



China Retail & E-commerce

Weekly Updates

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Retail in general

NBS: Total retail sales of consumer goods increase 8.3% yoy in 1Q19

In 1Q19, total retail sales of consumer goods reached 9,779.0 billion yuan, up nominally by 8.3% yoy. Of which, total retail sales of consumer goods reached 3,172.6 billion yuan, up nominally by 8.7% yoy in March 2019. Among them, the retail sales of consumer goods above designated size totaled 1,195.3 billion yuan, up by 5.1% yoy. In terms of types of consumption, in March, catering services increased 9.5% yoy to 339.3 billion yuan; retail sales of commodities were 2,833.3 billion yuan, up by 8.6% yoy. From January to March 2019, the national online retail sales amounted to 2,237.9 billion yuan, increased 15.3% yoy. Among them, the online retail sales of physical goods increased 21.0% yoy to 1,777.2 billion yuan, accounting for 18.2% of the total retail sales of consumer goods¹.

E-commerce

Tmall launches new gateway for product debuts on Taobao app

Tmall launched a new gateway on Taobao app for global brands to launch new products. From 17 April, users can click on a Tmall icon on the Taobao app to access the channel named “Tmall New Products”, which features an array of creative content and recommendations to help consumers discover products that just hit the market. Consumers can also see the products with the highest number of searches, new products which are coming soon to the market, products which are in limited edition, as well as new online flagship stores of brands².

JD Daojia launches “Fashion Home” channel to connect with cosmetics and home product retailers

On 12 April, JD Daojia announced to launch its “Fashion Home” channel and connect with more than 30 cosmetics and home product retailers including Watsons, Mannings, Miniso, Ubskin, Forest Cabin, Nature Republic and Hanajirushi. As of today, consumers can order from over 4,000 branches of these cosmetics and home product retailers via JD Daojia in nearly 50 cities and enjoy the 1 hour delivery service offered by JD Daojia. JD Daojia is reportedly providing total digital solutions for brands and retailers, including integrated online and offline membership database and membership benefits. Founded in early 2014, JD Daojia currently provides services in 67 major cities in China, with over 74 million registered users and over 30 million monthly active users³.

Amazon.com announces to shut down its China marketplace Amazon.cn from 18 July

On 18 April, Amazon.com notified its Chinese sellers that it will no longer operate a marketplace nor provide seller services on its China marketplace Amazon.cn from 18 July; sellers interested in continuing to sell on Amazon outside of China are able to do so through Amazon Global Selling. According to Amazon China, it will continue to invest and grow in China through Amazon Overseas, Amazon Global Selling, Kindle e-readers and Amazon Web Services. It is reported that Amazon currently has around 2,000 staff in China⁴.

Retail logistics

JD.com announces to tap intra-city delivery market

JD.com announced that JD Logistics has launched express intra-city delivery service in Beijing, Shanghai, Guangzhou and Changsha. Within 3-km distance, couriers will complete delivery in as fast as 30 minutes. Customers can make an order via JD.com's Mini Program and WeChat official account platform. JD.com reportedly joined hands with Dada, a leading domestic intra-city express delivery information services platform, to provide such service⁵.

Department stores and shopping malls

Liqun's total revenue increases 8.15% yoy in 2018; opens 65 new stores

On 15 April, Liqun Department Store released its FY18 financial report. In 2018, Liqun's total revenue amounted to 11.414 billion yuan, up 8.15% yoy; the net profit attributable to shareholders of listed companies was 202 million yuan, down 48.78% yoy. In terms of store expansion, Liqun opened 65 new stores in 2018, of which 46 are large-scale retail stores, including 44 Liqun Shidai which are revamped hypermarkets acquired from Lotte Mart, six fresh community stores "Liqun-Fuji Farm" and 13 Liqun convenience stores⁶.

Sanjiang Shopping records revenue of 4.133 billion yuan in 2018, growing for the first time in six years

On 12 April, Sanjiang Shopping Club Co., Ltd. announced its FY18 financial results. In 2018, the company recorded total revenue of 4.133 billion yuan, up 9.64% yoy; net profit attributable to shareholders amounted to 112 million yuan, up 2.70% yoy. Sanjiang Shopping said that this is the first time for the company to record increase in revenue in six years since 2013. Sanjiang Shopping stepped

up its store expansion pace with 39 new store openings in 2018, the largest number in recent years. Operating profit increased by 10.67% yoy, the slowing growth slowed was attributable to the increase in investment in new stores, additional costs for store renovation as well as higher labor costs⁷.

Supermarkets and hypermarkets

Yonghui Superstores plans to open 150 new stores in 2019

On 16 April, Yonghui Superstores revealed its plan to invest 5 billion yuan in 2019 to open around 150 new stores, renovate old stores, build self-owned logistics infrastructures, create innovative business, and upgrade IT systems. It will also reserve 8 billion yuan for securing commercial sites and proceeding new projects⁸.

Consumer electronics

JD Home Appliance announces four major business strategies and plans to launch first mega home appliance experiential store this year

On 15 April, JD Home Appliance hosted the 2019 home appliance industry summit in Beijing and announced four major business strategies focusing on its distribution, product, service and operations areas. In 2019, JD Home Appliance will launch mega home experiential stores in large- and mid-sized cities and adding 10,000-plus home appliance specialty stores to expand its physical retail presence, replicating its success online in the offline world. JD Home Appliance plans to set

up a new unit undertaking the offline mega experiential store project; the new unit aims to achieve steady business growth through working with professional teams, selecting prominent locations, establishing independent offline supply chain system and operating offline retailing business. It will also open mega experiential stores in different sizes across local major cities and roll out in third-tier cities by the “one city, one store” principle. It is reported that JD Home Appliance’s first mega experiential store will be opened in Chongqing P&T Plaza; the new store will comprise two buildings – one main and one subordinate building, with each having three levels, covering nearly 50,000 sqm in total. Serving as a home appliance complex, the first mega experiential store, currently under the renovation stage, will offer smart home appliances, mobile communication devices, IT digital products, lifestyle product, daily necessities, etc., and will support 5G network, smart device interactions and scan-to-order service⁹.

JD.com to acquire 46% equity of Five Star Appliances for 1.27 billion yuan

On 17 April, JD.com signed a formal agreement to invest in Jiangsu Five Star Appliances Co., Ltd. According to the agreement, JD.com will purchase a 46% stake in Five Star Electric from Jiayuan Group, its existing shareholder, with a consideration of 1.27 billion yuan, which will be paid in cash and debt. It is reported that the cooperation between the two companies began in 2017; JD.com and Five Star Appliances have jointly opened more than 20 unbounded retail experience stores. Established in 1998 in Nanjing, Five Star Appliances is a regional home appliance retail chain acquired by Best Buy in 2006, and then sold to Jiayuan Group in 2014¹⁰.

Apparel

Fast fashion retailers only open 11 new stores in 1Q19, store opening pace slows significantly

According to the Winshang.com, among the nine major fast fashion retailers including H&M, Zara, Uniqlo, MJstyle, Muji, UR, C&A, Forever 21 and Gap, only five retailers altogether added 11 new stores (excluding re-opening) in 1Q19, suggesting a significant slowdown in store expansion compared with the past few years. By region, five out of the 11 new stores were opened in Eastern China, followed by two in Northeast China and one each in the northern, southern, central and northwest parts of China. No fast fashion new store was launched in the southwest region; moreover, both Gap and Forever 21 also shut down one store in region respectively in Chengdu and Chongqing¹¹.

Ted Baker to fold China operations into new JV

U.K. apparel brand Ted Baker announced the establishment of a joint venture (JV) company with Shanghai Langshang Trading Co., Ltd. to expand further in Greater China. The new JV company will be responsible for operating Ted Baker's physical stores, concessions within department stores and expanding the brand's online presence in Greater China. Ted Baker will leverage Langshang's local knowledge and experience in procurement, sales planning, training and brand building for long-term expansion in the China market¹².

Fast Retailing Group's revenue and profit growth rates in Greater China remain at around 20% yoy in 1H19

On 11 April, Uniqlo's parent company Fast Retailing Group released its 1H19 financial results (September 2018 - February 2019).

For the six months through February 2019, the company's total revenue and profit both recorded an increase, with total revenue reaching 1,267.6 billion yen, up 6.8% yoy, and profit totaled 172.9 billion yen, up 1.4% yoy. According to the report, sales in the China market remained strong – both revenue and profit growth rates remained at a high level of about 20% yoy¹³.

Home products

Muji's parent company posts 12% profit gain in 2018; China becomes its largest overseas market

Muji's parent company Ryohin Keikaku recently announced its FY18 financial report. According to the financial report, Ryohin Keikaku generated 409.7 billion yen in 2018, up 8% yoy; the company's net profit surged 12% yoy, the first time that Ryohin Keikaku registered a remarkable growth in net profit since fiscal year 2016, mainly driven by the strong growth momentum in China, which has become a core overseas market for the company. By region, Ryohin Keikaku's home market Japan remained the largest contributor to the company's revenue, while in China, the company registered growth for three consecutive years since 2016 and racked up 75.1 billion yen in revenue for fiscal 2018, accounting for 61.4% of the company's overall revenue in East Asia and making China Muji's largest contributor in terms of overseas revenue¹⁴.

Kids products

Tmall: Consumers in Shanghai, Hangzhou and Beijing spend the most on child-related products

On 15 April, Tmall released the first report on "Spending on Child-related Products in China, 2019". According to the report, parents living in Shanghai, Hangzhou, Beijing, Nanjing, Zhoushan spent the most on child-related products on Tmall. Meanwhile, smart products and innovative products are getting popular. According to the report, over 200 million parents have bought child-related products on Tmall and Taobao. In the past three years, the CAGR of post-95s generation' spending on child-related products on Tmall reached 61%¹⁵.

Luxury sector

SMCP's affordable luxury brand Sandro launches on JD.com

On 10 April, French fashion group SMCP's Paris-based affordable luxury brand Sandro officially opened its flagship store on JD.com. The brand will draw on JD.com's strengths in smart logistics, big data analysis, supply chain management, etc. to accelerate its online retailing expansion in China. Founded in 1984, Sandro currently owns over 500 sales locations worldwide; its parent company SMCP, in which China's luxury fashion group Shandong Ruyi holds a majority stake, plans to increase investment in its e-commerce business and new store openings in China and expects the company to post more than 20% sales growth in the Greater China region¹⁶.

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