

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 9.8% yoy in June 2019

According to the National Bureau of Statistics of the PRC (NBS), total retail sales of consumer goods reached 3,387.8 billion yuan in June 2019, up nominally by 9.8% yoy. Of which, retail sales of enterprises above a designated size amounted to 1,316.3 billion yuan, up by 9.7% yoy. By type of consumption, in June 2019, catering sales amounted to 372.3 billion yuan, increased by 9.5% yoy. Retail sales of commodities amounted to 3,015.5 billion yuan, up by 9.9% yoy. In January - June 2019, online retail sales grew 17.8% yoy to 4,816.1 billion yuan. Online retail sales of physical goods increased 21.6% yoy to 3,816.5 billion yuan, accounting for 19.6% of total retail sales¹.

CNCIC: Sales of top 100 major retailers in January to June record positive growth

According to China National Commercial Information Center (CNCIC), sales of the top 100 major retailers in China during January – June 2019 recorded a yoy growth of 0.3%, with the growth rate increasing by 0.3 percentage point compared to January – May 2019. By category, retail sales of cosmetics rose 9.6% yoy, followed by grocery items (up 3.3% yoy) and daily necessities (up 0.9% yoy)².

E-commerce

WeChat Pay and Hankyu Hanshin Department Stores launch first “smart” flagship store in Osaka

Recently, WeChat Pay and Hankyu Hanshin Department Stores, Inc. jointly launched the

first “smart” flagship store outside China in Hankyu Department Store (Osaka Umeda Main Store) in Japan. Consumers can use WeChat Pay in the whole store; Hankyu also launched four WeChat Mini Programs for Chinese travelers, providing brand searching service and self-ordering catering service, allowing users to make appointments with cosmetics brands, and providing VIP membership services of Hankyu Hanshin Department Stores³.

WeChat launches micro QR code which can be printed on every single product

On 16 July, WeChat launched a new function for merchants – consumers can scan the micro QR code on the products with their mobile device and access to the corresponding WeChat Mini Program or WeChat public account of merchants. It is reported that Tencent owns the patent of the micro QR code technology; the printed size of the micro QR code can be as small as 0.5cm×0.5cm. This new function also allows merchants to perform big data analysis for every single product by logging on WeChat’s account managing platform to view product data and customer demographics⁴.

Taobao-incubated community for consumer reviews “Onion Box” upgrades to content-based community “Yang Tao”

Recently, Taobao-incubated community for consumer reviews “Onion Box” has revamped and upgraded to “Yang Tao”, which positions itself as a content-based community and integrates comments and photo reviews on Taobao with better content. It encourages young consumers to share their shopping experience in a more creative way through pictures and videos⁵.

Netease Kaola and Pigeon reach an agreement to develop supply chain for maternity and baby products market

On 15 July, NetEase Kaola signed a strategic cooperation agreement with baby and childcare products company Pigeon Corporation. Under this agreement, the two companies will deep dive in the maternity and baby products market by cooperating in supply chain development. It is reported that in 1H19, NetEase Kaola either formed strategic cooperation or strategic cooperation upgrade with Abbott, Nestlé China and Biostime to accelerate the development of its global maternity and baby products supply chain⁶.

Retail logistics

JD Express offers delivery service in over 5,000 participating “delivery stores”

JD Express recently announced that it has launched delivery service in over 5,000 “delivery stores”. When placing orders via JD Express’ WeChat Mini Program, customers can choose between pick-up by courier or self-drop off at selected service points including JD Logistics office, selected convenience stores and supermarkets. Once customers choose the latter and deliver their parcels to the selected stores, couriers of JD Express will pick-up and inspect the parcels at one go before sending to the dispatch centers. JD Express is recruiting more stores to join its network such that it can widen its geographical coverage⁷.

Apparel

Forward Business and Intelligence: China's sportswear industry has huge market potential

According to Forward Business and Intelligence, China’s sportswear market saw a rebound during 2014 to 2018 after experiencing a two-year contraction in 2012-2013. Since then, the market size of the sportswear market has been increasing, with accelerating growth rate. In 2018, China’s sportswear market reached US\$40.1 billion, up 19.5% yoy, posting the highest sales growth in the past seven years, while per capita spending on sportswear reached US\$28.90, up 18.9% yoy, which is almost three times of the per capita spending back in 2007. The post-80s and post-90s generations are gradually becoming the key consumption force; they prefer younger and more personalized clothing items. This greatly contributes to the fast growth of the athleisure segment and increases the proportion of sportswear in the overall apparel sector. In 2018, the proportion of sportswear in the overall apparel sector increased to 12.75%. Over the next five years, it is expected that the sportswear sub-sector will have a higher compound annual growth rate (CAGR) than other apparel sub-sectors. This sub-sector, together with the kidswear sub-sector will enjoy more than 10% CAGR growth and continue to be the forerunners in the apparel industry⁸.

Anta's athleisure brand AntapluS opens first store in Beijing

After opening its stores in Shanghai and Shenzhen, Anta Sports Products Ltd.'s athleisure brand AntapluS officially opened its first Beijing flagship store in LIVAT Centre on 10 July. With an operating area of nearly 400

sqm, the new flagship store is the largest store of the brand, and also an upgraded version of its current stores. The new store's design and product offerings are full of Beijing elements, featuring Beijing-exclusive merchandise including limited edition T-shirts, sweaters and shopping bags. AntapluS is reportedly targeting white-collar new middle-class females aged between 25-35 who are sports enthusiasts⁹.

Korean premium womenswear brand SJSJ opens first flagship store in Shanghai

Recently, Korean premium womenswear brand SJSJ, which is exclusively distributed by Bailian Group in China, has launched the first flagship store in China in Shanghai No.1 Yaohan Department Store. This is the first overseas store of SJSJ outside South Korea. With the introduction of SJSJ store, Bailian has further pushed forward its globalization strategy as well as direct sales business of its department stores. It also plans to open 60 SJSJ stores in China in the next five years¹⁰.

Ruyi Group to group various international fashion labels under the listed company, transforming into a fashion brand operator

On 8 July, Ruyi Group disclosed that the company intends to purchase the shares of Shandong Ruyi Technology Group Co., Ltd. and Jining Ruyi Investment Co., Ltd., thereby indirectly control Trinity Group and Aquascutum Holdings Ltd. and put the brands including CERRUTI 1881, Gieves & Hawkes, Kent & Curwen, D'URBAN and Aquascutum under the listed company. Ruyi Group said that after the completion of the transaction, Ruyi Group targets to upgrade and transform from a textile company into a leading international high-end fashion brand operator¹¹.

Suning.com Plaza unveils "gold and jewelry strategy"

On 17 July, Gong Zhenyu, President of Suning.com Plaza Group revealed the group's "gold and jewelry strategy". The group will integrate its online and offline platforms and launch a "Global O2O Jewelry Festival" in the upcoming 818 shopping festival in August. It will introduce over 500,000 products and a range of gimmick activities and services, such as marriage proposal flash mob at the Qixi festival, 30-day price guarantee and one-year free warranty, to enhance consumers' shopping experience and quality of life¹².

China's off-price fashion retailer ZMAXX to open first store in Shanghai

China's off-price fashion retailer ZMAXX will open its first store worldwide in Shanghai's K-Plaza on 26 July. By forming long-term partnership with major apparel suppliers, manufacturers and brands, ZMAXX has established its core business model focusing on top-selling and best-discounted product offerings, allowing its customers to find best deals on quality products. Currently, ZMAXX has entered into direct sourcing partnerships with a number of major fashion brands, including Nike, Adidas, Zara, New Balance, Polo and Vans¹³.

Luxury

Celine launches official WeChat Mini Program

After opening a WeChat account roughly two years ago, Celine, a luxury goods brand owned by LVMH group, finally launched its first-ever WeChat Mini-Program. But unlike other luxury brands that utilize a WeChat Mini Program for hosting flash sales or managing customer relationship, Celine's approach is to

facilitate a better understanding of the brand's history, the design philosophy of Hedi Slimane, Celine's creative director and its latest collections for Chinese consumers¹⁴.

Burberry releases first quarter results and records 15% qoq growth in China sales

On 16 July, British luxury fashion group Burberry released the unaudited financial results for 1Q20. Retail revenue for the 13 weeks ended 29 June 2019 was £498 million, up by 4% quarter-on-quarter (qoq) at accounting rate or 2% qoq at fixed exchange rate. New collections propelled a 4% qoq increment in store sales. Growth in the mainland China market was remarkable with sales up by 15% qoq¹⁵.

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