

GUIDING CUSTOMER EXPERIENCES
INTELLIGENTLY!

Webcom Presentation
22.10.2009

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GENERATION

Distributing your software in China: the real opportunities, the real challenges

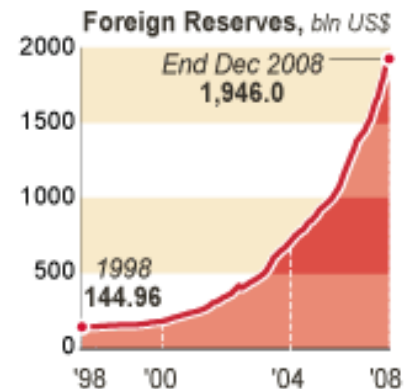
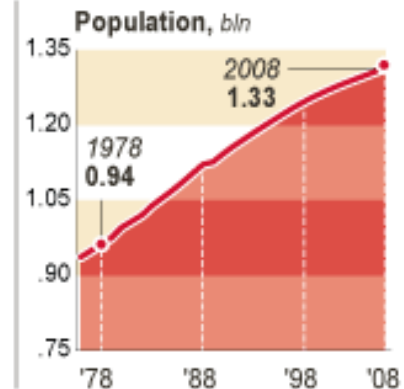
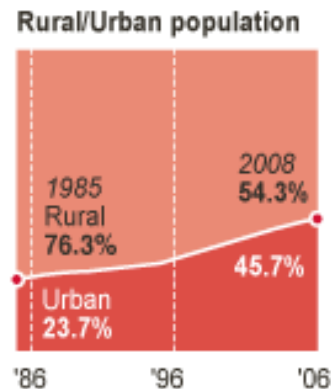
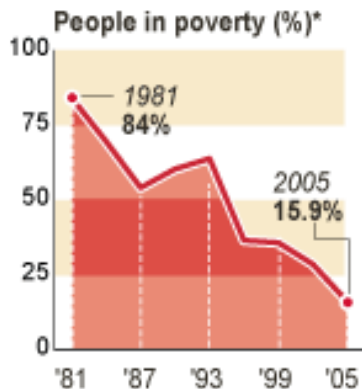
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China's growth



Area:
9.6 mln sq km
Population:
1.33 billion



* World Bank now defines as living on less than US\$1.25 per day

Source: National Bureau of Statistics, State Administration of Foreign Exchange, People's Republic of China, World Bank
† GDP figures from World Development Indicators database and CIA World Factbook, © 2009 estimates based on Deutsche Bank

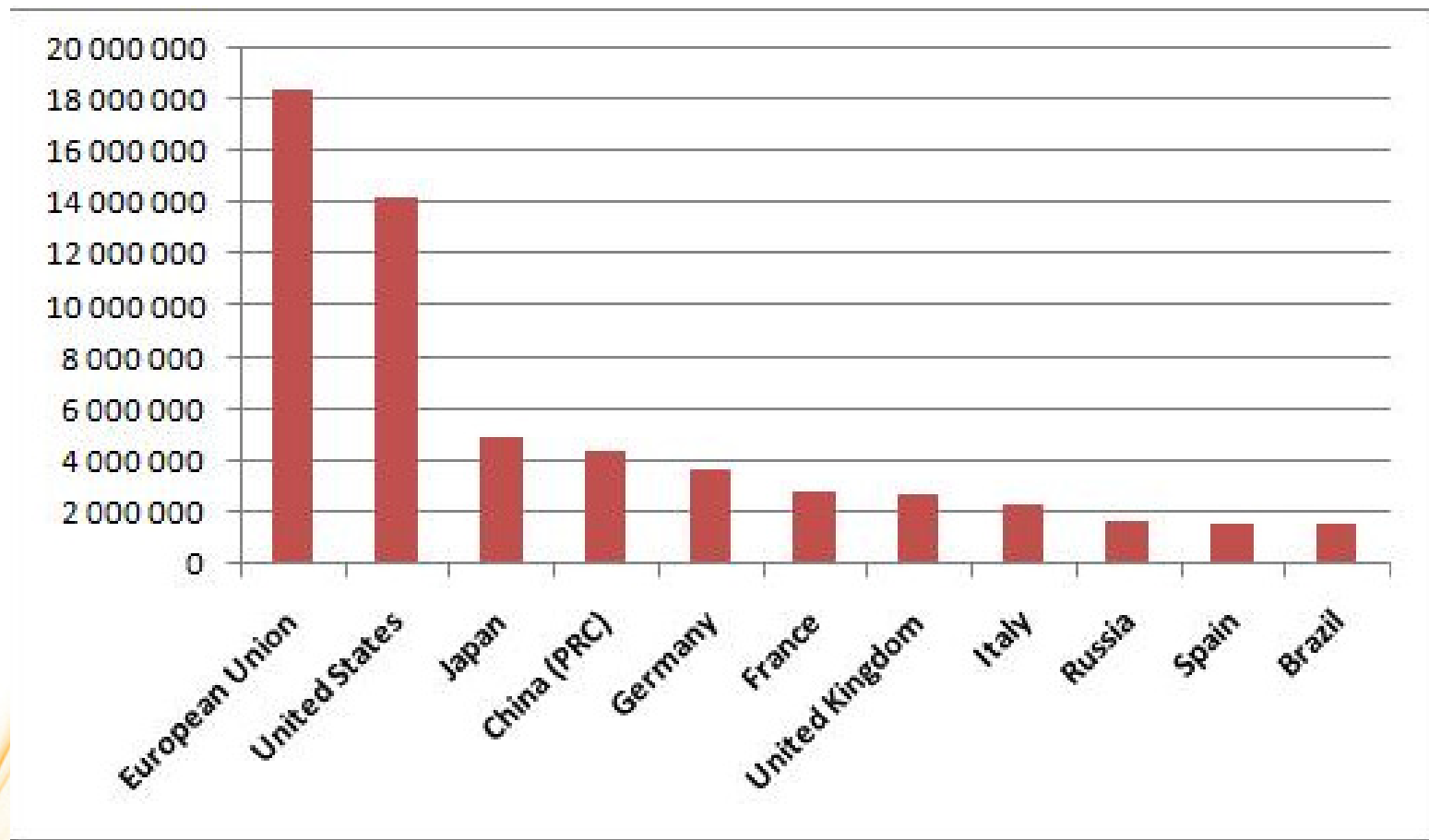


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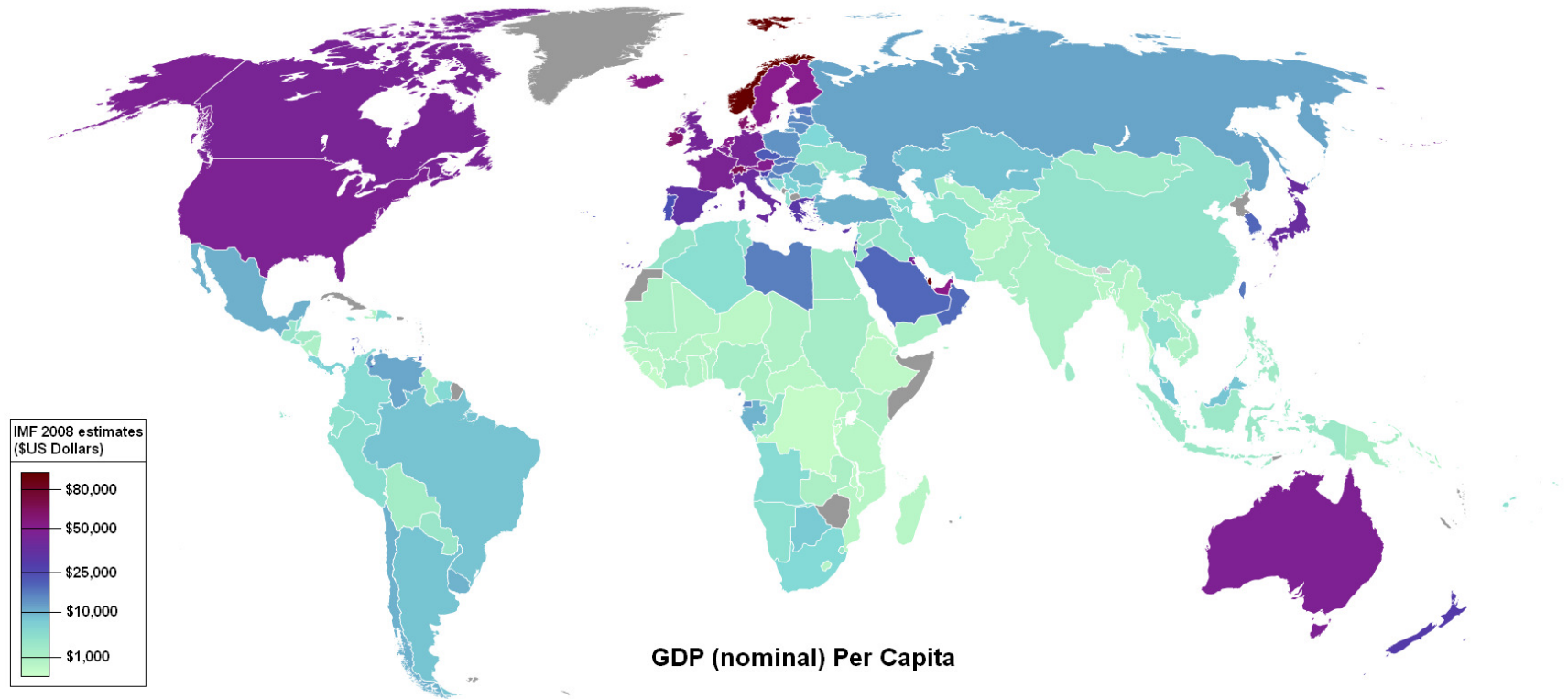
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Nominal GDP IMF 2008 (Mo of USD)



A STILL LOW GDP PER CAPITA...



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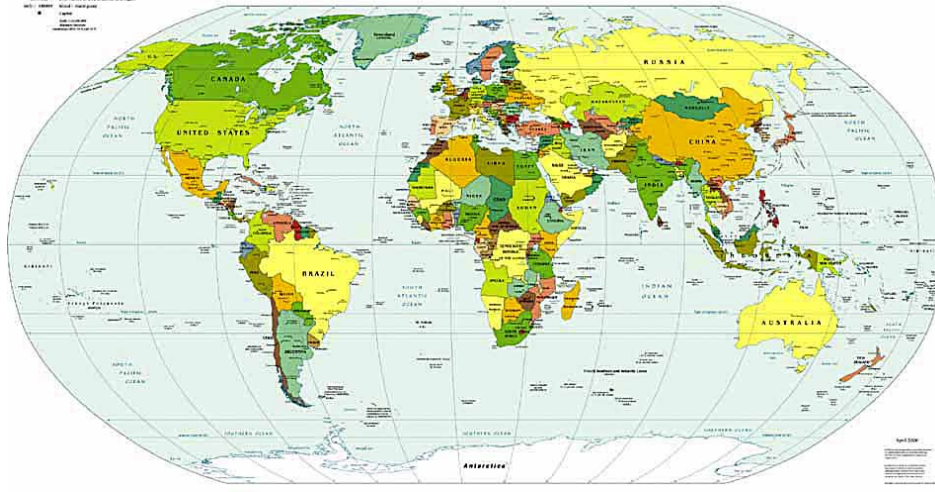
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Service industry contribution to GDP

Developed countries: 65% - 75%

China: Around 33%

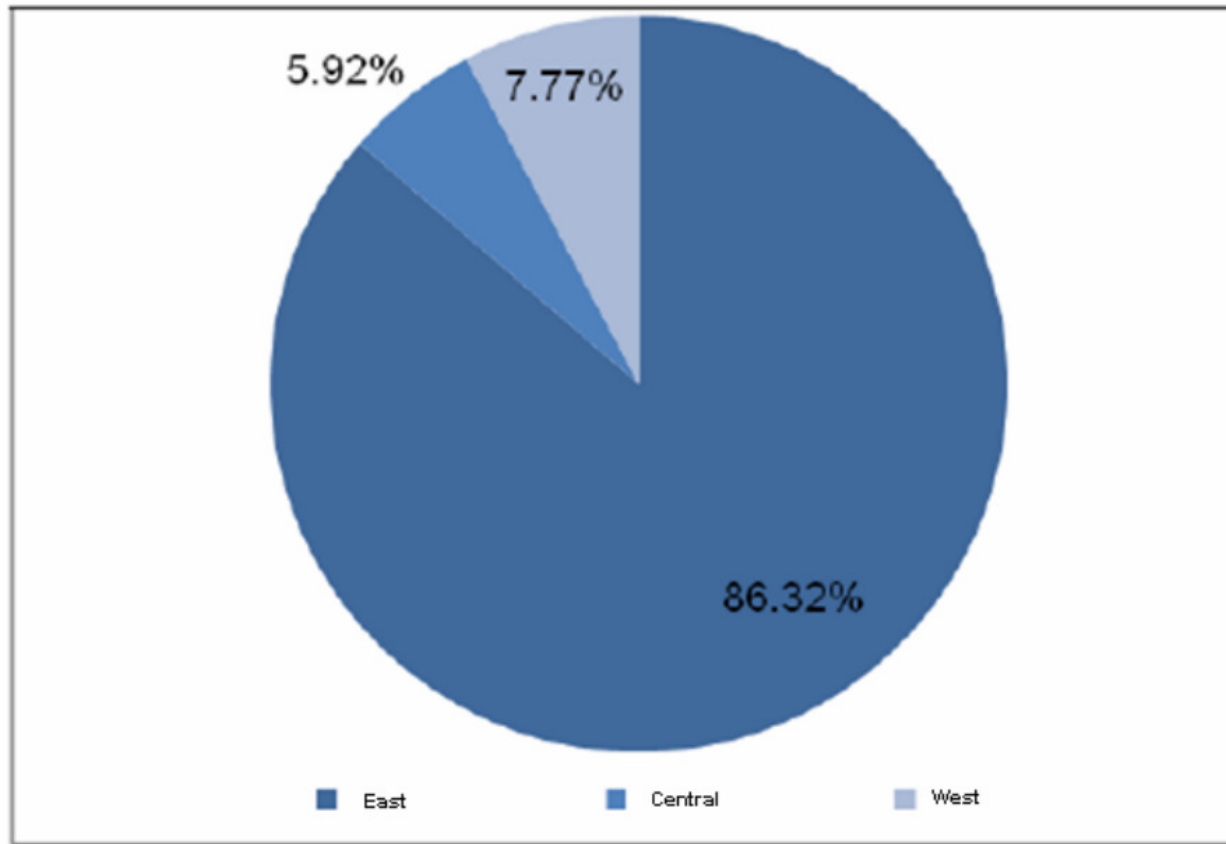
Political Map of the World, April 2000



**For a sustainable development
China must foster a strong service sector**

A VERY LARGE EASTERN DOMINANCE

China's Software Revenue Structure by Region, Jan-Aug, 2008



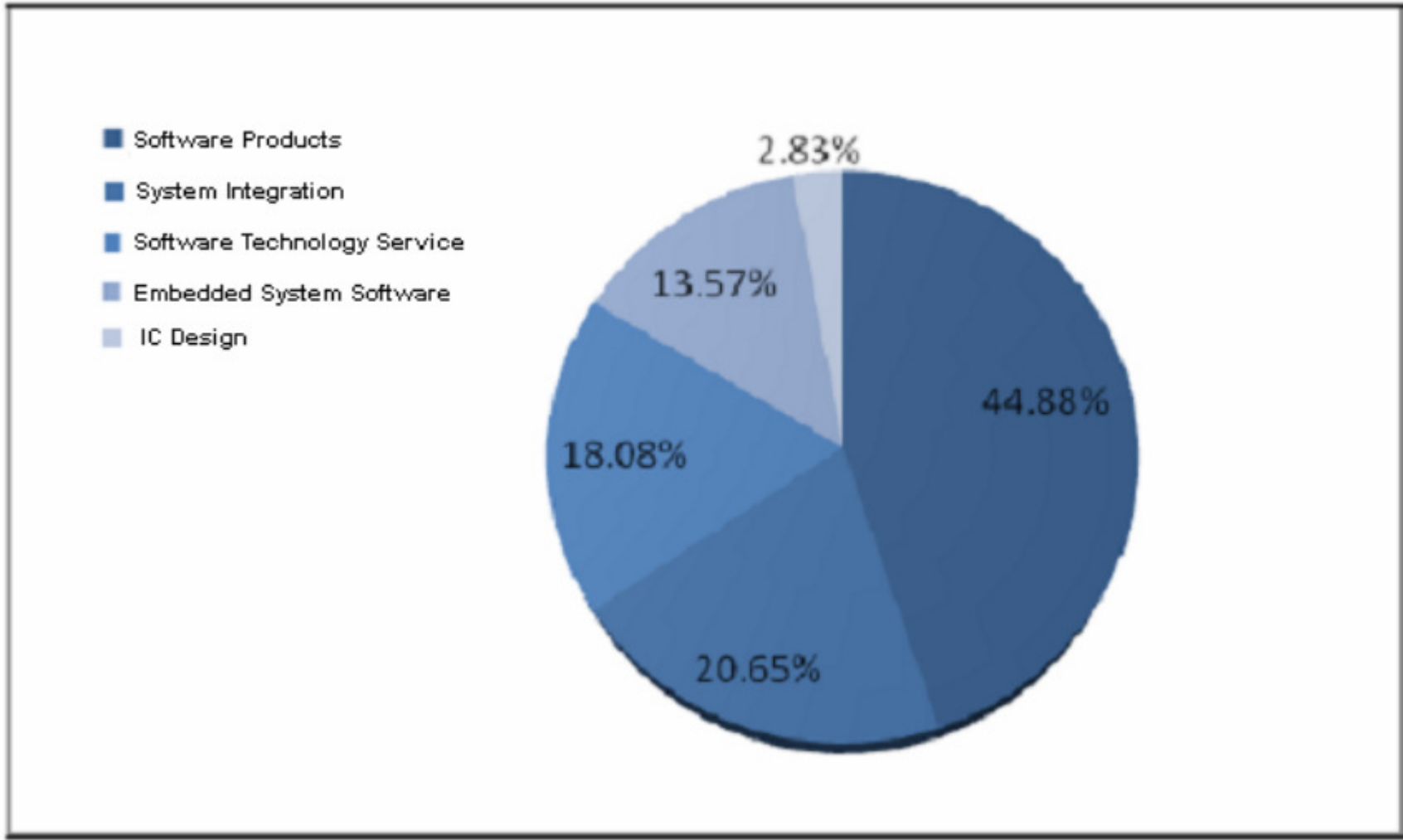
China Software Market Monthly
(invest to China)

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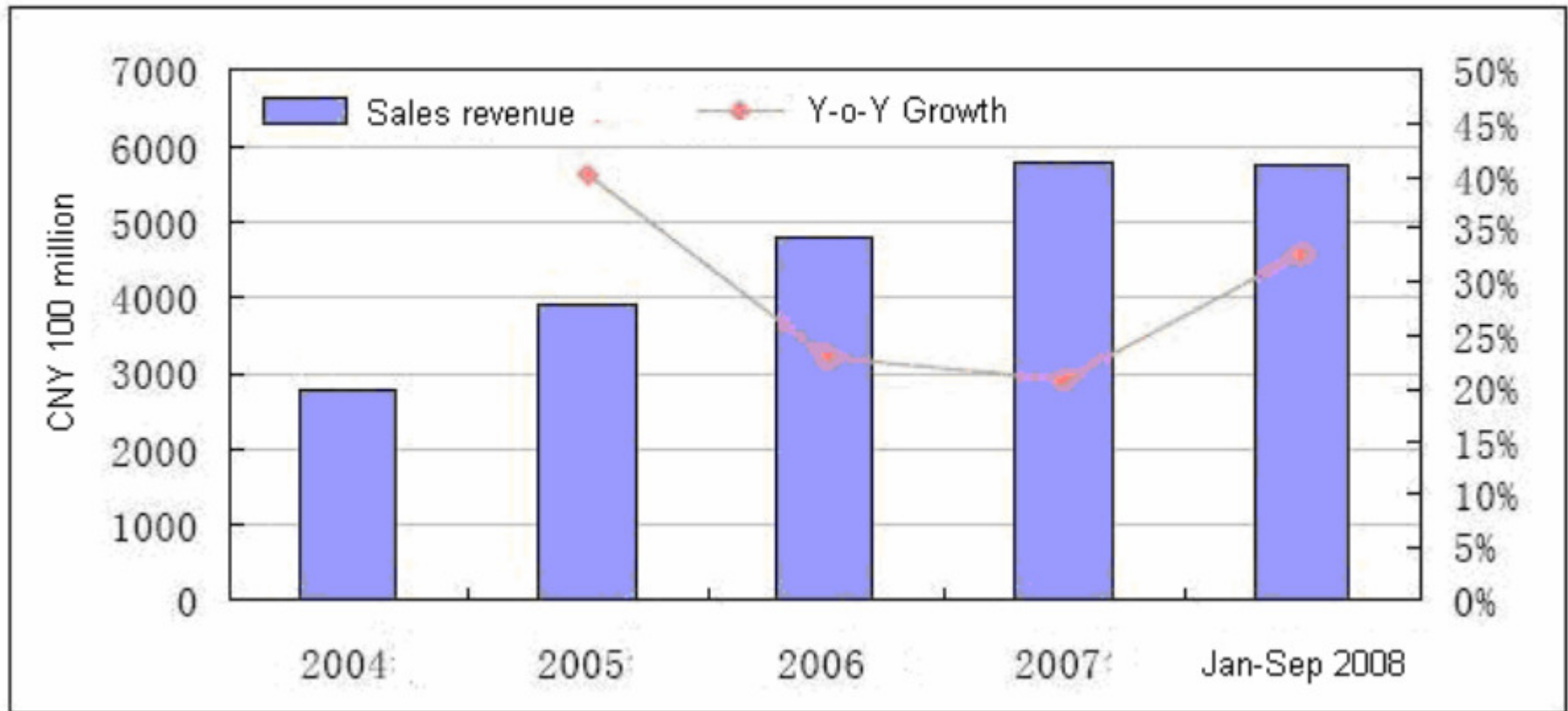
Cheap resources, Expensive products

China's Software Revenue Structure by Sectors, Jan-Aug, 2008










REVENUE OF THE SOFTWARE Industry

Sales Revenue and Y-o-Y Growth of Software Industry, 2004- Sep 2008

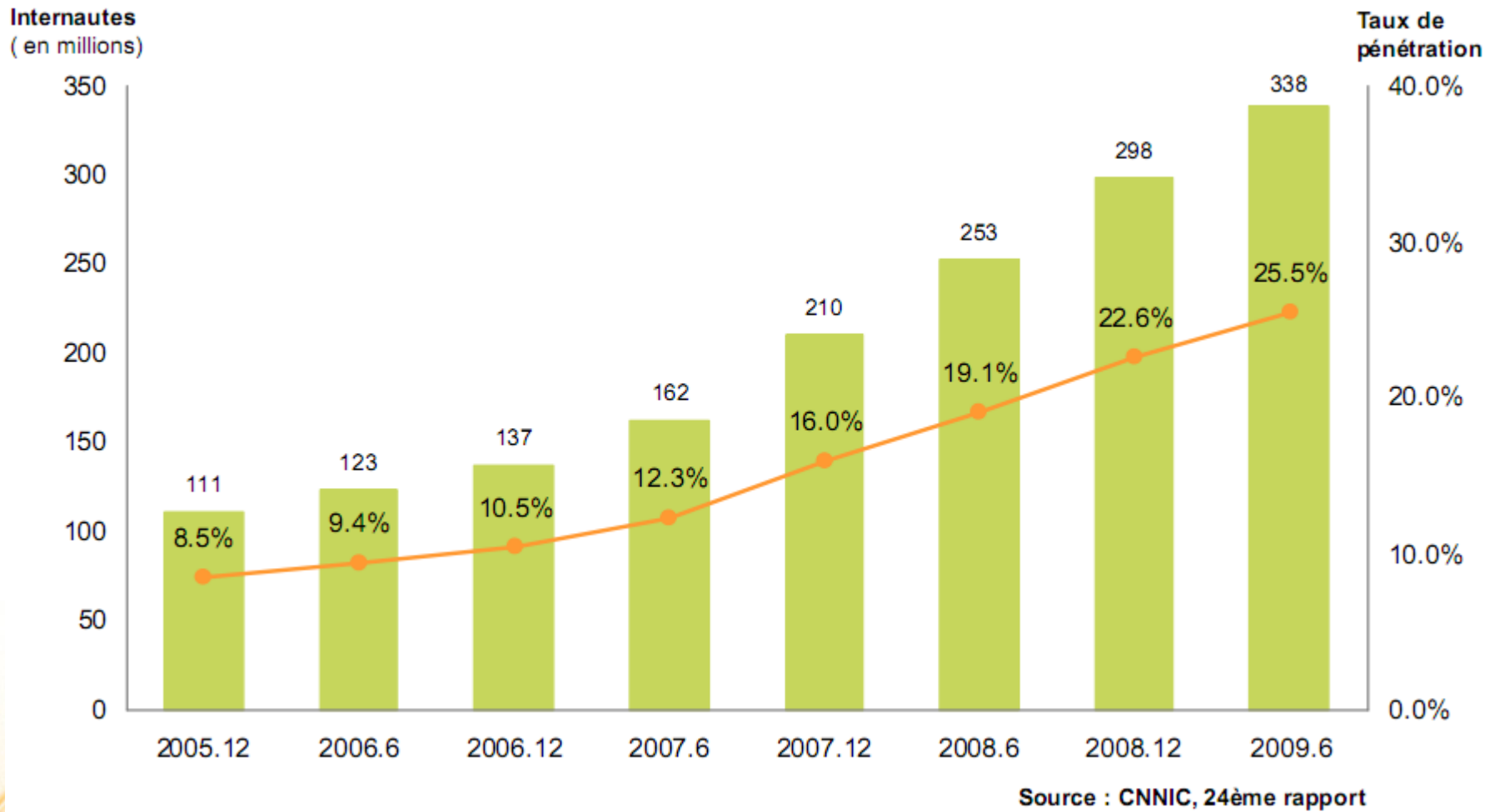


WHAT ABOUT THE IP PROTECTION?

		Piracy Rates				Losses (\$M)			
		2006	2005	2004	2003	2006	2005	2004	2003
ASIA/PACIFIC									
	Australia	29%	31%	32%	31%	\$515	\$361	\$409	\$341
	China	82%	86%	90%	92%	\$5,429	\$3,884	\$3,565	\$3,823
	Hong Kong	53%	54%	52%	52%	\$180	\$112	\$116	\$102
	India	71%	72%	74%	73%	\$1,275	\$566	\$519	\$367
	Indonesia	85%	87%	87%	88%	\$350	\$280	\$183	\$158
	Armenia	95%	95%	-	-	\$8	\$7	-	-
	United States	21%	21%	21%	22%	\$7,289	\$6,895	\$6,645	\$6,496

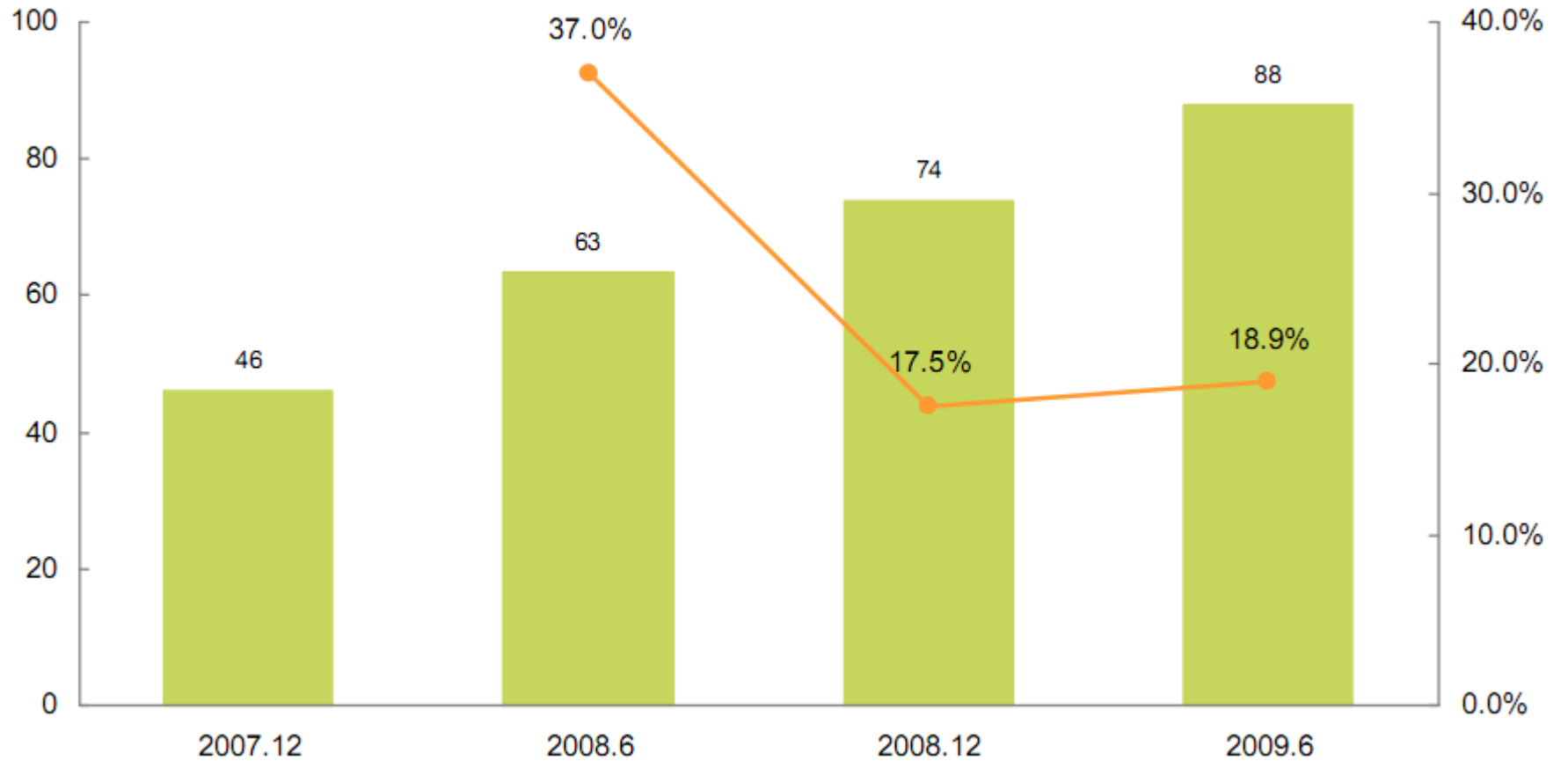
Lowest piracy rates but biggest losses...?

INTERNET ADOPTION IN CHINA



ONLINE BUYING IN CHINA

e-consommateurs
(en millions)



Source : CNNIC, 24ème rapport

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WEB SITES: QUICK GROWTH SINCE '07

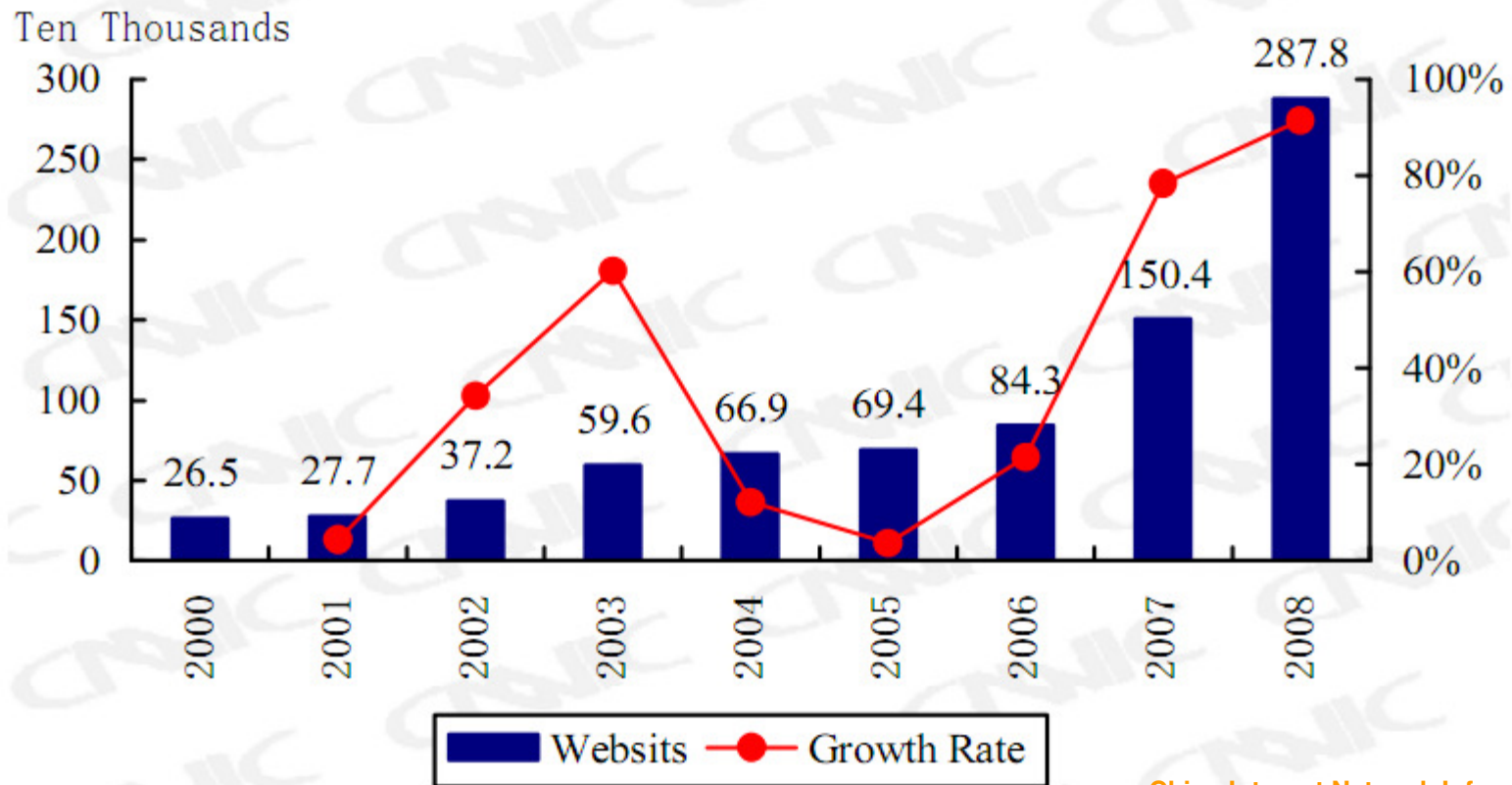


Figure 16 Number of Websites in China from 2000 to 2008

INTERNET CAFES ARE VERY ACTIVE!

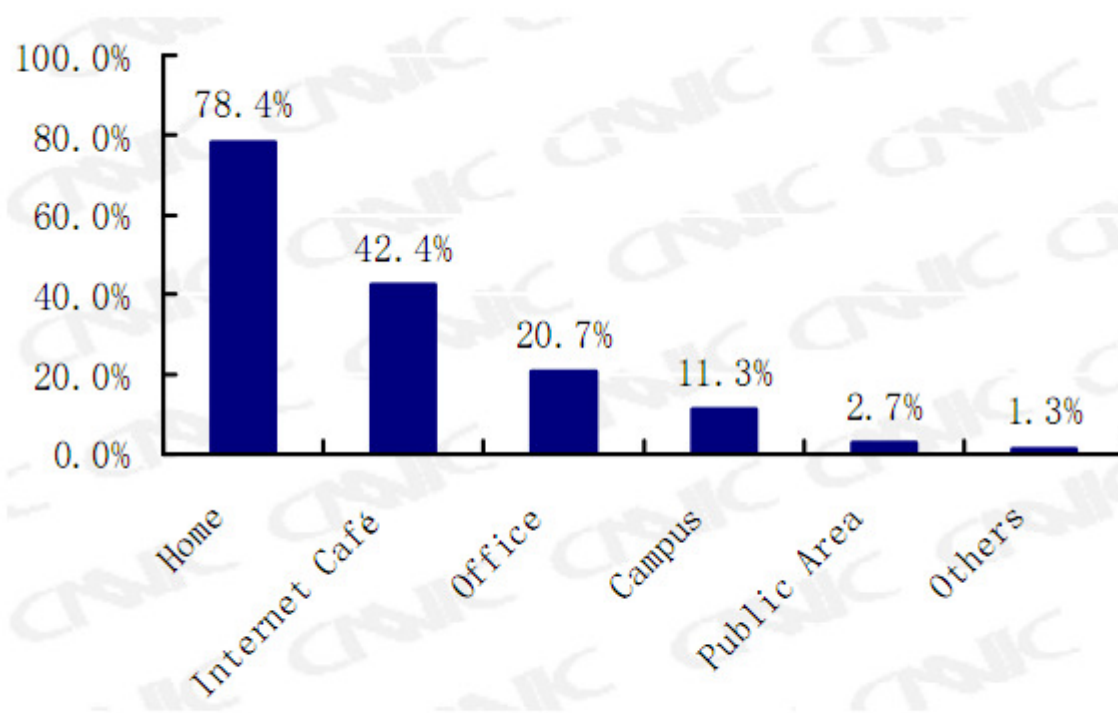


Figure 21 Places of Internet Access

China Internet Network Information Center

BROADBAND IS ALREADY THERE!

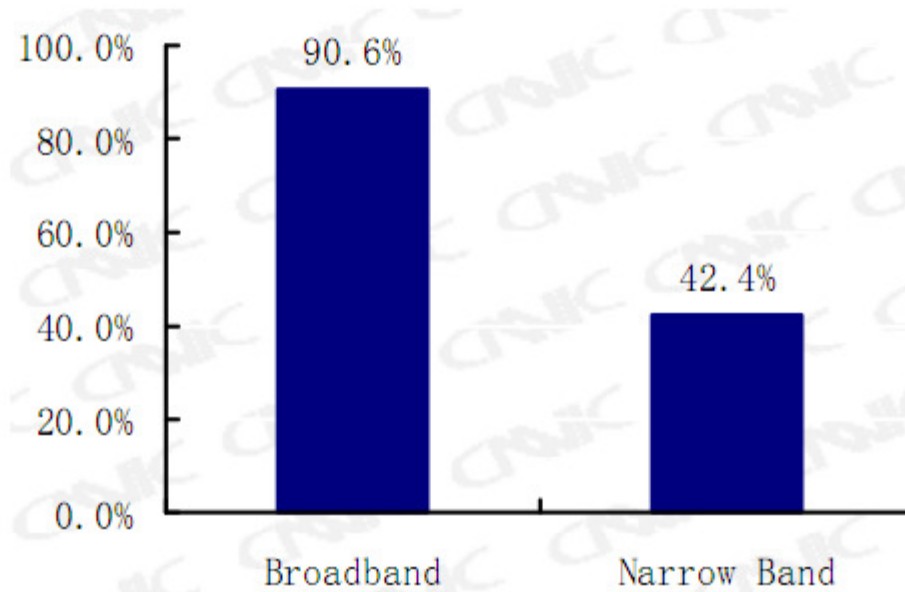


Figure 24 Penetration Rates of Broadband and Narrowband among Netizens

China Internet Network Information Center

MOBILE = 1/3 OF THE ACCESS!

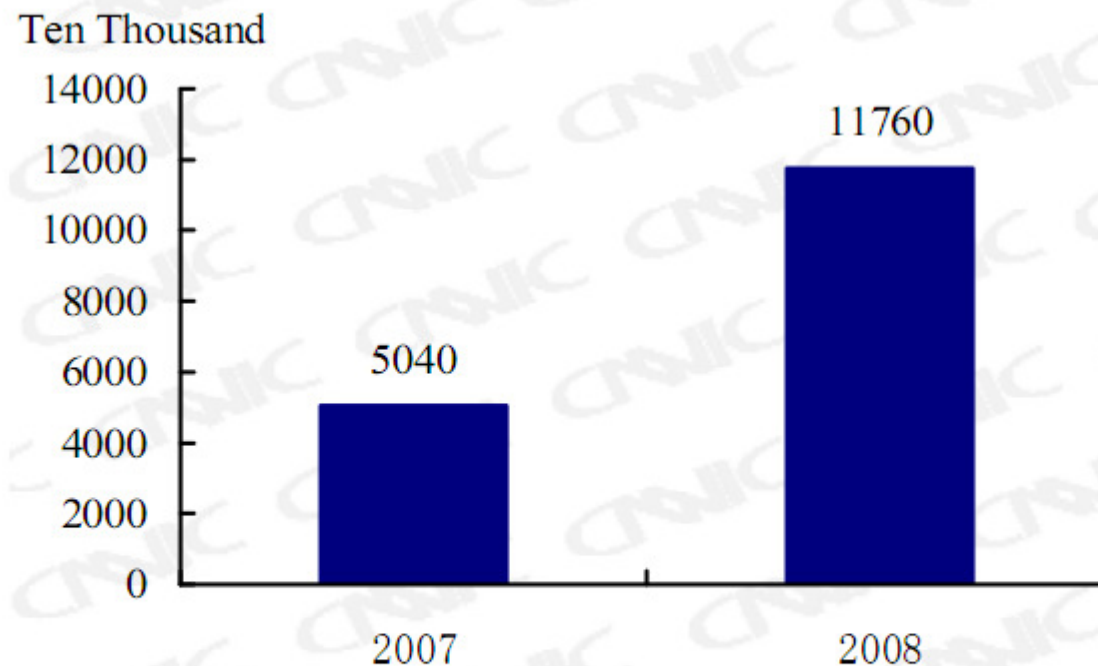


Figure 4 Comparison of Size of Netizens Accessing the Internet via Mobile Phones

2007-2008

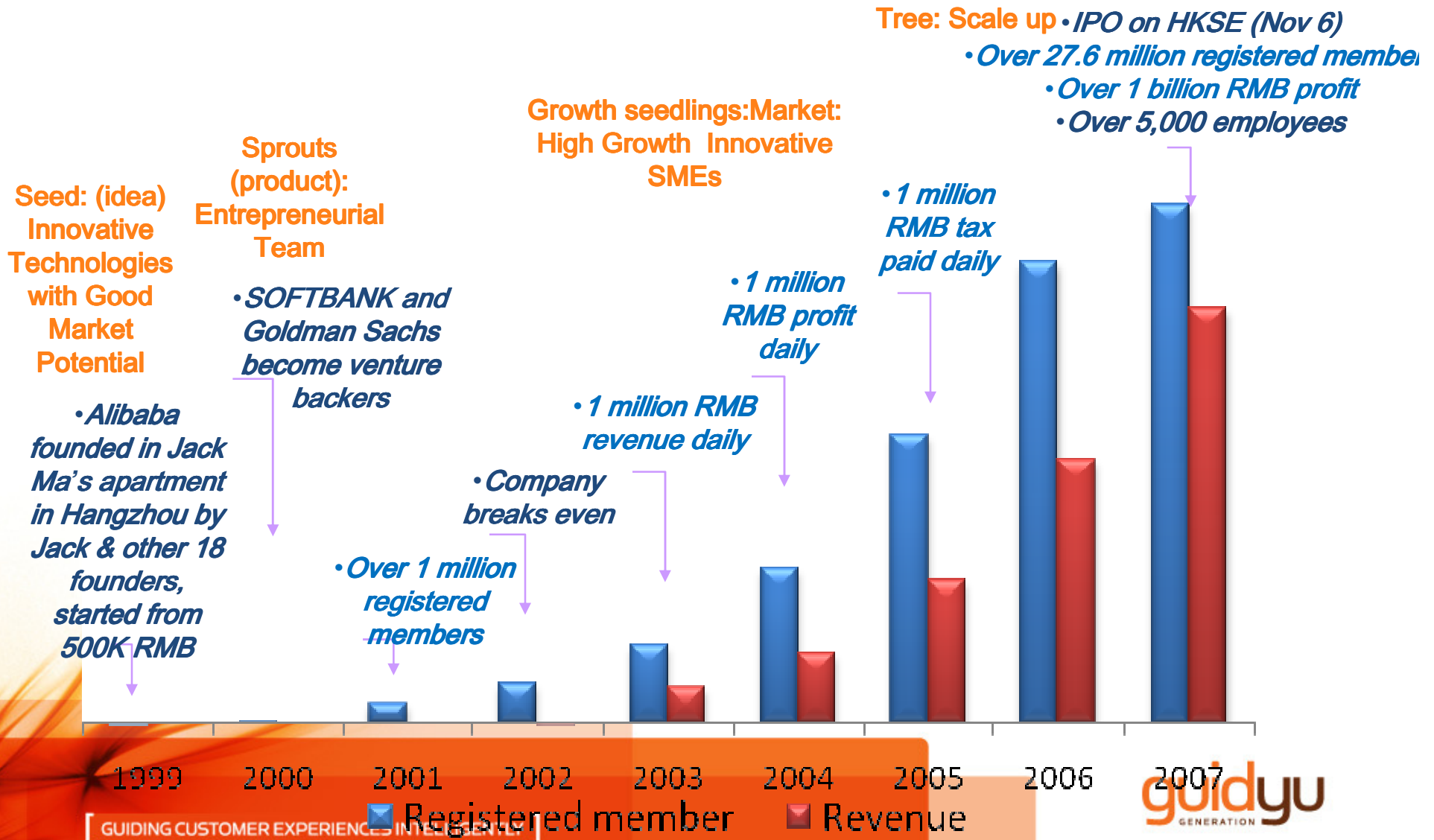
China Internet Network Information Center

APPLICATIONS: PENETRATION RATES

Table 17 Penetration Rates of Various Internet Applications among Key Groups

		Middle school and primary school students	College students	Office employees	Rural migrant workers	Total
Network media	Network news	68.1%	89.9%	83.1%	73.4%	78.5%
Information search	Search engines	63.5%	84.4%	71.9%	56.6%	68.0%
	Online recruitment	8.9%	29.5%	23.0%	23.7%	18.6%
Network communication	Email	52.2%	81.4%	60.4%	38.9%	56.8%
	Instant messaging	77.5%	91.1%	75.0%	66.5%	75.3%
Network community	Having blogs	64.0%	81.4%	50.9%	43.1%	54.3%
	Forum/BBS	24.1%	55.5%	34.6%	17.2%	30.7%
	Friend-making websites	16.8%	26.0%	20.2%	18.2%	19.3%
Network entertainment	Network music	86.9%	94.0%	83.4%	78.2%	83.7%
	Network video	67.4%	84.4%	68.1%	57.3%	67.7%
	Network games	69.7%	64.2%	60.6%	55.5%	62.8%
E-commerce	Online shopping	16.2%	38.8%	29.4%	11.7%	24.8%
	Online selling	2.1%	5.2%	4.4%	0.8%	3.7%
	Online payment	9.6%	30.5%	22.4%	7.9%	17.6%
	Travel reservation	2.0%	6.8%	6.8%	2.5%	5.6%
Others	Online banking	7.7%	29.9%	25.5%	7.4%	19.3%
	Online stock speculation	4.7%	4.7%	15.5%	4.1%	11.4%
	Online education	16.2%	25.6%	17.3%	7.8%	16.5%

ALIBABA: THE HISTORY



ALIBABA: A REAL DEAL

- Raised US\$1.7 billion, the world's 2nd largest Internet IPO after Google
- US\$180 billion in subscription monies frozen, more than any other HK IPO
- Price jumped 193% in the 1st day of trading, best IPO performance in 10 years
- China's biggest Internet company by market capitalization
- Asia's 2nd biggest Internet company
- World's 6th biggest Internet company



ALIBABA STRATEGY: THE SME

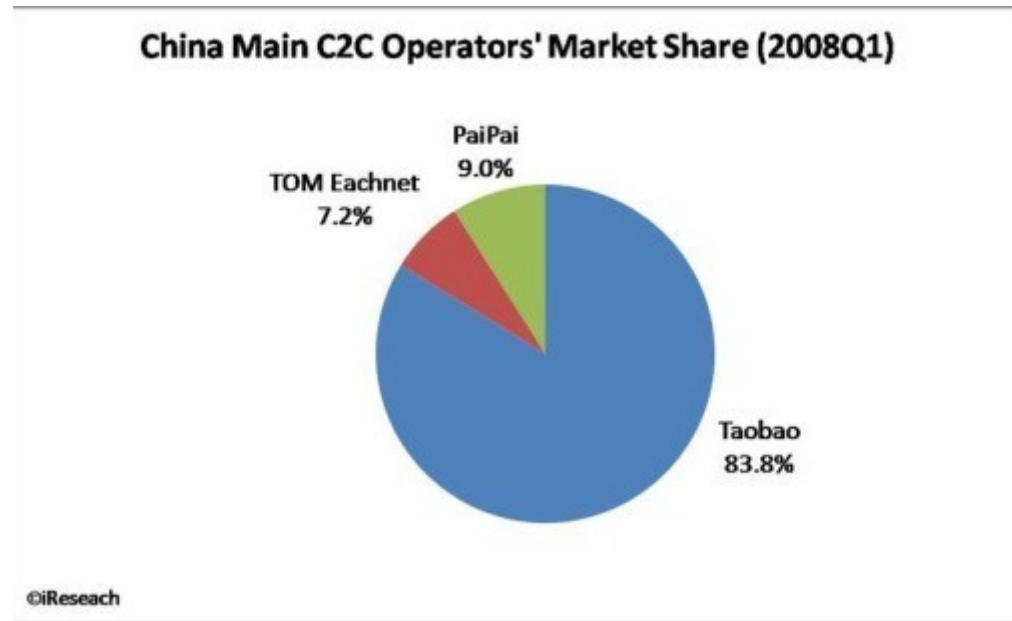
➤ **Big SME* market**

- In China : 42 million SMEs
- In Europe: 23 million SMEs
- In US: 22 million SMEs

➤ **Critical to global economy and trade**

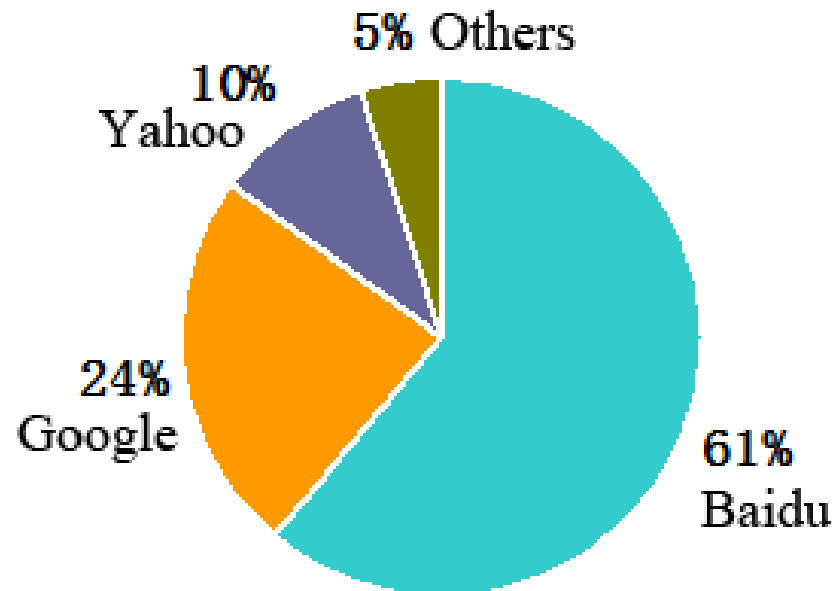
- In China: 58% of GDP, 68% of import and export volume, 75% of employment
- In Europe: over 50% of GDP, 60% of employment, over 100 million jobs
- In US: over 50% of GDP, 67% of export volume, 67% of employment

TAOBAO, WINNER AGAINST EBAY



In 2003, EachNet (E-Bay Subsidiary in China) had over 90% of the C2C market...
TAOBAO belongs to the ALIBABA group

WERE NOT IN KANSAS ANYMORE...



% = market share 2007
Source: iResearch

CAN I DO IT IF GOOGLE,BAIDU FAILS?

What really matters:

- LOCALISATION: IT'S NOT JUST TRANSLATION!
 - Alibaba - Taobao:
 - CHAT TO NEGOTIATE PRICE
 - ESCROW TO MAKE SURE GOOD IS SENT
- SMALL UNIT PRICE, BIG VOLUME!
 - Don't expect to make any money before you reach millions of customers

WHAT SOFTWARE WORKS?

What type of software is hot in CHINA?

- REAL NEED IS STILL BASIC
 - Chinese customers want to have the best technology, but they have mostly basic need; if your software can manage both, it's the best fit!
- THEY WANT TECHNOLOGY, NOT ROI
 - Even if everybody agrees that ROI is important, the real decision will be made on the basis that the executives think your technology is "cool"!

WHAT MODEL WORKS?

What type of model is easy to sell in CHINA?

- SOFTWARE + HARDWARE: NOT VIRTUAL
 - Pricing model which are related to hardware (per CPU, per server, etc.) is better than virtual (per click, ...)
- Capex is better than Opex
- Model to be robust to MANY intermediates
- Sell product, not service

WHAT DO I NEED?

What do you need before selling in CHINA?

- BIG NAME REFERENCE (having CityBank as a customer for \$10K is better than HydroQuébec for \$1M)
- A LOT OF DOCUMENTATION (if there is more than 100 pages, it is something serious!)
- CASE STUDY WELL DOCUMENTED (the copy&paste is what works)

HOW SHOULD I START?

How to prepare your Software Distribution in China?

- FIND A FOREIGN COMPANY ESTABLISHED IN CHINA WITH EXPERTISE IN SOFTWARE
- VISIT MANY TIME
- MAKE SURE YOU ADDRESS A REAL NEED (EVERYBODY IS INTERESTED WITH WHAT'S NEW, BUT IT'S NOT A GUARANTEE TO SELL)
- BUDGET A LOT FOR LOCALISATION
- BUDGET A LOT FOR POCs
- BUDGET FOR A LONG TIME (> 1 year before first revenue)



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Asia Regional HQ

Beijing, China

European Regional Office

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