

China Internet Trends 2017

Edith Yeung
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Selected by Inc's Magazine as one of the Silicon Valley's investors you must know, Edith Yeung is the head of 500 Startups Greater China and partner of 500 Mobile Collective Fund.

Edith invested in over 40 mobile, VR, AR, AI and machine learning startups, including Hooked - #1 reading app for millennium, DayDayCook - #1 Asian Cooking media and platform, Fleksy (acquired by Pinterest), Human (acquired by Mapbox), AISense, and many more. Before 500, Edith was the head of marketing for Dolphin Browser, a Sequoia-backed mobile browser with over 150 million installs worldwide. Edith also worked with many Fortune 500 companies such as Siebel, AMS, AT&T Wireless and Autodesk.



China Internet Trends 2017

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China Internet 101


Some basic numbers and statistics



A photograph of a large crowd of people at a night festival. The scene is filled with numerous red lanterns hanging from a structure above the crowd. The people are densely packed, and the atmosphere appears festive. The text is overlaid on the lower half of the image.

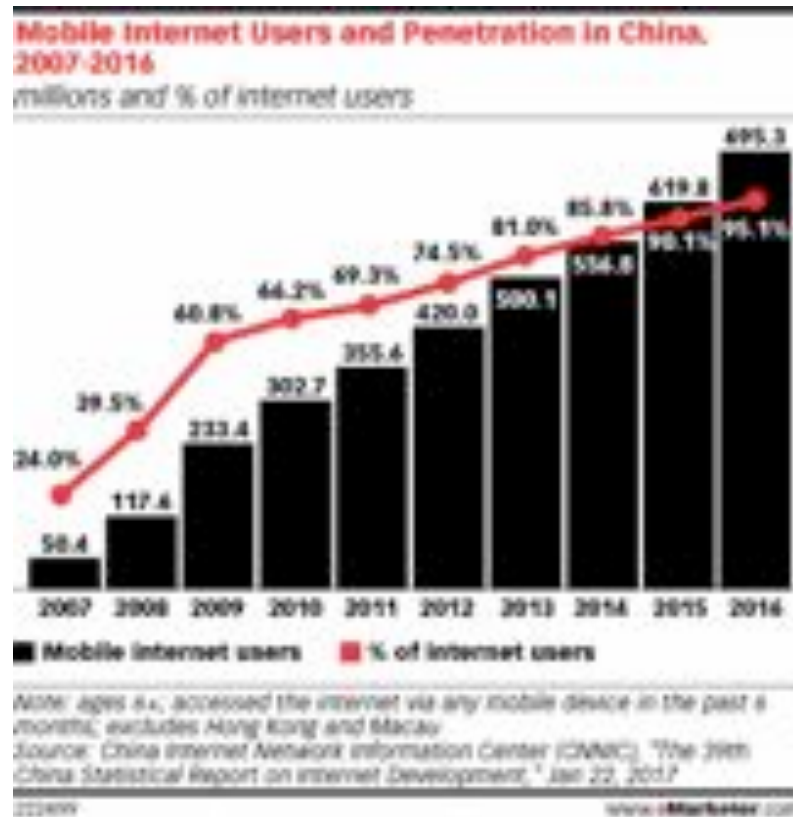
There are so many Chinese people...
China is the biggest internet market in the world.

China vs. US Internet by the Numbers

		
Population	1.379 billion	323.1 million
Internet users	751 million	287 million
Internet penetration	54.3%	87.9%
GDP	\$11.2 trillion USD	\$18.57 trillion USD
GDP per capita	\$8,123.18 USD	\$57,466.79 USD
Smartphone users	663 million	224 million
#1 startup city	Beijing	San Francisco Bay Area
# of unicorns	45	105

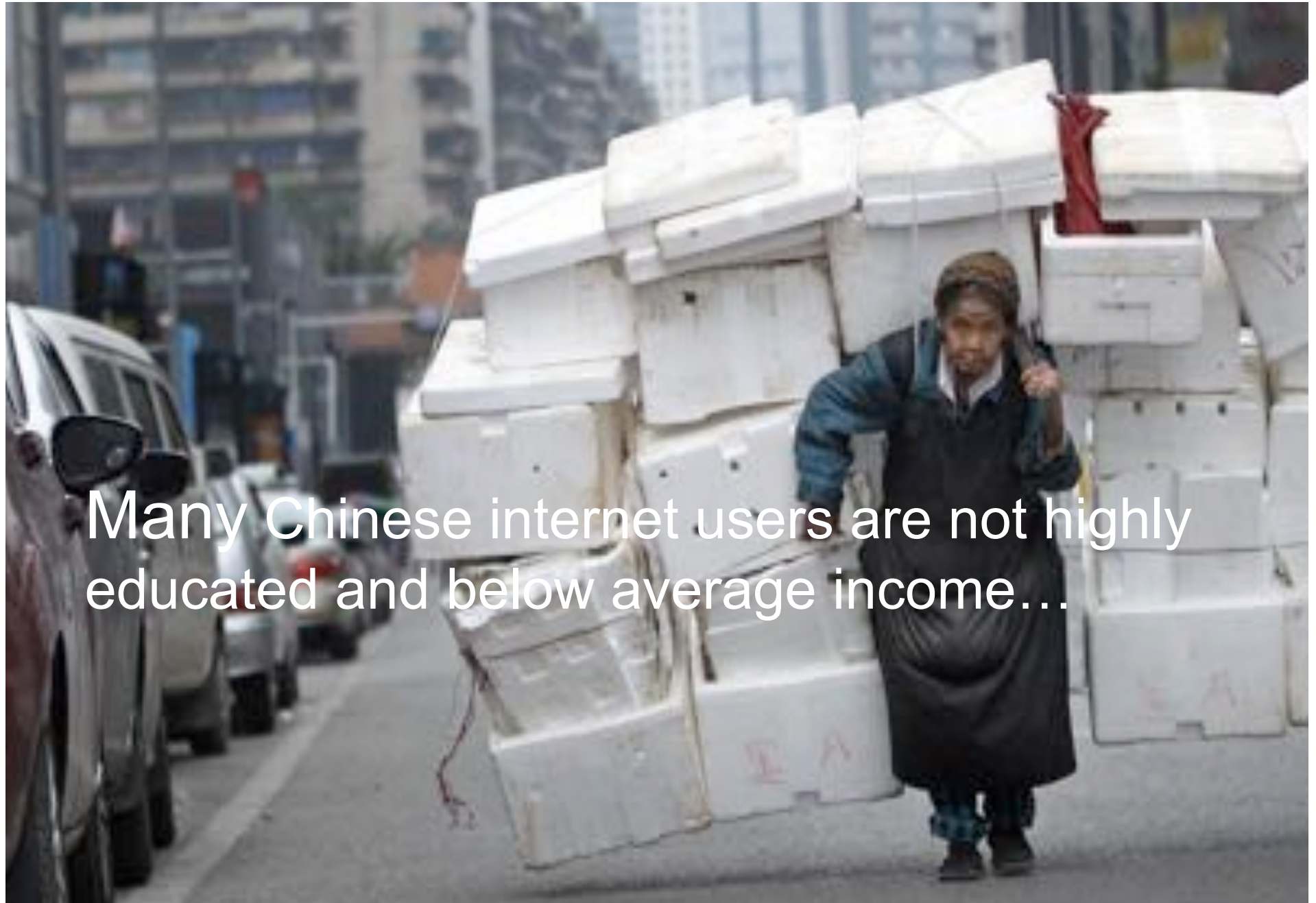
Source <http://www.internetworldstats.com/top20.htm>-
<https://www.statista.com/statistics/467160/forecast-of-smartphone-users-in-china/>
<https://www.cbinsights.com/research/startup-unicorns-us-map/>

China Internet Market Size – 751 Million Internet Users, 95% Access the Internet From Their Phones



China is the world's largest internet market with:

- 1.379 billion population
- 71% own a smartphone
- 751 million internet users (54.3% of population)
- 724 million mobile internet users
- 889 million WeChat users
- 500 million mobile payment users
- 72.1% China internet users are between 10 – 39 years old



Many Chinese internet users are not highly educated and below average income...

72.1% China Internet Users are Between 10 – 39 Years Old

中国网民个人月收入结构



中国网民年龄结构



Among 751 million internet users:

- 22.9% users make between \$3000-5000 RMB and 15.8% \$2001-3000 RMB per year
- 24.8% are students and 20.9% are entrepreneurs
- 72.1% users are between 10 -39 years old

China GDP per capita at \$8,123, compared to US GDP per capita at \$57,467



- GDP reached \$11.2 trillion with 6.7% annual GDP growth in 2016
- Annual GDP growth is expected to drop to 6.3% by 2019



Beijing is China's #1 startup city with the most internet unicorns.

Beijing is #1 Startup City in China and Home to the Most Unicorns - Xiaomi, Didi Chuxing, etc



Cities	Well-known startups
Beijing	Baidu, Didi Chuxing, Xiaomi, Sohu, Weibo, Momo, 58, JD, Qunar, LeTV, Toutiao, ATA, Ku6, 36Kr, Babytree, 6.cn, New Oriental, Tal, Ofo, Kuaisho, Apus, Koudai, Mia.com Rong360 TuJia URWork VANCL Weiyang Technology , Zhihu
Hangzhou	Alibaba, Ant Financials, Netease, Kuaidi Dache, Mogujie, Tmall.com, Wacai, Xiami, Koubei, Tongbanjie, FraudMetrix
Shanghai	Sina, Dianping, Youku, Tudou, Xiaohongshu, PPTV, Shanda, Ctrip, AdChina, PPDai, Agora, NIO, Rapid Finance, Dada Ele.me, Fanli iTutorGroup, Lu.com, Mofang, Gongyu, Xiaohongshu
Shenzhen	Tencent, Huawei, DJI, BYD, ZTE, iDreamsky, Xiu.com, and Alcatel Onetouch, Zhong An Insurance, iCarbonX, UBTECH Robotics
Wuhan	Douyu TV, Dolphin
Guangzhou	UCWeb, 56.com, YY, Keduo, Vip.com, Aipai, Lizhi, and Ejoy
Chengdu	Camera 360, Milanoo, Codoon, Huawei Symantec, Kanshu




Chinese government is the
biggest supporter of
innovations and startups

Chinese (Government) is the Biggest Venture Capital Firm In the World. Tencent is the #1 Venture Investor in China

- \$231 Billion - \$\$ of government-backed venture funds raised
- 46 - China has the highest number of unicorns outside of the US

	# of Unicorns	Portfolio Companies valued at \$1 billion+
Tencent Holdings	10	NIO, Guahao, Huochebang, iCarbonX, Koudai, Weiyang, Didi Chuxing, Hike, Homelink, STX Entertainment
GGV Capital	9	51Xinyongka, TuJia, Weiyang, Xiaohongshu, Airbnb, DraftKings, OfferUp, Peloton Interactive, Wish
Qiming Venture Partners	9	Xiaomi, Apptus, Fanli, iTutorGroup, Mogujie, TuJia, UBTECH Robotics, VANCL, Zhihu
Sequoia Capital China	8	Dada, Ele.me, Jiuxian, Mia, Rong360, Toutiao, Xuanyixia, Guazi
IDG Capital Partners	4	Royole, Avast, BeiBei, Mogujie
Warburg Pincus	3	Koudai, Mofang Gongyu, Avaloq, Lieqin
Temasek Holdings	3	NIO, Aiwujiwu, Xiaomi
Matrix Partners China	3	Guazi, Liepin, Ofo

China's Smartphones Industry is Dominated by Android Device Makers

 **IDC**
Analyze the Future

Top Five Smartphone Companies in PRC, Shipments, Market Share, and Year-Over-Year Growth, 2017Q1 Preliminary Data (Units in Millions)

Company	2017Q1 Shipment Volumes	2017Q1 Market Share	2016Q4 Market Share	2016Q1 Market Share	Year-Over-Year Unit Change (2017Q1 over 2016Q1)
Huawei	20.8	20.0%	16.8%	16.0%	25.5%
OPPO	18.9	18.2%	18.1%	15.3%	19.5%
vivo	14.6	14.1%	16.0%	13.2%	7.6%
Apple	9.6	9.2%	11.0%	12.7%	-26.7%
Xiaomi	9.3	9.0%	7.4%	9.8%	-7.5%
Others	30.8	29.6%	30.7%	33.0%	-9.6%
Total	104.1	100%	100%	100%	0.8%

Source: IDC Quarterly Mobile Phone Tracker, May 4, 2017

9 out of top 10 smartphone brands in China are Android based:

- Huawei
- Oppo
- Vivo
- Apple
- Xiaomi
- Meizu
- Gionee
- Samsung
- LeTV
- Lenovo



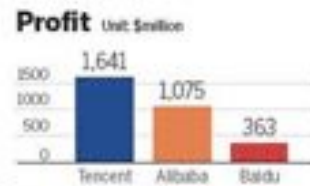
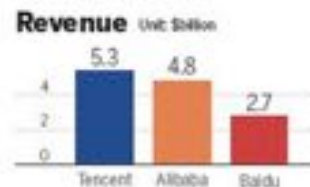
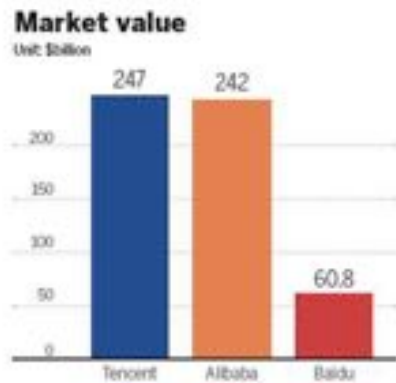
oppo



China's Internet is Owned by Baidu Alibaba Tencent



Tencent is Leading the BAT War with the Most Diversified Portfolio of Products and Revenue Makeup



Pony Ma,
founder of Tencent



Jack Ma,
founder of Alibaba



Robin Li,
founder of Baidu

Source: Financial reports of Baidu, Alibaba and Tencent

SU JINGBO / CHINA DAILY

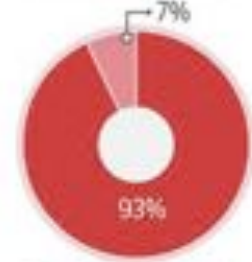
Revenue makeup



Gaming Social networking
Online ads Others







E-commerce Cloud computing
Digital entertainment Others





















Online marketing and ads
Others

China vs. US Internet – Search, Payment, eCommerce, Video, Paid Content, Consumer and Business Messaging

		
Search		
Payment	 	
eCommerce (C2C)		
eCommerce (B2C)		
Video platform	 	
Pay video content		
Social & messaging		 
Business messaging		

China vs. US Internet – Transportation, Local Listing, Micro-blogging, Live Streaming, Gaming and Photo Sharing

		
Transportation		
Local listing		
Micro blogging		
Live streaming		
Cloud services		
Gaming		
Photo sharing		
Dating		

Major China Internet Trends 2017

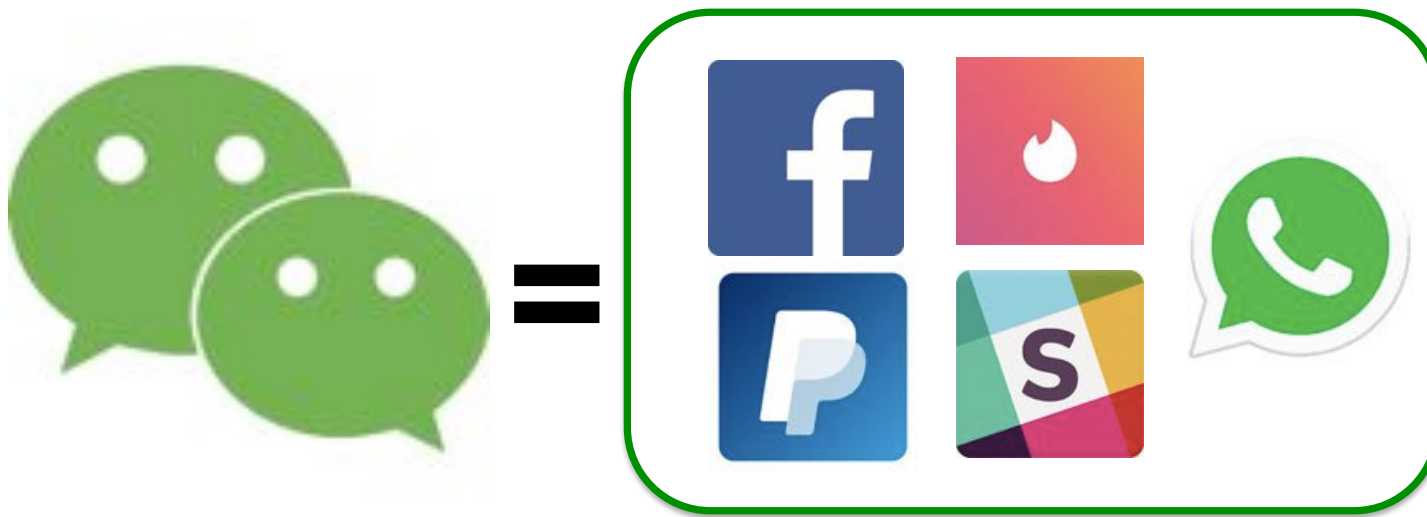
The latest and greatest China internet market



Messaging in China



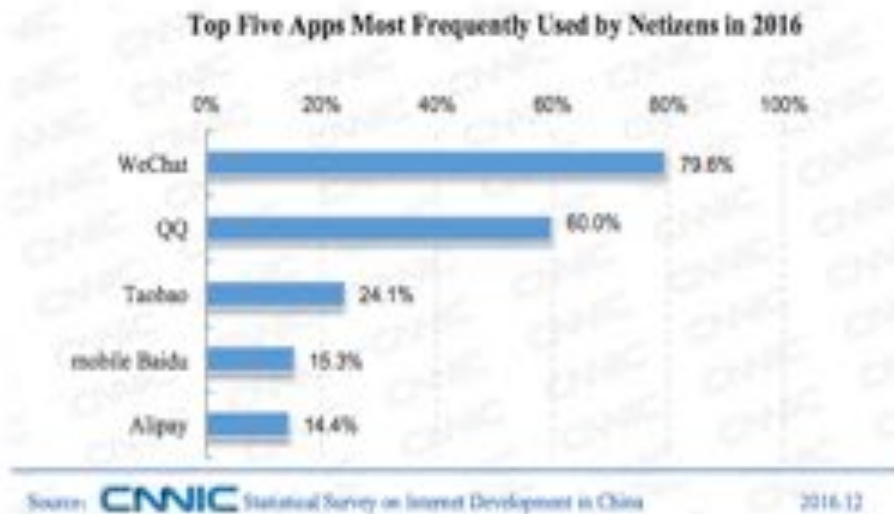
WeChat is Facebook, WhatsApp, Tinder, Paypal and Slack Combined



WeChat is the Chinese Way of Life. Meet #1 Most Frequently Used App in China

WeChat by the numbers:

- App is used by 79.6% of the internet population in China
- 889 million monthly active users
- 10 million official accounts (similar to Facebook Business page)
- 200,000 WeChat developers
- 194 - average number of WeChat contacts per users



Average User Spends 90 Minutes on Their Smartphones and 66 Minutes on WeChat

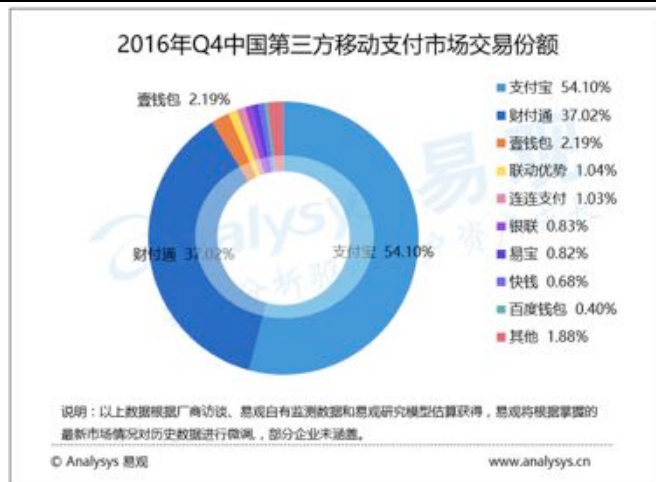
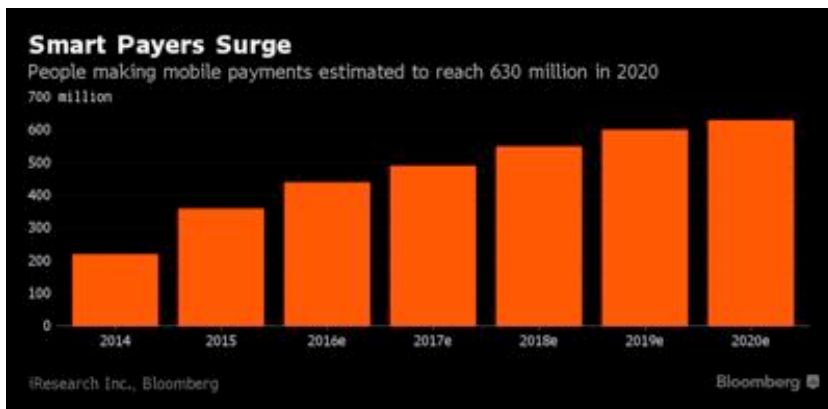


Source: <http://www.shenglidigital.com/blog/20-new-facts-about-wechat/>
<https://www.emarketer.com/Article/China-Time-Spent-on-Mobile-Internet-Continues-Grow/1015693>

Mobile Payment in China



China is the World's First Cashless Society. Mobile Payment Users is Expected to Reach 630 Million by 2020. Alipay Takes 54.1% Market Share



Started in 2004, Alipay was built by Alibaba to support Taobao (eBay of China) and temporarily hold money for the seller until the buyer confirms that the product was received in good condition. Alipay by the numbers:

- \$5.5 trillion mobile payments sector (50X bigger than US market)
- Alibaba had a 54% market share in Q4 2016 compared to 71% in Q3 2015
- WeChat pay had 37% market share in Q4 2016 compared to 16% in Q3 2015
- 463 million people use mobile payment even when they are shopping offline
- Mobile payment users expected to reach 630 million by 2020

Source <http://technode.com/2017/04/07/alipay-leads-chinas-third-party-mobile-payment-market-in-q4-2016/>
<https://www.ft.com/content/e3477778-2969-11e7-bc4b-5528796fe35c>

The 40th China Statistical Report on Internet Development - www.cnnic.cn/hlwfyj/hlwzbg/hlwtjbg/201708/P020170807351923262153.pdf
<https://www.bloomberg.com/news/articles/2017-02-23/pboc-is-going-digital-as-mobile-payments-boom-transforms-economy>

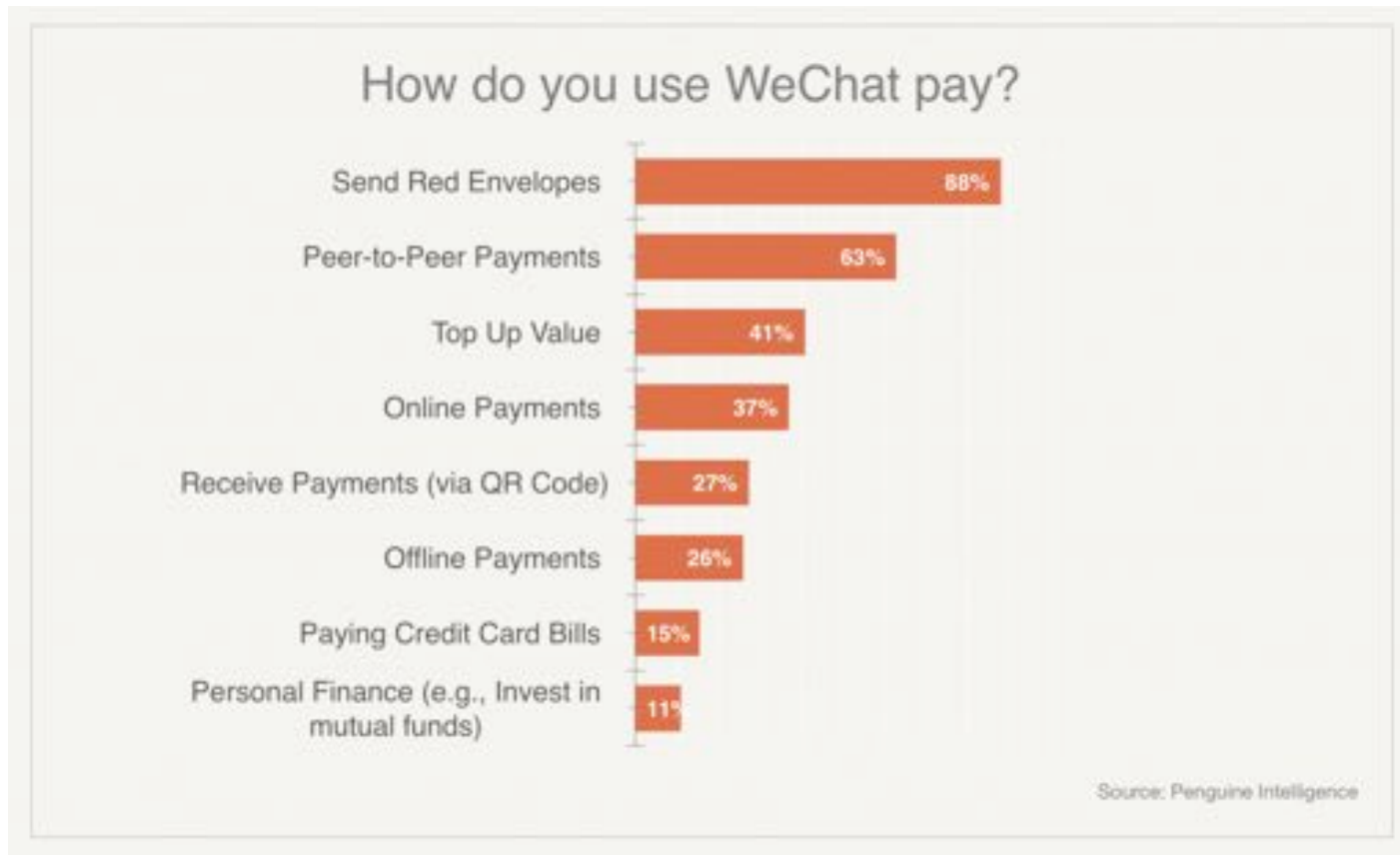
WeChat Pay is the Biggest Threat to Alibaba, Ants Financials and Alipay



VS



WeChat has ~938 Million Monthly Active Users and over 600 Million Average Daily Payment Transactions



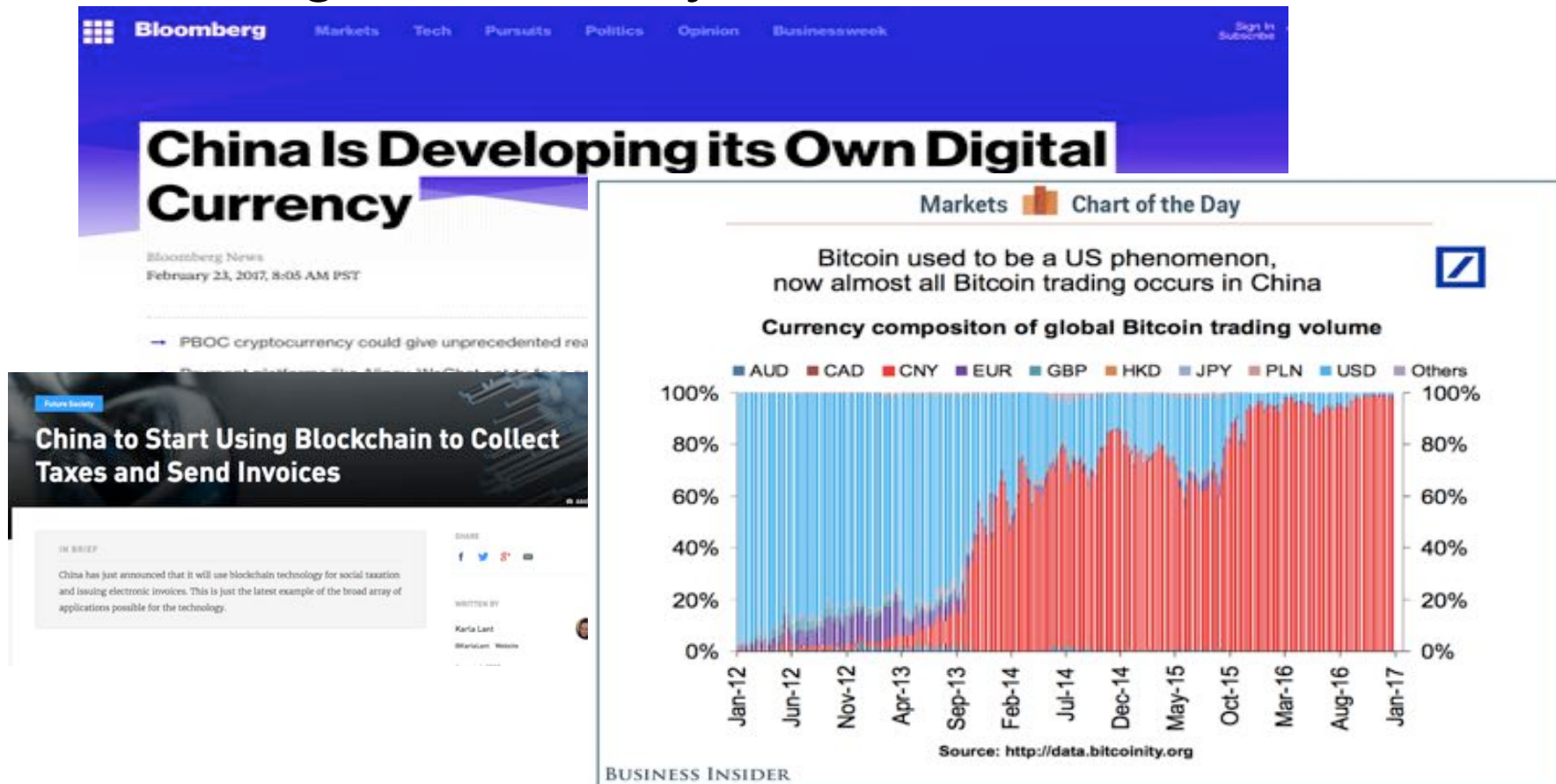
Cryptocurrency in China



Chinese People are Crazy about
Cryptocurrency....



Cryptocurrency – China is the World's Largest Cryptocurrency Market and is Developing its Own Digital Currency



Source: Goldman Sachs CHINA E + COMMERCE Shopping Re-Imagined
<https://www.emarketer.com/Article/Average-Spending-of-Chinas-Online-Shoppers-Top-1800-2017/1015731>
<https://futurism.com/china-to-start-using-blockchain-to-collect-taxes-and-send-invoices/>

China's Most Influential People and Projects in Cryptocurrency and Blockchain

- 肖风- VP of Wanxiang Financial Group and Founder of [Fenbushi Capital](#)
- Li Xiao Lai (李笑来) – top Bitcoin Investor and founder of [Bitfund](#) and [Press.one](#)
- Da Hongfei (达鸿飞) – founder of [Neo](#) and [Onchain](#)
- Patrick Dai (帅初) - founder and CEO of [Qtum](#)
- Hitters Xu (徐义吉) – founder of [Nebulas](#), [ICO365](#) & BitAngelsClub. Former head of blockchain at Ants Financials
- Di Deng (邓迪) – Chairman of [Tai Cloud](#) Technology & Executive Director of the China Blockchain Application Research Center
- Jihan Wu (吴忌寒) – founder and CEO of [Bitmain](#)
- Yao Qian (姚前)– Director of Digital Currency Research Institute at People
- Changpeng Zhao (赵长鹏) founder & CEO of [Binance](#) and former CTO of [OKCoin](#)



NEO (Ethereum of China) Reached \$1.4 billion Market Cap in August 2017



Source: Goldman Sachs CHINA E + COMMERCE Shopping Re-Imagined
<https://www.emarketer.com/Article/Average-Spending-of-Chinas-Online-Shoppers-Top-1800-2017/1015731>
<https://futurism.com/china-to-start-using-blockchain-to-collect-taxes-and-send-invoices/>

**Shopping
in China**

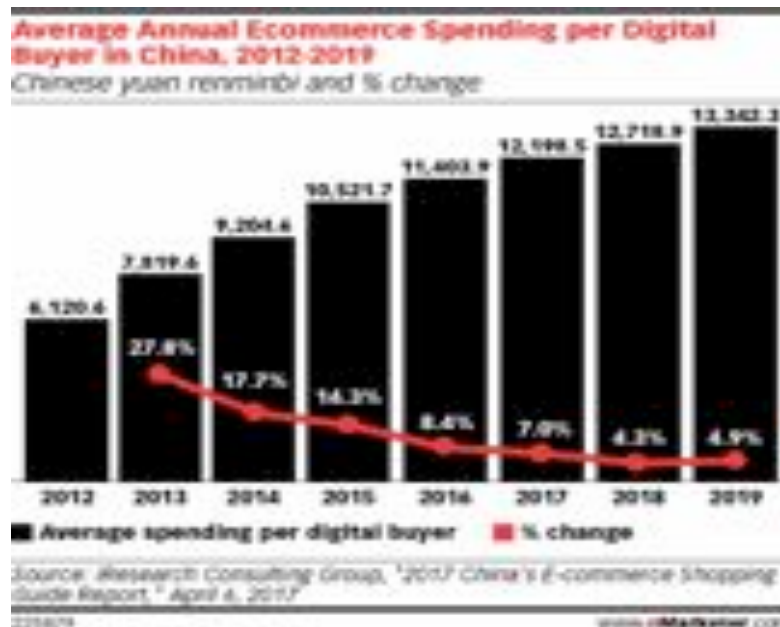
淘宝网
Taobao.com



Chinese Like to Shop a LOT...They Love to Try New Things with Quality



Shopping – China is the World's Largest eCommerce Market. \$1.7 Trillion Market by 2020



eCommerce by the numbers:

- 75% of 467 million online shoppers are millennials
- 200 million more online shoppers coming from lower tier cities and rural China
- Average spending 12,198 RMB (\$1,836 USD) in 2017
- Over 200 cities in China have same-day or next-day delivery coverage by Cainiao and JD
- \$1.8 trillion RMB online FMCG market size by 2020
- 4 million express delivery personnel by 2020 and 1 million food takeout delivery staff

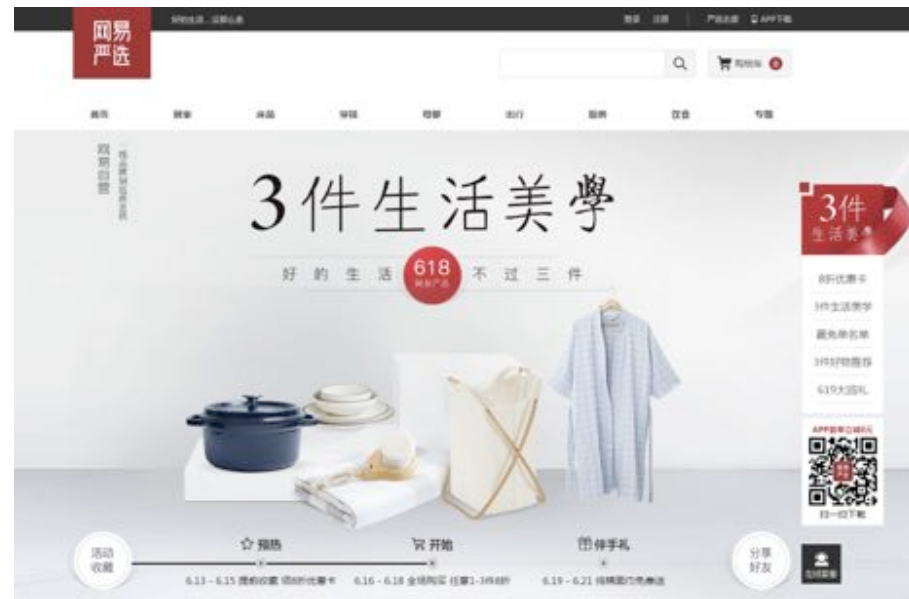
Internet Celebrity (网红) Economy. Meet 年糕妈妈 (Rice Cake Mama). Monthly GMV \$1.2M.
WeChat followers 7 million



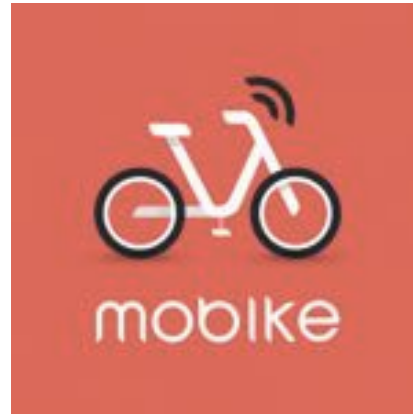
Alibaba Goes Offline. Testing Cashless Alipay
Only Grocery Store in Shanghai. 30 minutes
Delivery Within 3 km. \$37 Million GMV in 2016.



Netease (网易严选) and Xiaomi (米家有品) are Creating New, Trusted Retail Brands with Support of Growing Middle Class and Homegrown Manufacture Plants



Bike Sharing in China



Bike Sharing is Now Everywhere in China



Bike sharing – China is the #1 Bike-sharing Country in the World with Over 106 Million Bike Sharing App Users

China's cities lead the world in bike-sharing schemes
Number of shared bicycles by city and bike-sharing company ('000)



Sources: Shanghai Municipal Communist Party Committee; companies named above; SPIN

Top 5 bike-sharing companies are:

- Mobike
- Ofo
- BlueGoGo
- Coolqil
- Youon

Bike-sharing by the numbers:

- Annual users reach 106 million in 2017 and expected to reach 198 million by 2021

Top 10 Bike-Sharing Mobile Apps Among Android Users in China, Ranked by Reach, May 29-June 4, 2017	
% reach	
1. Ofo	1.002%
2. Mobike	0.713%
3. Bluegogo	0.077%
4. Coolqi Bike	0.070%
5. Youon Bike	0.064%
6. Hellobike	0.040%
7. Ming Cycle	0.018%
8. Ubicycle	0.007%
9. Xiangqi Chuxing	0.006%
10. Quicko	0.003%

Note: Represents activity on Cheetah Lab's Libra platform, broader industry metrics may vary
Source: Cheetah Lab as cited in company blog, June 20, 2017

22/01/17 www.emarketer.com

In 1980, 63% of Chinese Commuters Cycled to Work. In 2014, 11.9%. Chinese Traffic Authority Wants to Increase this Ratio to 18% by 2020



Live Streaming in China



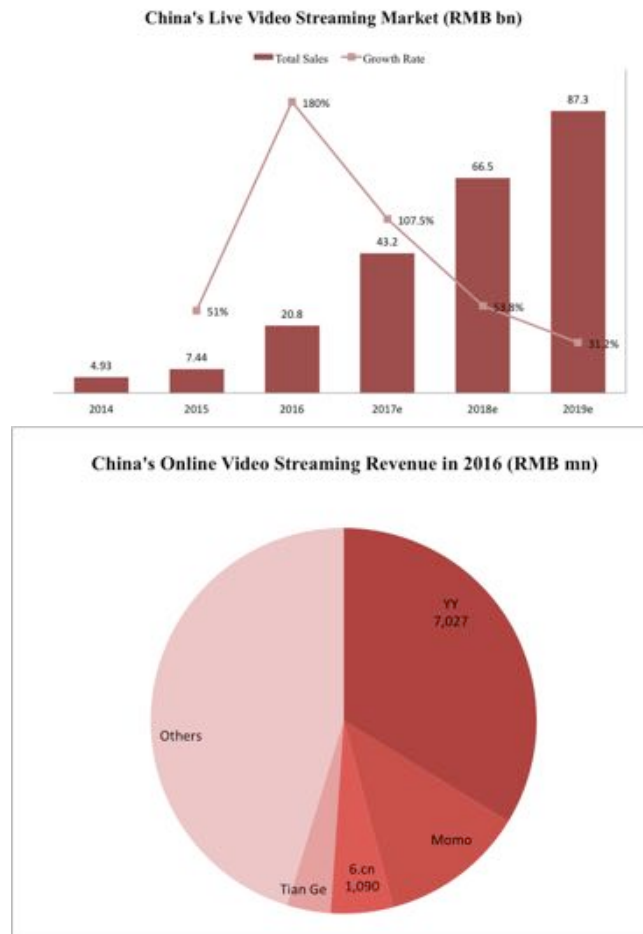
YY.COM
就 是 爱 YY



Yes... You can make a living being a live broadcaster



Live Streaming – China's Live Streaming Market is Worth Minimum at \$5 Billion in 2017



- YY, Tian Ge Interactive, 6.cn and Momo recorded in excess of a combined 11 billion RMB in live video streaming revenue
- Top revenue streams are:
 - Sales of virtual items
 - Premium features
 - Online games
 - Advertising

Live Streaming Industry is Empowered by Zhai Nan (宅男). Over 235 Million Users on Live Streaming. Many Lonely People in China

China's craze for personal live-streaming runs far deeper into third-tier cities and remote rural areas where the internet is the one and only fun and cheap place to hang out.



Zhai Nan 宅男- young men who spend their lives chained to their home computers, surfing the Internet and playing computer games. They're stereotyped as introverted and socially awkward.

Gaming in China

Tencent 腾讯



Chinese love playing games. Everybody is on their phones while taking public transportation



China is the Game Industry Capital of the World. 600 Million Gamers Generated \$24.6 Billion in 2016



Source - <https://www.bloomberg.com/news/articles/2017-06-01/china-just-became-the-games-industry-capital-of-the-world>
<https://newzoo.com/insights/articles/the-global-games-market-will-reach-108-9-billion-in-2017-with-mobile-taking-42/>

Tencent's Honour of Kings – 200 Million Players.
70 Million DAU. Generated \$1 Billion in 2016



eSport in China



China is Driving eSport Growth as the World's Largest eSports Country with 220 Million Players



There will be 220 million eSports players in China by 2017 with:

- Total revenue surged 52% year-on-year to \$50 billion RMB (\$7.3 billion USD) in 2016
- 11.1 billion eSport video streams delivered in 2016
- League of Legends Pro League attracted 5 billion viewers in 2016

Li "iceice" Peng - #1 eSport Player in China Made ~\$2 million from Playing Dota 2

iceice



Background Information

Name: 李鹏
Romanized name: Li Peng
Country:  China
Team:  DanGo
Role: Midlaner, Support
Alternate IDs: 二冰
Signature Heroes:   

bLink



Background Information

Name: 周扬
Romanized name: Zhou Yang
Country:  China
Team:  DanGo
Role: Midlaner
Alternate IDs: Zy, 跳刀跳刀
Signature Heroes:   

**y **



Background Information

Name: 张懿萍
Romanized name: Zhang Yiping
Country:  China
Team:  EHOME
Role: Support, Captain
Alternate IDs: Innocence, y \, Innocence
Signature Heroes:   

China's luxury e-Sport internet cafes



Source <http://mashable.com/2017/04/13/jay-chou-wolfz-internet-cafe/#wHL0p.5RQOq0>

Artificial Intelligence in China



China Wants to Lead the AI Industry...



China Government Wants to be the World Leader in Artificial Intelligence by 2030. From AlphaGo to Robots for Kids, Restaurants and Sports



Artificial Intelligence (AI) – China Invested \$2.6 Billion in AI Startups in 2016. AI Market will Reach \$9.1 Billion USD by 2020

Company	Sector	Amount Raised	Investors
Sensetime	Deep learning	\$410M	CDH Investments, IDG Capital Partners, Morningside, TCL Capital, WANDA Group
Mobvoi	Voice AI	\$251.62	Volkswagen, Google, SIG China
ICarbonX	Health AI	\$199.48M	China Bridge Capital, Tencent
Face++	Computer vision	\$147M	Foxconn, Qiming, Sinovation
Ubtech	Robotics	\$120M	CDH, CITIC, Qiming
Roobo	Robotics	\$100M	Iflytek
Unisound	Voice AI	\$66.33M	Qiming
Yitu	Computer vision	\$55M	Banyan, Hillhouse, Sequioa, Zhenfund
AlSpeech	Voice AI	\$45M	DCM, Legend Star, Alibaba

Education in China

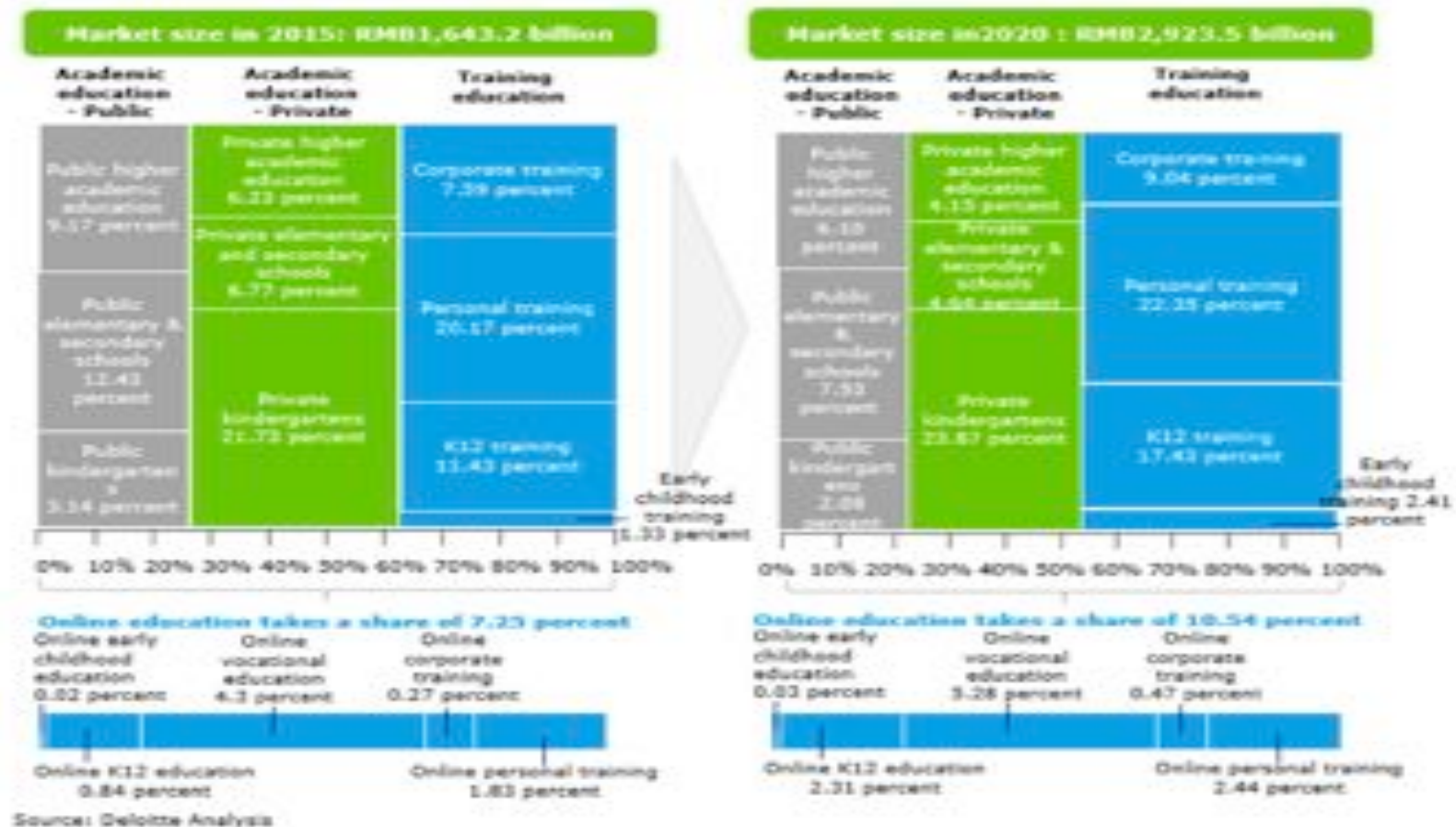


Most Chinese Parents Would Rather Not Eat, but Spend 40-50% of Their Income on Education for Their Kids



China is the World's Largest Education Market.

Online Education Users Reach 144 Million



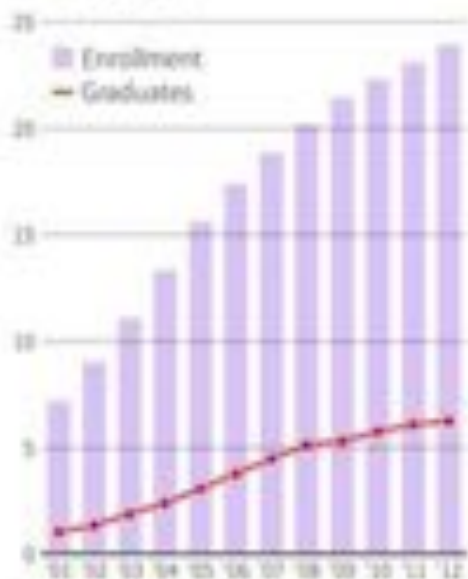
China Also Has More University Students Than the EU and the US Combined

Higher education in China

The Chinese government is reexamining its higher education system as many of the college graduates who are entering the job market are often ill-equipped to fill those jobs.

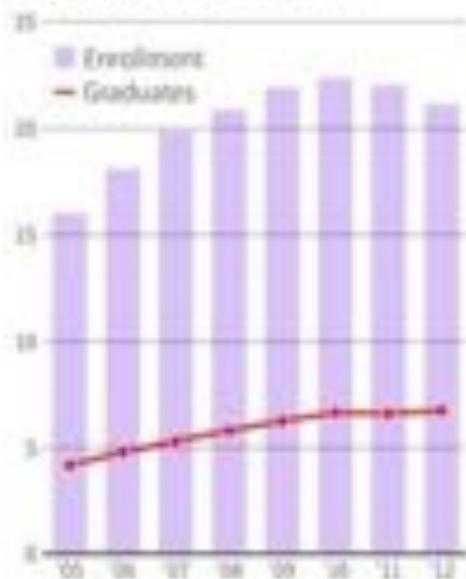
COLLEGE ENROLLMENT

Million persons



Source: China National Bureau of Statistics.

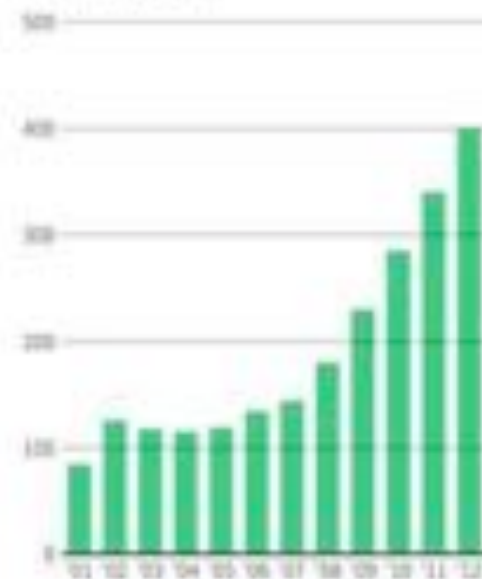
HIGHER VOCATIONAL SCHOOL ENROLLMENT*, Million persons



*Secondary vocational school enrollment and graduates include students in technical schools.

CHINESE STUDENTS STUDYING ABROAD

Thousand persons



VIPKid, ABC360, VIPABC are Video Conferencing Platforms Connecting English Speakers with Kids for 1-1 Language Lessons



**China internet future is really
bright...**



In Conclusion...

- China is the leader of messaging, mobile payment, bike-sharing, gaming, eSport, live streaming and online education industries.
 - China's domestic market for mobile payment, bike-sharing, gaming, eSport, live streaming and online education is big enough that many players are not looking outside of China.
 - Government support is instrumental China wants to dominate artificial intelligence and the government is pushing hard to make this happen.
 - To experience China, you need to spend time in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou and don't forget to experience bike-sharing, or to play games while you are on the subway.
-

YOU CAN FIND ME AT:

- Email edith@500startups.com
 - Twitter [@edithyeung](https://twitter.com/edithyeung)
 - Newsletter <http://www.edith.co/#newsletter>
-