



# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
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# Retail in general

## NBS: Total retail sales of consumer goods up by 8.6% yoy in May 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,295.6 billion yuan in May 2019, up nominally by 8.6% yoy (6.4% yoy in real terms). Of which, retail sales of enterprises above a designated size amounted to 1,169.4 billion yuan, up 5.1% yoy. By type of consumption, in May 2019, catering sales amounted to 363.1 billion yuan, increased by 9.4% yoy. Retail sales of commodities amounted to 2,932.4 billion yuan, up by 8.5% yoy. In January – May 2019, online retail sales grew 17.8% yoy to 3,864.1 billion yuan. Of which, online retail sales of physical goods increased by 21.7% yoy to 3,041.5 billion yuan, accounting for 18.9% of total retail sales<sup>1</sup>.

# E-commerce

## Various e-commerce platforms' results for 6.18 shopping festival

- JD.com: During 1-18 June, the accumulated GMV reached 201.5 billion yuan. New products were a strong focus of JD.com during the festival. It has launched an exclusive channel within its platform to socialize and promote these products as well as bring them to market, making them easier for consumers to find, and helping brands to strategically reach new consumers. Consumers from lower-tier cities are also very active in purchasing during the festival, with transaction volume growth doubling the overall growth on JD.com
- Alibaba: More than 100 brands achieved a new sales record that surpassed the result

from 11.11 Global Shopping Festival in 2018. GMV made by consumers in tier-3 and tier-4 on Tmall Global increased by 153% yoy. The top five countries with highest GMV on Tmall Global were Japan, the U.S., South Korea, Australia and Germany.

- Pinduoduo: Over 1 billion orders were placed during 1-18 June, with a growth of GMV of over 300% yoy. Around 70% of the orders were made from consumers in tier-3 cities or below.
- Suning: During 1-18 June, the transaction volume growth of Suning's omnichannel platforms reached 133% yoy; growth of sales in Suning Department Stores reached 254% yoy, and the number of customers increased by 316% yoy<sup>2</sup>.

## Taobao Ranking, Taobao Livestreaming: Post-90s generation spends the most on Taobao Livestreaming

Taobao Ranking and Taobao Livestreaming jointly released the report on "Customer profile of Taobao Livestreaming during 6.18 Shopping Festival". The report shows that the post-90s generation has become the major shoppers on Taobao livestreaming; followed by the post-00s generation. By region, coastal provinces such as Jiangsu, Guangdong and Zhejiang ranked the top three by number of shoppers spending on Taobao Livestreaming. By product category, skin care products, womenswear, personal care products and cosmetics were the most popular items consumer purchased across all provinces. During the 6.18 shopping festival, over half of the sales generated on Taobao Livestreaming were from tier-3 or below cities; of which, sales generated from tier-6 cities were similar to that from tier-1 cities, showing that livestreaming has already become a promising channel for brands to reach consumers in lower-tier cities<sup>3</sup>.

### JD.com to connect with various group-buying social-commerce platforms

JD.com is reportedly reached out to domestic group-buying social-commerce platforms including Xingsheng Selected, Niwoning, Nice Tuan, Songshupinpin and Linliny for cooperation; some of them have already cooperated with JD.com. Major cooperation areas include merchandise supply, product selection based on big data, brand marketing, as well as warehousing and logistics. Products of JD.com will be available on these group-buying social-commerce platforms in the future, covering food and beverages, home products, personal care products, wine, home electronics and digital products<sup>4</sup>.

### Beidian partners with Tencent Cloud to accelerate social e-commerce development

Beidian, a social e-commerce platform under Beibei Group, recently signed a cooperation agreement with Tencent Cloud in Shenzhen. Both companies will cooperate in computing and network, storage, cloud database, cloud security, video services, big data and artificial intelligence, in order to accelerate the development of the social e-commerce sector. Meanwhile, Beidian will also deepen cooperation with Tencent Marketing Solution, Tencent Security and WeChat Payment<sup>5</sup>.

### NetEase Kaola releases social commerce app “Yiupin” for internal testing

After rolling out the recruitment for micro-store owners and launching “NetEase Tuishou” social commerce app in 2017, NetEase Kaola is having an internal testing on a newly released social commerce mobile app “Yiupin”. This new mobile app adopts the distribution model similar to that of Yunji and Global Scanner – users or store owners earn

profits by selling goods on Yiupin, and the platform will be responsible for all the other tasks except the selling of goods. After listing their goods on the platform, store owners can share the product information to their friends, chat groups and circle of friends on WeChat. At present, Yiupin offers eight types of products including beauty and personal care and fresh fruit<sup>6</sup>.

### Yitiao opens first physical store in Beijing

Short-video focused content provider and e-commerce company Yitiao opens its first physical store “Yitao Home” at Beijing Ingka Centres in Daxing district after opening in Shanghai, Nanjing and Jinan. Products in the store are all attached with electronic price tags. Consumers can scan the QR code on the digital tags to view product origin, product details, brand story, as well as users review. Online promotions will also be displayed on the tags. Customers can purchase online or offline and the orders will be delivered to their designated address<sup>7</sup>.

## Department stores and shopping malls

### Sunac opens a new shopping mall in Guangzhou; incorporates theme park elements to boost customer flow

On 15 June, local property developer Sunac Holding opened a new shopping mall in Huadu district in Guangzhou. Regarded as an upgraded version of the current shopping mall retail format, the new shopping complex comprises three innovative experiential elements, namely Sunac Sports World, Sunac Water Park and Sunac Snow Park on top of usual shopping and dining experience. The new shopping mall and the three theme parks are reportedly parts of the Sunac Resort,

which is positioned as an all-round entertainment center and consists of eight different retail formats including theatre, bars & pubs and star-rated hotel groups<sup>8</sup>.

## Supermarkets and hypermarkets

### Costco to open first China store on 27 August

Costco will open its first store in China in Minhang district in Shanghai on 27 August, 2019. It is reported that the store will cover an area of around 20,000 sqm. Before the store's grand opening, Costco have started recruiting members since May. Currently, its membership system in China is a two-tiered system – Gold card and Corporate card; annual subscription fees for both cards are 299 yuan<sup>9</sup>.

### CP Lotus Supermarkets may be privatized

On 18 June, CP Lotus announced that C.P. Holding (BVI) Investment Company Limited, the Offeror, requested its board to put forward a proposal for the privatization of CP Lotus. The asking price per common share to stakeholders is HKD 0.11, which represented a 10.0% premium of the closing price on the day. As of 31 December 2018, CP Lotus operated 80 retail stores and three shopping malls under the CP Lotus brand across China. Unprofitability is the main reason for the proposed privatization. According to its 2018 financial report, CP Lotus made a net loss of 288 million yuan in the year. It recorded a combined loss of 1.1 billion yuan from 2012 through 2016<sup>10</sup>.

## Convenience stores

### “Lawson & Teddy Bear convenience store” opens in Ningbo

On 18 June, Lawson teams up with “Teddy Bear” to open the a “Lawson & Teddy Bear convenience store” in Ningbo Tianyi Square, which is also its first “Teddy Bear” themed store in Zhejiang province. Previously, Lawson already opened two “Lawson & Teddy Bear convenience stores” in Nanjing and Jiangyin<sup>11</sup>.

## Apparel

### HLA presents suits collections at London Fashion Week

HLA was recently invited by the British Fashion Council (BFC) and JD.com to present its menswear brand AEX at the London Fashion Week Men's Spring/Summer 2020. Under the “made-in-China” theme, HLA embedded a lot of Chinese elements in its suits collections. Fashion professionals believed that such overseas fashion show would not only enhance the brand influence of HLA, it could also “export” Chinese culture<sup>12</sup>.

### Tmall and VF corporation deepen partnership in China

On 13 June, Tmall formed a strategic partnership with VF Corporation, parent company of apparel brands including Vans, The North Face and Timberland. Under the agreement, Tmall Innovation Center will provide data-driven consumer analytics for VF Corporation to enable it to tailor products for Chinese consumers and expand in China. The partnership will focus on identifying new

consumption trends, pre-launch testing, consumer profiling, and post-launch tracking to uncover unmet needs of Chinese consumers<sup>13</sup>.

## Kids products

### Chinese childrenswear brand ABC Kids to tap the U.S. market

Domestic childrenswear brand ABC Kids recently announced its overseas expansion plan by first tapping the U.S. market. By partnering with design consulting firm 2am, ABC Kids will focus on selling to the U.S. premium department stores and professional stores. Currently, ABC Kids operates around 2,000 stores in China, focusing on sports sandals and sneakers pricing from US\$35 to 60<sup>14</sup>.

## Luxury sector

### BCG, Tencent Marketing Solutions: China's luxury market growth rate maintains at 6% in 2018

The Boston Consulting Group (BCG) and Tencent Marketing Solutions released the "Tencent x BCG 2019 China True-Luxury Playbook" which studies Chinese luxury shoppers' behavior in the digitalized era. The report shows that China's luxury market exceeded 110 billion euros in 2018, with a growth rate of 6% yoy, and accounted for 33% of the global market. BCG predicts that by 2025, China's personal luxury consumption will surpass 160 billion euros, with a compound annual growth rate (CAGR) of 5-6%, contributing 41% of the global luxury market<sup>15</sup>.

### Farfetch opens an online flagship store on JD.com

On 12 June, luxury e-commerce platform Farfetch launched its online flagship store on JD.com. Farfetch now has a 'Level 1' entry point on JD.com app, providing Chinese consumers with instant access to more than 3,000 luxury and boutique brands via Farfetch's network. The partnership between Farfetch and JD.com started in June 2017 and the launch of Farfetch's flagship store is set to further deepen the strategic cooperation between the two parties<sup>16</sup>.

### Secoo and CAS jointly launch an AI-powered authentication system for luxury goods

Secoo announced it has jointly established the "CAS X SECOO AI Laboratory" with the Institute of Computing Technology – Chinese Academy of Sciences (CAS). The two sides will take advantage of big data and artificial intelligence (AI) technology to develop an intelligent authentication system and smart content tagging system. According to the announcement, smart information processing and computer vision are the main focuses of the lab. Research and experiments will be conducted in these areas. Through big data technology, Secoo hopes to improve authentication accuracy, content tagging, information retrieval and consumer insights, and most importantly to offer customized shopping experience<sup>17</sup>.

### Secoo records almost double GMV for 1Q19

Secoo Holding Limited, Asia's largest premium e-commerce platform, released the financial report for 1Q19. According to the report, Secoo's GMV surged from 1.12 billion yuan in 1Q18 to 2.21 billion yuan in 1Q19, or a 97.1% increase yoy. The number of active

users increased by 89.6% yoy to 305,000, up from 160,900, leading to an increase in purchase orders from 306,100 to 647,600, or a 111.6% increase yoy. In 2019, Secoo added over 220 brands to its platform in 2019, including brands under the Prada group, Fossil, Ralph Lauren, Dsquared, Just Cavalli, Guidi and Marie Mercié<sup>18</sup>.

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## Fung Business Intelligence

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