



The Research Report on the Progress of Netpreneurs 2009

EMERGENCE OF A NEW BUSINESS PARADIGM

Alibaba Group Research Center

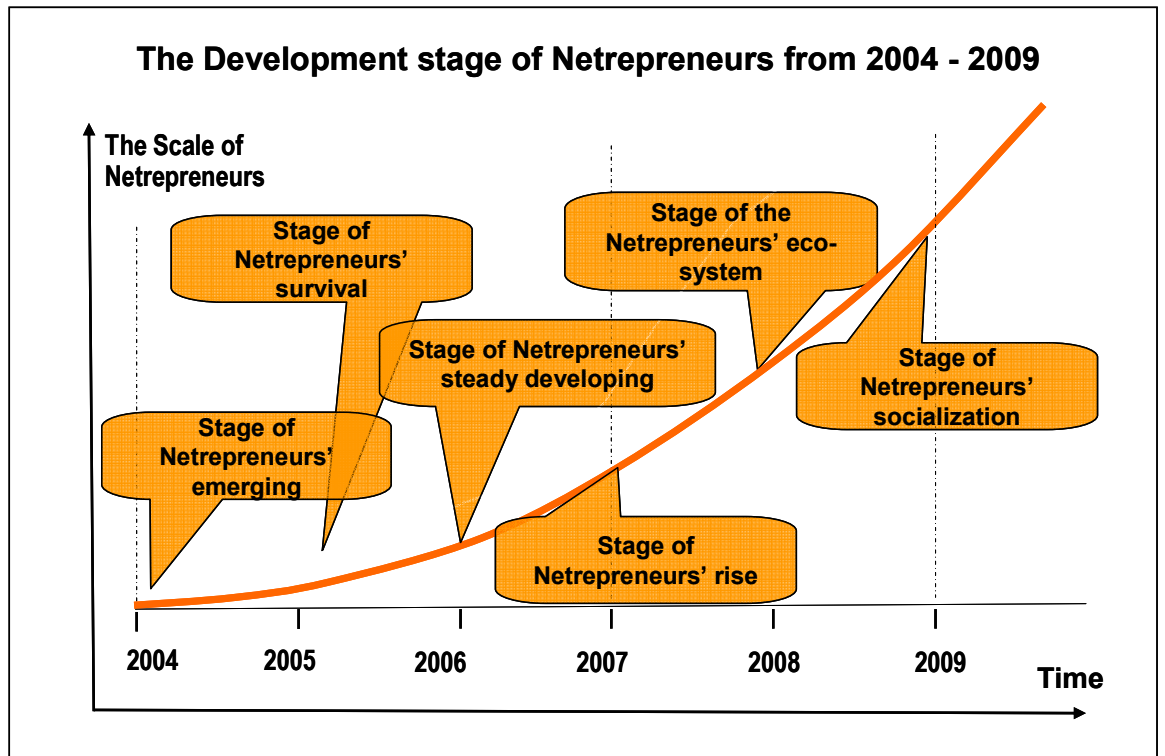
SUMMARY

This report is an analysis of the development and influence of Internet entrepreneurs as we approach the tenth anniversary making the birth of large-scale e-commerce in China. Netpreneurs are business operators who sell goods on the Internet (Net products) under a set of evolving rules (Net rules) that will come to govern the behavior of these business operators. This report is also an assessment of the Netpreneurs community within the context of the 2008 global economic crisis. Key findings include:

- **Netpreneurs have made tremendous progress towards integration into mainstream culture and economy in China, 2009.** The number of Netpreneurs have reached 63 million at the mid-year point of 2009. Moreover, the development of the Netpreneurs community has been mostly characterized by a remarkable socialization in 2009.
- **Net products are growing in popularity, and there is evidence that the wider proliferation of Net products is at hand.** With large-scale expansion in both amount and type in 2009, Net products, which are featured by cost-effective quality, and high volume and individuality, are becoming mainstream merchandise that meets general demands for commodities ranging from manufacturing to living.
- **Net rules are assuming an ever more important role.** The principles of net rules have been much clearer with 10 years' development, among which integrity, openness and social responsibility are the most prominent.

- Netpreneurs, Net products and Net rules are at the heart of this emerging dynamic market environment, bringing about a new business paradigm where online businesses will migrate their businesses to a virtual world and sell products in an environment that is grounded in the principles of integrity, openness, social responsibility and globalization.

1 A diagram showing the progress of Netpreneurs from 2004-2009



Source: Alibaba Group Research Center

Part I : Integration of Netpreneurs into Mainstream Chinese Culture and Society

1: State of the China's Netpreneurs community

1): The Netpreneurs population steadily has grown in size

According to our research, the number of Netpreneurs in China will have reached 63 million by June 2009. The continued growth of Netpreneurs population number largely comes from as follows: Companies engaged in e-Business continuously increase; e-Business becomes a new direction of individual startups; the third wave of Netpreneurs development gains momentum, while the service industry will also see the third wave of Netpreneurs development, following B2B and C2C; companies engaged in e-Business have a growing demand for talent.

The e-Business turnover has also risen surprisingly. According to iResearch data, the e-Business turnover in China's B2B market was RMB2.96 trillion in 2008, up 39.4% over the same period. The online shopping turnover in China reached RMB128.18 billion in 2008, an increase of 128.5% over the previous year, including RMB99.96 billion traded at Taobao.com. The online payment market scale in China approached RMB274.3 billion in 2008, up 181% over the same period.

2): The development path of Netpreneurs has become more diversified.

3): The cooperation between Netpreneurs has intensified.

4): The development path of Netpreneurs has been more globalized.

5): Most notably, the Netpreneur community has achieved a high level of integration into mainstream Chinese culture and society.

Evidence towards this include:

More and more people across China are in contact with, or engaged in e-commerce.

Professional relationships between Netpreneurs have become increasingly normalized.

More and more people spend an increasing amount of time online; it's a place they live, learn, work, play while also consuming goods and services.

Heightened influence of Netpreneurs has brought about widespread societal approval and recognition.

2: Factors driving the growth of Netpreneurs

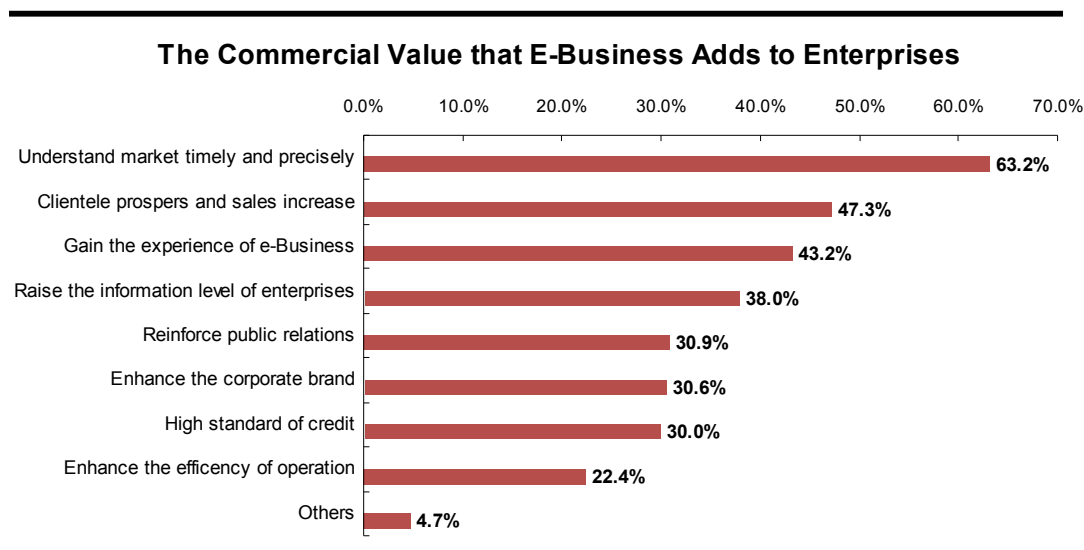
Forces that have encouraged the development of Netpreneurs include improving conditions for e-commerce such as proliferation of broadband access; an inherent dedication and drive in Netpreneurs; and the increasing sophistication of services offered by e-commerce service providers.

3: The social and economic influence of e-commerce

Not only does e-commerce enhance the competitiveness of businesses and improve their agility in adapting to changing market conditions, it also plays a very important role in promoting the development of various industries and regional economies.

Moreover, it helps aspiring entrepreneurs to easily create their own startups as well as facilitate the creation of employment opportunities.

2 A diagram showing the commercial value that e-Business add to enterprises



Source: Alibaba Group Research Center

Part II : Advent of the Net Products Era

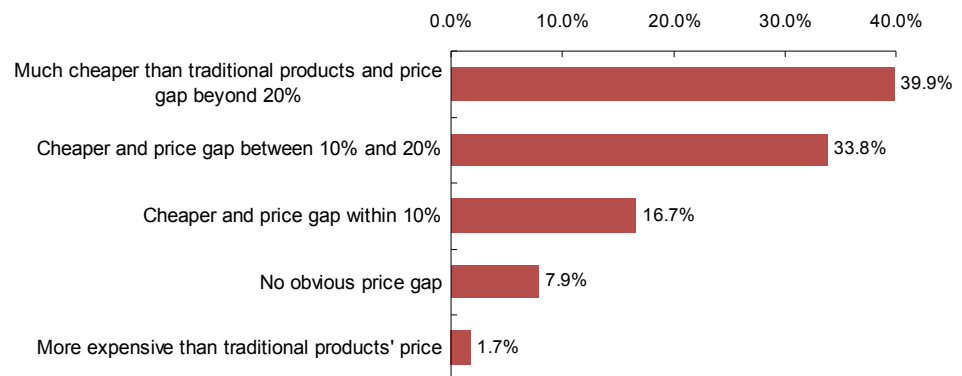
4: The rise of Net products

Net products are merchandise exclusively created for and sold through online retail channels. The Internet plays an influential role in the production, final outcome, pricing structure, marketing and distribution of Net products.

With the remarkable growth in both the range and diversity of offerings, Net products are increasingly being accepted by mainstream consumers to fulfill a large cross-section of their consumption needs. Net products are uniquely characterized by their authenticity, value-for-money and ability to be mass-customized for individual customers. A growing number of established and high-quality brands are getting into the Net products market.

3 A diagram showing the price comparison of net products and traditional products

The Price Comparison of Net Products and Traditional Products



Source: Alibaba Group Research Center

5: The influence and future of Net products

In recent years, Net products have challenged the existing conventional process of product design, production, marketing and distribution. It has enabled businesses to become more efficient and flexible in responding to changes in consumer demand.

In the coming years, Net products will become increasingly sophisticated in their ability to fulfill consumer needs. They will become ever more prevalent through further growth in the breadth of product offerings and options, value-for-money proposition and the capacity to be tailored to the specific needs of the customer.

Part III: Net Rules Standing Out

6: Special characteristics and principles of Net rules

Following ten years of e-commerce in China, the rules of conduct for businessmen operating on the Internet has become clearer. This constantly evolving set of rules, known as Net rules, are guided by the principles of integrity, transparency and social responsibility.

- Integrity is the primary attribute of Net rules. “No integrity, no Netpreneurs!”
- The attitude and behavior of openness is an important reflection of Net rules.
- Social responsibility is an inherent need of net rules, and it is expressed as a self-discipline mechanism in Netpreneurs operating behaviors and a development model to integrate social responsibility with business model.

1): The Vibrant Internet Credit System

The Survey of the Credit of Alibaba.com’s users in Q1, 2009

Type	Total Number	Users that Trade Disputes Related	Percentage of Credible Users	Percentage of users that trade disputes related
Registered users	31,626,712	3,703	99.988%	0.012%
Paying Users	408,185	26	99.994%	0.006%

Source: The Survey of the Credit of Alibaba.com’s users in Q1,2009

2): Net rules have directly impelled the development of the e-Commerce industry

3): Net rules have fostered new business paradigm featuring new business habit, business ethnics and business values.

7: Integrity and Trust on the Internet

Credit is the fundamental and core of the Net rules. This chapter highlights the way integrity is promoted and ensured across Alibaba.com, Taobao and Alipay.

Part IV: Emergence of a New Business Paradigm

8: Netpreneurs, Net products and Net rules in the new world of business

The migration of matching buyers and sellers onto online platforms have given rise to Netpreneurs (transaction agents), Net products (merchandise for sale on the Net) and Net rules (rules guiding transaction conduct and behavior), all of which are core components of the new business paradigm.

1): Netpreneurs: the transaction agent in the new business paradigm

The ten years of Netpreneurs growth is a decade of survival with scale, eco-system and socialized development as well as a period of increased social and economic impact.

2): Net products: the commodity in the new business paradigm

Net products are products directly sold online, whose major features are genuine product, affordable price, mass volume and individualization.

3): Net rules: the mainstream rules guiding transaction conduct and behavior in the new business paradigm

As the mainstream rules in the new business paradigm, net rules have marked characteristics such as “integrity, sharing and responsibility”.

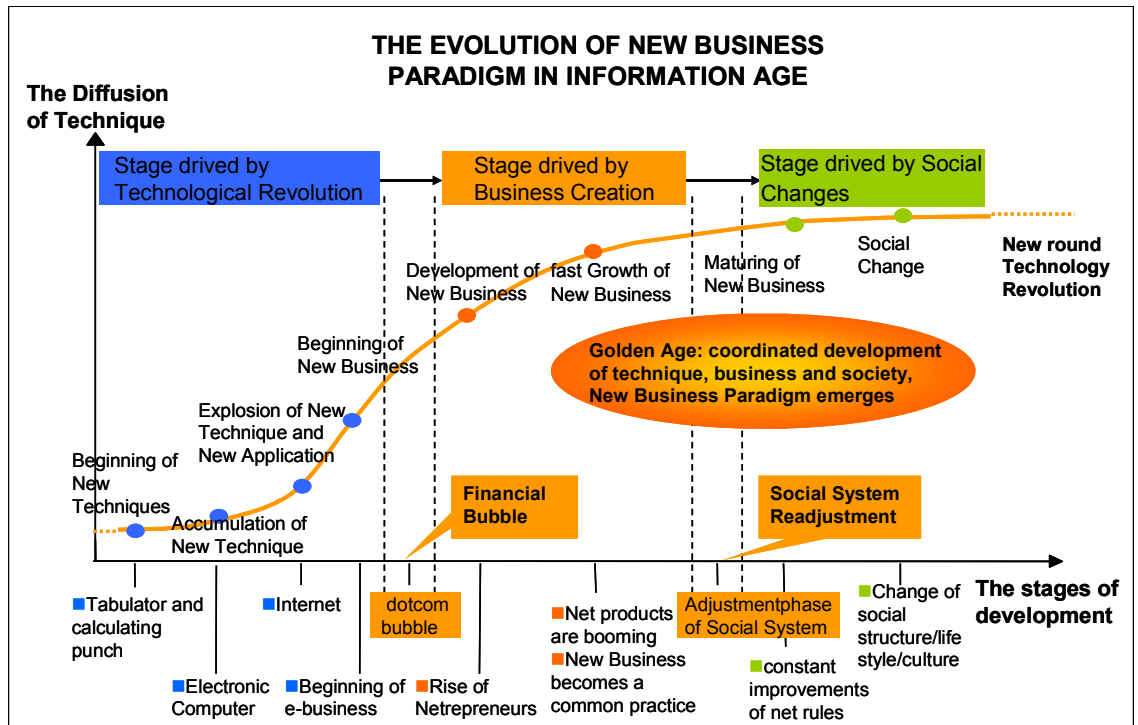
9: Characteristics of the new business paradigm

A whole new business environment is quickly emerging and spreading. It is an ecosystem that is grounded in integrity, transparency, social responsibility and globalization. It is populated and powered by Netpreneurs, Net products and Net rules.

The face of the new business paradigm

- The infrastructure for conducting business in the digital age is becoming increasingly mature. The cloud computing capacities currently in development will potentially offer data management and storage capabilities, and become the foundational system in the new business environment.
- Mass customization and the personalized customization business model will become the Next Big Thing. Customers and consumers will be at the core of the business model in the digital age. The manufacturing process will be guided and shaped by demand from the consumer, and will also be customizing to meet individual consumer needs.
- Both competition as well as cooperation between businesses will be a reality in the new business ecosystem.
- The structure of businesses will be inclined towards transparency and openness. The relationship between businesses and society will become increasingly aligned, whereby business models will be in line with social responsibilities such as community improvement and environmental stewardship.
- Transformations in the business environment in the digital age will induce changes in social structures and lifestyles. First, commerce and social activities will continue to merge. Second, there will be greater stratification in retail consumption. Third, in the area of job creation, the livelihoods of more and more members of the community will directly or indirectly be influenced by e-commerce in terms of operating their own businesses or working for other Netpreneurs. Fourth, living arrangements, general activities, employment and education will increasingly merge.
- Integrity, transparency, fairness and social responsibility will be serve as the foundational and guiding values of every business' mission statement and conduct.
- The revolution in the business environment will bring about institutional changes in line with the digital age.
- Self-governance and maintaining equilibrium will be crucial to the governance structure of the future.

It is the belief of the authors of this report that the realization of the new business paradigm hinges on the innovation and actions of businesses and entrepreneurs. While the development of aspects of the new business paradigm are in motion around the world, there is a concerted effort in China to drive creation of this environment and technologies that will allow this concept to come into being and enable billions of consumers and hundreds of millions of Netpreneurs and their employees to benefit well into the future.



Source: Alibaba Group Research Center

APPENDIX

Appendix 1 : Way of Netpreneurs Battling Tough Weather

Appendix 2 : Overview of Netpreneurs Development Research Report
2004-2009

Appendix 3: China Netpreneurs Development History

Appendix 4: List of Top 10 Netpreneurs in History

Report Data Declaration

Acknowledgments

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