Fresh Food E-commerce in China: 2016 Report
Huge Demand and Supply Fuel the Growth of Fresh Food E-commerce

Agricultural Output Was on the Constant Rise; Per Capita Spending of Urban Residents Increased Rapidly

Total production of fresh food in China has been increasing for years, which provides a stable source of supply for fresh food e-commerce. On the other hand, along with rising per capita spending of Chinese residents and constantly improving quality of life, consumers have placed higher requirements on the quality, safety, and convenience of food. This leaves huge room for growth for fresh food e-commerce.

China's Fresh Food Production 2008-2015

Per Capita Expenditure in China 2008-2015

Early Participants Mainly Adopted the B2C Model with Self-built Logistics

New Entrants Mainly Adopted O2O/C2B Model with Outsourced, Crowd-sourced and Self-pickup Logistics

<table>
<thead>
<tr>
<th>Model</th>
<th>Early Participants vs. New Entrants</th>
</tr>
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<tbody>
<tr>
<td>✔ Early participants mainly adopted B2C model, whereas startups mainly adopted innovative models such as O2O, C2B, etc.</td>
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<td>✔ Most vertical operators adopted direct-sales model whereas early participants adopted full/multiple-category strategy.</td>
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<tr>
<td>✔ While early participants generally chose self-built logistics, startups mainly opted for outsourced, crowd-sourced and self-pickup logistics.</td>
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Value of Investment, Operating and Logistics Model of Vertical Fresh Food E-commerce Operators

<table>
<thead>
<tr>
<th>Company</th>
<th>Total Investment (mn Yuan)</th>
<th>Operating Model</th>
<th>Logistics Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yiguo (Excluding Series B)</td>
<td>2020</td>
<td>B2C</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Fruit Day</td>
<td>1470</td>
<td>B2C</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Benlai</td>
<td>1410</td>
<td>B2C</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Bee Quick</td>
<td>730</td>
<td>O2O</td>
<td>Platform</td>
</tr>
<tr>
<td>Missfresh</td>
<td>530</td>
<td>B2C</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Xuxian</td>
<td>360</td>
<td>O2O+C2B</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Yqphh</td>
<td>360</td>
<td>C2B</td>
<td>Direct sales</td>
</tr>
<tr>
<td>1mxian (Excluding Series B)</td>
<td>130</td>
<td>C2B+O2O</td>
<td>Direct sales &amp; Platform</td>
</tr>
</tbody>
</table>

Financing | Vertical Operators in Different Growth Stages

- Vertical fresh food e-commerce operators are in different stages of investment, covering Angel to Series D rounds.
- Valuation of operators grew the fastest in the Series B round.

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
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<tbody>
<tr>
<td>Fruit Day</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Yiguo</td>
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</table>

Note: Based on publicly available information. For the convenience of statistics, tens of millions of Yuan, millions of Yuan and over 100 million Yuan are regarded as 50 million Yuan, 5 million Yuan and 100 million Yuan, respectively. Due to the absence of public data, Series B round of Yiguo and 1mxian is not included in the statistics.
Fresh Food E-commerce Industry Chain

**Fresh Food E-commerce**

**Online Shopping**
- Comprehensive Sites
- Vertical Sites
  - Full Categories
  - Multiple Categories
  - Single Category

**O2O Model**
- Offline Companies
- F2C
- C2B
- C2F

**Consumers**

**Producers**
- Vegetables & Fruits
- Meat & Eggs
- Aquatic Products & Seafood
- Milk & Dairy Products
- Cooked Food & Pastries

**Supplier**

**Cold-chain Logistics & Warehousing**
- Self-built Logistics
- Third-party Logistics
Steadily Increasing Agricultural Output Provides a Stable Source of Supply for Fresh Food E-commerce

The GMV of Agricultural Products in China Reached 4.8 Trillion Yuan in 2015, Up 24.8% YoY

The preferential policies for farmers have driven up the GMV of agricultural products in China, which reached 4.8 trillion Yuan in 2015, up 24.8% YoY. iResearch estimates the market will maintain stable growth in the future.

Source: Based on the financial results published by enterprises, interviews with experts and iResearch’s statistical model.
Fresh Food Market Has Huge Potential

China’s Fresh Food E-commerce GMV Reached 49.71 Billion Yuan in 2015, Soaring 80.8% YoY

Fresh food e-commerce market has been growing robustly in recent years with an above 80% CAGR, 2013-2016. Nevertheless, it only accounts for 3.4% of total retail sales of agricultural products, which implies huge room for growth in the future. We estimates the market will exceed 100 billion Yuan in terms of GMV by 2017 with a 7% penetration rate.

China’s Fresh Food E-commerce GMV and Growth Rate 2012-2018

Source: Based on the financial results published by enterprises, interviews with experts and iResearch’s statistical model.
Fruits and Dairy Products Were Most Popular Fresh Food Categories Purchased Online

Online Purchase Rate of Vegetables Was Low

In 2015, top 3 best-selling fresh food categories purchased online were fruits, milk & diary products and meat. Vegetables, as a major fresh food category, only constituted a small percentage of online fresh food purchases. In contrast, small output and heavy demand have driven up imports of dairy products, making it a popular fresh food category purchased online.

Most of consumers who purchased fresh food online recognized this way of shopping. The purchase rate of imported fresh food is comparatively high.

**Production & Online Purchase of Fresh Food in 2015**

<table>
<thead>
<tr>
<th>Production</th>
<th>Online Penetration by Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetables</td>
<td>1 Fruits 72.0%</td>
</tr>
<tr>
<td>Fruits</td>
<td>2 Dairy products 49.0%</td>
</tr>
<tr>
<td>Meat</td>
<td>3 Meat 46.7%</td>
</tr>
<tr>
<td>Aquatic products</td>
<td>4 Aquatic products 4.63%</td>
</tr>
<tr>
<td>Dairy products</td>
<td>5 Eggs 24.9%</td>
</tr>
<tr>
<td>Eggs</td>
<td>6 Vegetables 23.7%</td>
</tr>
</tbody>
</table>

**Online Purchase of Imported Fresh Food in 2015**

No 46.9%
Have you purchased imported fresh food online?
Yes 53.1%

**Main Channels to Purchase Fresh Food of Consumers Who Purchased Fresh Food Online in 2015**

- 92.1% E-commerce websites
- 71.6% Supermarkets/hypermarkets
- 57.7% Vegetable markets
- 22.0% Convenience stores

Imported fresh food: The fresh food whose place of origin is foreign countries.
Source: iResearch’s grand survey of internet users in 2015.
Time-efficiency and Low Price Were Major Drivers for Online Purchase of Fresh Food

Quality Has Not Been a Major Advantage of Fresh Food E-commerce; Over Half of Online Orders Reached Consumers via Same-day Delivery

Most of the fresh food are necessities of life. As consumers get richer with busier schedule, they pay more attention to time efficiency rather than lower price. And time efficiency was the major driver for online purchase of fresh food. Fresh food e-commerce boom also improved the timeliness of fresh food delivery. 52.5% fresh food purchased online reached consumers through same-day delivery. Over two thirds of fresh food orders reached consumers within 2 days.

Reasons for Buying Fresh Food Online

1. Continent. Saves the time of shopping in supermarkets. 65.6%
2. Cheaper than offline supermarkets and markets 59.8%
3. More diversified products 44.0%
4. Imported products 38.0%
5. Higher quality than offline supermarkets and markets 29.7%
6. Organic products 26.6%
7. Others 0.41%

Delivery Time of Fresh Food Purchased Online in 2015

- One hour and less 2.5%
- A few hours 9.5%
- 1 day 40.5%
- 2 days 27.0%
- 3-4 days 17.8%
- 5 days and more 2.7%

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TECH DRIVES BIGGER DREAMS

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iResearch