**Tech Talk**

**E-Tailers** ©

*by Max Farrington*

There is a new economic bubble on the rise and it's connected to technology. The E-Commerce Bubble is swelling fast. Recently Rakuten group, the Number 1 internet based retailer of Japan, has acquired Ebates, an American rival for $1 billion. According to Hiroshi Mikitani, its founder, the idea is to create a new style of shopping centers, online.

E-commerce has evolved and doesn't just revolve around Ebay, Amazon, Otto if you are German or Cdiscount if you are French. The new emerging countries and their huge markets are opening up to this new consumption method, creating a new environment for a speculative bubble. On the 19th of September last year the Chinese company Alibaba managed to raise $25 billion on its first day on Wall Street. This brought its value to $225 billion, thus becoming the largest ever stock market introduction.

But since the start of 2015, shares have plunged by 35%. The main reason for this is that American investors are anxious about the Chinese economy and its seemingly unstoppable decline. Nevertheless, we should not be fooled by this drop because the Internet sector in China is actually growing and by a significant amount. In Alibaba's last annual report published on the 12th August, the company announced that its revenue increased by 28%, and its year to date profits were $4.97 billion, which is an increase of 148%. For the Chinese giant retail group, smartphone figures are the most important as they are very impressive. Smartphone transactions represent 55% of turnover which is an increase of 33% on last year. The company now has 307 million smartphone users; which is nearly as much as the whole US population.

These numbers will probably grow, as China has 550 million active internet users. If we use the term bubble it's because the incredible growth and these numbers could be compared to the internet bubble back at the start of the noughties. Some companies such as EBay or Amazon survived that bubble, but were severely dented; for example Amazon saw its stock go from 107 to 7 dollars per share. They have since bounced back. This new 2.0 bubble will have a larger impact because it concerns the emerging countries and overall will affect many more people.

India is in a difficult situation. Its economy seems to be immune to worries about the e-commerce sector. The country is going through a crisis with its economy slowing down and its currency also failing to stay at an acceptable level. None of this has stopped the gold rush mentality in Indian E-commerce. In the last 15 months, foreign hedge funds and asset managers have invested nearly $4 billion in just 26 e-commerce start-ups. The main attraction in the Indian market is, of course, its size and potential. 150 million active internet users, a number that is growing by the day, as the population is mainly young and drawn to new technologies. On the downside, India doesn't have the best environment for e-retail business, ranking only

83rd out of 130 countries based on number of internet users, availability of secure servers and credit-card usage. In addition, Indians have a per capita income of $1,500 that is far from China's $6,800. It will take India another decade to catch up to today's China if it keeps the same growth of 7 to 8%.

In the next few years we should see the number of Internet based retailers increase, as the populations of the world connect more and more. After China and India, the future Eldorado will probably be Africa, with its rocketing demographics. This has already been acknowledged by Sacha Poignonnec, one of the two Frenchmen that has launched Africa Internet Group, an E-commerce retailer based in Paris and across Africa.