

China Retail & E-commerce

Weekly Updates

11 May 2018 – 17 May 2018



 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in General p2

- Total retail sales of consumer goods increase 9.4% yoy in April 2018
- CCFA: Top 100 retail chain operators in 2017 record total sales of 2.2 trillion yuan, up 8.0% yoy
- Reputation Institute: Huawei tops the “China RepTrak 100” list

E-commerce p2

- Tencent's revenues increase 48% yoy in 1Q18
- Vipshop announces 1Q18 results with total net revenue reaching 19.9 billion yuan
- VIP International and JD Worldwide to cooperate in CBEC supply chain and overseas warehousing
- Ymatou opens flagship store on Suning Global
- Youpin renames as “Xiaomi Youpin”
- Tianjin Municipal Government and Alibaba sign a MOU on “New Retail City” cooperation
- Amazon hosts event in Hangzhou to connect overseas online merchants with 400 Chinese manufacturers
- Tmall opens first offline customer service center in Intime Department store in Hangzhou

E-commerce logistics p4

- JD.com invests US\$306 million in logistics real estate company ESR

Department stores and shopping malls p4

- Wangfujing Group to subscribe newly issued shares of C.banner with no more than 100 million yuan

Supermarkets and hypermarkets p4

- Lotte Mart sells 50 stores to Liqun Group
- METRO to expand private label; target to reach 20% of total sales by 2020

Convenience stores p5

- CCFA, BCG: Sales revenue of China's convenience store chain operators amount to 130 billion yuan; total number of stores reaches 100,000

Apparel p5

- Uniqlo launches AI shopping guide on WeChat
- C&A opens China's first new concept store

Cosmetics p6

- Beiersdorf to cooperate with Kaola.com

Consumer electronics p6

- Tencent Video and JD.com to jointly launch smart TV product
- JD.com announces upgrade of its home electronics' repair & service policy – from free repair to free replacement

Luxury sector p7

- Moschino's parent company's revenue soars 68% yoy; Greater China region continues to lead all markets
- Italian fashion brand N°21 opens first Beijing flagship store in Taikoo Li Sanlitun
- Givenchy launches WeChat Store

Teresa Lam

Vice President

E: teresalam@fung1937.com

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com



Retail in general



Total retail sales of consumer goods increase 9.4% yoy in April 2018

In April 2018, the total retail sales of consumer goods reached 2,854.2 billion yuan, up nominally by 9.4% yoy. Of which, retail sales of consumer goods above designated size totaled 11,241 billion yuan, up by 7.8% yoy. In terms of types of consumption, in April, catering sales increased 9.6% yoy to 302.4 billion yuan; retail sales of commodities were 2,551.7 billion yuan, up by 9.4% yoy. From January to April 2018, total online retail sales amounted to 2,579.2 billion yuan, increased 32.4% yoy. Of which, online retail sales of physical goods increased by 31.2% yoy to 1,949.5 billion yuan, accounting for 16.4% of the total retail sales of consumer goods¹.

CCFA: Top 100 retail chain operators in 2017 record total sales of 2.2 trillion yuan, up 8.0% yoy

The China Chain Store and Franchise Association (CCFA) released its annual list of “the Top 100 Retail Chain Operators in China” (the Top 100s). Total sales of the Top 100s in 2017 were 2.2 trillion yuan, up 8.0% yoy and accounted for 6.0% of total retail sales of consumer goods. Total number of stores reached 109,814, up 9.1% yoy. By retail format, convenience stores saw the highest yoy sales growth at 16.7% yoy. Suning topped the list with retail sales of 243.3 billion yuan in 2017, followed by Gome and China Resources Vanguard with retail sales of 153.7 billion yuan and 103.7 billion yuan respectively².

Reputation Institute: Huawei tops the “China RepTrak 100” list

U.S.-based Reputation Institute has unveiled its latest “China RepTrak 100” list, which tracks and measures the reputation of major brands across China. Huawei, Haier, SF Express, Gree, and Bank of China topped the list among Chinese brands. While multinational companies still have a lead ahead of Chinese brands, the lead is shrinking – the average reputation for a Chinese brand came in at 63.8 points, while multinationals came in at 64.4 points³.

E-commerce



Tencent's revenues increase 48% yoy in 1Q18

On 16 May, Tencent announced its 1Q18 earnings report. In 1Q18, Tencent's total revenues increased 48% yoy to 73.528 billion yuan. Operating profit increased 59% yoy to 30.692 billion yuan. Net profit increased 65% yoy to 24 billion yuan. The combined monthly active user accounts of Weixin and WeChat were 1.040 billion, an increase of 10.9% yoy⁴.

Vipshop announces 1Q18 results with total net revenue reaching 19.9 billion yuan

On 15 May, Vipshop Holdings Limited announced its unaudited financial results for 1Q18. Vipshop's total net revenue for 1Q18 increased by 24.6% yoy to 19.9 billion yuan; its net income attributable to shareholders was 529.7 million yuan, dropped by 4% yoy from 551.9 million yuan in the same period of last year. As of 31 March 2018, the number of active customers of Vipshop was 56.6 million;

total orders for 1Q18 increased by 25% yoy to 90.2 million⁵.

VIP International and JD Worldwide to cooperate in CBEC supply chain and overseas warehousing

On 11 May, VIP.com announced that its cross-border e-commerce (CBEC) arm VIP International will cooperate with JD Worldwide in CBEC supply chain and overseas warehousing. VIP.com will provide overseas warehousing and logistics services to JD Worldwide, including 12 overseas warehouses (of which 8 of them are self-operated by VIP.com). Both companies can share the resources in sourcing, marketing, logistics and services along the supply chain to lower operating costs, and enhance brand influence and user experience. In particular, the cooperation can also increase utilization rates of VIP.com's overseas warehouses as well as the shipping services so as to reduce costs and improve logistics efficiency⁶.

Ymatou opens flagship store on Suning Global

On 14 May, e-commerce platform Ymatou opened a flagship store on Suning Global. Suning said that the strategic cooperation with Ymatou will enable both parties to leverage their resources to bring more overseas products to Chinese customers and further enhance their cross-border e-commerce shopping experience. Ymatou can leverage Suning's advantages in membership system, operation, supply chain, as well as bonded warehouse in China to expand Ymatou's customer reach. Ymatou flagship store sells mainly products of niche brands; all products are sourced by Ymatou⁷.

Youpin renames as "Xiaomi Youpin"

Recently, Xiaomi's lifestyle e-commerce

platform "Youpin" has been renamed as "Xiaomi Youpin". The new name has included "Xiaomi" so as to enhance brand awareness. All of Xiaomi's core sales channels, including Xiaomi's official website, IOS' app, Weibo, as well as its brand logo have already been renamed, but the WeChat small program, some of Android apps, and promotion content of official website are still using the old name. According to Youpin, the renaming initiative is still in progress and is expected to complete soon⁸.

Tianjin Municipal Government and Alibaba sign a MOU on "New Retail City" cooperation

On 15 May, the Tianjin municipal government and Alibaba signed a Memorandum of Understanding (MOU) on "New Retail City" cooperation. The two parties will help Tianjin's brands with long history to connect with Tmall and Koubei platforms. Meanwhile, Alibaba will open 30 Hema Xiansheng stores and build a number of smart zones and Tmall smart stores in Tianjin in the next three years. Indeed, Alibaba Group announced its "new retail city" plan in April this year – hoping to enhance the quality of life in the participating cities with its new retail smart services. Selected participating cities include Xi'an, Wuhan and Chengdu⁹.

Amazon hosts event in Hangzhou to connect overseas online merchants with 400 Chinese manufacturers

According to media reports, in the coming weeks, Amazon will host an event in Alibaba's hometown in Hangzhou to connect online merchants with 400 Chinese manufacturers to sell electronics, car parts, home products and more directly to American and European consumers. Amazon experts will provide insights into buying trends. Sponsored by Amazon Global Selling, the event is called

“Coming Together For U.” The event is part of Amazon’s effort to evolve from an e-commerce platform into a global logistics operation. Amazon would collect fees for helping merchants source goods directly from factories and ship them to other countries so they can be delivered quickly¹⁰.

Tmall opens first offline customer service center in Intime Department store in Hangzhou

On 16 May, Tmall officially opened “Tmall online service centre” as well as its first offline customer service center in Intime Department Store (Wulin branch, Hangzhou). With an area of nearly 400 sqm, the service center provides nine major types of services including clothes alteration, shoe cleaning, luxury goods verification, watch repair, jewelry maintenance, and recycling of mobile phone and luxury products. By cooperating with Tmall New Retail Division, customers can check the available services and related service fees via “Tmall online service centre”; they can also make appointment and enjoy quick response (as fast as 15 minutes) from the service center. Customers can also get mobile phone repair service within two hours¹¹.

E-commerce logistics

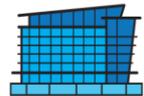


JD.com invests US\$306 million in logistics real estate company ESR

On 15 May, ESR, a leading pan-Asia logistics real estate developer, owner and operator, announced that a subsidiary of JD.com Inc. has invested US\$306 million in ESR. This transaction is expected to deepen the strategic cooperation and synergies between the two companies, and also create an

alliance that can provide better logistics services for customers and businesses in China. JD.com and ESR said that they will use their resources and management expertise to explore cooperation in multiple areas, including property development, fund management, and investment across the region. With the opportunities created by the burgeoning growth of e-commerce in pan-Asia, the two parties will seek to extend their cooperation in China and across other key markets in Asia¹².

Department stores and shopping malls



Wangfujing Group to subscribe newly issued shares of C.banner with no more than 100 million yuan

On 16 May, Wangfujing Group Co., Ltd. announced that it intends to subscribe for the newly issued shares of C.banner International Holdings Co., Ltd. through its subsidiary company, and the subscription amount will not exceed 100 million yuan. Wangfujing said that it will establish an in-depth strategic cooperation with C.banner, leverage the respective advantages of both parties, and enhance their brand influence and core competencies. C.banner’s main business focuses on design, production and sales of mid-to-high women's shoes. It also owns the toy brand Hamleys¹³.

Supermarkets and hypermarkets



Lotte Mart sells 50 stores to Lique Group

According to South Korea's media, Lotte Shopping Co. will announce its decision to sell Lotte Mart's 50-plus stores in Eastern China, including Shanghai and Jiangsu to Liqun Group at a price of 280 billion to 290 billion won (approximately 1.67 billion to 1.72 billion yuan). After this transaction, Lotte will have only 14 Lotte Mart outlets in China. It is reported that Lotte Mart will fully exit the China market after operating in the market for 11 years¹⁴.

METRO to expand private label; target to reach 20% of total sales by 2020

On 15 May, METRO China announced the launch of new private label lines and unveiled three new flagship private label brands, namely METRO Chef, METRO Professional and METRO Premium. METRO Chef offers value for money food products for chefs and restaurants; METRO Professional covers non-food products such as washing and cleaning products; while METRO Premium provides high-end food products. METRO China said that its private labels will increase to more than 4,600 kinds by 2020, with sales accounting for 20% of the company's annual sales¹⁵.

Convenience stores



CCFA, BCG: Sales revenue of China's convenience store chain operators amount to 130 billion yuan; total number of stores reaches 100,000

China Chain Store and Franchise Association (CCFA) and Boston Consulting Group (BCG) jointly released the "China Convenience Store Report, 2017". According to the report, China's convenience store (CVS) chain

operators achieved sales revenue of 130 billion yuan in 2016, up 13% yoy, while the total number of stores reached 100,000. The report also highlighted eight features of CVS:

1. Higher growth in tier-1 and tier-2 cities.
2. Most leading players in China's CVS sector are regionally based; there is no national leader in the sector.
3. Same-store sales and margins are significantly lower than overseas counterparts, though they have been improving over past years.
4. Rental and labor costs increased fast in 2016.
5. Share of private label products, fresh food and semi-processed food is still low.
6. Franchise operation is not mature. 30% of the operators have not established franchise operations. Control of franchisees is rather loose.
7. 50% of the operators have started online operation; sales from online business accounted for around 11% of the total sales. Mobile payment is widely available in-store but the usage rate is low.
8. Only 55% of the CVS operators have established membership system. For those that have membership system, sales from members have increased steadily¹⁶.

Apparel



Uniqlo launches AI shopping guide on WeChat

On 11 May, fast fashion brand Uniqlo launched a new smart AI shopping guide "Xiaoyou" to its WeChat official account, in the hope of enhancing users' online shopping experience. Users can interact with "Xiaoyou" by scanning QR codes printed on product tags,

or through voice search and text search. It is reported that UNIQLO will launch in-store smart shopping guide in all of its stores across the country this year as part of its digitalization transformation strategy¹⁷.

C&A opens China's first new concept store

International fast fashion brand C&A opened its first new concept store in Nanjing. With the use of black technologies, all the screens and sound systems in-store can be controlled through a cloud platform at the back-end management system. The store is also equipped with a magnetic anti-theft system, in which all the anti-theft product tags are embedded with RFID chips for data collection. C&A also uses Beacon technology and the shake feature in WeChat to detect customer's shopping route inside the store, which helps the brand to better understand customer's portrait through connecting their CRM and POS systems with customer's user ID in WeChat¹⁸.

Cosmetics

Beiersdorf to cooperate with Kaola.com

On 14 May, Germany's Beiersdorf, the maker of Nivea skin care products announced that it has agreed to sign a strategic cooperation with Kaola.com, the cross-border e-commerce platform of Netease. Beiersdorf said demand for imported goods in China is on the rise; the partnership would give Nivea brand access to China's online consumers. Beiersdorf did not disclose further details of the deal¹⁹.

Consumer electronics

Tencent Video and JD.com to jointly launch smart TV product

On 10 May, Tencent Video reached a deep strategic cooperation with JD Home Appliance and JD Smart. The three parties will jointly launch a new smart TV product with smart voice control function and can allow customers to "see now/ buy now". At the same time, Tencent Video and JD.com have formed a "Smart TV, Big Monitor Alliance" with other data service providers, TV manufacturers and OTT manufacturers including Changhong, TCL, Philips, Hisense, Konka, and KKTV, with a hope to redefine smart home scenarios as well as the industry standards for Internet TV²⁰.

JD.com announces upgrade of its home electronics' repair & service policy – from free repair to free replacement

On 14 May, JD.com officially announced an upgrade of its repair & service policy for home electronics – qualified customers can enjoy free replacement of selected electronic products during the warranty period. At the same time, JD.com will deliver the new product to customers' designated addresses without charging any delivery fee. Currently, electronic products that are covered in the policy include telephones, sockets, and electronic scales, etc.; JD.com will gradually expand to other categories²¹.

Luxury sector



Moschino's parent company's revenue soars 68% yoy; Greater China region continues to lead all markets

Affe SpA, the parent company of the Italian luxury fashion brand Moschino, announced its 1Q18 results. In the three months ended 31 March, total sales increased 19.7% yoy to 95.2 million euro, while net profit rose 39% yoy to 11.3 million euro. Operating profit increased 39% yoy to 17.3 million euro, with a profit margin of 21.4%. During the period, the Group's sales in the Greater China region soared 67.8%, which continued to lead all markets²².

Italian fashion brand N°21 opens first Beijing flagship store in Taikoo Li Sanlitun

On 10 May 2018, Italian fashion brand N°21 opened its first Beijing flagship store in Taikoo Li Sanlitun, marking a big step for the brand's expansion in Asia following the store openings in Tokyo, Korea, and Hong Kong. This flagship store has a floor space of 104 sqm, following the design concept of the N°21's Italian stores; the store features a large area of black and white colors, plus the intertwined of glass and geometric metal frames to create a futuristic modern space. N°21 is a high-end fashion brand created by Italian designer Alessandro Dell'Acqua in 2009. Neutral styles and fabrics have become one of the brand's unique features. N°21 currently has flagship stores in a number of global fashion landmarks such as Japan, Seoul, South Korea, and Milan, Italy²³.

Givenchy launches WeChat Store

On 15 May, French luxury brand Givenchy officially launched its online boutique on WeChat. The WeChat Store was created as an extension of Givenchy's premium offline service, aiming to offer a convenient yet immersive shopping experience for wealthy Chinese consumers. WeChat followers can browse through an exclusive, limited-edition collection. Chinese shoppers can also place orders directly on the app²⁴.

References

- ¹ "Total retail sales of consumer goods increase 9.4% yoy in April 2018", 15 May 2018. NBS.
http://www.stats.gov.cn/tjsj/zxfb/201805/t20180515_1599279.html (in Chinese only)
- ² "CCFA: Top 100 retail chain operators in 2017 record total sales of 2.2 trillion yuan, up 8.0% yoy", 10 May 2018. China Chain Store and Franchise Association.
<http://www.ccfa.org.cn/portal/cn/view.jsp?lt=1&id=434605> (in Chinese only)
- ³ "Reputation Institute: Huawei tops the "China RepTrak 100" list", 15 May 2018. marketing-interactive.com.
http://www.marketing-interactive.com/top-100-brands-in-china-with-the-best-reputation/?utm_campaign=20180516_mktdaily&utm_medium=email&utm_source=HK&utm_source=HK&utm_content=listing?utm_campaign%3D20180516_mktdaily&utm_content=listing
- ⁴ "Tencent's revenues increase 48% yoy in 1Q18", 16 May 2018. Sohu.com.
http://www.sohu.com/a/231838562_313745 (in Chinese only)
- ⁵ "Vipshop announces 1Q18 results with total net revenue reaching 19.9 billion yuan", 15 May 2018, iyiou.com.
<https://www.iyiou.com/p/72379> (in Chinese only)
- ⁶ "VIP International and JD Worldwide to cooperate in CBEC supply chain and overseas warehousing", 11 May 2018. 36Kr.
<http://36kr.com/p/5133555.html> (in Chinese only)
- ⁷ "Ymatou opens flagship store on Suning Global", 15 May 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/402287.shtml> (in Chinese only)
- ⁸ "Youpin renames as "Xiaomi Youpin"", 11 May 2018. Winshang.com.
<http://news.winshang.com/html/063/8671.html> (in Chinese only)
- ⁹ "Tianjin Municipal Government and Alibaba sign a MOU on "New Retail City" cooperation", 16 May 2018. Zgswcn.com.
<http://news.zgswcn.com/2018/0516/830715.shtml> (in Chinese only)
- ¹⁰ "Amazon hosts event in Hangzhou to connect overseas online merchants with 400 Chinese manufacturers", 17 May 2018. Sina.
<http://tech.sina.com.cn/i/2018-05-17/doc-iharvfhu3792838.shtml> (in Chinese only)
- ¹¹ "Tmall opens first offline customer service center in Intime Department store in Hangzhou", 16 May 2018. Linkshop.com.
<http://www.linkshop.com.cn/web/archives/2018/402396.shtml> (in Chinese only)
- ¹² "JD.com invests US\$306 million in logistics real estate company ESR", 15 May 2018. Sina.
<http://finance.sina.com.cn/stock/usstock/c/2018-05-15/doc-ihapkuv3101385.shtml> (in Chinese only)
- ¹³ "Wangfujing Group to subscribe newly issued shares of C.banner with no more than 100 million yuan", 16 May 2018. Linkshop.com.
<http://www.linkshop.com.cn/web/archives/2018/402431.shtml> (in Chinese only)
- ¹⁴ "Lotte Mart sells 50 stores to Liqun Group", 11 May 2018. Winshang.
<http://news.winshang.com/html/063/8680.html> (in Chinese only)
- ¹⁵ "METRO to expand private label; target to reach 20% of total sales by 2020", 16 May 2018. Bbtnews.com.
<http://www.bbtnews.com.cn/2018/0516/241498.shtml> (in Chinese only)
- ¹⁶ "CCFA, BCG: Sales revenue of China's convenience store chain operators amount to 130 billion yuan; total number of stores reach 100,000", 10 May 2018. China Chain Store and Franchise Association.
<http://www.ccfa.org.cn/portal/cn/view.jsp?lt=33&id=430429> (in Chinese only)
- ¹⁷ "Uniqlo launches AI shopping guide on WeChat", 10 May 2018. Fashion Network.
<http://cn.fashionnetwork.com/news/you-yi-ku-yu-wang-dian-tui-chu-ai-zhi-neng-dao-gou-gong-neng.976106.html#.WvU-ZS5uapo> (in Chinese only)
- ¹⁸ "C&A opens China's first new concept store", 16 May 2018. Fashion Network.
<http://cn.fashionnetwork.com/news/c-a-kai-mu-guan-guo-shou-jia-xin-gai.977760.html#.WvzjXhykF1Y> (in Chinese only)
- ¹⁹ "Beiersdorf to cooperate with Kaola.com", 15 May 2018. Fashion Network.
<http://cn.fashionnetwork.com/news/ni-wei-ya-mu-gong-si-beiersdorf-jiang-yu-zhong-guo-dian-shang-kao.977588.html#.WvuPpxykF1Y> (in Chinese only)
- ²⁰ "Tencent Video and JD.com to jointly launch smart TV product", 11 May 2018. 36Kr.
<http://36kr.com/p/5133417.html> (in Chinese only)
- ²¹ "JD.com announces upgrade of its home electronics' repair & service policy – from free repair to free replacement", 15 May 2018. Ccidnet.com.
<http://www.ccidnet.com/2018/0515/10386834.shtml> (in Chinese only)
- ²² "Moschino's parent company's revenue soars 68% yoy; Greater China region continues to lead all markets", 11 May 2018. Fashion Network.
<http://cn.fashionnetwork.com/news/moschino-mu-gong-si-da-zhong-hua-qu-shou-ru-meng-zhang-68--ji-xu-ling-pao-suo-you-shi-chang.976556.html#.WvVEoy5uapp> (in Chinese only)
- ²³ "Italian fashion brand N°21 opens first Beijing flagship store in Taikoo Li Sanlitun", 10 May 2018. Fashion Network.
<http://cn.fashionnetwork.com/news/n-21-yu-bei-jing-kai-chu-zhong-guo-shou-jia.976389.html#.WvpQmy-B08Z> (in Chinese only)
- ²⁴ "Givenchy launches WeChat Store", 15 May 2018. Jing Daily.
https://jingdaily.com/givenchy-sell-on-wechat/?utm_source=Jing+Daily+Subscriber+List&utm_campaign=775ab4efd5-EMAIL_CAMPAIGN_2017_09_13&utm_medium=email&utm_term=0_8dec01cd8d-775ab4efd5-407928521