

bda

BDA Due Diligence Report on Koudai App

15 April 2014

©BDA 2014



- **Executive Summary**
- Analysis of Koudai's Business Performance
- Koudai's Value Proposition to Users
- Outlook for Koudai's Traffic Growth
- Assessment of YouShop's Business Performance
- Merchant and Customer Comments on YouShop
- Risks and Challenges to YouShop
- Evaluation of Koudai's Management Team

In general we are positive about Koudai's management team and the performance of YouShop; Our main concern is that the limitations to Koudai's DAU growth will prevent YouShop evolving into a marketplace

Management Team

- +** Koudai has a strong executive team with good executive abilities. This means it will keep upgrading and optimizing their products and respond swiftly to market trends and the needs of merchants and clients
- Koudai's team has no detailed plans on how to achieve significant DAU growth

Koudai

- Customer Feedback: Koudai lags behind Mogujie and Meilishuo in terms of all the key decision-influencing factors, including ease of finding desired products, a full range of categories and good brand name and good product recommendations. In general, Koudai has a lower NPS than its peers.
- DAU Growth Potential: Koudai will face difficulties raising the DAU from **1.3 MN** to 5 MN by the end of 2014

YouShop

- +** The number of merchants on YouShop has quickly ramped up to over 3 million, with **GMV of RMB 1,700** million in March 2014 without any marketing spending, indicating strong market demand
- +** The majority of merchants and customers show great enthusiasm for continuing to use YouShop, even though YouShop's functions are far from mature

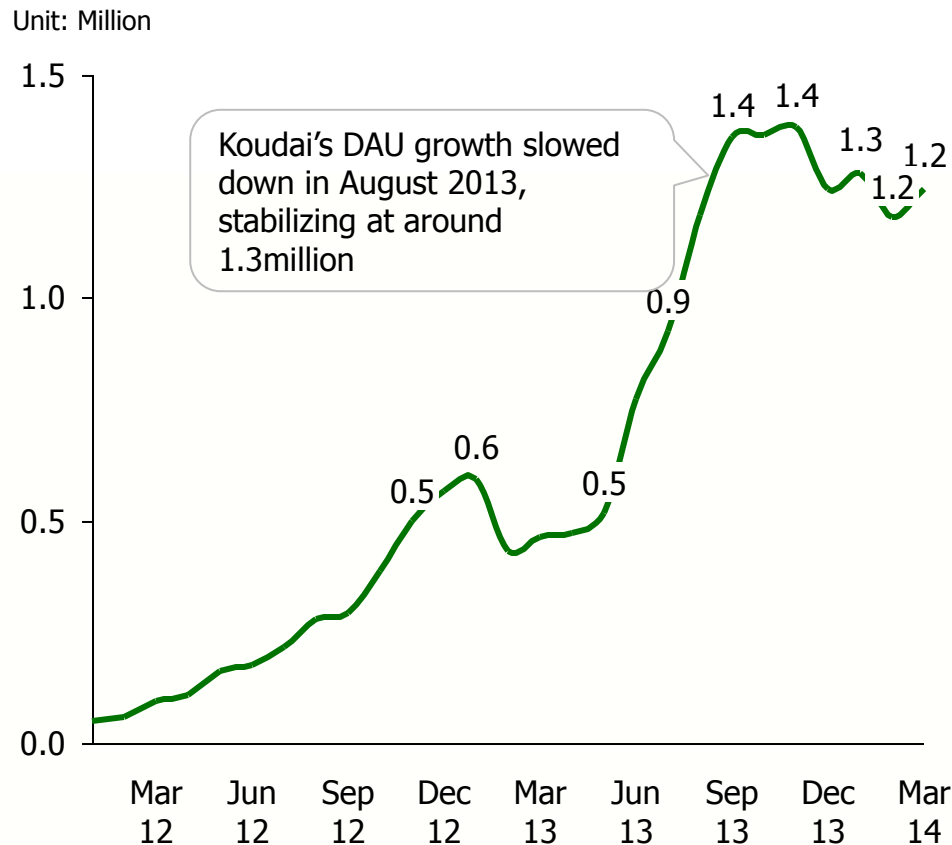
Challenges to Evolving into a Marketplace

- Traffic**: YouShop needs to rapidly generate incremental traffic for merchants to prevent losing of them
- Infrastructure of a Marketplace**: YouShop needs to establish the complete infrastructure for an e-commerce marketplace including credit system, product and order management, IM and after sales service systems.
- Threat from Taobao**: YouShop might face a threat from Taobao because of the rapid growth of its GMV. Taobao might prohibit active merchants from trading on YouShop.

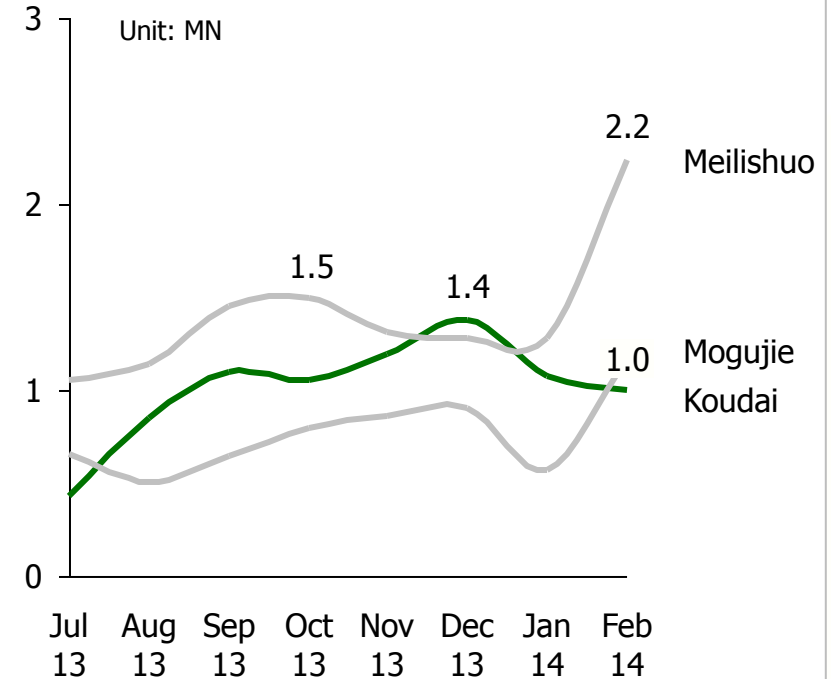
- Executive Summary
- **Analysis of Koudai's Business Performance**
- Koudai's Value Proposition to Users
- Outlook for Koudai's Traffic Growth
- Assessment of YouShop's Business Performance
- Merchant and Customer Comments on YouShop
- Risks and Challenges to YouShop
- Evaluation of Koudai's Management Team

The DAU figure for the Koudai App was on an upward trend but has stabilized at around 1.3 million since mid-2013; Koudai has less traffic than Meilishuo

Koudai App's DAU Figure - Provided by the Company (January 2012 – March 2014)

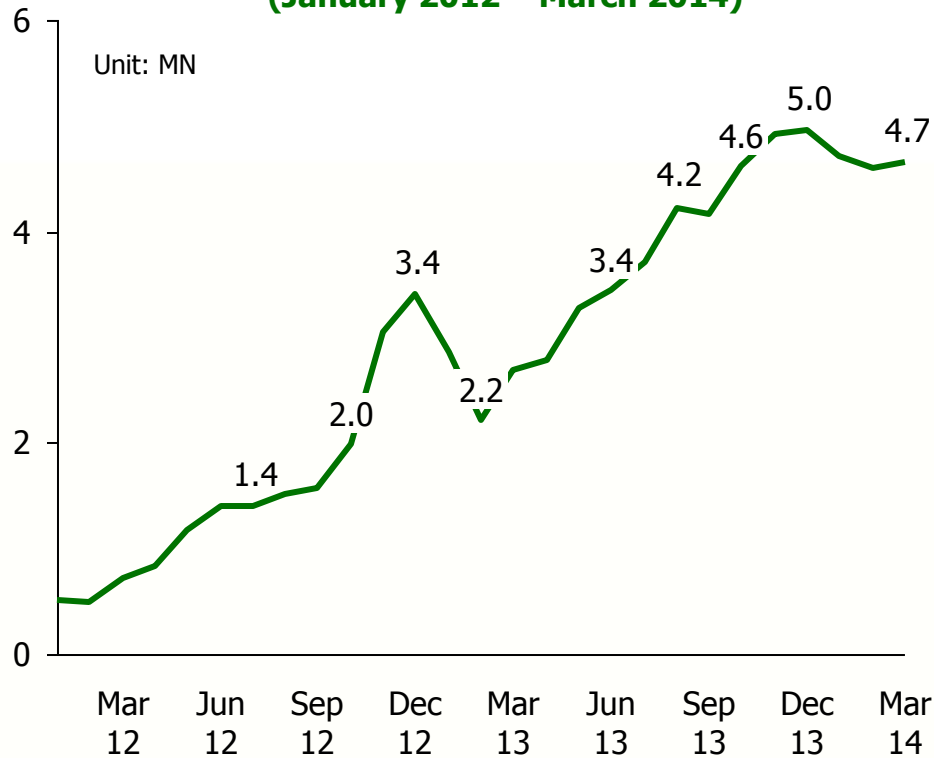


DAU on Mobile: iResearch Figure (July 2013 – February 2014)

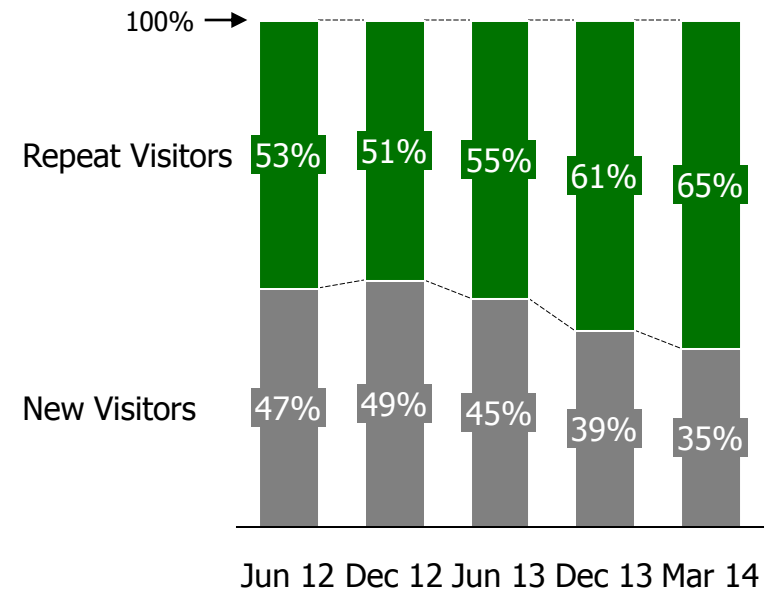


Growth in Koudai's MAU mirrors that of DAU, now stabilized at around five million; However the quality of its traffic is improving, as repeat visitors account for an increasing share

**Koudai's App: Monthly Active Users
(January 2012 – March 2014)**



MAU Breakdown by Type of User



Cohort Analysis of Koudai's Users (January 2012 – January 2014)

User Acquired in	Retention Rate in One Month	Retention Rate in Two Months	Retention Rate in Three Months	Retention Rate in Six Months
January 2013	44%	36%	30%	21%
February 2013	50%	42%	36%	24%
March 2013	46%	37%	32%	20%
April 2013	44%	35%	29%	18%
May 2013	42%	33%	27%	16%
June 2013	40%	31%	26%	15%
July 2013	39%	31%	25%	14%
August 2013	36%	29%	23%	12%
September 2013	39%	31%	25%	
October 2013	42%	34%	27%	
November 2013	40%	31%	24%	
December 2013	37%	29%		
January 2014	35%			

Users usually visit Koudai 10 to 14 times a month but recently it grows to 25, and they spend five to seven minutes on each visit

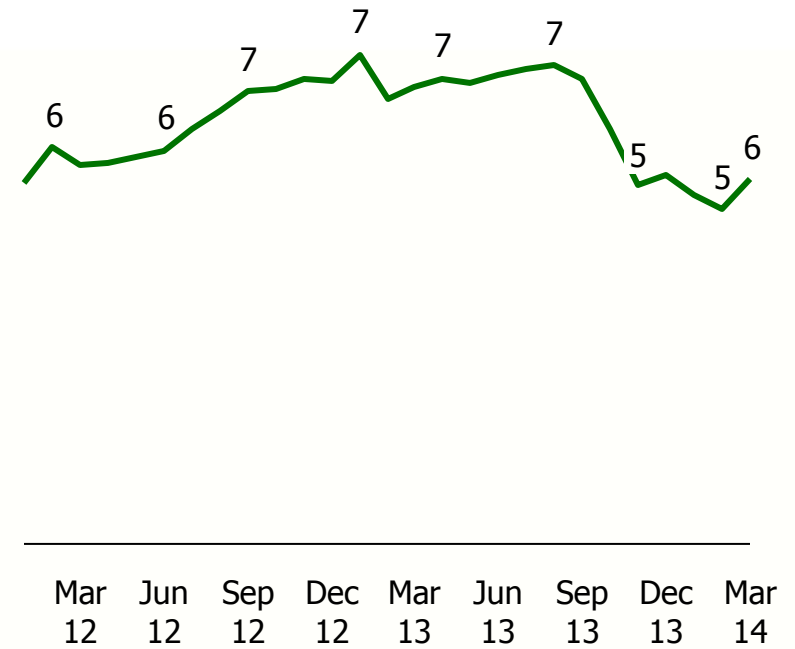
Monthly Number of Visits per User (January 2012 – March 2014)

Unit: #



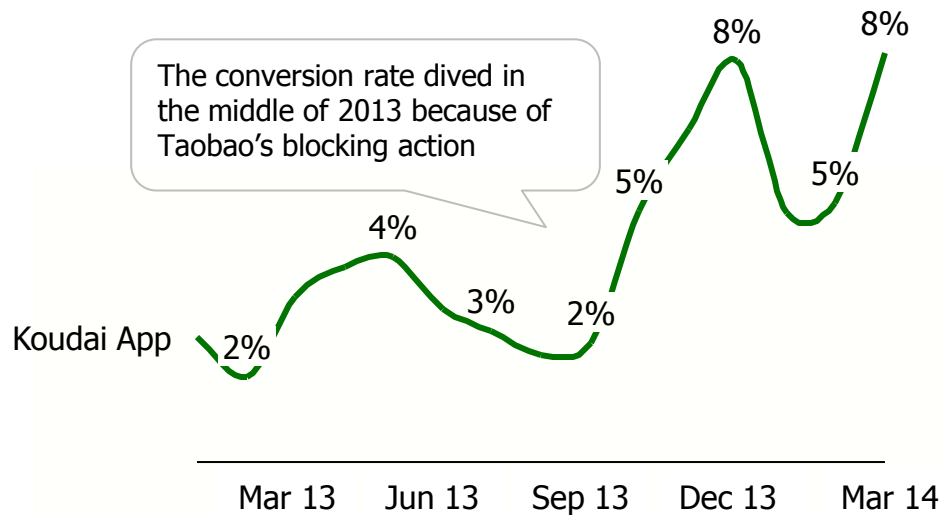
Average Time Spent per Visitor (January 2012 – March 2014)

Unit: Minutes



Koudai has a conversion rate higher than its peers and Taobao mainly because it works as a search engine covering all categories and not as a media site or SNS, covering women's clothing and accessories only, like its peers do

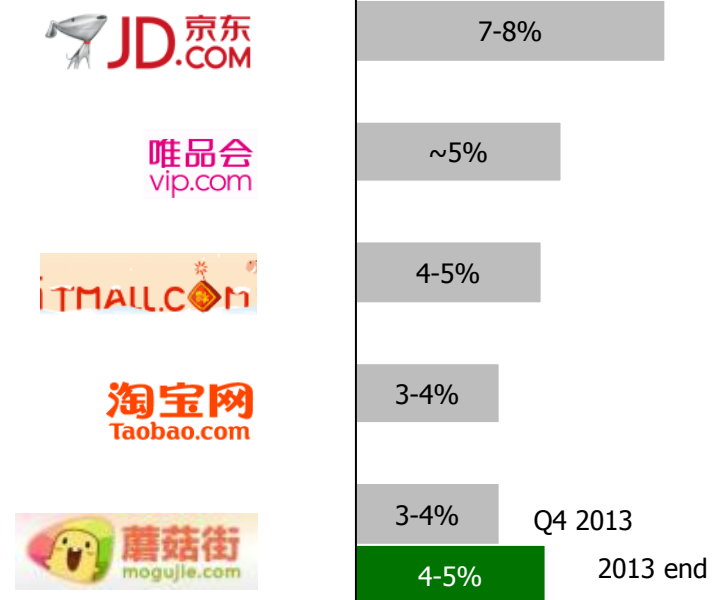
Koudai's Conversion Rate¹ (January 2012 – March 2014)



- **Koudai has a higher conversion rate for the following two reasons:**

- 1) Koudai works as a search engine; the products recommended are more relevant to customers' needs
- 2) Koudai covers all categories of products and can link customers to various platforms including large B2C

Benchmark Conversion Rates¹ on E-commerce Platforms (2013)

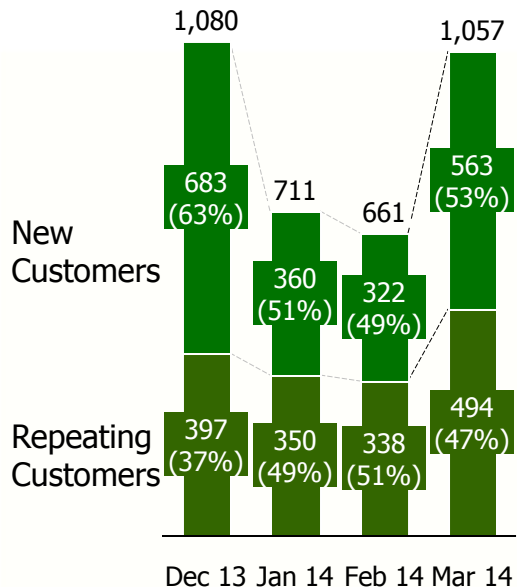


Note: 1. The conversion rate is the number of orders as a percentage of total visits.

Koudai had more than one million paying customers; On average, customers make purchases three times a month and the basket is worth between RMB 70 and 110

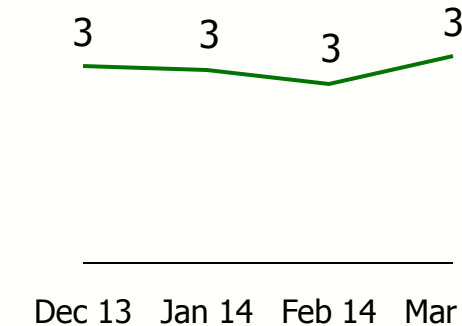
Number of Paying Customers (December 2013 – March 2014)

Unit: 000'



Average Monthly Orders per Customer (December 2013 – March 2014)

Unit: #



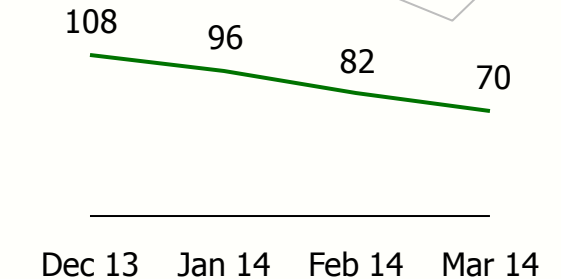
Mogujie:

- Mogujie's Average Monthly Order per Customer Figure is **1-2**

Basket Size (December 2013 – March 2014)

Unit: RMB

The management team told us the declining trend was mainly due to seasonal reasons.



Mogujie:

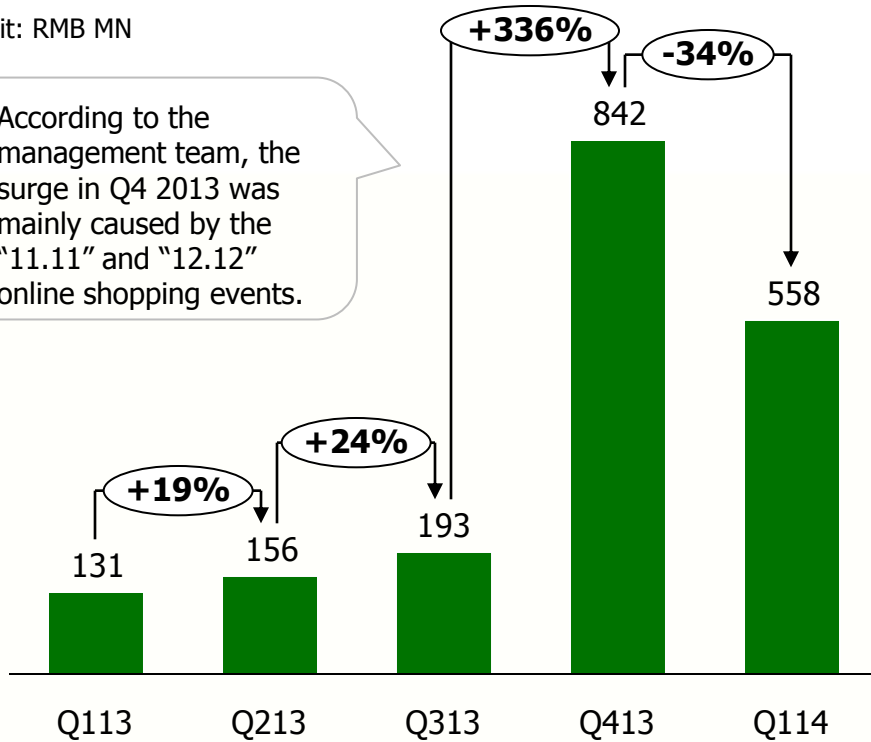
- Mogujie's basket size is around **RMB 120**

Koudai's GMV saw an abnormal surge in Q4 2013 because of two major online shopping events; The main contributors to Koudai's GMV are women's clothes and accessories

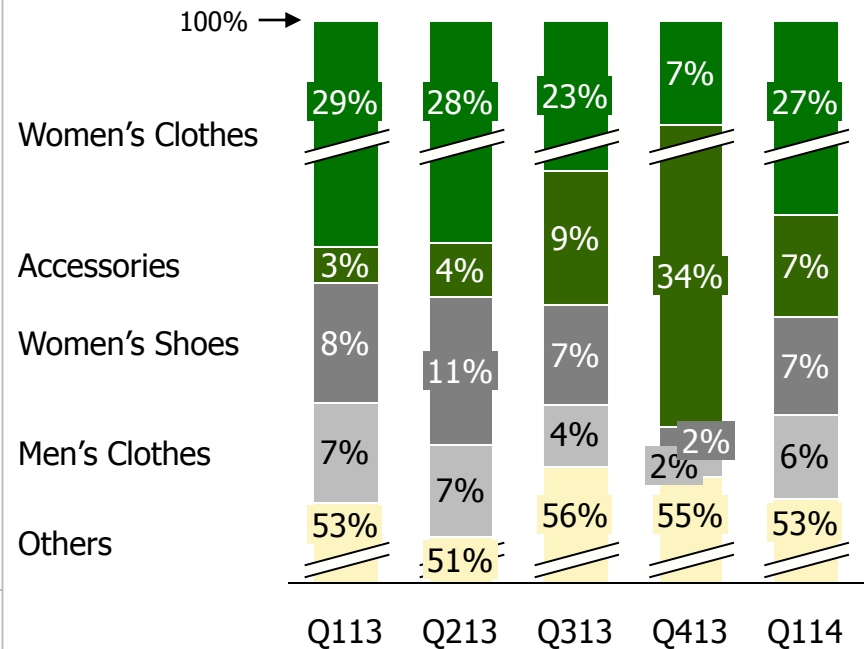
Koudai's GMV (Q1 2013 – Q1 2014)

Unit: RMB MN

- According to the management team, the surge in Q4 2013 was mainly caused by the "11.11" and "12.12" online shopping events.

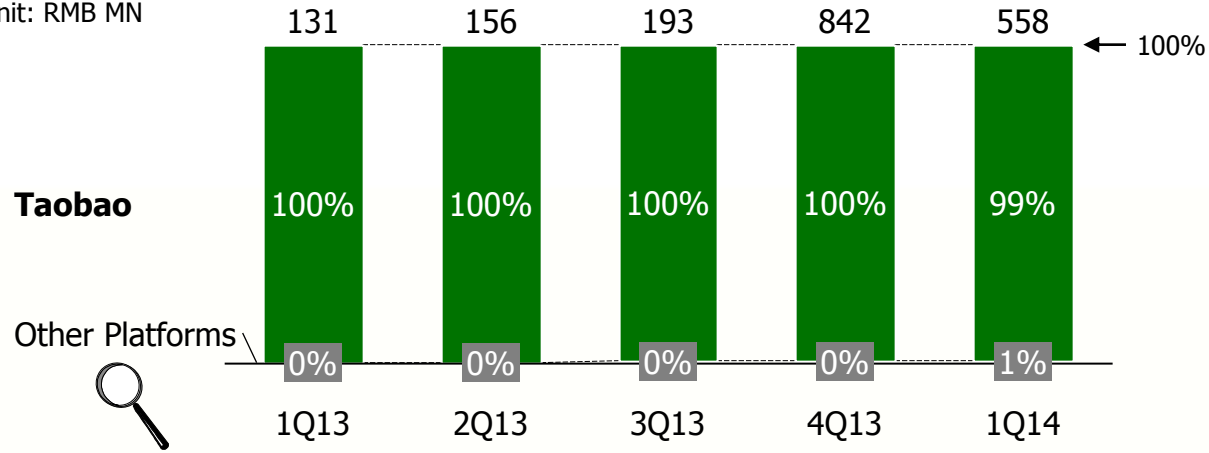


Breakdown of GMV by Category (Q1 2013 – Q1 2014)



GMV Breakdown by Platform

Unit: RMB MN



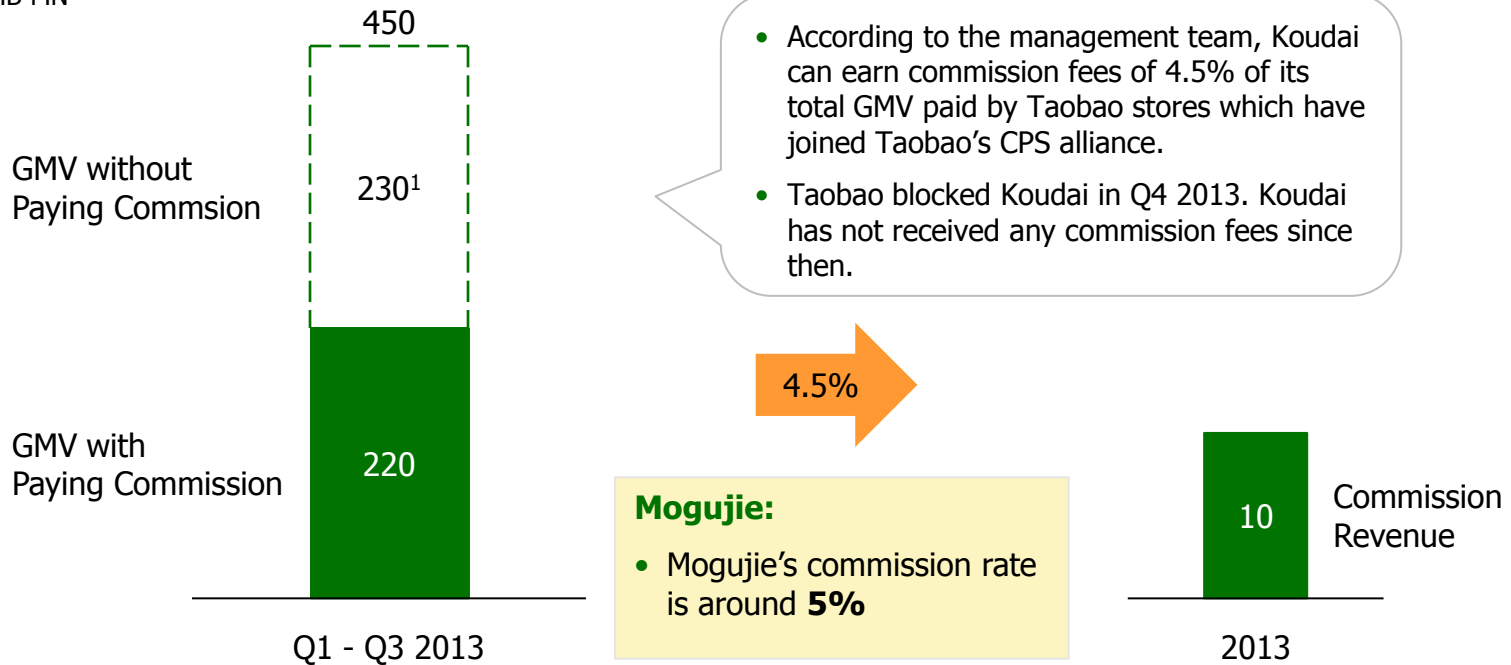
GMV Shares of Other Main Platforms

	1Q13	2Q13	3Q13	4Q13	1Q14
JD	0.00%	0.00%	0.06%	0.13%	0.56%
MaiMaiBao	0.00%	0.00%	0.00%	0.16%	0.16%
DangDang	0.00%	0.00%	0.05%	0.04%	0.06%
Amazon	0.00%	0.00%	0.16%	0.04%	0.05%
Vancl	0.00%	0.01%	0.13%	0.00%	0.00%

Koudai generated revenue of over 10 million though traffic guiding to Taobao at a commission rate of around 4.5%, a similar rate to those enjoyed by its peers

Koudai's Commission Revenue from Traffic Guiding

Unit: RMB MN

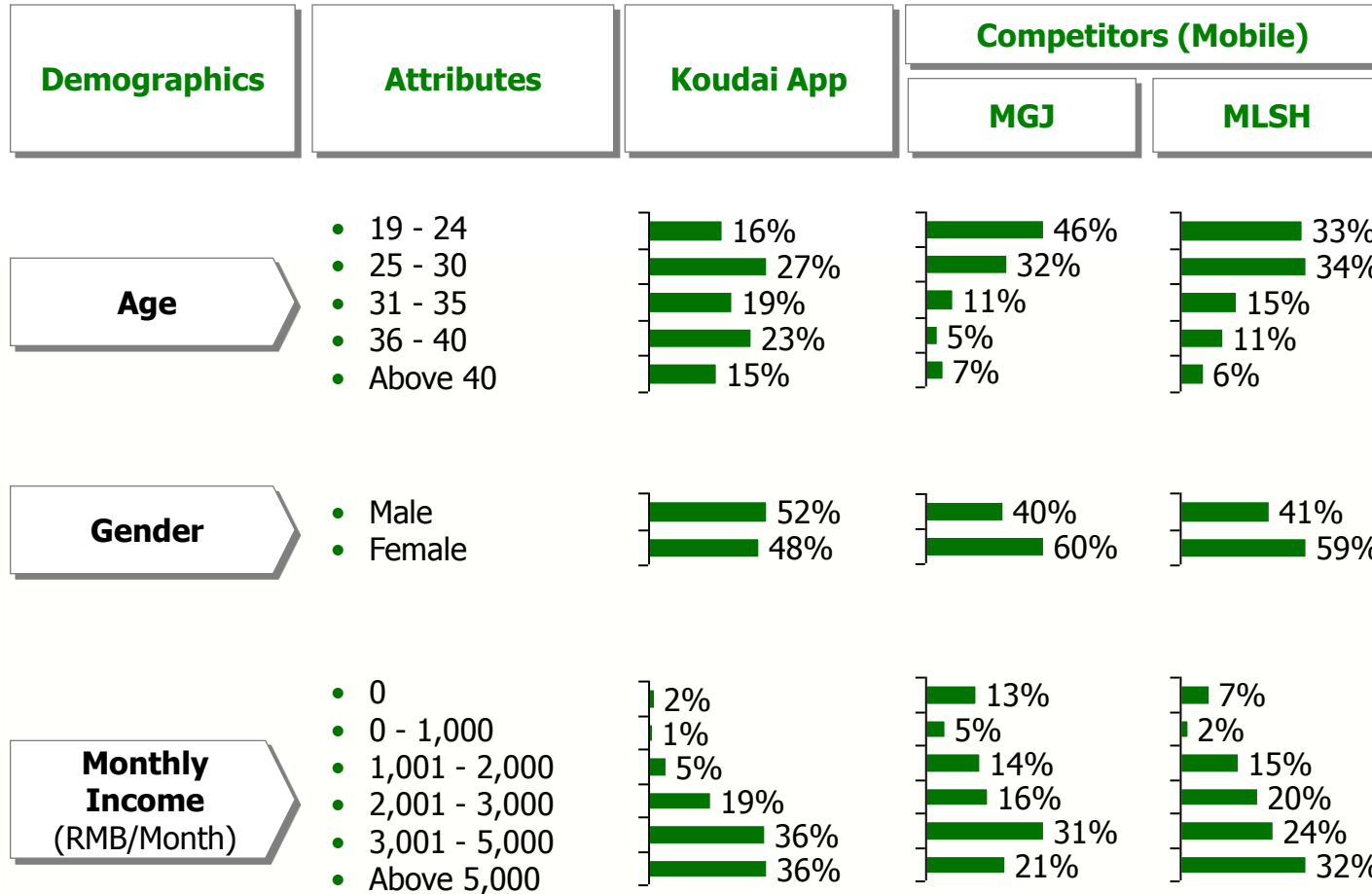


Note:1. 55% of Koudai's GMV are contributed by Taobao merchants who have not joined Taobao's CPS alliance, so Koudai can't receive commission from them.

- Executive Summary
- Analysis of Koudai's Business Performance
- **Koudai's Value Proposition to Users**
- Outlook for Koudai's Traffic Growth
- Assessment of YouShop's Business Performance
- Merchant and Customer Comments on YouShop
- Risks and Challenges to YouShop
- Evaluation of Koudai's Management Team

Customer Demographics

Koudai's users are more equally spread across age and gender, and have slightly higher monthly income than users of competitors like Mogujie and Meilishuo

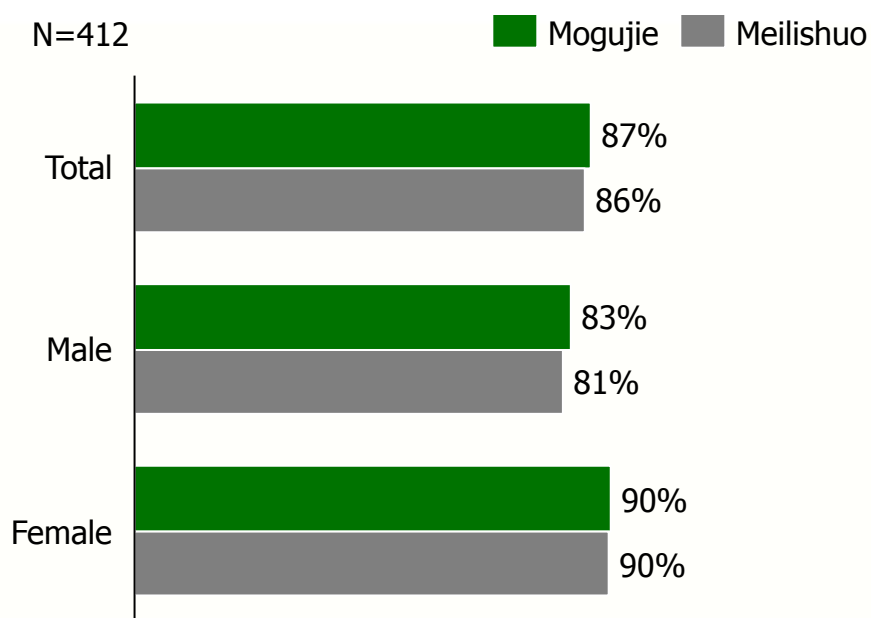


- Koudai App provides a more comprehensive range of product categories than rival apps. As a result, its users are more equally spread across age and gender.
- Competitors like Mogujie and Meilishuo are more focused on young women students and office workers according to our interviewees, and their monthly incomes are accordingly lower than Koudai users'

Koudai's existing customers greatly overlap with those of MGJ or MLSH (but not the other way around because Koudai has a smaller user base than MGJ or MLSH)

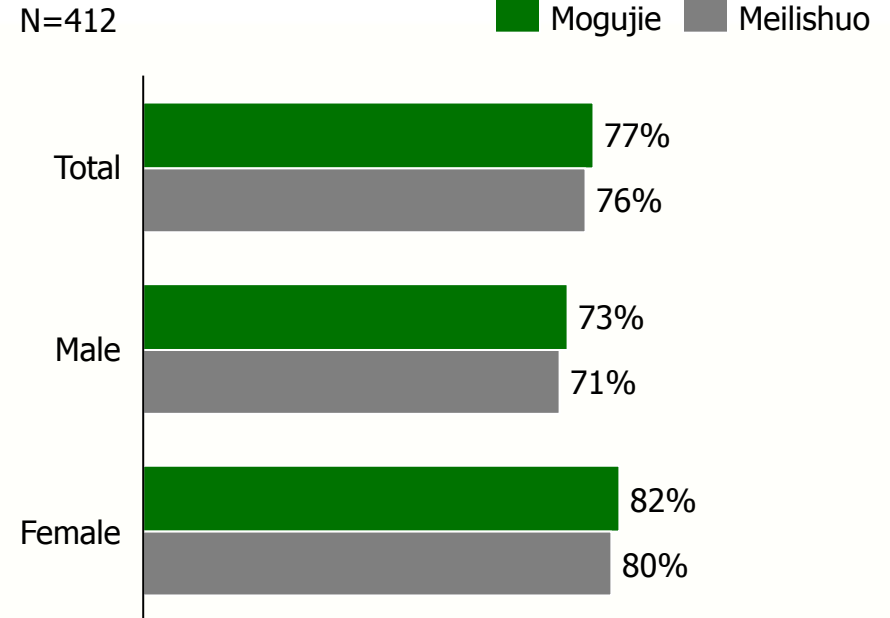
Over 85% of Koudai's customers have also recently browsed MGJ or MLSH ...

Q: To Koudai's existing customers¹: which shopping guide app have you **browsed** in the last six months? (Multiple choices)



... and over 75% of Koudai's customers have purchased on MGJ or MLSH

Q: To Koudai's existing customers: which shopping guide app have you **purchased on** in the last six months? (Multiple choices)



Note: 1. All respondents in this survey are Koudai's buyers that have purchased on Koudai in the last six months

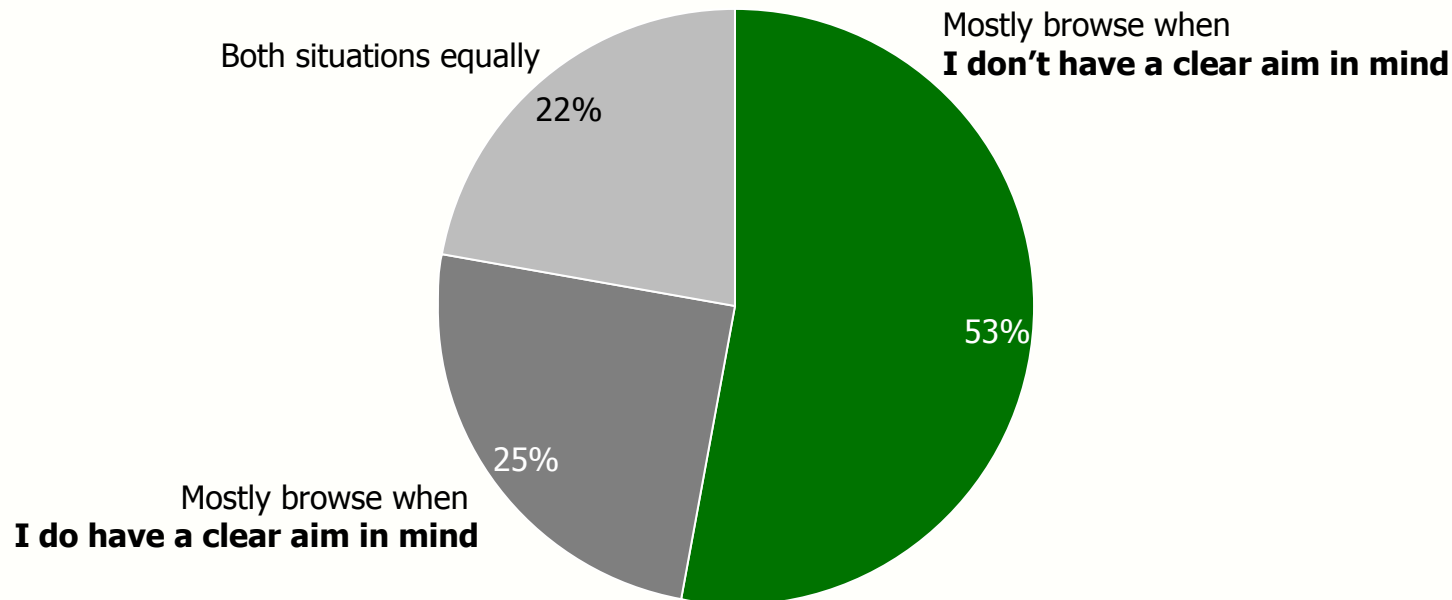
**Customers' Motives for Using a
Shopping Guide App**

Our survey found that more than half of Koudai's customers actually don't have clear purchasing aims when they browse shopping guide apps

More than half of Koudai customers actually don't have clear purchasing aims when they browse shopping guide apps

Q: Which of the following best describes your attitude when you browse shopping guide apps? (Single choice)

N=412



Accurate product recommendations, guidance on fashion trends, and sharing with other users in forums all are key value propositions of shopping guide apps; Koudai is good at recommending products accurately, but lags behind MGJ/MLSH in the other two aspects

Value Propositions: Shopping Guide Apps Compared to Taobao

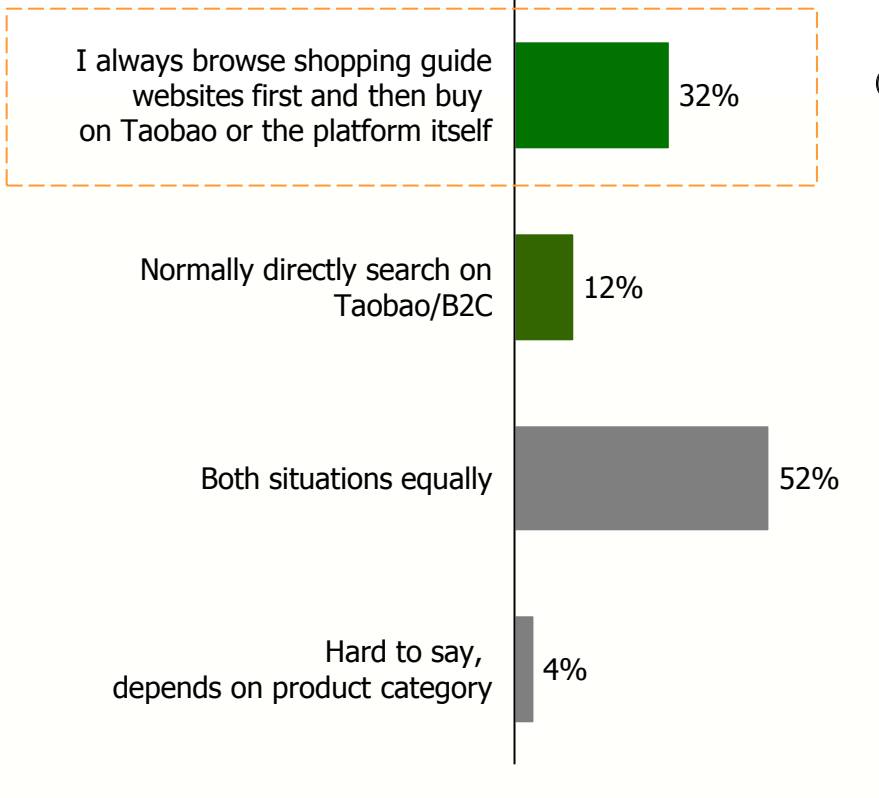


Among Koudai's current customers, more browse shopping guide apps first when shopping; The main reasons are that it's easier to find desired products or they like reading other people's comments

Shopping Behavior of Koudai's Buyers

Q: Which do you usually use first when shopping, shopping guide apps or Taobao/B2C directly? (Single choice)

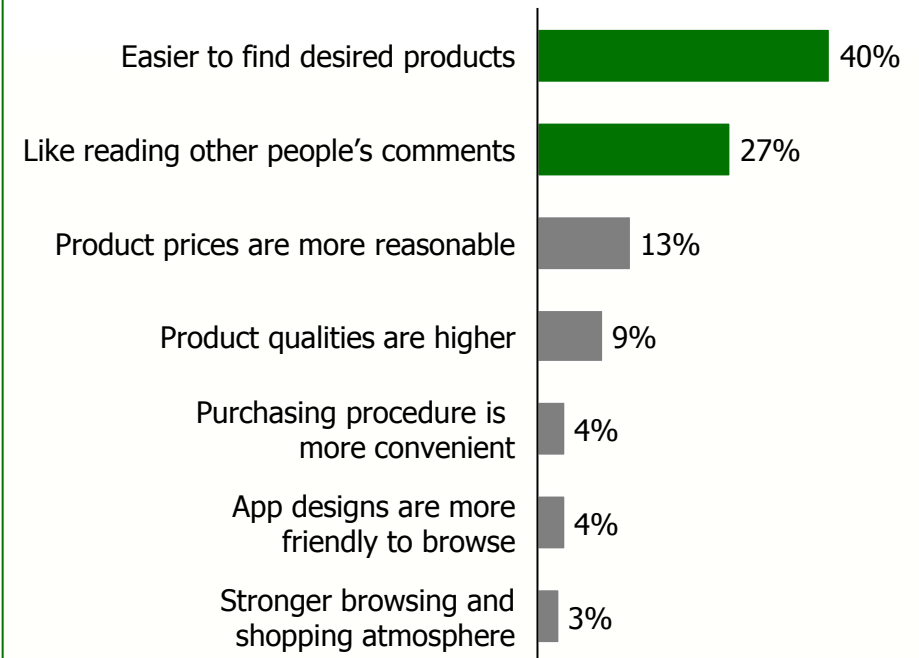
N=412



Reasons for Browsing Shopping Guide App First

Q: What is the most important reason why you browse shopping guide apps first? (Single choice)

N=131

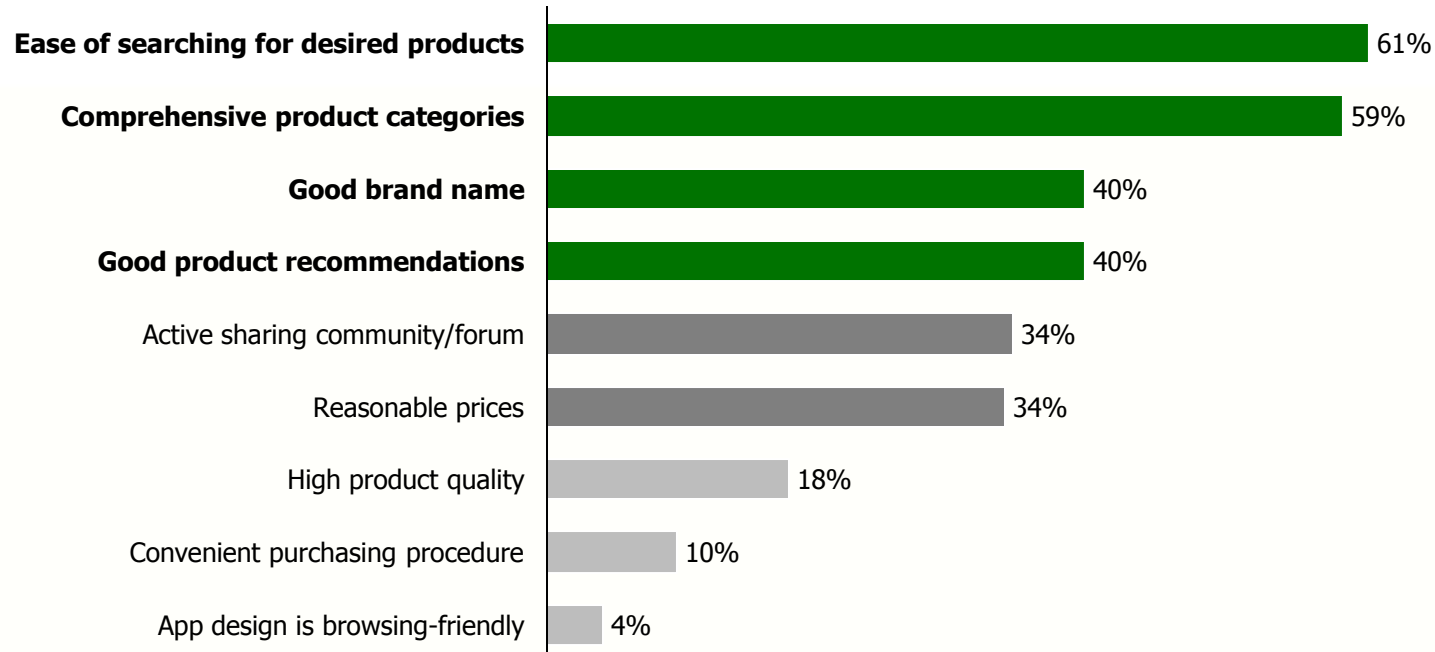


**Customers' Ratings of Key Choice
Factors and NPS**

Ease of finding desired products, a full range of product categories, a good brand name and good product recommendations are among customers' top considerations when choosing a shopping guide app...

**Q: What are the most three important factors for you when choosing a shopping guide app?
(Multiple choice)**

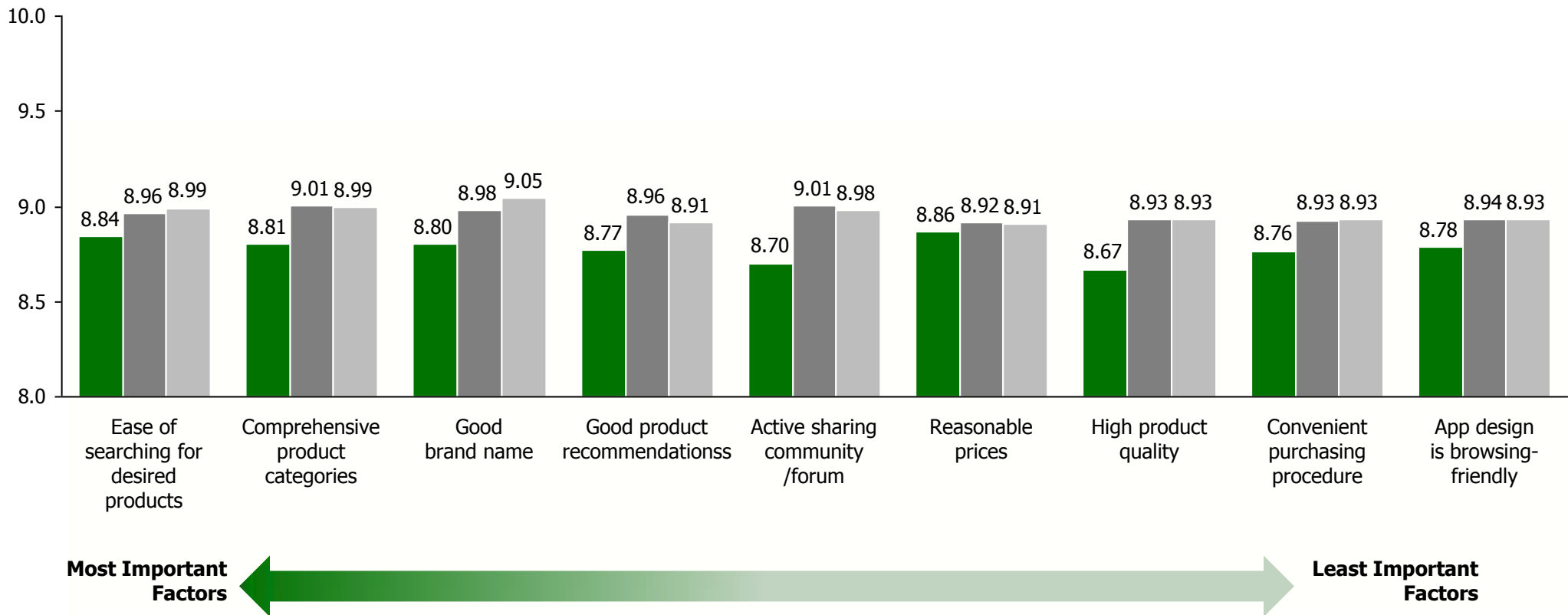
N=412



Q: Please rate these shopping guide websites in terms of the key factors. (1 means the poorest, 10 means the best)

N=412

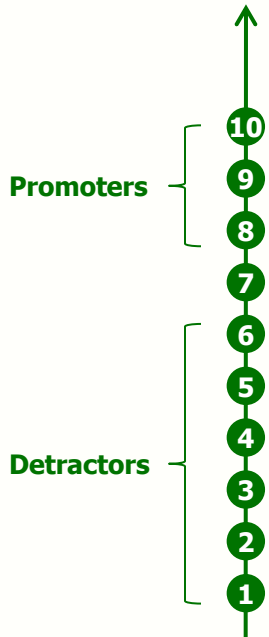
Koudai Mogujie Meilishuo



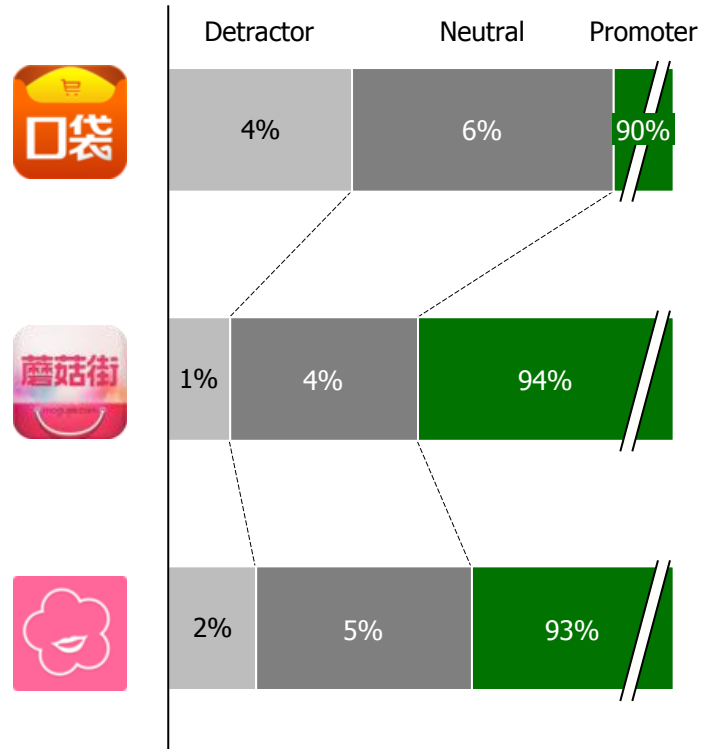
Koudai's NPS (Net Promoter Score) clearly lags behind Mogujie's and Meilishuo's, indicating that Koudai customers are less satisfied than those of Mogujie and Meilishuo

NPS: An overall measure of customer loyalty

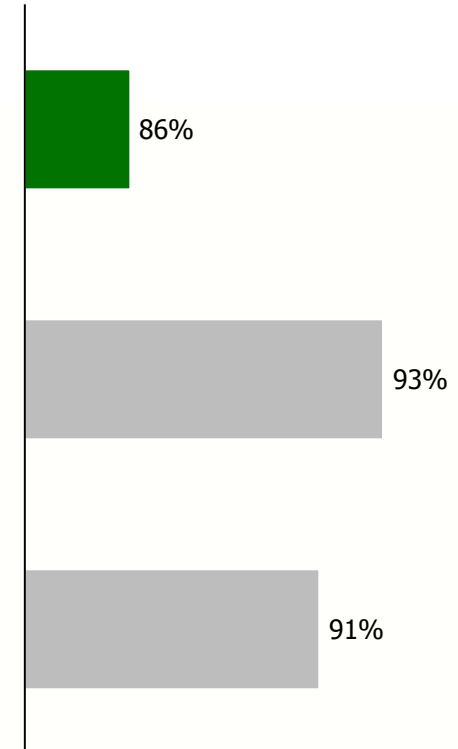
NPS =
Promoter % - Detractor %



Q: Do you think these shopping guide apps are worth recommending to families/friends? (10 the most recommended, 1 the least recommended) ?



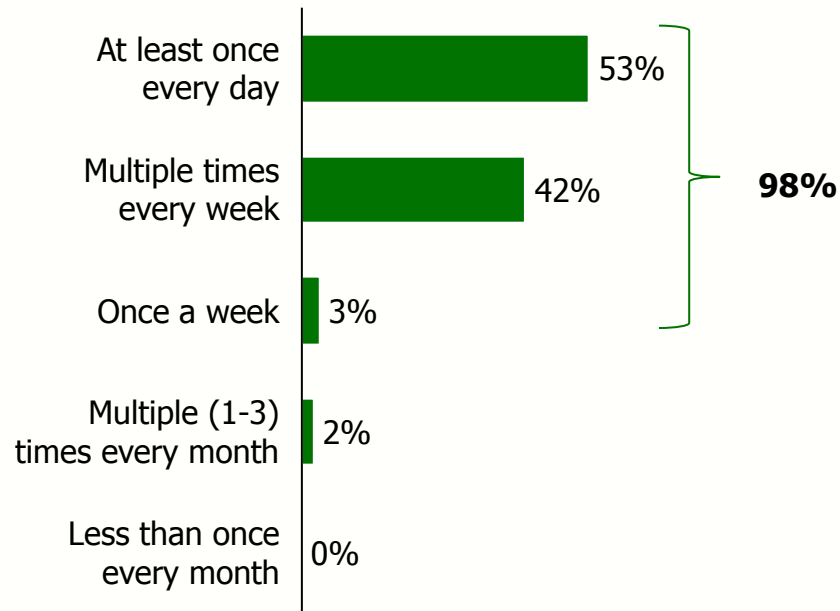
Koudai' NPS score is inferior



Customer Behavior

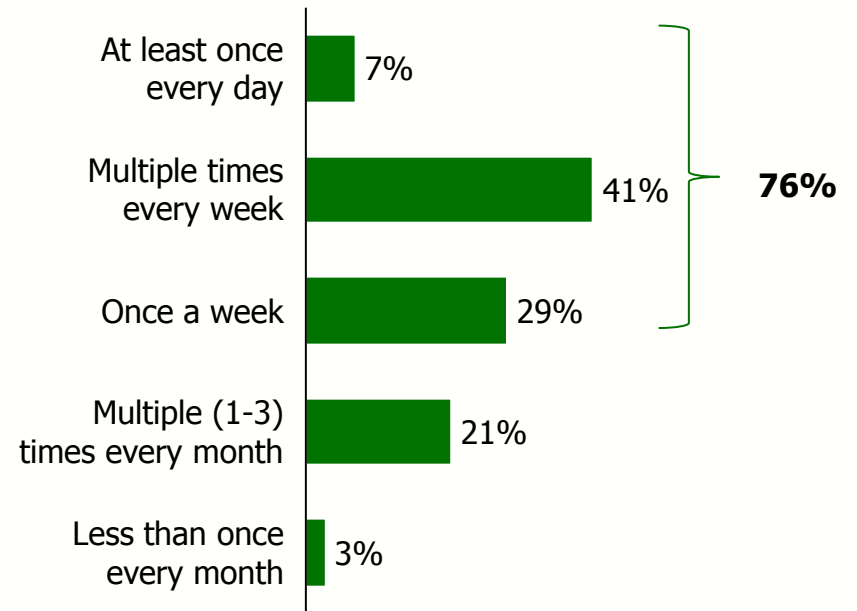
Nearly all of Koudai's current customers browse Koudai at least once a week...

Q: How often do you¹ browse the Koudai app? (Single choice)
N=412



... and over 75% of Koudai's customers make purchases on Koudai at least once a week

Q: How often do you purchase on the Koudai app? (Single choice)
N=412

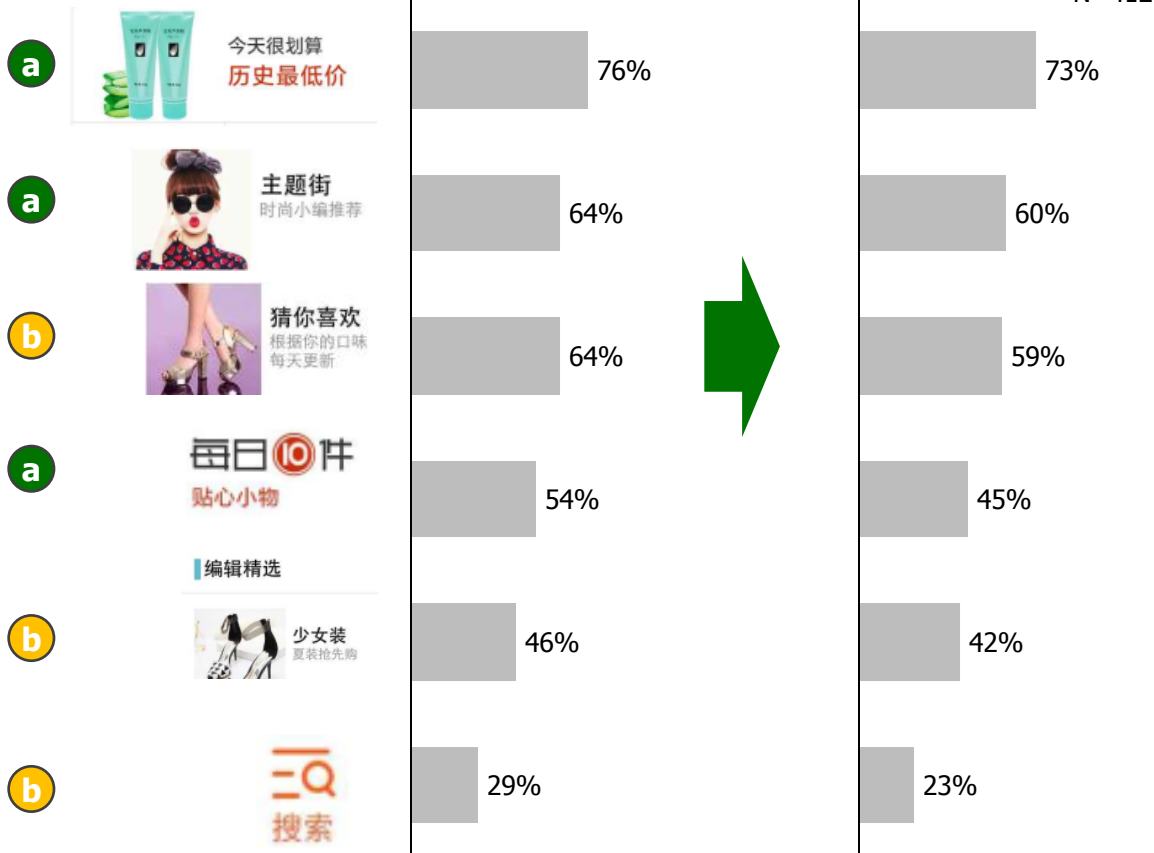


Note: 1. All respondents to this survey were Koudai buyers that had made purchases on Koudai in the previous six months

Koudai's main functions are popular with customers; We found editors' manually-picked recommendations were actually more popular than the ones generated by algorithmic computing

Q: On which section of the Koudai app do you usually **browse** products?

Q: On which section of the Koudai app do you usually **buy** products? N=412

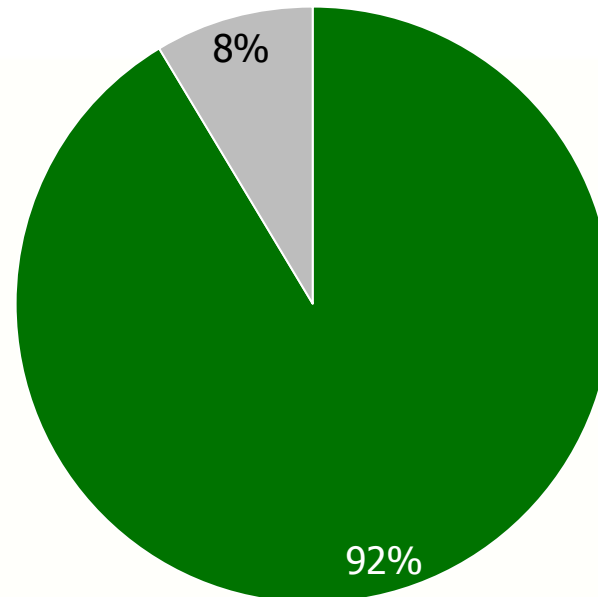


- Instead of directly using search functions, customers are more likely to use the various recommendation ones
- Recommendation functions featuring products selected by editors manually **a** are actually more popular than the ones generated from algorithmic computing results **b**

Q: Do you often use Koudai's price comparison function? (Single choice)

N=412

I seldom use the price comparison function on Koudai



I often use the price comparison function on Koudai

- Executive Summary
- Analysis on Koudai's Business Performance
- Koudai's Value Proposition to Users
- **Outlook for Koudai's Traffic Growth**
 - Assess of YouShop's Business Performance
 - Feedback from Merchants and Consumers on YouShop
 - Risks and Challenge on YouShop
 - Evaluation on Koudai's Management Team

Koudai will find it hard to raise DAU from 1 MN to 5 MN by year's end 2014; What's more, Koudai products show no advantages over rival products which can generate traffic growth

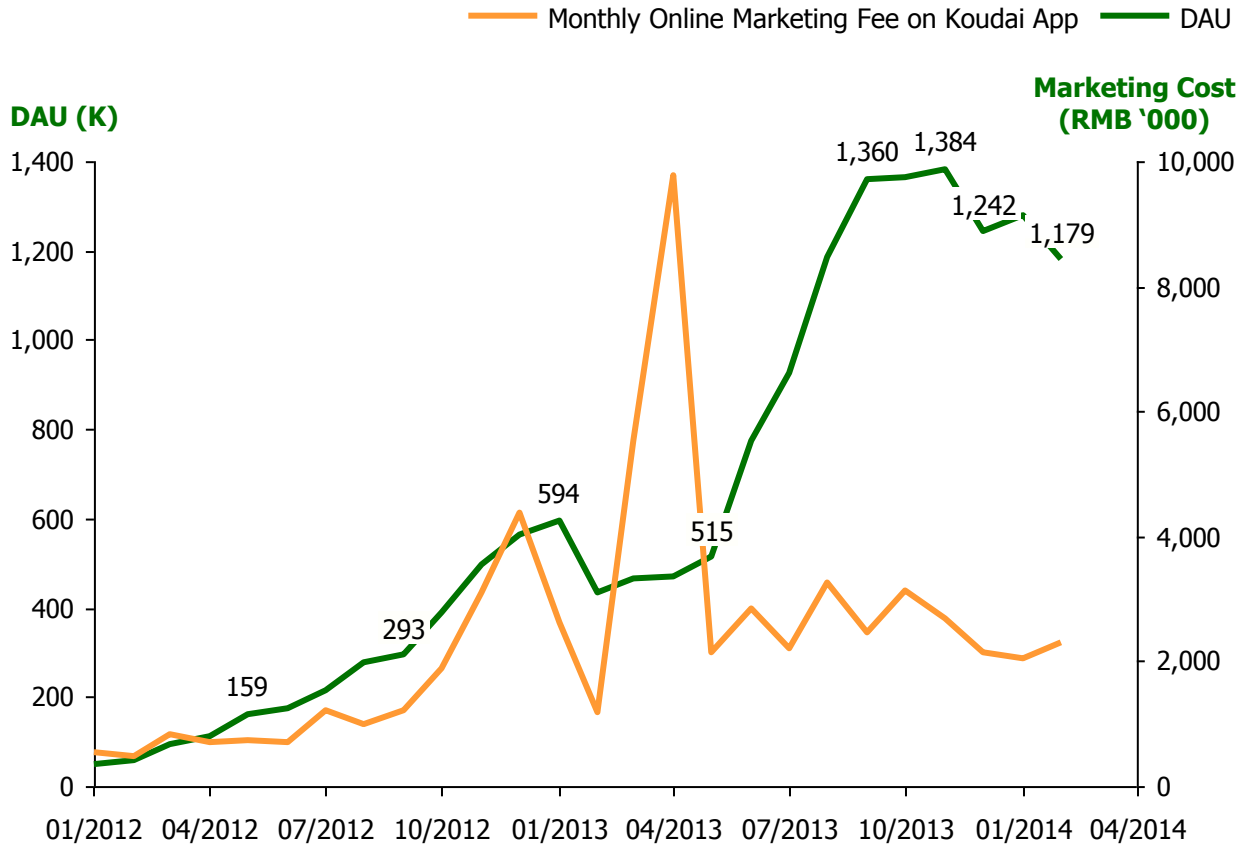
Rapid Growth of Traffic is Difficult

Products Don't Stand Out From Competitors'

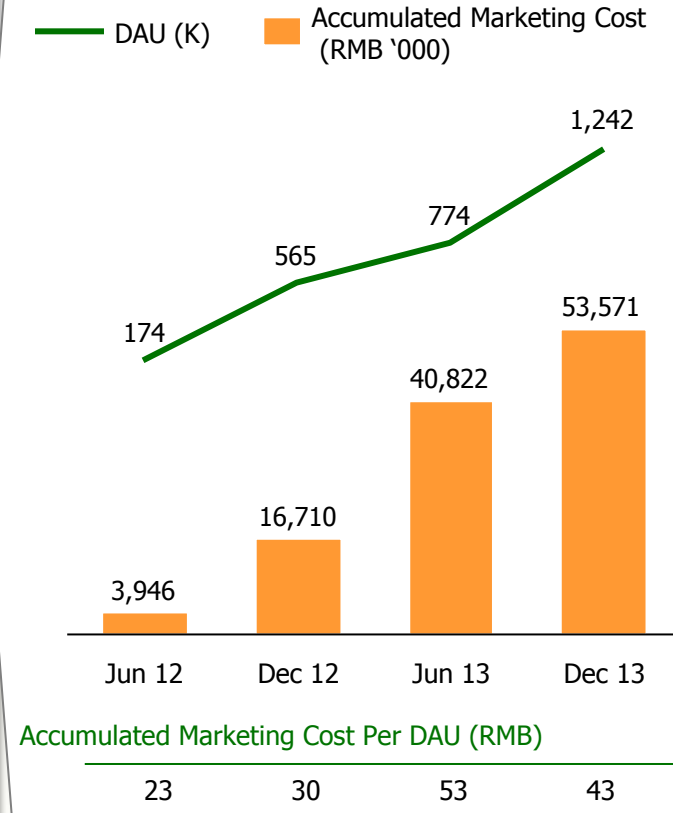
- **We feel Koudai will find it difficult to raise DAU from 1 MN to 5 MN by the end of 2014**
 - Since 2012, Koudai has spent over RMB 50 MN raising its DAU to the current level (1.1 – 1.3 MN), meaning a cost of around RMB 40 – 50 per DAU. It will be very expensive to reach the 5 MN target given the same DAU cost.
 - And if Koudai uses its current marketing channels, the chances of it quadrupling its DAU within a year are rather limited
- **Moreover, based on our survey and interview findings, Koudai's products do not have any of the advantages over rival ones which would generate traffic growth**
 - Koudai's NPS (Net Promoter Score) is clearly poorer than Mogujie's and Meilishuo's, indicating that Koudai's customers are less satisfied than Mogujie and Meilishuo
 - And Taobao mobile will pose a strong threat by providing better shopping guide functions combining both computer-generated recommendations and editors' own fashion tips

Koudai has spent over RMB 50 MN since 2012 to achieve its present DAU figure of over 1 MN; The accumulated marketing cost per DAU is now around RMB 40 – 50

Koudai's Monthly DAU & Marketing Costs



Koudai's DAU & Accumulated Marketing Costs (since 2012)

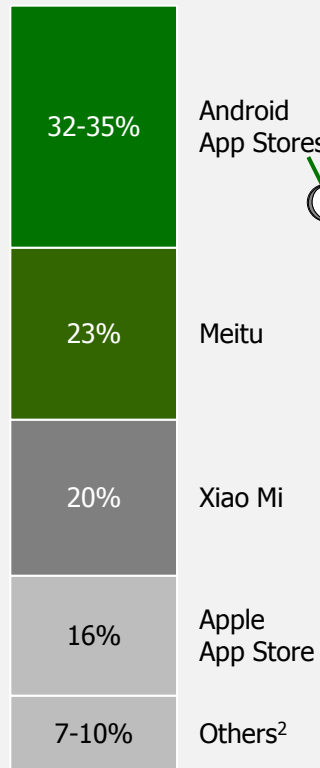


Note: The reason why the marketing costs ramped up in April 2013 was that Koudai launched offline marketing advertising that month

From our conversations with people working in Android app stores, we feel there is little chance that Koudai can quadruple its DAU from the present over 1MN to 5 MN or even more by year end 2014 ...

Koudai's Active Users¹ By Acquisition Source

(Jan. – Feb. 14)

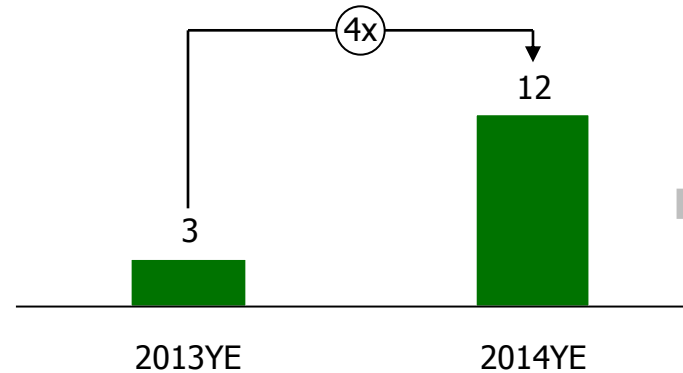


Jan. - Feb. 14

If Koudai were to quadruple (4x) its DAU from 1.1-1.3 MN currently to 5 MN by end of 2014

Example: Koudai's Number of Downloads in the Baidu Android Market

MN



30,000 – 40,000 new downloads every day from now to 2014 year end

- According to our interviewees, it would be **very difficult for android app stores to achieve such a download number even if Koudai spent a large amount of money**

"This number of downloads a day requires continuous top display locations and extensive promotions. Normally we wouldn't let the same App occupy these resources for a long time (a week)...Besides, even if we did promote it all this year, we could ensure 30,000 – 40,000 downloads at first, but the marginal effect will definitely slow down, so we couldn't guarantee this level of downloads a couple of months later..."

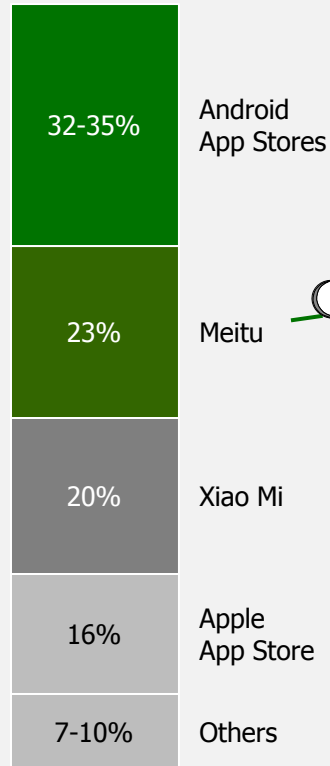
- Baidu Android Market, Senior Manager

Note: 1. Monthly active user breakdown.

2. Other channels means various small channels like pre-installment ones , or Koudai's own official website etc.

Koudai's Active Users By Acquisition Source

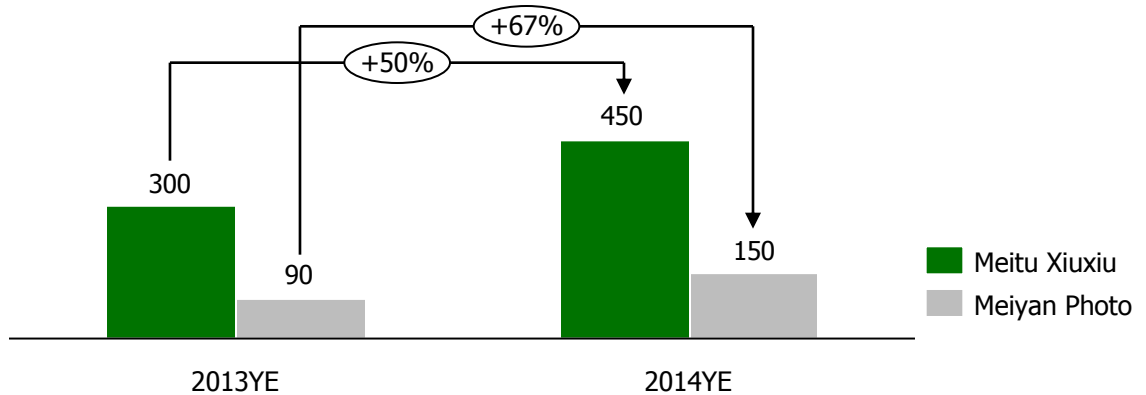
(Jan. – Feb. 14)



Jan. - Feb. 14

Accumulated¹ Activations of Meitu's Two Largest Apps (Meitu Xiuxiu and Meiyan Photo)

MN

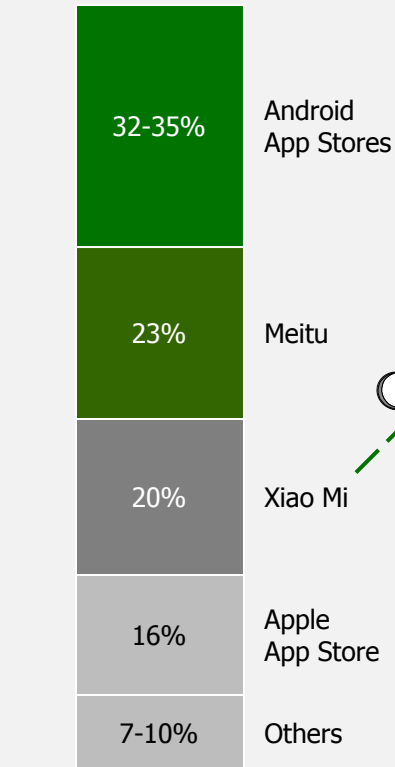


- Meitu has been actively promoting Koudai since late 2012, and **based on its current promotion efforts, we see little possibility that Koudai's active user numbers from the Meitu channel can quadruple in 2014**
- Koudai claims Meitu bundles the Koudai App inside Meitu's Apps when users download Meitu's Apps; we note that this bundle-download cooperation hasn't started yet, for both iOS and Android platforms.

Note: 1. Meitu has been promoting Koudai in all of its activated Apps

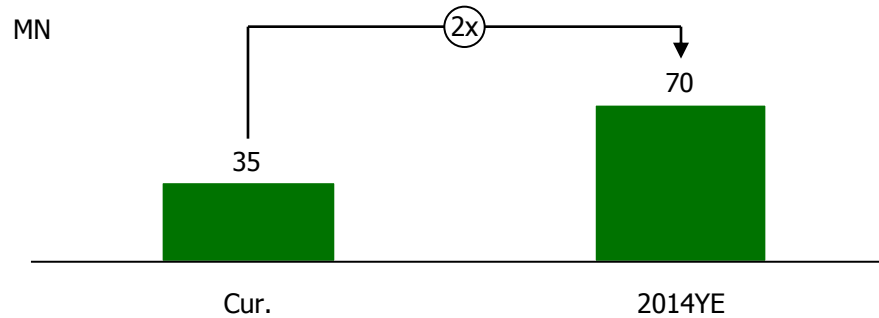
Koudai's Active Users By Acquisition Source

(Jan. – Feb. 14)



Jan. - Feb. 14

Xiaomi Cellphones: Accumulated¹ Sales Volume



- Xiao Mi has been promoting Koudai since late 2012, and according to our interviewees Xiao Mi will push 5 MN Koudai downloads in both 2013 and 2014. So **we see little possibility that Koudai's active user numbers from the Xiaomi channel can quadruple in 2014**

"5 MN new downloads every year is number we can reasonably guarantee. And we have been cooperating not only with Koudai, but also other similar Apps like Mogujie... We give Koudai no special treatment, because Koudai is Mr. Lei Jun's personal investment, not Xiao Mi's. Moreover, promoting an App through upgrading MIUI does not work as well as Koudai's expectation.

Otherwise, we should have dramatically boosted our own MiTalk's user base through this way"
- Xiao Mi, Senior Manager

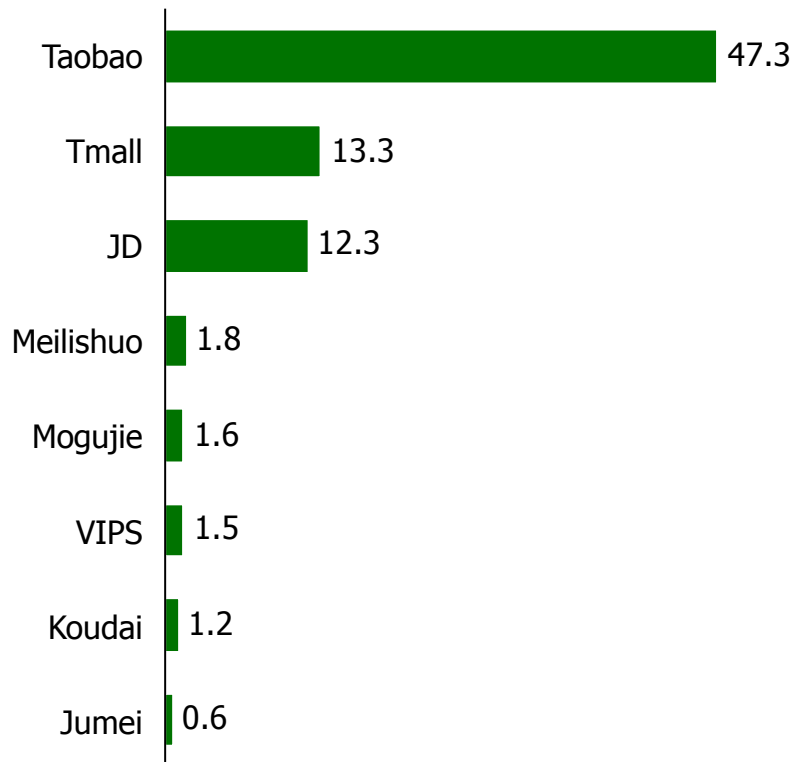
Note: 1. Xiao Mi installs the cooperating Apps through the upgrading of its MIUI system, so the promotion results are related with the accumulated sales volumes of Xiao Mi / MIUI

Source: Company data, BDA interview and analysis

We interviewed people at Mogujie and Meilishuo, apps that have DAU figures slightly larger than Koudai's; They also doubt the 5 MN DAU target that Koudai has set itself

DAU Data for Major E-Commerce Apps (February 2014)

MN



- Compared with major e-commerce apps like Taobao, Tmall or JD, Koudai has a vastly lower DAU figure
- **Koudai's competitors Mogujie and Meilishuo have also been spending similar amounts on marketing in the past, and they are very doubtful about Koudai's projected 5 MN goal for 2014**

"We spent around RMB 20 MN on marketing our mobile apps in 2013, which was comparable to Koudai or Meilishuo's marketing spending on the mobile-end, and our mobile app DAU grew from around 0.6 MN to 1.6 MN in 2013..."

***But it's now getting harder to acquire new users.** We have tried several times to approach existing mobile e-commerce users. Some app stores are now even reluctant to promote our apps because of the low conversion rate... We have to wait for growth in overall mobile shopper numbers now, meanwhile improving our user experience...*

Our mobile KPI this year is to reach the 3 MN DAU mark (including WAP traffic)..."

- Mogujie, Mobile Operations Manager

In the long term shopping guides that combine both computer recommendations and editors' own fashion tips will prevail; Taobao is capable and has already started attempting to provide effective shopping guide functions to customers

In the long term shopping guides that combine computer recommendations based on big data and editors' fashion tips will prevail...

Using Big Data For Analyzing Customers

+

Employing Large Numbers of Experienced Editors



- Analyzing the largest amount of customer purchasing data to define and label customers



- A large number of third-party small shopping guide apps to manually select elite products from each label



- Despite having a strong algorithm, too little customer data compared with Taobao



- Not focused on editors' picks; fewer than 100 editors



- Similar customer data, not focused on algorithm recommendations



- 100-200 own editors, with third-party forum users



- Similar customer data, not focused on algorithm recommendations



- 100-200 own editors, with third-party forum users

...And Taobao has started to try doing so

- Taobao mobile has been revamped significantly in the past half year, in order to provide a better user experience and effective shopping guide functions for customers. And according to our interviewees, Taobao will continue to focus on this in the near future.
- Taobao has started to try to use its huge customer data to analyze, define and label customers, then to employ a large number of third-party shopping guide apps as editors to manually select elite products from each label; in this way it will provide better product recommendations than its competitors.



- Executive Summary
- Analysis of Koudai's Business Performance
- Koudai's Value Proposition to Users
- Outlook for Koudai's Traffic Growth
- **Assessment of YouShop's Business Performance**
 - Merchant and Customer Comments on YouShop
 - Risks and Challenges to YouShop
 - Evaluation of Koudai's Management Team

以上内容仅为本文档的试下载部分，为可阅读页数的一半内容。如要下载或阅读全文，请访问：<https://d.book118.com/316033034112010035>