan.com was the local group purchase website with the best performance in Shenyang and its transaction value ranked fifth among the group purchase enterprises in Shenyang.
Hefei	1. The statistics of Tuan800.com indicate that in March 2011, the transaction value of Lashou.com ranked first in the group purchase market in Hefei with evident leading edge;
	2. Users had diverse demands for the varieties of commodities. The most favored commodities were catering, gourmet, cosmetology and hair dressing and manicure, health promotion and photography.

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2011 China Venture Capital & Private Equity Forum @ Europe will lead you on a fantasy journey in Zurich. One day forum will cover most of the hot topics on investment market in China. There will be more than 30 industries titans share experience with you. Investment issues and opportunities will be discussed in depth.

Taomee Plans to Raise US \$100M via IPO

May 19, 2011, PEdaily.cn, Christina Chao

Taomee, a Chinese company engaging in children entertainment and media, submitted an IPO application to the SEC on Wednesday to raise US \$100M via the IPO in NYSE. Its stock code is expected to be "TAOM". Credit Suisse and Deutsche Bank Securities are the major underwriters, and the issue price has not been disclosed.

According to the Prospectus, 61.com has only introduced one VC in the past four years since its establishment. Qiming Venture Partners subscribed 125M common stocks with US \$5M in Apr. 2009 at the price of US \$0.04 per share. After the investment, Qiming Venture Partners held 21.7% equity in Taomee.



Taomee was established in Oct. 2007 by founders Wang Haibing, Cheng Yunpeng and Wei Zhen. Apart from the above-mentioned US \$5M investment from Qiming Venture Partners, Taomee has obtained the angel investment from Zeng Liqing, Joint-founder of Tencent, and Wang Bin, Senior Vice President of Sina.com. For now, Zeng Liqing, as the angel Investor and Chairman of the Board of Directors of 61.com, held 23.5% equity of the company and became the largest individual shareholder of Taomee. Beyond that, Ji Qi, Chairman of the Board of Directors of Hanting Hotels, and Rong Shengwei, CFO of Country Style Cooking, are the independent directors of Taomee.

Quantum Makes Its First Investment in China, MediaV Raises US \$50M

May 18, 2011, PEdaily.cn, Jane Liu

Shanghai MediaV Advertising Co., Ltd. ("MediaV") announced on May 18 that it has finished Series C financing which was led by Quantum Strategic Partners Ltd. under Soros Fund Management LLC, and co-invested by Lightspeed Venture Partners



first-ever investment in China and also the largest single investment in China's online advertising field.

Quantum Strategic Partners, a private investment fund under Soros Fund Management LLC, has been committed to investing in emerging capital-intensive companies, global M&A, growth equity investment and acquiring quality assets worldwide.

Incepted in early 2009, MediaV is a leading provider of online marketing technology and solutions in China and also specializes in providing professional advertisement technology and services concerning accurate marketing and digital marketing.

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