China Retail & E-commerce

Weekly Updates

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FUNG BUSINESS INTELLIGENCE
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Retail in general

MOFCOM: Retail and catering businesses record total sales of 926 billion yuan during Lunar New Year holidays, up 10.2% yoy

According to the Ministry of Commerce (MOFCOM), retail and catering businesses recorded total sales of around 926 billion yuan in the first 7 days of the Lunar New Year holidays (15 February – 21 February), up by 10.2% from that of last year. The MOFCOM concluded five trends during the holidays:

1. Adequate supply and product choices in the market – enterprises in various regions launched diversified Lunar New Year promotion campaigns to satisfy consumers' need of high quality and personalized products;
2. Demand for high-quality products increases – Sales of green food, jewelry, seasonal clothes, smart home products, digital products grew rapidly;
3. Catering sales growth was driven by the increased demand for festive food as reunion dinner, family gathering, etc. are normal practice;
4. Traveling, reading, and watching movies and attending exhibitions during the holidays are popular;
5. Steady growth for the sales of daily necessities[1].

Retail sales of selected cities during the Lunar New Year holidays:

- Beijing: Retail sales of 120 major enterprise reached 4.97 billion yuan, up 4.8% yoy;
- Shanghai: Retail sales of 276 major retail and catering enterprises reached 10.79 billion yuan, up 10.4% yoy;
- Guangzhou: Retail sales of major enterprises were 2.94 billion yuan, achieving double-digit growth;
- Tianjin: Retail sales of 169 major wholesale, retail and catering enterprises reached 1.28 billion yuan, up 6.7% yoy;
- Chengdu: Customer traffic of 30 major retail enterprises reached 7.73 million, growth of retail sales was 7.3% yoy
- Hangzhou: Retail sales of 183 major enterprises reached 1.32 billion yuan, up 12.8% yoy;
- Nanjing: Retail sales of 100 major enterprises reached 1.34 billion yuan, up 8.17% yoy[2].

CNTA: China receives 386 million trips during Lunar New Year holidays

According to China National Tourism Administration (CNTA), during the Lunar New Year holidays, China received a total of 386 million trips made by tourists, an increase of 12.1% yoy. The tourism industry garnered 475 billion yuan in revenue, an increase of 12.6% yoy. Guangdong, Sichuan, Hunan, Jiangsu, Henan, Anhui, Shandong, Guangxi, Hubei, and Zhejiang were the top ten provinces which received the largest number of tourists. Apart from traditional tourist attractions, some emerging tourism attractions/products/formats such as B&B (in rural areas), leisure areas and specialist towns visits became popular. Meanwhile, self-drive tours, rural tours, etc. saw rapid growth[3].

Chinese tourists spend twice as much than the Americans

According to World Travel & Tourism Council, Chinese tourists account for one-fifth of the global outbound tourists spending, twice as much as U.S. tourists' spending. In 2016, spending by Chinese outbound travelers amounted to US$261.1 billion. It is estimated that by 2021, spending by Chinese tourists will increase to US$429 billion. In the past three years, the most popular travel destinations for Chinese tourists were Japan, Thailand, the U.S. and Australia; followed by other Southeast Asian countries such as Singapore, Indonesia, Malaysia and the Philippines[4].

E-commerce

Virtual red packets get popular during Lunar New Year holidays

According to WeChat, there were 688 million users giving out virtual red packets through WeChat on Lunar New Year's eve (15 February), up 15% from that of last year. Post-80s generation is the major user group, accounting for 32% of the total number of users, followed by the post-90s (27%), post-70s (22%), post-60s (10%), and post-00s (6%) generations. Meanwhile, QQ, instant messaging platform of Tencent, gave out virtual red packets for users during the Lunar New Year holidays. Users can earn virtual red packets with their step count tracker – users were entitled to one lucky draw chance for each 100 steps they walked. A total of 166 million users participated in the event on Lunar New Year's eve, and an additional 210 million users participated during the first three days of the Lunar New Year holidays. Alibaba, on the other hand, held a lucky card collection campaign during the holidays. Users who collected five different lucky cards can get a share of the virtual red packets worth 500 million yuan. 251 million users from 2,300 cities globally participated in the event[5].

A number of Japanese department stores accept China's mobile payment services to attract Chinese tourists

According to media reports from Japan, a number of Japanese department stores have introduced China's mobile payment services such as Alipay and WeChat Pay in the hope of attracting more Chinese tourists and enhancing in-store operation efficiency during the Lunar New Year period. Since February this year, a few department stores in Hokkaido including Marui Imai and Mitsukoshi have started accepting Alipay in its Main Store and Sapporo branch respectively; AEON Department Store has also introduced Alipay and WeChat Pay in its six Sapporo branches including Soen Store and Otaru Store. In Osaka, Takashimaya Department Store has started accepting both Alipay and WeChat Pay in its jewelry and kids product sections commencing 1 February. In addition, Hankyu Department Store has also introduced mobile payment tools in the cosmetics section at its Umeda Main Store starting from 7 February[6].

Alibaba and Hainan province sign strategic cooperation agreements to transform Hainan into a "smart city"

On 20 February, 2018, Hainan province and Alibaba Group signed strategic cooperation agreements to transform Hainan into a "smart city" and strengthen Hainan's smart service industry with Alibaba's big data and its experience in cloud computing. Jack Ma, Executive Chairman of Alibaba, suggested five areas of cooperation in the future:

1. To support the opening-up of Hainan and its participation in promoting the Belt and Road initiatives;
2. To accelerate the development in rural areas in Hainan;
3. To promote the upgrade of service industry in Hainan and set Hainan as the pilot province for Alibaba's development of

national and global smart service industry;

4. To help transform Hainan into a “smart city” by launching projects such as “safe city”, “cashless island”, and “smart government”;
5. To accelerate the development of “New Retail” in Hainan, and help boost consumption upgrade[7].

VIP.com’s net revenue for FY17 increases significantly by 28.8% yoy

VIP.com announced its unaudited financial results for the fourth quarter and full year ended 31 December, 2017, which is also its first financial report after it announced strategic partnership with Tencent and JD.com. Total net revenue for 4Q17 increased by 27.1% yoy to 24.1 billion yuan (US$3.7 billion); and total net revenue for FY17 increased by 28.8% yoy to 72.9 billion yuan (US$11.2 billion) from 56.6 billion yuan in the prior year. The number of active customers in FY17 increased by 11% yoy to 57.8 million[8].

Department stores and shopping malls

Linkshop: Number of China's department store openings and closings drop significantly in 2017

According to Linkshop’s statistics, 46 department stores closed down or transformed in 2017, five stores less than that in 2016. These store closures happened in the Eastern region (15 stores), Southwest region (11 stores), Northern region (seven stores), Northeastern region (two stores), Central region (three stores) and Northwestern region (two stores). In terms of city distribution, there were eight department stores closed down in Chengdu, seven in Beijing, five in Shanghai, three in Chongqing, two in Suzhou. There were 55 new department stores opened last year. Of which, 42 were located in the parent company's self-built shopping mall. This shows that the development of commercial property and shopping malls is the main reason for the increase in number of department stores. In addition, the newly opened department stores are mainly concentrated in the northern region and tier-4 and 5 cities[9].

Moscow State Department Store GUM launches Chinese official website

Recently, Glavny Universalny Magazin ("GUM"), the State Department Store in Moscow, has launched its Chinese website, as well as WeChat and Weibo accounts. It is reported that GUM launched Chinese New Year celebration activities for the first time on 8 February. The activities will last until 28 February. During the Lunar New Year period, GUM will also provide 8% shopping discount for all foreign tourists[10].

Supermarkets and hypermarkets

Winshang: 12 “fresh-produce supermarket” chains to open over 200 stores in 2018

Winshang reported that 12 “fresh-produce supermarket” chains plan to open over 200 stores in 2018, and they will expand rapidly in the next three years. Of which, Hema Xiansheng will open over 100 stores especially in tier-1 and 2 cities; Super Species will launch 80-100 new stores in 2018, while 7Fresh will open over 1,000 stores in the next three to five year; SU Fresh will open 50 new stores and it targets to have 306 stores in total by 2020; Better Life Group’s Fresh Ideas will continue to expand mainly in Southwest China;

Rainbow's Sp@ce plans to open and revamp 100-150 new stores in the next three years[11].

Hema Xianshang records 50% increase in total number of orders during Lunar New Year holidays

During the Lunar New Year holidays, Hema Xiansheng recorded 50% increase in total number of orders. Customer traffic in most of Hema's offline stores increased in general. The top five cities with the most number of visitors in Hema's offline stores were Beijing, Chengdu, Ningbo, Hangzhou and Shanghai. Shanghai has the highest average daily visits on Hema app. During the holidays, the top five cities with the highest number of orders via Hema app were Shanghai, Shenzhen, Beijing, Ningbo and Chengdu[12].

Apparel

JNBY to open 200-250 new stores in FY18

JNBY released its financial results for FY17 on 19 February. In 2017, sales revenue was 2.332 billion yuan, up 22.5% yoy; gross profit was 1.474 billion yuan, up 23.87% yoy; net profit was 331 million yuan, up 38.5% yoy; gross profit margin was 63.2%. JNBY has over 2 million member accounts, of which active member accounts exceeded 260,000, up 27% yoy. 62.6% of the sales were contributed by its members. Membership is a major growth driver of JNBY. In recent years, the brand has stepped up efforts in the kidswear and home product segments. In FY17, it launched a youth brand "Pomme de terre", a home product "JNBY Home" and a home furnishing brand "Beilunji". In FY18, it plans to open 200-250 new stores and focus on tier-2 and 3 cities; it may also expand in sportswear and accessories segments[13].

Fosun buys majority stake in Lanvin

On 22 February, Fosun International Limited and its subsidiaries ("Fosun") said it had completed a deal to become the majority shareholder in French fashion brand Lanvin, while current shareholders would retain a minority stake in Lanvin. Fosun did not disclose the financial details of the transaction. According to media, Fosun will invest around 100 million euros in the business. Fosun believes that the deal can strengthen Fosun's position in fashion business, while Fosun can bring great incremental value to Lanvin with its global resources and expertise for its expansion. Currently, Lanvin operates in more than 50 countries globally, selling apparel, leather goods, shoes, accessories and fragrance[14].

Luxury sector

BCG and Altagamma Foundation: Chinese consumers will account for 40% of global luxury spending by 2024

On 20 February, the Boston Consulting Group (BCG) and Altagamma Foundation jointly released the "True-Luxury Global Consumer Insight" report, which surveyed more than 12,000 consumers of luxury goods across 10 countries. According to the report, the total global luxury goods market spending reached 915 billion euros in 2017, an increase of 6%. Millennials are estimated to account for 50% of the global luxury spending by 2024, while Chinese consumers will account for 40%. Consumption of luxury goods on online channels will continue to grow and is expected to account for more than 15% of the overall luxury market by 2024[15].

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