

HD Wholesale city riding wave of e-commerce

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WC 1,287 words

PD 7 May 2014

SN China Daily

SC CHNDLY

PG 13

LA English

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The biggest market for small commodities in eastern **China** is going online for **business** expansion, reports Meng Jing in Yiwu, Zhejiang

If **China** is the world's factory, then Yiwu, about three hours' drive from Shanghai, is its wholesale market. Even those who have never heard of Yiwu might own a few items - handbags, shoes, some accessories - from there.

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The small city in East **China**'s Zhejiang province is home to **China** Commodities City, a sprawling place with as many as 75,000 vendors, which has been named by the United Nations, the World Bank and others as the "largest small commodity wholesale market" in the world.

Like many other cities in eastern **China** whose economies are highly dependent on exports, the **China** Commodities City, with about 70 percent of its 68 **billion** yuan (\$10.91 **billion**) in sales coming from abroad last year, has been hit by rising costs and dwindling overseas demand.

Moreover, the brickandmortar market, which is made up of five malls with a total area of 5.5 **million** square meters, has been challenged by the rapid rise of e-commerce players.

But instead of looking at its online rivals as a threat, **China** Commodities City has decided to turn the situation into an opportunity to upgrade its **business** model and strengthen Yiwu's leading position as a trade city in **China**.

In midApril, the market - which launched its e-commerce site, yiwugou, in October 2012 to help vendors sell their products inside **China** - stepped up to expand its e-commerce territory to countries outside **China**.

The market inked deals to launch websites to facilitate trade between Yiwu and importers in 11 other countries: Australia, Spain, Poland, Japan, Brazil, Russia, Germany, the United States, Malaysia, Ukraine and Kazakhstan.

"By setting up the e-commerce websites in the 11 countries, we are going to save importers there a lot of time and money because they will no longer need to come to Yiwu to check the latest products and place orders in person," said Wang Jianjun, chief executive officer of Yiwu **China** Commodities City Information Technology Co Ltd, the e-commerce arm of **China** Commodities City.

The 11 sites are expected to operate as the secondlevel domains of yiwugou and will be launched later this year in each country's official language. The websites will be run by yiwugou's global partners, which are trade agents with years of experience in providing services to importers.

"With e-commerce improving the efficiency of doing **business**, the role of brickandmortar markets is changing rapidly," said Wang, who was a senior vice-president of Sohu.com Inc, a major Web portal in **China**, before heading the online department of the offline market in Yiwu in 2012.

The majority of **China** Commodities City's revenue of 3.65 **billion** yuan in 2013 came from the rents of vendors who do **business** in the markets. The rent of a booth, which is usually 2 to 3 sq **m**, can be as high as a halfmillion yuan a year if the location is good.

"The time that a market operator can make a fortune by simply erecting a building and renting out booths will soon be over. In the Internet era, offline market operators need to think how to offer better services to vendors and buyers," said Wang.

This is the main reason that **China** Commodities City launched its e-commerce site. The majority of the market's transactions still come from offline despite the fact that the businesses are actually bridged through an online portal. In addition, there are many well-established business-to-business platforms in **China** dedicated to facilitating trade between **China** and other countries, such as 1688 from **China**'s e-commerce giant Alibaba **Group** Holding Ltd.

But Wang said the website has a lot of potential because **China** Commodities City enjoys unique advantages by having both online and offline operations. "No online marketplace can replace offline markets. Rather than pure competitors, online markets and offline markets work more like interdependent partners," he said.

He said that an online marketplace can only serve as a platform to bridge the information between suppliers and buyers. But to facilitate trade, information is not enough.

"You need a lot of offline services, such as logistics and customs clearance. The Yiwu market, which has decades of history as a trade hub, can offer a one-stop service for importers. This is not something that an online marketplace can do," said Wang.

Gong Chenghao, vice-manager of yiwugou, echoed that assessment, saying that the orders of trade businesses are much bigger than the sales of a retailer. "So importers are looking for suppliers who are reliable rather than those who merely have cheap products," he said.

"All of the suppliers on yiwugou are vendors who have booths in our market. So compared with e-commerce companies, which can only shut down online virtual stores if there is misconduct, our **company** has a much bigger say in terms of regulating our vendors' online behavior."

Many of the vendors in **China** Commodities City have witnessed rapidly growing online orders over the past year despite the fact that most of the orders still came from offline.

Jin Hongjin, manager of Wamar **Wine** Co, one of the 75,000 vendors that have set up online stores on yiwugou, said the Yiwu market can offer advantages especially when **business** of traditional importers is flat.

"It would be difficult for any importer if their purchase cannot fill one container. Even if the sellers are OK to sell you a half-container of products, you still need to pay for the shipping cost for the half-empty container, which would drive up the cost of importers," he said.

But in the Yiwu market, people can easily select and pick up hundreds of different products, put them in one container and ship them back to their home countries together, according to Jin.

Selling less than containerloads is increasingly popular in Yiwu as importers are not confident to sell a large amount of products when their countries have been hit by an economic slowdown.

The situation actually boosts Yiwu's **business** because the market sells close to 2 **million** different types of small commodities, said Chang Xiaolei, chief executive officer of Master Base International ECommerce Co Ltd, an Australian trade agent.

"The **business** model of Yiwu fits the demand of Australian importers very well because it is a country with a small population. Many of the importers cannot **buy** a container of one type of products," said Chang, whose **company** has been offering trade services to Australian importers in Yiwu for 20 years.

Chang's **company** is also one of the 11 global partners of yiwugou. He has invested about 10 **million** yuan to set up the Australian e-commerce site of yiwugou because he sees the potential of the market.

"When our website is officially launched later this year, importers will not need to visit Yiwu to make purchases, but they can still benefit from our services offline. No one can resist the **business** model that combines both the advantages of online and offline services," he said.

Liu Weinan, chairman of the **board** of Beijing Noel International Forwarding Co Ltd, which will represent yiwugou in setting up an e-commerce site in Russia, agreed, saying that many of his **company**'s customers are interested in trying out the site.

"Market demand is not what we worry about most. We just want to focus on offering a good user experience so that Russian importers will truly rely on us as an online access to Yiwu market," he said.

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