



Competition is Driving Increased IT Spending by Chinese Retail Companies

Retail industry expected to spend US\$3.1 billion on IT by 2010; Springboard estimates that after store expansion and brand development, IT is the largest investment area for large- and mid-sized Chinese retailers

Singapore – May 29, 2007 – Springboard Research, a leading innovator in the IT Market Research industry, today announced the results of its research report detailing IT spending and market trends in the Chinese retail industry. Springboard data shows that IT revenue from the retail segment measured US\$1.13 billion in 2006 and is expected to grow to US\$3.1 billion by 2010, with a compound annual growth rate (CAGR) of 29%.

The Chinese retail industry, estimated at US\$850 billion in 2006, has recently emerged as a fast growth industry, thanks primarily to increased spending by Chinese consumers. The dynamic sector is also attracting huge investments from a variety of companies, including international giants such as Wal-mart, Carrefour and Tesco, who have made China a key part of their global retail market strategy.

"The big bang market entry of large multinational corporation (MNC) retailers has fuelled intense competition. Local retailers realize that they have to upgrade quickly to robust IT systems to stay competitive and better serve their customers," said Nilotpal Chakravarti, Research Analyst for Springboard Research. "Maintaining an advantage in the face of increasing competition requires retailers to improve facility flow-through, decrease the amount of inventory in their supply chain and meet escalating customer demands -- all while operating in an environment with high logistics costs and tight profit margins. Retailers now see that upgraded, integrated IT systems can streamline management of these increasingly complex operations," Chakravarti added.

In its report, "*China's Retail Industry: IT Market Trends and Opportunities, 2006-2010*," Springboard estimates that after store expansion and brand development, IT is the largest investment area for large and mid-sized retailers in China. Springboard's data shows that Chinese retail companies are eyeing a major overhaul of their IT infrastructure to boost sales and beat foreign competition. Guided by the competitive need to give their customers a better shopping experience and after-sales service, retailers' IT spending is also influenced by challenges such as increasing brand awareness, raising profitability, ensuring high levels of customer satisfaction and improving quality of service.

In stark contrast to what is typically seen in other emerging markets, price was not the primary factor for choosing external vendors. Instead, 37% of surveyed retailers cited "*Strength in the Industry*" as the top vendor selection consideration, followed by "*Strong Service & Support*" with a 30% response rate. *Price* trailed in the third position with 11% of retail industry respondents naming it as the leading factor in choosing IT solutions.

"Chinese vendors with in-depth knowledge of the local retail environment are preferred by small Chinese retailers," Chakravarti revealed. "Since MNC vendors focus

mainly on providing high-end retail solutions, which come at a premium, local small retailers find it more affordable to go with regional IT vendors on an as-needed basis for billing applications, data management software and hardware implementation. However, this market dynamic is set to change once retailers realize the need for high-end integrated solutions as they ramp up operations in China to tackle the competition”.

Overall, Springboard found that local vendors are still significant influencers for IT end-users in the retail market. Although Microsoft led the list of leading influencers, followed closely by IBM, the next four spots were taken by local vendors (E-Future, Chyangyi, Ufsoft, and Royalstone).

About the “IT in the Retail Industry” Report Series

Springboard Research’s report series on “IT in Asia’s Retail Industry” assesses retail industry growth and the opportunities the market presents for IT companies. The series is comprised of reports that examine the retail industries in Australia, China, India, and Singapore and include market data, such as market size and growth forecasts. For each report, Springboard surveyed IT decision makers at the major retail companies in each country, as well as CEOs at leading IT vendor companies serving the retail sector, to better assess IT adoption levels, future investment plans, and market growth perceptions. Each report also includes competitive analyses and market recommendations for IT vendors.

About Springboard Research

Springboard Research’s core values are value, integrity and insight. Led by a team of dynamic industry experts, Springboard Research provides its customers with high value IT market research that helps them identify new market opportunities, growth engines and innovative ways to go to market. As a result, Springboard’s clients lead rather than follow market trends. Not bound by legacy, Springboard’s cutting-edge research model leverages its offshore research centers, the Internet, and an increased use of technology as engines of innovation to deliver unique research value. Provided as an alternative to traditional IT market research, Springboard’s reports deliver data and knowledge in a more usable and interactive format for our clients. Springboard Research works with the largest IT companies in the world in the software, services, hardware, and telecommunications sectors.

Founded in 2004, Springboard Research serves the needs of its clients globally through offices in the United States, Australia, Singapore and Japan as well as global research centers in India and Pakistan.

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Media Contacts

Chris Perrine
Springboard Research
65-6236-7681
cperrine@springboardresearch.com

Dane Anderson, CEO & EVP of Research
Springboard Research
65-6236-7682
danderson@springboardresearch.com