China Retail & E-commerce

Weekly Updates

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FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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Retail in general

NBS: Total retail sales of consumer goods up by 7.2% yoy in April 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,058.6 billion yuan in April 2019, up nominally by 7.2% yoy (5.1% yoy in real terms). Of which, retail sales of enterprises above a designated size amounted to 1,112.0 billion yuan, up 2.0% yoy. By type of consumption, in April 2019, catering sales amounted to 328.1 billion yuan, increased by 8.5% yoy. Retail sales of commodities amounted to 2,730.5 billion yuan, up by 7.0% yoy. In January – April 2019, online retail sales grew 17.8% yoy to 3,043.9 billion yuan. Of which, online retail sales of physical goods increased by 22.2% yoy to 2,393.3 billion yuan, accounting for 18.6% of total retail sales[1].

E-commerce

Alibaba's revenue reaches 376,844 million yuan in fiscal year 2019

On 15 May, Alibaba Group announced its financial results for fiscal year ended 31 March, 2019. During the year, Alibaba recorded revenue of 376,844 million yuan, up 51% yoy. Annual active consumers on Alibaba's China retail marketplaces reached 654 million, an increase of 102 million from the 12-month period ended 31 March, 2018. More than 70% of the increase in annual active consumers was from less developed cities. Mobile MAUs reached 721 million in March 2019, an increase of 104 million over March 2018. GMV transacted on Alibaba's China retail marketplaces was 5,727 billion yuan, up 19% yoy[2].

JD.com records revenue of 121.1 billion yuan in 1Q19, up 20.9% yoy

On 10 May, JD.com announced its unaudited financial results for the quarter ended 31 March, 2019. In 1Q19, net revenues were 121.1 billion yuan, up 20.9% yoy; income from operations was 1.2 billion yuan, compared to 4.4 million yuan for the same period in 2018. Annual active customer accounts increased to 310.5 million in the twelve months ended 31 March, 2019. JD.com renewed the strategic cooperation agreement with Tencent, for a period of three years starting from 27 May, 2019[3].

Tencent records revenue of 85,465 million yuan in 1Q19, up 16% yoy

On 15 May, Tencent announced the unaudited consolidated results for 1Q19. Total revenues reached 85,465 million yuan, up 16% yoy; profit attributable to equity holders for 1Q19 was 27,210 million yuan, up 17% yoy. Combined MAU of Weixin and WeChat was 1,112 million, up 6.9% yoy. MAU of QQ reached 823 million[4].

MOFCOM: Import value of CBEC up by over 40% yoy in 1Q19

On 9 May, Gao Feng, spokesman of the Ministry of Commerce (MOFCOM) said in a regular press conference that China's online retailing market continued to demonstrate rapid growth in 1Q19. Cross-border e-commerce (CBEC) grew fast, import value of CBEC up by over 40% yoy. Imports from Japan, the U.S. and Korea were ranked the top three, accounting for 18%, 13.3% and 11.6% of the total import value respectively. By product category, cosmetics, grain, oil, food and daily necessities were the top three most popular categories, accounting for 36.2%, 24.3%, and 10.0% of the total import value respectively[5].

iiMedia Research: NetEase Kaola ranks first again among China's CBEC players in 1Q19

On 14 May, iiMedia Research released "Report for China's cross-border e-commerce (CBEC) market, 1Q19". According to the report, in 1Q19, NetEase Kaola ranked the top for the eighth times in terms of market share (27.5%), followed by Tmall Global and JD.hk with 25% and 13% market share, respectively[6].

JD.com closes Australia office

Recently, JD.com shut down its office in Melbourne, Australia after operating for less than 15 months. According to JD.com, operations in the Australian office will be integrated to its China-based operations; JD.com's domestic staff will be responsible for managing Australian merchants selling their goods to Chinese consumers. The Melbourne office was opened in February 2018 when JD.com announced to enter the Australia and New Zealand market[7].

Xiaohongshu raises the requirements for KOLs to become brand partners

On 10 May, Xiaohongshu released a briefing document on its brand partner platform upgrade exercise – Xiaohongshu will raise the requirements on the number of followers and average number of posts published every month for KOL in order to be qualified as a brand partner – KOLs with less than 5,000 followers and less than 10,000 posts published every month will be disqualified, i.e. they will not be allowed to do any advertising on the platform. Previously, KOLs were required to have at least 1,000 followers and the average number of monthly posts must exceed 1,000. Other than that, starting from now on, Xiaohongshu will sign real-name contract with KOLs who have met the requirements as brand partners. After making these changes, the number of brand partners on the platform has decreased from 17,000 to about 5,500, which is equivalent to filtering out almost 70% of the KOLs, and most of the remaining ones are celebrities and leading KOLs. Xiaohongshu hopes that the platform upgrade exercise can help set the framework and establish a good ecosystem for social commerce by building a better quality brand partner system with transparency and fairness[8].

Department stores and shopping malls

37 Wanda Department Stores to be renamed as Suning.com Plaza

On 15 May, Suning.com announced to rename the 37 department stores it acquired from Dalian Wanda as Suning.com Plaza. Those stores are being renovated into smart retail malls. The first one is scheduled to open in late May. Suning indicated that, based on the individual characteristics of the 37 plazas, it will consolidate them into its retail network, including Suning Jiwu, a concept store of imported goods, Suning Redbaby, an online retailer of mother and baby products, Suning Xiaodian, a convenience store brand, and other businesses. It will also join hands with former suppliers and develop new business models for the smart retail malls[9].

Convenience stores

CCFA: Easy Joy, uSmile and Meiyijia top the list of Top 100 Convenience Store Operators in 2018

On 14 May, China Chain Store and Franchise Association (CCFA) announced the Top 100 Convenience Store Operators in 2018. Convenience stores saw the fastest sales growth among all retail formats. Easy Joy, uSmile and Meiyijia topped the list in 2018. CCFA also highlighted the following characteristics of the convenience store sector in 2018:

1. Focused in regional markets – over 80% of the top 100 convenience store operators operated regionally.
2. Scale of the top players varied – 20% of the operators had more than 1,000 branches, while 30% had only 100-200 branches.
3. Markets in provincial capitals and tier 1 cities were more mature – only 30% of the operators were originated from prefecture-level cities and county-level cities.
4. Most of the top enterprises operated single format – 80% of the top operators only operated convenience stores[10].

Apparel and shoes

10 Corso Como to close Shanghai branch

Italy's luxury multi-brand store 10 Corso Como will shut down its Shanghai branch in June, due to the expiration of its lease and the end of its partnership with its Chinese partner Trendy Group, the parent company of womenswear brand Ochirly. Following its entry into China in 2013, 10 Corso Como opened two local stores respectively in Shanghai and Beijing's SKP shopping mall; yet, the store in Beijing was closed in February 2017[11].

Parent company of Uniqlo unveils OEM factory list, half of its production capacity remains in China

On 14 May, Fast Retailing Co., Ltd., the parent company of Japanese fast fashion brand Uniqlo, released the latest list of its OEM factories and their addresses. The list shows that the total 242 factories are in eleven countries, including China and those in Southeast Asia. There are 128, 44 and 24 factories in China, Vietnam and Bangladesh respectively. The Chinese factories contribute to 50% of the overall production capacity. As labor cost in China keeps rising, Fast Retailing is planning to reduce its reliance on Chinese production[12].

Mogujie sets up its first livestreaming supply chain system

On 10 May, Mogujie, a social e-commerce platform, announced to establish a global supply chain system for beauty products tailored for its livestreaming function. The system is aimed to provide live streamers with diverse, abundant and high-quality products. It will also provide guidance in product selection. On the other hand, brands and suppliers can check out the live streamers from the system and review their product fields as well as recent sales performance. In this way, the system can speed up the match of live streamers and merchants and facilitate their effective cooperation. It is reported that Mogujie is planning to launch a source tracing channel and live broadcast in factories, laboratories and other production sites[13].

C.banner sells shares of Hamleys for approximately 34 million pounds

On 14 May, domestic footwear brand C.banner International announced to sell all shares of Hamleys Global Holdings Limited to Reliance Brands Limited for approximately 34 million pounds. C.banner said that the performance of Hamleys was below expectation, and the expected synergy between C.banner's core shoe business and the toy business was not realized. The disposal will allow C.banner to focus on the development of its core business of manufacturing and sale of mid-to-premium ladies’ footwear[14].

Cosmetics

Shiseido’s 1Q19 sales hit 273.6 billion yen, with China market contributing almost 20% of sales

On 14 May, Shiseido Group announced its 1Q19 financial report; as of 31 March 2019, the group generated sales of 273.6 billion yen, up 3.8% yoy, while operating profit was 38.93 billion yen, down 17.4% yoy. During the reporting period, the group’s prestige brands including SHISEIDO, Clé de Peau Beauté, IPSA and NARS maintained strong growth momentum in China; all of the group’s brand business registered substantial growth in e-commerce sales, contributing significantly to the group’s China business. In the reporting period, the group’s China business racked up sales of 52.5 billion yen, contributing 19.2% of the group’s overall sales and making China the largest overseas market for Shiseido Group[15].

Home products sector

Alibaba invests 4.36 billion yuan in Red Star Macalline

On 15 May, China’s major furniture retailer Red Star Macalline announced that all the convertible bonds successfully issued by the company’s controlling shareholder Red Star Macalline Holdings Ltd. have been fully subscribed by Alibaba for approximately 4.36 billion yuan. Red Star Macalline and Alibaba also sealed a business cooperation framework agreement on the day of the announcement to carry out business cooperation on furniture building supplies, construction of furniture malls and shopping malls, and other business areas[16].

Luxury sector

Louis Vuitton opens official account on Xiaohongshu

French luxury brand Louis Vuitton has recently opened an official account on China’s social e-commerce platform Xiaohongshu, mainly using the account to deliver product information to its customers. It is noteworthy that Louis Vuitton is the first international luxury brand to launch on Xiaohongshu[17].

Secoo enters strategic partnership with CÉ LA VI to expand into global high-end service industry

Secoo and Asia’s nightclub and restaurant group CÉ LA VI recently entered into a strategic partnership, aiming to integrate each other’s advantages in industry brand resources, customer base, supply chain resources, technical strength, as well as marketing channels and platforms. Bringing the cooperation between Secoo and CÉ LA VI to a strategic level, the tie-up will greatly promote the expansion of both companies’ respective businesses, setting a new industry benchmark for the premium lifestyle, food & beverage and entertainment industry. Secoo expressed that the strategic partnership will help further improve its business advantage and expand its businesses in both local and overseas markets. CÉ LA VI stated that the strategic cooperation between the two companies creates an enormous amount of opportunity for both companies to expand reach across Asia and accelerate growth within the luxury consumer market through the integration and innovative development of both businesses' core operations[18].

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