

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

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# Retail in General

## The Central Committee of the Communist Party of China and the State Council issue new guideline to stimulate residential consumption

On 20 September, the general offices of the Central Committee of the Communist Party of China and the State Council issued the "Several Opinions on Improving the Mechanism of Promoting Consumption and Further Stimulating Residential Consumption". The Opinions point out that accelerating the improvement of the mechanism of promoting consumption and enhancing the basic role of consumption in economic development is conducive to optimizing the ratio between production and consumption; it is beneficial to the mutual promotion of demand-led and supply-side structural reforms and to the protection and improvement of people's livelihood. The Opinions state the need to create mature segmented markets to stimulate consumption growth, to establish quality standards and credit mechanism, and to create a trustworthy environment for consumers. The Opinions also require that all localities and departments to fully understand the importance of improving the mechanism of promoting consumption, strengthening organizational leadership, and implementing reform tasks and policies<sup>1</sup>.

## NBS: Total retail sales of consumer goods up 9.0% yoy in August 2018

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,154.2 billion yuan in August 2018, up by 9.0% yoy. Of which, retail sales of companies above designated size were 1,183.2 billion yuan, up by 6.0% yoy. In terms of types of consumption, in August, the

catering services increased 9.7% yoy to 351.6 billion yuan; retail sales of goods were 2,802.6 billion yuan, up by 8.9% yoy. From January to August 2018, the national online retail sales amounted to 5,519.5 billion yuan, increased 28.2% yoy. Among them, the online retail sales of physical goods increased by 28.6% yoy to 4,199.3 billion yuan, accounting for 17.3% of the total retail sales of consumer goods<sup>2</sup>.

## Brand Finance: Alibaba ranks third on the "2018 World's 50 Most Valuable Retail Brands List" with brand value of US\$ 54.921 billion

Recently, British brand evaluation agency Brand Finance released the "2018 Global Top 50 Most Valuable Retail Brands". Amazon ranked first with brand value of US\$ 150.81 billion; Walmart ranked second with brand value of US\$ 61.48 billion, Alibaba ranked third with brand value of US\$ 54.921 billion. The total value of the world's top 50 retail brands was US\$621.5 billion. Among them, the total value of U.S. brands was US\$ 410.3 billion, representing 66%; while the total value of Chinese brands was US\$ 78.9 billion, accounting for 12.7%. A number of e-commerce brands occupied top spots in the ranking, showing that the world is in a digital age<sup>3</sup>.

# E-commerce

## Alibaba: GMV of Alibaba to exceed US\$1 trillion in two years

On 19 September, Danial Zhang, CEO of Alibaba, revealed that the gross merchandize value (GMV) of Alibaba in the past year reached 4.8 trillion yuan; he expects that the GMV of Alibaba will exceed US\$1 trillion in two years – the target Alibaba set three years ago<sup>4</sup>.

## Summer Palace and Tmall sign strategic cooperation agreement to launch hundreds of new products

On 16 September, Summer Palace and Tmall signed a strategic cooperation agreement. Summer Palace will enter Tmall and sell hundreds of innovative products from Summer Palace online. At the same time, Summer Palace and Tmall will establish a research center of cultural and creative industry to deepen research on Chinese traditional culture as well as cultural relics. Both parties will explore the possibility of applying the advanced retail technologies of Tmall in Summer Palace to enhance the integration of online and offline retail channels<sup>5</sup>.

## Taobao launches short video app "Luke"

Taobao short video app "Luke" was officially launched on 10 September. Luke is a short video app focusing on customers' sharing of their shopping experience, which in turn will inspire others to discover new and innovative products, people and things. Luke focuses on users interaction such as Q&A between users; it also offers shopping guidance for users. Users can post the questions in their short videos, while viewers can answer the questions or they can invite other viewers to answer. The short videos on the platform are usually 15-20 seconds long; some of them will direct to viewers to the Taobao shopping websites<sup>6</sup>.

## Sesame Credit teams up with Tmall Apparel to launch "free try-on" function

Recently, Sesame Credit has teamed up with Tmall Apparel to launch a "free try-on before purchase" function. Users with sesame score of 700 or more can enjoy the service. They can enjoy free try-on for 7 days for products with a "free try-on" logo, during which users

can either purchase or return the item. Currently, this service is only available for users in China<sup>7</sup>.

## Department stores and shopping malls

### Liqun's brand new shopping mall Liqun Noble Plaza opens

On 16 September, Liqun Noble Plaza, a brand-new shopping center created by Liqun Commercial Group, officially opened in the North Central Business District. Liqun Noble Plaza has a total operating area of more than 50,000 sqm and a total of 5 floors. It has more than 130 brands including retail, catering, entertainment and services, and has introduced some specialist retailers, including a number of brands entering the Qingdao market for the first time<sup>8</sup>.

## Supermarkets and hypermarkets

### Hema Xiansheng releases first smart retail cashier system "ReXPOS"

On 19 September, Hema Xiansheng released its first new smart retail cashier system "ReXPOS". The smart system is an AI-powered smart cashier built around the cash register scene with a number of gadgets available, including smart watch used by the cashier, loss prevention camera system, Measurement system analysis (MSA) card reader, facial recognition camera system, smart shopping bag machine and other hardware. According to the data from Hema Xiansheng, the average time for scanning the code for 4 items is only 24 seconds with the use of the new system. It is reported that

ReXPOS can be used in various retail formats including supermarkets, convenience stores, hypermarkets and smart restaurants<sup>9</sup>.

### Hema Xiansheng reports operating performance for the first time; online sales account for over 60% of total sales

On 17 September, Hema Xiansheng announced its operating performance and profitability for the first time. As of July 2018, seven mature stores (stores which have established for over 1.5 years) achieved average daily sales per store exceeding 800,000 yuan; online sales accounted for over 60% of total sales, much higher than the industry average. These seven stores were the first batch of stores opened in 2016. Number of orders and spending per order are continuously increasing. Though the number of online orders have surpassed offline orders, spending per order offline is generally higher. As of 31 July, 2018, Hema Xiansheng operates 64 stores in 14 cities across China, and serves over 10 million consumers<sup>10</sup>.

### JD.com targets to open 1,000 7FRESH stores nationally in 3-5 years

On 19 September, JD.com's 7FRESH supermarket signed strategic cooperation agreement in Beijing with 16 leading commercial property developers including Poly Real Estate Group, Joy City Property, Wanke, Yuexiu Property, Greenland Holdings, etc. to launch store opening projects in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu. JD.com said that 7FRESH will kick-start its rapid expansion plans; it targets to open 1,000 7FRESH stores nationally in three to five years<sup>11</sup>.

### JD Daojia to upgrade smart supply chain system

On 17 September, JD Daojia announced that it has finished upgrading its smart supply chain system 2.0, which is a further upgrade of the system after releasing the third-generation smart container. It is reported that the upgraded system can automate the stock replenishment process, including taking instructions, automatic routes planning, and products selection based on consumers' consumption habits and big data in various consumption scenes. The upgraded system can enhance replenishment efficiency, and provide a more accurate forecast for personalized product recommendation of smart containers<sup>12</sup>.

## Apparel and footwear

### Semir to expand high-end womenswear business by acquiring 11% share of Jason Wu's parent company

On 13 September, Semir announced to subscribe for 7.1 million shares of Jason Wu's parent company JWU, LLC., with a total of US\$5 million (34.73 million yuan). Upon completion of the investment, Semir will hold an 11% stake in JWU, LLC. According to the announcement, Semir will also establish a joint venture (JV) with JWU, LLC. It will invest 45 million yuan into the JV, which accounts for 75% of the registered capital. The JV will operate in China, Hong Kong and Macau for the brands including Jason Wu, Grey Jason Wu, and other related brands developed by JWU, LLC. in the future. The JV will also be responsible for product design, production, sales and promotions for brands and products under JWU, LLC. except for fragrance. Launched in 2007, Jason Wu is a high-end womenswear designer brand which targets female aged 25-40<sup>13</sup>.

### Peacebird opens first new retail flagship store in Hangzhou

On 15 September, Peacebird opened its first new retail flagship store in Joy City, Hangzhou. This new retail flagship store is reportedly a masterpiece to celebrate the first anniversary of the strategic cooperation between Peacebird and Tmall – in creating a new consumption scene through using black technologies including smart shopping guide and magic mirror. In addition, the flagship store has set up an experiential zone “Youth Lab” to create “Peacebird +” – a consumption scene covering products from all categories<sup>14</sup>.

### I.T to launch eyewear multi-brand concept stores under two brand names NEITH and neith

Recently, I.T announced to launch eyewear multi-brand concept stores under two brand names NEITH and neith. NEITH targets high-end eyewear market while neith targets the mass market. Of which, NEITH will enter Shanghai Galleries Lafayette in November 2018, and special standalone store will be launched in 2019. It is reported that I.T plans to open 10 to 20 eyewear multi-brand concept stores in three years, mainly locating near its I.T apparel stores<sup>15</sup>.

### IKKS Kids enters the China market

French fashion brand IKKS plans to enter the China market by launching its childrenswear brand IKKS Kids through forming a joint venture with Fung Kids to distribute its products in China. The first step is to open four stores in September, two of which are located in Shanghai, one in Tianjin and one in Beijing. Before that, IKKS launched Bonjour Paris – a special capsule series exclusive for the China market – a total of 8,000 products were sold out within two days on WeChat, as compared to one month as originally

planned<sup>16</sup>.

### H&M Group's high-end apparel brand COS to launch on Tmall in October

H&M Group announced that its high-end apparel brand COS will open its official online flagship store on Tmall in October, which is the only online store that COS has opened in China apart from its official website. The Tmall store will offer womenswear, menswear and childrenswear. COS plans to launch a “COS x Studio Swine” crossover series on the Tmall flagship store. In addition to opening the online store on Tmall, it is reported that COS will continue its expansion in China by opening a new flagship store in Jing'an Kerry Centre in Shanghai; it also plans to open new stores in Beijing, Xiamen and Guangzhou. As of now, COS has 28 stores in China<sup>17</sup>.

## Consumer electronics

### Xiaomi makes its debut in Turkey

Recently, Xiaomi opened its first store in Turkey. Located in the Vadistanbul Shopping Center in Turkey, the Xiaomi store offers more than 160 types of products including mobile powerbanks, vacuums, rice cooker, Xiaomi television and Xiaomi waistband. According to Xiaomi, it will open more stores in Turkey and increase the market share of Xiaomi's products in the country<sup>18</sup>.

## Cosmetics

### Sephora opens Asia's first concept store in Shanghai

On 12 September, Sephora opened its first Asian concept store in Shanghai Shimao

International Plaza. The concept store has upgraded the store design, brand portfolio, technologies and services, while providing a smart cosmetics retailing experience to shoppers. Sephora entered the China market in 2005. As of August 2018, Sephora has 228 physical stores across 74 cities in China<sup>19</sup>.

## Luxury sector

### Canadian Goose launches on Tmall's Luxury Pavilion

Recently, the high-end functional clothing brand Canada Goose officially announced its presence on the Tmall luxury channel – Luxury Pavilion, which is the company's first partnering e-commerce platform in China. Canada Goose will sell a wide range of products on Tmall, including the most representative products of the brand, as well as the latest 2018 autumn and winter collections, including knitwear and accessories<sup>20</sup>.

### U.K. leading cosmetics e-commerce platform Feelunique to launch online flagship store on Secoo

U.K. leading online cosmetics retailer Feelunique announced to launch its online flagship store on luxury e-commerce platform Secoo in 4Q18. According to the cooperation agreement, Feelunique will offer high-quality second-tier international brands and products to Secoo's 20 million members. Orders will be delivered from Feelunique's distribution center in Hong Kong. Feelunique will be responsible for all strategies including pricing, marketing and promotion, as well as inventory management<sup>21</sup>.

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## Fung Business Intelligence

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