

China Retail & E-commerce

Weekly Updates

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Retail in general



NBS: Total retail sales of consumer goods up by 10.2% yoy in 2017

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 36.6262 trillion yuan in 2017, up by 10.2% yoy. Of which, retail sales of companies above designated size were 16.0613 trillion yuan, up by 8.1% yoy. In 2017, online retail sales grew 32.2% yoy to 7.1751 trillion yuan; of which, online retail sales of physical goods grew 28.0% yoy to 5.486 trillion yuan, accounting for 15.0% of total retail sales. In FY17, the total retail sales of supermarkets, department stores, professional stores and specialty stores that were above designated size increased by 7.3%, 6.7%, 9.1% and 8.0% yoy respectively¹.

CNCIC: Total retail sales of 100 major large-scale retail enterprises in China increase by 2.8% yoy in 2017

According to the statistics of China National Commercial Information Center (CNCIC), in 2017, retail sales of top 100 large-scale retail enterprises in China witnessed a growth of 2.8% yoy, an increase of 3.3 percentage points (ppts) over the 2016, and a decrease of 0.3 ppt from January - June 2017. This shows that the performance of large-scale retail enterprises was generally better in 2017 than in 2016, but the sales growth decelerated in the second half of 2017. Of which, retail sales of the top 100 large-scale retail enterprises in China in December decreased by 0.4% yoy, which is 7.4 ppts lower than in December 2016².

E-commerce



iResearch: GMV of China's online shopping to reach 6.1 trillion yuan in 2017

iResearch released the annual data of China's e-commerce and logistics industry for 2017. The GMV of China's online shopping industry is expected to reach 6.1 trillion yuan in 2017, an increase of 29.6% yoy. In addition, revenue of SME B2B platform operators in China is estimated to attain 29.17 billion yuan in 2017, an increase of 17.5% yoy. Mobile shopping is estimated to account for 81.3% of the total online shopping transactions; and the overall real-time order volume of the logistics industry is estimated at 8.92 billion orders³.

QuestMobile: China mobile payment users reach 726 million in 2017, up 25.6%

Recently, Quest Mobile, the service provider of mobile terminals big data, released the "Annual China's Mobile Internet Report 2017". The total monthly active users of China's mobile Internet stabilized at 1 billion or above, increasing slightly from 1.024 billion in January 2017 to 1.085 billion in December 2017. On the other hand, China has the highest number of mobile payment users in the world, reaching 726 million in 2017, up 25.6% from 578 million in 2016⁴.

Suning Commerce Group plans to rename as Suning.com to highlight smart retail business

On 14 January, Suning Commerce Group Co., Ltd. announced its plan to rename as Suning.com. The company said this move helps Suning highlight its core smart retail business, and reflects the effectiveness of its

business transformation. After the adjustment, its brand positioning will be further refined, which will help enhance the brand awareness and reputation of “Suning.com”⁵.

Alibaba completes the acquisition of Sun Art Retail

On 12 January, Sun Art Retail issued a public announcement stating that Taobao China Holdings and its concert parties had obtained 303,560 offer shares of Sun Art. Including the shares previously held, Alibaba is holding a total of 6.867 billion shares, representing approximately 71.98% of the total issued shares of Sun Art Retail. With the completion of the deal, RT-Mart and Auchan are now part of the Alibaba Group⁶.

Tmall World to help 1,000 domestic brands to go global

Tmall announced to upgrade the “Tianzhihao” plan, with Tmall World helping over 1,000 brands with long history and big local brands to go global via its existing overseas sales network. It is reported that in September 2017, Tmall Supermarket kickstarted the “Tianzihao plan” in Beijing by helping nearly 30 brands with long history to sell in the global market and explore the new retail era. At present, Tmall World is serving nearly 100 million Chinese in 104 countries and regions via mobile Taobao⁷.

JD.com launches “Jingzao” platform to sell private label

Recently, JD.com has launched an e-commerce platform “Jingzao” (<https://mall.jd.com/index-1000096602.html>) selling its own private label. This is JD.com’s first e-commerce platform that sells its own house brand. Jingzao connects producers directly with consumers – it partners with different manufacturers to design and produce

products and also plays a critical role in ensuring product quality, with a hope to provide good quality products at reasonable price to consumers. At present, 34 types of products from six major categories including home products and luggage are available at the platform⁸.

Amazon China: Quality is the major driver for cross-border online shopping

Amazon China released the “Cross-border online shopping report 2017” on 17 January, analyzing the sales data on Amazon Overseas and the profile of its customers. The report highlights three trends for cross-border e-commerce (CBEC) in China: Quality is the major reason for cross-border online shopping. Over 80% of the customers chose to shop on Amazon Overseas due to quality assurance of the products; Personalization is the trend for CBEC. Sales for long-tail products increases significantly; “Membership economy”(members referral) is the new growth engine for CBEC. Over 90% of the surveyed Amazon Prime members said that they are willing to recommend Amazon Prime to their family and friends, and around 80% of the current members said that they are willing to renew their membership⁹.

E-commerce logistics



Tmall and Cainiao provide 2-hour ship-from-store service for retailers

Tmall and Cainiao jointly announced to launch ship-from-store service for retailers, and the delivery can be completed as fast as within two hours after customers place order. Customers ordering from partnering retailers on Tmall can choose to have the goods delivered from the nearby physical stores;

they can also schedule a specific delivery time when placing order. Watsons Tmall Flagship Store is the first retailer to launch the service. Watsons now has over 200 stores in Shanghai, Guangzhou, Shenzhen, Hangzhou and Dongguan. The stores can serve as warehouses and provide delivery services for consumers within a distance of 3-km from the store in two hours¹⁰.

Supermarkets and hypermarkets



Hema Xiansheng to shift from being “fresh produce producer” to “community services provider”

Hou Yi, CEO of Hema Xiansheng said the company will expand its positioning from a sole fresh produce retailer, to become a servicing hub at local communities. Hema's stores will connect residents of surrounding communities; which help create innovative community infrastructure¹¹.

Sam's Club to double the number of stores to about 40 by 2020

Wal-Mart's Sam's Club revealed that by 2020, Sam's Club will double its number of stores to about 40; the new stores will be located mainly in tier-1 and tier-2 cities. At the same time, Sam's Club will speed up the expansion of its e-commerce business by deepening its relationship with JD.com¹².

Costco to open two stores in Pudong and Hongqiao districts in Shanghai at the same time

Recently, Costco officially confirmed that it will open two stores in Pudong and Hongqiao districts in Shanghai at the same time. Furthermore, the company will set up a

flagship store on Tmall on top of its current flagship store on Tmall Global (Tmall.hk). It is reported that Costco has been preparing for the opening of physical stores, but it will take at least two years for its opening in Shanghai¹³.

Renrenle supermarket launches on JD Daojia and kickstarts O2O business

Guangdong-based supermarket chain Renrenle Commercial Group Co. and JD.com Inc. have formally entered into a partnership, with 41 Renrenle stores in key business areas in Xi'an, Tianjin, Chengdu and Shenzhen joining JD.com's JD Daojia. The two companies have integrated operating systems and management workflows; each Renrenle store has set aside a 30-sqm courier pick-up area for processing orders received from JD Daojia. It is estimated that another 21 stores in Changsha, Chongqing and Guangzhou will join JD Daojia before the Chinese New Year¹⁴.

Convenience stores



Lawson partners with B Station to set up themed convenience store

Recently, the themed convenience store that is jointly launched by the local video bulletin website Bilibili.com (B Station) and Lawson was officially opened in Shanghai. The convenience store mainly serves its own staff at B Station and will permanently retain the theme of B Station. The company said it plans to cooperate with Lawson in various channels in 2018 for more cross-brand cooperation opportunities. Both parties plan to open more stores in Jiangsu and Zhejiang provinces and the surrounding areas and launch more peripheral products¹⁵.

Department stores and shopping malls

Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. signs joint operation contract with Galeries Lafayette China

On 17 January, Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. ("Lujiazui") announced the signing of a joint venture contract with Galeries Lafayette (China) Co., Ltd. According to the announcement, Lujiazui and Galeries Lafayette formally signed a "joint venture contract" on 16 January, the two sides agreed to jointly operate a Galeries Lafayette department store in Shanghai Lujiazui Shopping Centre. The joint venture-store will be located in the Lujiazui Shopping Centre, No. 889 Pudong South Road, Pudong New Area, Shanghai. With a total area of about 23,000 sqm, the joint venture-store will operate a total of 19 years and 11 months starting from the opening date¹⁶.

Apparel

ELLASSAY acquires 80% stake of IRO

On 10 January, local fashion brand ELLASSAY announced that it has recently signed an Equity Purchase Agreement and an Exclusive Sales Agency Contract with IRO SAS, the shareholder of French fashion brand IRO. ELLASSAY will acquire 80% of IRO's stake by investing EURO1.2 million, and will have the exclusive sales right of IRO in China. After this acquisition, the company will be fully responsible for IRO's product sales,

distribution management, etc¹⁷.

Toys

LEGO to team up with Tencent to develop online games

Danish toy maker LEGO Group is teaming up with Tencent Holdings Ltd. to jointly develop online games for Chinese children. Under the cooperation agreement, LEGO and Tencent will jointly develop a LEGO video zone on the platform of Tencent for the development, distribution and operation of LEGO brand licensed games. The two companies will also explore the development of Lego Life, a children's social network in China¹⁸.

Kids products

JD Supermarket to source 100 billion yuan worth of infant formula from 15 global brands over the next three years

JD Supermarket signed a strategic purchase agreement with 15 global infant formula brands. In the agreement, JD Supermarket will source at least 100 billion yuan of infant formula from these 15 brands over the next three years. It is reported that the 15 brands include Wyeth, Friso, Danone, Mead Johnson, Abbott, Nestle and so on. In addition to the purchase agreement, JD Supermarket will also help formulate customized sales plans and marketing plans for these brands¹⁹.

Home products



MUJI plans to open four to five flagship stores in China by 2019

MUJI plans to open four to five flagship stores in China by the end of 2019, significantly increasing the total number of flagship stores its largest overseas market. MUJI's flagship store has an area of around 3,000 sqm, which is five times larger than the standard Muji store in China. MUJI first opened flagship stores in Chengdu and Shanghai in 2014 and 2015 respectively, followed by flagship stores in cities such as Beijing and Nanjing²⁰.

MUJI's first three-in-one project opens in Shenzhen

Muji Hotel Shenzhen, which is located in Shenyu City, Shenzhen, was officially opened on 18 January. This is also the first MUJI's three-in-one retail project, which incorporates a hotel, restaurants and retail shops and occupies a total area of 2,209 sqm. Muji reportedly introduced four retail formats including Miji Books, Open Muji, Found Muji, IDEE to Shenzhen for the first time. Besides, it is reported that Muji Hotel Beijing, located in Coal City Street, Xicheng District, Beijing, will be open on 20 March, 2018²¹.

Miniso to initiate IPO

Miniso, a China-based variety retailer and discounter, announced to start the IPO project on 15 January, aiming to issue shares to the public and raise capital for international expansion. Currently, Miniso has over 2,600 stores in more than 60 countries and regions. Miniso has achieved total sales of 12 billion yuan in 2017²².

Luxury sector



Bain: China's luxury market sees spectacular growth, reaching 142 billion yuan in 2017

Bain and Company released the "2017 China Luxury Market Study" on 17 January. The report shows that China's luxury market reached 142 billion yuan in 2017, up 20% yoy. The growth rate was the highest since 2011 and exceeded other overseas markets. Female-related categories including cosmetics, women's wear and jewelry outgrew other categories. Young Chinese consumers, mostly millennials (aged 20-34), were the major driving force for the fast growth of the luxury market in 2017²³.

Forbes: New middle class no longer favor luxury goods

On 10 January, Forbes China and Being Zendai Up Financial Information Service co., Ltd jointly launched the "White Paper on China's Emerging Middle Class Wealth 2018". This report analyses the characteristics, wealth condition, wealth management, attitude towards life and online behavior of the emerging middle class in China. The survey results show that the consumption of emerging middle class is relatively pragmatic. According to the accumulated data of sub-categories consumption, the basic living expenses are the major expenditures, while the smallest portion of expenditure goes to luxury goods consumption. The emerging middle class spend a certain proportion on travel and various kinds of service and experience consumption, implying that they place great value on quality of life²⁴.

Stella McCartney sells on VIP.com

On 13 January, Stella McCartney entered into an agreement with VIP.com. It will launch three backpacks from Falabella GO series in China, exclusively on VIP.com – VIP.com will become the sole authorized dealer for the series. This collaboration signifies a deepening relationship between VIP.com and Kering Group in the near future. Till now, VIP.com has formed strategic partnerships with more than 200 international brands including Armani, Versace and Salvatore Ferragamo²⁵.

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