2016 China’s O2O Sector Report
Online Shopping and Local Lifestyle Service O2O Outgrew E-commerce Market

B2B E-commerce Still Dominated the Market; Market Share of Other Segments Increased Slightly

According to the latest data of iResearch, B2B e-commerce continued to dominate China’s e-commerce market in 2015, with a combined market share of over 70%. The market share of online shopping and local lifestyle service O2O increased slightly from a year ago.

Note: In this report, local lifestyle service O2O industry only includes 8 segments, which are catering, entertainment, beauty, hotel, wedding, parenting, travel and education. It excludes automobile, real estate, etc. Source: Based on the financial results published by enterprises, interviews with experts and iResearch’s statistical model.
Mobile Shopping GMV Doubled, Paving the Way for Online-offline Interaction

Mobile Shopping GMV Reached 2.1 Trillion Yuan in 2015, Surging 123.8% YoY

According to iResearch, China’s mobile shopping GMV hit 2.1 trillion Yuan in 2015, soaring by 123.8% YoY. The segment grew much faster than the overall online shopping market (China’s Yuan in 2015, up 36.2% YoY). Online shopping GMV reached 3.8 trillion.

iResearch believes that China’s mobile shopping market will maintain rapid growth in the next few years, and its GMV is expected to exceed 5 trillion Yuan by 2018. Mobile devices are characterized by portability, fragmented usage and immediate interaction. These factors facilitate integration between online and offline purchasing, social activities and consumption, and PCs, smartphones and TVs to produce integrated marketing strategies and the potential for multi-screen interaction.

China’s Mobile Shopping GMV 2011-2018

Source: Based on the financial results published by enterprises, interviews with experts and iResearch’s statistical model.
Growing Mobile Shoppers Has Built a Solid User Base for O2O Services

China’s Mobile Shoppers Reached 380 Million in 2015

The number of mobile shoppers in China totaled 380 million in 2015 with a 44.7% growth rate, representing 92.4% of all online shoppers. As the main entrance to O2O services, rapid popularization of mobile devices has laid a solid foundation for the development of O2O market. In the meantime, it provides the user base for various forms of online-offline integration.

Number and Share of Mobile Shoppers 2011-2018

Source: Based on CNNIC data and iResearch’s statistical model.
Rapid Growth of Local Lifestyle Service O2O Market

Market GMV Reached 879.7 Billion Yuan in 2015 with a 35.1% Growth Rate

Lifestyle service industry has a direct bearing on people’s daily life and helps stabilize growth, boost domestic demand, increase employment, and improve people’s livelihood. China’s lifestyle service industry has developed rapidly and experienced big changes in recent years. A large number of emerging industries have mushroomed and are playing an increasingly important role in the economy and society. Nevertheless, the penetration rate remains low. In the past two years, the boom in O2O platforms have stimulated the rapid growth of the O2O Market. Market GMV totaled 879.7 billion Yuan in 2015, and is expected to reach 1.6 trillion Yuan by 2018 with a CAGR of 15.5% from 2010 to 2013 and a penetration rate of over 7%.

According to iResearch, the robust growth of the O2O market mainly attributes to the rise of various vertical segments. From 2014 to 2018, the CAGR of wedding, catering, parenting and entertainment O2O segments all exceeds 24%.

Note: In this report, local lifestyle service O2O industry only includes 8 segments, which are catering, entertainment, beauty, hotel, wedding, parenting, travel and education. It excludes automobile, real estate, etc.

Source: Based on the financial results published by enterprises, interviews with experts and iResearch’s statistical model.
Travel O2O Grabbed the Largest Share; Share of Catering O2O Increased Steadily

The Ecosystem of “Food & Drinks, Entertainment and Shopping” Has Taken Shape

According to iResearch, wedding, catering, parenting and entertainment O2O segments grow rapidly from 2014 to 2018 with an above 24% CAGR. The market share of catering, hotel and wedding segments has been on the constant rise. As far as O2O market structure is concerned, travel O2O captured the largest share of 48.3%, followed by online catering at 16.2% and online education at 13.6%. Entertainment, hotel and wedding accounted for 9.8%, 9.7% and 0.9% respectively.

Note: In this report, local lifestyle service O2O industry only includes 8 segments, which are catering, entertainment, beauty, hotel, wedding, parenting, travel and education. It excludes automobile, real estate, etc.

Source: Based on the financial results published by enterprises, interviews with experts and iResearch’s statistical model.
Investments Concentrated in Early Stages and Declined after Series C Round

Investors Paid More Attention to the Profitability and Scalability of Startups

With the capital market cooling down in the past year, many Chinese O2O startups are dying at an alarming rate. O2O is a money-burning business with cutthroat competition, therefore, investors place higher requirements for the projects in later investment rounds such as Series B and C. Around 70% of startups had financing difficulty in Series B round. Worse still, more faced “the C round of death”.

According to iResearch, for early-stage investments, investors pay more attention to the team's capabilities and business direction. For startups in the middle and later stages, they focus more on the core competence, business model, profit model and scalability of investment targets.

Investment in Local Lifestyle Service O2O Companies in 2015

- More investments in the early stages (Angel, Series A and B) and the later stages (Series D, E and F)
- Investors were more prudent and placed higher requirements for middle-stage investments (Series C and D)
- Most O2O startups failed before Series B round

Note: Based on publicly available information.
Differentiated Growth of Local Lifestyle Service O2O

Professionalism Is the Core Competence of Local Lifestyle Service O2O

As consumers gain deeper understanding of O2O, the convenience the model brings becomes more widely recognized. Driven by diverse needs of consumers, O2O is penetrating into vertical segments, covering car rentals & taxi-hailing, house-keeping, auto service, healthcare, online education, and more. This is because mobile internet, LBS, real time and interaction have given rise to innovative O2O strategies and techniques.
About iResearch
iResearch is a provider of insights into China’s internet space and global fastest-growing sectors as well as value-added corporate services. It offers a wide range of services including big data insights and forecasts, industry research and corporate consulting, investment and post-investment services.
Founded in 2002, iResearch is the first third-party firm focusing on research in China’s internet sector. Since its inception, it has published thousands of industry reports and provided custom research and consulting services to thousands of clients. It is now the preferred third-party research brand for the IPO of Chinese internet companies. iResearch set up its global research center in 2015, expanding the scope of research to fast-growing sectors world-wide.

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