

China Retail & E-commerce

Weekly Updates

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Retail in General

NBS: Total retail sales of consumer goods up by 8.8% yoy in July 2018

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,073.4 billion yuan in July 2018, up nominally by 8.8% yoy, and 6.5% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,141.9 billion yuan, up by 5.7% yoy. By type of consumption, in July 2018, catering sales amounted to 334.3 billion yuan, increased by 9.4% yoy. Retail sales of commodities amounted to 2,739.1 billion yuan, up by 8.7% yoy. In January - July 2018, online retail sales grew 29.3% yoy to 4,786.3 billion yuan. Online retail sales of physical goods increased 29.1% yoy to 3,646.1 billion yuan, accounting for 17.3% of total retail sales¹.

SAC announces the first batch of 29 national standardization pilot projects for consumer goods

In August 2018, the Standardization Administration of the PRC (SAC) announced the first batch of 29 national standardization pilot projects for consumer goods. According to industry practitioners, the standardization projects will play a key role in safeguarding the quality of products. It is reported that the pilot projects mainly cover sectors including home appliances, textile and apparel, food, cosmetics, and children's products. Gree, Haier and Yili are some of the enterprises nominated in the first batch of standardization pilot projects for consumer goods².

E-commerce

O&O Consulting: Guangdong province achieves highest online retail sales in China in July 2018

According to the data from DataGoal network retail monitoring system of O&O Consulting, in July 2018, China's online retail market achieved total retail sales of 635.916 billion yuan, with a total of 24.246 billion pieces of goods being sold. Among them, online sales of physical goods accounted for the largest proportion, accounting for 87.50% of the total online retail sales. According to a report by O&O Consulting, Guangdong province achieved the highest online retail sales value, accounting for 27.78% of the national total. By industries, the home furnishings industry had the highest online retail sales, accounting for 17.06% of the national total³.

iimedia: Transaction value of China's CBEC market to reach 9 trillion yuan in 2018

On 14 August, domestic consulting agency iimedia released the "Report on China's Cross-border E-commerce (CBEC) in 1H18". The report shows that NetEase's CBEC arm Kaola ranked the first in the CBEC market by transaction value with 26.2% market share in 1H18, followed by Tmall Global with 22.4% market share and JD Worldwide with 13.4% market share. In 1H18, CBEC shoppers bought most products from Japan, the U.S., South Korea, France and Germany. In the same period, 56.9% of respondents said they are loyal to the brands they usually buy, while 37.7% of respondents stated that they like to purchase new brands. iimedia forecasted that transaction value of China's CBEC market will reach 9 trillion yuan in 2018⁴.

Tmall to launch 600,000 new digital products and home appliances in 2H18

On 13 August, Tmall announced that it will launch 600,000 new digital products and home appliances in 2H18, including new products from Apple, Samsung, Huawei, Xiaomi, etc. Currently, more than 20,000 digital products and home appliance brands have opened their online flagship stores on Tmall with more than 3,000 new products launched on Tmall every day. Tmall will work closely with brands to build a new product launch platform for better marketing effectiveness⁵.

Tencent's total revenue reach 147,203 million yuan in 1H18, up 39% yoy

On 15 August, Tencent announced the unaudited consolidated results for 2Q18 and 1H18 ended June 30, 2018. In 2Q18, total revenues amounted to 73,675 million yuan, up 30% yoy. Operating profit was 21,807 million yuan, a decrease of 3% yoy. Operating margin decreased to 30% from 40% last year. Profit attributable to equity holders of the company for 2Q18 was 17,867 million yuan, a decrease of 2% yoy. In 1H18, total revenues of Tencent reached 147,203 million yuan, up 39% yoy. Operating profit was 52,499 million yuan, up 25% yoy. Profit attributable to equity holders of the company for the period was 41,157 million yuan. As of 30 June, 2018, monthly active user accounts (MAU) of QQ was 803.2 million, down 5.5% yoy. Combined MAU of Weixin and WeChat were 1,057.7 million, up 9.9% yoy⁶.

Wanda and Tencent jointly launch high-tech company

Recently, Wanda Commercial Management Group, Tencent and Gaopeng jointly established a joint venture (JV) company – Shanghai Bingcheng Technology Co., Ltd. The company was established in Jing'an

District, Shanghai on 8 June, 2018 with a registered capital of 4.6 billion yuan. In the JV, Wanda Commercial Management Group and Tencent will hold 51% and 42.5% stakes respectively and Gaopeng will hold the remaining stake. The new company will focus mainly in the development of network technology, computer technology and information technology. Wanda's existing online business, Feifan – the only online project since Wanda set up its e-commerce platform two years ago, will be merged into the new company, while Tencent will provide online traffic, and Gaopeng will focus on electronics invoicing business. Gaopeng, an electronic invoicing solution provider, was Groupon Inc.'s former affiliate in China and now backed by Tencent⁷.

Vipshop's net revenue up 18.4% yoy in 2Q18; achieving profits for 23 consecutive quarters

Vipshop disclosed its unaudited financial report for 2Q18. The financial report shows that Vipshop's total net revenue in the quarter was 20.7 billion yuan, up 18.4% yoy, achieving profits for 23 consecutive quarters. The financial report also states that the company's average revenue per customer increased by about 12% yoy. During the quarter, 85% of customers were repeat customers, up 79% yoy, and approximately 96% of orders were placed by these customers, up 93% yoy. As of 30 June, 2018, Vipshop had approximately 1.9 million "Super VIP" members. The company's strategic cooperation with Tencent and JD.com has shown significant progress in the quarter. The number of new customers generated from these channels accounted for 24% of Vipshop's total new customers⁸.

Vipshop launches wholesale platform “Weipinchang” app

On 10 August, Vipshop launched its wholesale platform “Weipinchang” app, aiming to help brands clear inventory by selling the products to small and medium-sized wholesalers and daigou agents (individuals buys overseas products on the behalf of others). Weipinchang app lines up with over 6,000 brands, while connecting with small and medium-sized wholesalers and daigou agents. For medium-sized wholesalers, they can order directly on the app; while for smaller-sized wholesalers and individuals, they have to gather orders via social platforms such as WeChat first, if they can meet the minimum order quantity of five pieces per style, they can make orders on Weipinchang app. Vipshop will give a monthly commission of 3-6% to the small and medium-sized wholesalers and individuals according to their purchasing value on the app⁹.

Department stores and shopping malls

Swire Properties' retail properties rental income in Mainland China achieves outstanding growth

On 9 August, Swire Properties released its 2018 interim results report. According to the report, in 1H18, the rental income of the group's retail property portfolio in the Mainland reached HK\$1,093 million, up 11% yoy. The group's major retail projects in the Mainland have achieved outstanding performance. The rental income of Beijing Sanlitun Taikooli continued to rise, retail sales increased by 10% yoy, and achieved 97% occupancy rate. The other project of Swire Properties in Beijing, Indigo Beijing achieved 100% occupancy and retail sales rose 6%. In

addition, Guangzhou Taikoo Hui, Sino-Ocean Taikoo Li Chengdu, and Shanghai HKRI Taikoo Hui all recorded outstanding results. In 1H18, retail sales of Guangzhou Taikoo Hui increased by 12% yoy, and the occupancy rate of the shopping mall reached 98%; retail sales of Sino-Ocean Taikoo Li Chengdu increased by 29% yoy; rentals of Shanghai HKRI Taikoo Hui, which was opened in November last year also recorded significant growth. Currently, 96% of retail space has been leased and 90% of the shops are open for business¹⁰.

Supermarkets and hypermarkets

Hema Xiansheng uses in-house buyers to source for fresh food and standardized products

On 9 August, Hema Xiansheng revealed that it has got a team of in-house buyers to source for its fresh products; in the future, they will also source for other standardized products. Hema Xiansheng hopes that in the next three years, private label products can account for more than 50% of its total product offerings. It is reported that Hema Xiansheng is currently developing a supply chain system for upstream and downstream suppliers to share data and to ensure that the information upstream and downstream is integrated¹¹.

Hema Xiansheng and Easyhome jointly open the first store in Beijing

On 11 August, the first store jointly operated by Hema Xiansheng and Easyhome was opened in Shunyi, Beijing. It is said that the store has started its trial operation on 28 July, and the transaction volume on the first day exceeded 500,000 yuan. With a floor space of

more than 4,300 sqm, the store comprises a number of display zones for vegetables, fruits and seafood, as well as a dining area. The store provides more than 7,000 kinds of products, including special food and ingredients sourced from nearly 100 countries, such as lobsters from Boston, king crabs from Alaska, and cherries from Chile. Consumers can choose to buy goods on the spot, or place their orders through Hema's mobile app; goods will be delivered as fast as 30 minutes if the location is within a 3-km distance of the store. On the other hand, consumers can choose to settle the payment either through self-check-out counter or the cashiers, which allows various payment methods including cash, Alipay and Hema's mobile app¹².

U.S. grocery chain Kroger teams up with Alibaba to sell products in China

U.S. grocery chain Kroger announced a partnership with Alibaba Group on a pilot test of an online store in China. This is the first time Kroger has entered the overseas market and is the company's latest online attempt. Kroger will sell products from its natural and organic private label, Simple Truth on Alibaba's Tmall platform for the test in China. It is reported that Kroger's sales in 2017 reached US\$123 billion¹³.

Apparel and footwear

CBNData: Sneakers/leisure shoes become one of the must-have mix & match fashion items

CBNData recently released a consumer research report on sports shoes. Based on CBNData's consumption big data, the report studies Chinese consumers' consumption preferences behaviors of sports shoes from

April 2016 to March 2018. The research results show that online sales of sports shoes continued to rise from 2016 to 2018, among them, sales generated from running shoes remained the highest for two consecutive years; and the sales growth of leisure shoes increased the most. Male consumers were the major force of sneakers consumption; they outnumbered female consumers and spent more on sport shoes. The number of "post-95" consumers and their spending amount accounted for the highest proportion of all ages. Leisure shoes, basketball shoes, canvas shoes are their most favored items. In addition, the research results also indicate that among all cities, consumers in Beijing have the highest preference for sports shoes¹⁴.

Adidas records sales growth of more than 20% in Greater China for ten consecutive quarters

On 9 August, Adidas announced its financial report for 2Q18. Excluding the exchange rate factor, Adidas recorded strong growth at 27% yoy in the Greater China region – this is the ten consecutive quarters that Adidas recorded sales growth of more than 20% in the region. Driven by the strong growth in the Greater China region, sales growth in Asia-Pacific reached 19% yoy in 2Q18¹⁵.

Topshop ends franchising agreement with Shangpin

UK fast fashion brand Topshop and Chinese franchise partner, Shangpin, have agreed to terminate the franchising agreement before its date of expiration. Customers can still shop for Topshop and Topman products via Shangpin and though Topshop's flagship store Tmall.com before 30 November, and thereafter they can visit Topshop and

Topman's official websites. Shangpin was Topshop's first Chinese partner, taking the brand into the country in 2014 via ShangPin.com. Meanwhile, the brand said it is looking for new partner to work together in the lucrative China market¹⁶.

Inditex Group's Uterque launches online flagship store on Tmall

On 14 August, Inditex Group's Uterque announced that its Tmall flagship store will be officially opened on 21 August. Targeting at mid-to-high end female customers, the brand offers five key product categories in the online store, including womenswear, footwear, bags, costume jewelries and fashion accessories, with price ranging from 190 to 9,900 yuan. Founded in 2008, Uterque is reportedly the youngest brand of Inditex Group, and mainly sells fashionable items such as handbags, footwear, leather goods, products, glasses. Currently, Uterque has stores in 16 countries and regions; it has yet to set up physical store in China¹⁷.

HLA makes foray into Thailand market

On 15 August, HLA opened its first store in Thailand at Central Plaza Rama9, after entering Malaysia and Singapore earlier this year. Central Plaza Rama9 is reportedly a famous shopping mall in Bangkok; and it is currently the most promising area for real estate investment in Thailand, which will become the new central business district in Bangkok¹⁸.

JBNY launches apparel customization service on new WeChat mini-program

On 15 August, JBNY launches a mini-program called "More than a box" on its WeChat public account. After becoming a member, consumers can enjoy six times of one-on-one

stylist fashion matching customization service each year. Customers need to fill out a questionnaire related to their own information after payment, and conduct one-on-one communications with the personal stylist. JBNY will then provide tailor-made clothing for consumers through the specially designed "More than a box". Customers can try on the items before they confirm to buy them or not. Customers can return the unwanted items within five days upon receiving the box; they are entitled to six complimentary round-trip package delivery service per year. In order to better test the service, JBNY conducted a pilot service earlier at the multi-label store "La Su Min So LA" in Wulin Road, Hangzhou¹⁹.

FMCG

JD Daojia and Mannings China expand cooperation to all stores nationwide

Recently, JD Daojia has reached a strategic cooperation with Mannings China. The two parties jointly announced that a number of Mannings stores will be launched on JD Daojia's platform in the near future. It is expected that the cooperation will expand to all stores nationwide by the end of the year. In this cooperation, about 1,100 SKUs including skin care products, cosmetics, maternal and infant products, and health products are available on JD Daojia. JD.com will leverage its strengths in retail, traffic flow, merchandise, customer base, and store network to empower Mannings to increase its e-commerce business and achieve borderless integration of online and offline channels²⁰.

Consumer electronics

JD.com and Xiaomi unveil “Jingmi Plan” to establish efficient marketing system

On 14 August, JD.com and Xiaomi jointly released the “Jingmi Plan”. The two parties will combine JD.com’s e-commerce capabilities with Xiaomi’s MIUI system-level capabilities to create a more accurate and efficient marketing ecosystem and empower the brands on the JD’s platform. The two parties will improve the marketing accuracy in the following three aspects: First, to understand user’s needs through matching the characteristics of Mi fans’ interests and user behaviors with user images on JD.com; second, to offer personalized product recommendations to customers and perform accurate marketing by the “user & merchandise” combination click rate estimation technology; finally, to track user preferences and shopping behaviors based on Xiaomi mobile ecosystem²¹.

JD.com and Five Star jointly open first “borderless retail store” in Fujian

JD.com and domestic home electronics brand Jiangsu Five Star Appliance (“Five Star”) jointly opened the first borderless retail experiential in Fujian on 17 August. Compared with other home electronics stores, a significant feature of the store is that it integrates and showcases JD.com’s brand, products, customer traffic, technology and supply chain. The store not only displays home electronics products, but also products provided by JD’s digital entertainment business such as computers, digital and mobile phones. Meanwhile, product prices are synchronized on JD.com and the new store in real time; customers can either choose to pick up the goods by themselves, or deliver by JD.com or Five Star after making purchase in the store²².

Cosmetics

Shiseido Group’s sales in China soars 35.3% yoy in 1H18

Shiseido, the Japanese beauty giant, released key financial data for 1H18. Thanks to the strong sales in the China market and its travel retail business, as well as the increased marketing investments, net profits increased by 153.5% yoy to 47.67 billion yen. Sales turnover in the China market increased by 35.3% yoy to 92.9 billion yen, and operating profits increased by 212.3% yoy to 15.64 billion yen. For its China business, high-end brands such as Clé de Peau Beauté, SHISEIDO, and IPSA have maintained a high growth trajectory²³.

A.S. Watson Group plans to roll out 50 beauty concept stores colorlab by Watsons in 2018

Recently, A.S. Watson has teamed up with L’Oreal to launch colorlab by Watsons, a new concept makeup store in China. colorlab by Watsons has introduced L’Oréal Paris and Maybelline, two of L’Oreal’s most popular beauty brands, and opened brand counters in the store, making it a highlight of the store. The products displayed by the two brands accounted for around 30% of the total number of products in the store. Following the first beauty concept store colorlab that was opened in Shenzhen in January 2018, A.S. Watson has thereafter added two new beauty concept stores in Guangzhou and Shanghai. Since the opening of these stores, the total annual sales of cosmetics products have increased by 74% yoy. The company has revealed plans to roll out a further 50 stores across China by the end of this year²⁴.

Luxury sector

Salvatore Ferragamo launches official online flagship store on JD.com

On 15 August, JD.com announced cooperation with Italian luxury brand Salvatore Ferragamo. The luxury brand officially opened its online flagship store on JD.com, which will be the brand's largest online sales channel in China. The product categories that are available in the flagship store include footwear, leather goods, silk, accessories and more. To celebrate the grand opening of the flagship store, Ferragamo sells China-exclusive limited edition flats with low flower heels on the platform. At the same time, customers who make a purchase at the flagship store can enjoy the premium delivery service "Jingzunda" offered by JD.com²⁵.

Tiffany & Co. opens online pop-up store on Tmall's Luxury Pavilion

On 14 August, luxury jewelry brand Tiffany & Co. opened a pop-up store on Luxury Pavilion, Tmall's luxury platform, and started the pre-sale of its latest "Tiffany Paper Flowers" jewelry collection. This is the first time for Tiffany to have a product launch event on an online platform. It also cooperated with Tmall to lure consumers to create a personalized online message card to share on their social media platforms. It is reported that "Tiffany Paper Flowers" collection will also be available in Tiffany's offline stores in China two weeks after the launch of the pre-sale event on Tmall Luxury Pavilion²⁶.

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