China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general

CGCC and Fung Business Intelligence: Emerging opportunities temper ongoing challenges in China's commercial sector in 2020

On 15 January, the Secretariat of the Expert Committee of the China General Chamber of Commerce (CGCC) and Fung Business Intelligence jointly released the "Ten Highlights of China's Commercial Sector, 2020" in Beijing (for the Chinese version) and Hong Kong (for the English version). The ten highlights forecast for 2020 are:

1. Services consumption is a key driver of consumer market growth; further improving China's consumption structure and business environment
2. Night-time shopping and consuming proliferate, bringing new growth opportunities
3. Services consumption continue to boom; catering industry thrives and enters a smart new era
4. Transformation of consumer market and circulation sector accelerates; creates a stronger domestic market
5. Innovative retail formats and new business models become evident, capturing diverse and fast-changing consumer demands
6. Digitalization becomes the "new normal"; revolution in the circulation industry facilitates reconstruction of production processes
7. Renovation of pedestrian streets facilitates consumption upgrading; trend for coordinated development between commerce, tourism and cultural businesses
8. Community retailing shifts towards services; "last-100-meter" retail gains attention
9. Joint efforts to promote rural e-commerce, food traceability and poverty relief lead to mutual gains
10. Agricultural distribution channels accelerate transformation; rural issues and consumption upgrading are better addressed[1].

Please visit here for full report.

73 brands open their first store in Beijing in 2019

Recently, domestic research agency Commercial Real Estate Observation summarized that there were 73 brands opening their first store in Beijing in 2019, mainly from retail and catering sector. Of which, 67% of them were international brands; the U.S., Italy and Japan were the top three origins of these brands. Most of these brands chose to open their first store in Taikoo Li Sanlitun and China World Mall[2].

JD Daojia: Imported goods become popular for CNY shopping

On 9 January, JD Daojia released its Chinese New Year (CNY) consumption trend report for 2020. It predicted that the sales of imported goods will run high thanks to tariff reduction. Imported goods are especially popular among households in tier-3 and 4 cities during the festive season. In addition, small packages, light CNY gifts and minimum storage will become the trend. Semi-finished products and CNY gift boxes, both convenient and carry a ceremonial feel, record high sales. The report concluded that consumption needs during festive holidays have changed and upgraded[3].

E-commerce

QuestMobile: Meituan's DAU reaches 69.86 million in 2019, six times that of Ele.me

According to domestic research agency

QuestMobile, as of 31 December 2019, the number of daily active users (DAU) of Meituan reached 69.856 million, higher than that of Dianping (13.17 million), Ele.me (10.97 million), and Koubei (2.83 million). Recently, the market value of Meituan reached HK$628.4 billion, exceeding Baidu, JD.com and Pinduoduo[4].

QuestMobile: "Small-town youth" favor value-for-money products when shopping online

On 15 January, QuestMobile announced the "2019 Small-town Youth Shopping Insights Report". According to the report, in November 2019, horizontal e-commerce websites, online marketplaces for pre-owned products, online electronics stores, online shopping guide, and price-comparison and rebate websites were the top five web content categories driving strongest yoy growth in the number of monthly active users among "small-town youth") – young consumers in lower-tier cities or rural areas, while Mobile Taobao, Pinduoduo, Xian Yu, JD.com and Suning.com were the top five most popular e-commerce apps. When it comes to shopping online, small-town youth still consider product quality, price and brand as the most important factors influencing their buying decision[5].

Ymatou closes Series D funding round of hundreds of million yuan from Weibo Corporation

Recently, cross-border e-commerce platform Ymatou announced that it made a profit in 2019 and it has successfully completed a Series D funding round which worth hundreds of million yuan from Weibo Corporation. Ymatou said the new proceeds will be used to explore short video and live-streaming initiatives. Under the partnership, Weibo is going to help boost the traffic of Ymatou and build the Ymatou brand by opening up resources including marketing and access to influencers; Ymatou will help key opinion leaders (KOLs) on Weibo to monetize by leveraging Ymatou's capabilities in live-streaming and social commerce[6].

JD.com's private label J.Zao is available in 2,500 offline stores in 386 cities

Recently, JD.com's private label business unit J.Zao (previously known as Jingzao) said that it now offers 8,000 SKUs from 25 product categories, increased from only 50 SKUs in eight product categories when it launched in January 2018. J.Zao is a private label business of JD.com which leverages JD.com's big data and adopts a C2B model when producing products. As of today, J.Zao's products are available in over 2,500 offline stores under JD.com in 386 cities in China[7].

JD Express launches e-commerce platform "Jingxianfang" to help small-scale farmers sell online

Recently, JD Logistics's express delivery business unit JD Express launched an e-commerce platform for agricultural products named "Jingxianfang", helping small-scale farmers sell their products online. JD Express will provide logistics support for farmers. It targets to have full control of procurement, storage, logistics, and selling. It also supports 24-hour cold chain logistics, and adopts blockchain technology for product traceability[8].

Xiaohongshu closes all offline experiential stores in Shanghai

Recently, Xiaohongshu (a.k.a. Red) reportedly closed all its offline experiential stores "Red Home" in Shanghai. According to Xiaohongshu, most of its offline stores are profitable; however, opening offline stores is not the main focus of the company under its "new retail" initiatives. The company maintained that the store closures is a strategic adjustment of its business. The first offline store of Xiaohongshu was opened in Shanghai June 2018; since then, the company has opened offline stores in other cities including Changzhou and Ningbo[9].

Retail logistics

Cainiao kicks start the first provincial-level rural logistics project in Sichuan

On 14 January, Cainiao Rural, a mobile app unit of Cainiao, announced to ink a strategic cooperation agreement with 15 city-level transportation departments and four county governments of its pilot points in Sichuan to build a digital logistics network. Cainiao plans to join hands with courier companies to set up a provincial-level distribution center that can integrate and standardize allocation process, distribution and transportation, terminal nodes, services and information systems. It is understood that Cainiao Rural provided 400 million yuan worth of services in rural areas in Sichuan in 2019 and transported 160 million yuan agricultural products to the urban areas[10].

Supermarkets and hypermarkets

Winshang: Ten major hypermarket and supermarket operators together open 316 stores in 2019, up 3.3% yoy

According to Winshang, ten major hypermarket and supermarket operators including Yonghui Superstores, Better Life, CR Vanguard, Wumart, RT-Mart, Walmart China, Carrefour China, CP Lotus, Aeon, and Metro China together opened 316 stores in 2019, up 3.268% yoy from 306 stores in 2018. Yonghui Superstores, Better Life and Wumart were the top three operators in terms of new store openings. Meanwhile, six of the above ten operators closed a total of 29 stores; the number of store closures declined significantly from 45 and 44 stores in 2017 and 2018 respectively. Most of the store closures were from Walmart China and CR Vanguard[11].

Shengxian Chuanqi launches new business format “Chuanqi Market”

On 10 January, domestic O2O fresh food supermarket operator Shengxian Chuanqi launched new business format “Chuanqi Market”, a discount store combining fresh food market and catering business. Spanning across 600 sqm space with stylish yet simple interior design, Chuanqi Market selects high quality products and offers them to customers at low price. After several rounds of fund raising, Shengxian Chuanqi is currently valued at 3 billion yuan and operates 130 stores. It has paved a highly efficient store network via supply chain upgrades, developing private labels, setting up automatic warehousing facilities and adopting information management systems[12].

Convenience stores

Convenience store Bianlifeng launches Mini Program for private label “Bee Select”

Recently convenience store operator Bianlifeng launched a Tencent Mini Program for its private label “Bee Select”. This is the first time for Bianlifeng to leverage a third-party platform to sell its private label. The first batch of private label products available on the Mini Program are those with high repurchase rates. It is reported that Bianlifeng has not set a profit target for “Bee Select” on the Mini Program as its aim is to offer the private label to customers in areas not covered by the stores[13].

Apparel

Winshang.com: Fast fashion retailers launch 218 new stores in 2019, record low in store openings

According to Winshang.com, in 2019, eight major fast fashion retailers including H&M, Zara, Uniqlo, MJstyle, Muji, UR, C&A and Gap altogether launched 218 new stores in China, setting a record low in terms of new store openings. Among the retailers, Uniqlo opened 86 new stores in 2019, holding onto its top spot in terms of new store openings. By region, fast fashion retailers still focus primarily on East China market particularly in Jiangsu, Zhejiang and Shanghai. By city tier, fast fashion retailers consider tier-2 cities as their key battlefields, while they have also accelerated their expansion in tier-3 and below cities, making a stronger push into lower-tier cities[14].

Zhiyi Tech: Men's T-shirt sales take up 31.2% of total menswear sales in 2019

Chinese AI fashion tech company Zhiyi Tech has recently released the 2019 menswear and womenswear sales data generated from its AI-driven big data analysis on well-received clothing items. According to the data, sales of women's T-shirts, dresses and jeans topped the sales rankings; women's clothing companies and designers are advised to get design ideas and inspiration in terms of clothing fabrics, patterns, and craftsmanship from Korean dramas and celebrities during their design process. Men's T-shirts are also sought-after among shoppers, with sales taking up 31.2% of the total menswear sales in 2019. Workwear is a popular category; companies are advised to keep their workwear lines and focus on developing more work clothing in black, with blue and others as complementary colors[15].

IPO application by Beijing Jiaman Dress gets rejected

It is reported recently that Beijing Jiaman Dress Co., Ltd.'s application for initial public offering (IPO) got rejected by the China Securities Regulatory Commission, marking the first IPO rejection in 2020. Jiaman Dress operates a total of 24 brands, including private label, authorized brands and international brands. It is the agency for 21 international brands, including KENZO KIDS, HUGO BOSS and FENDI. The company initiated its IPO application in March 2018. However, it was suspected of placing fake orders and making self-purchases. The authority also found that its compliance measures for fixed assets are inadequate and it uses personal accounts to settle corporate bills[16].

Aikucun reaches long-term extensive partnership with 30 brands including Semir and Mulsanne Group

Aikucun has recently entered into a long-term extensive strategic partnership with 30 well-known brands including Romon, Tonlion, Fortei, Aokang, Beyond Group, Semir Group and Mulsanne Group. All the brands will pair up with Aikucun to offload excessive inventory and develop new distribution channels; they will also work in close collaboration on supply chain, whole-scene marketing and other areas. It is reported that Aikucun, established two years ago, currently has over 1.5 million store owners and well-established merchants selling on its platform[17].

Luxury sector

Cartier launches online flagship store on Tmall

On 9 January, French luxury brand Cartier officially launched its online flagship store on Tmall, offering all products from its entire collection and bringing its customized services online. It is reported that Cartier has been investing much online due to the slow growth of offline retail market[18].

Qeelin's WeChat Mini Program store officially goes online

Qeelin, a fine jewelry brand under Kering Group, has officially launched its WeChat Mini Program store, selling the brand's Red Theme Selection which includes products from its Wulu, BoBo and YuYi collections. Founded by Chinese designer Dennis Chan and French entrepreneur Guillaume Brochard in 2004, Qeelin was acquired by Kering Group in 2012 and launched its official online flagship store on Tmall in August 2018[19].

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Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

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