The Platform Economy – China*

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* The ideas in this talk were developed jointly with Kai Jia.
## Stock Market Valuation – Top 5

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2002</th>
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<tbody>
<tr>
<td>Apple</td>
<td>$889B</td>
<td>Microsoft</td>
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<tr>
<td>Alphabet</td>
<td>$719B</td>
<td>General Electric</td>
</tr>
<tr>
<td>Microsoft</td>
<td>$646B</td>
<td>ExxonMobil</td>
</tr>
<tr>
<td>Amazon</td>
<td>$549B</td>
<td>Wal-Mart</td>
</tr>
<tr>
<td>Facebook</td>
<td>$529B</td>
<td>Pfizer</td>
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<tr>
<td>Alibaba</td>
<td>$489B</td>
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<tr>
<td>Tencent</td>
<td>$530B</td>
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<tr>
<td>Baidu</td>
<td>$86B</td>
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China Facts

• 731 million internet users, 95% by phones
• Alibaba Single’s Day Sales = $25.3B
• Alibaba $24B in 2017, $7B profit
• Tencent $22B in 2016, $7B profit
• Twice as much telecomm bandwidth as the US
• Largest market parcel volume by 52 percent increasing from 21B in 2015 to 31B in 2016. (US = 13B)
US and Chinese E-commerce Retail Sales as a Percent of Total Retail Sales

Source: U.S. Bureau of the Census, [https://fred.stlouisfed.org/series/ECOMPCTSA](https://fred.stlouisfed.org/series/ECOMPCTSA) and InsideRetail Hong Kong
China Is Experiencing Platformization of Retail in a Different Way

• Alibaba and online sales
• Alipay (Ant) and WeChat Pay (far more advanced than US)
• O-to-O movement (more advanced than US)
Concluding Thoughts

• China is the second largest Internet market in the world and will be the largest

• “Hermetically” sealed from serious US competition

• Conversely, has not yet been able to give US firms real run for money
  • Exception: Games
  • Payment
  • Exception: Southeast Asia?
Chinese Platform Firms

• Only competitors to US platform giants
• Developed some unique applications (O-to-O, payment systems)
• They have difficult technical problems of managing big data and they have BD
• Seem to be not as deep technology
• Galapagos phenomenon?
Chinese Platform Firms

• Basically, has everything available in the US market
• Some areas it has superior products
• Areas to watch:
  • Developing countries
  • Russia, Iran, Syria and beyond?
Thank You!