

# China Retail & E-commerce

## Weekly Updates

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**FUNG BUSINESS INTELLIGENCE**  
**Asia Distribution & Retail**

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## E-commerce



### Tmall launches DT Innovation Program; Tmall China Day debuts in New York Fashion Week

Recently, Tmall announced to launch the "Designer DT Innovation Program" in 2018 and incubate five new brands in this emerging field in a year. In the meantime, it will cooperate with New York Fashion Week to launch Tmall China Day. Tmall will help bring more original local designer brands to the world. Besides, Tmall will provide support for designer brands in different aspects such as customer traffic, supply chain establishment, marketing and brand building, and most importantly big data analytic – from customer analysis to price forecasts<sup>1</sup>.

### Tmall launches an "innovation center" and partners with 37 top international brands

Tmall announced to launch an "innovation center" and signed strategic cooperation agreement with 37 top international brands including Mars, P&G, Mattel, Samsung, Estée Lauder, and PurCotton. The brands will leverage Tmall's big data for product development; it is hoped that sales will significant improvement. Meanwhile, Tmall's innovation center will also provide professional and customized solutions for the brands<sup>2</sup>.

### Ant Financial opens first unmanned experiential store "WithAnt"

On 21 January, Ant Financial opened its first unmanned experiential store "WithAnt". The store is located at the Z-zone of its new office building, and mainly sells peripheral products

derived from Ant Financial. Customers can access the store via scanning the QR code with Alipay; and can read the relevant product information of goods available on the interactive shelf from the LED monitor. If customers would like to make any purchase, they can put the goods in a designated box, and the sensor can automatically identify the products and their price; customers can simply grab and go and settle the payment via Alipay. According to the official introduction, Ant Financial will open up its unmanned retail technology solutions to the retailing sector, with a hope to support the development of new retail<sup>3</sup>.

### Dmall and Better Life Group form strategic partnership

Dmall, a domestic O2O platform and Better Life Group announced to form a strategic partnership. Both parties will share resources and cooperate in aspects including supply chain, warehousing, delivery for online orders, membership database, and merchandizing management. The trial will start on 25 January. Hunan Changsha Wangfu branch, Changsha Meixihu branch, and Changsha Zhonghai Huanyucheng branch will be the first stores to offer Dmall's O2O service<sup>4</sup>.

### Tencent Cloud pushes smart retail; Belle and other smart stores to open soon

Recently, Tencent Cloud announced to form partnerships with retailers such as Belle and Bestseller to jointly create smart stores. Tencent Cloud reportedly cooperated with Shenzhen Morning Star Group to launch smart retail stores in Hefei Department Store Group last year. In addition, smart stores of Belle and Bestseller will be opened in the near future. Tencent Cloud is also seeking partnerships with other retail formats<sup>5</sup>.

## Tencent and CITIC form partnerships to build "Internet +" industry

Tencent and CITIC Group signed a strategic cooperation agreement; both parties will promote cooperation in "Internet+", industry integration and ecological construction and other aspects. Tencent will fully open up technologies and capabilities such as cloud computing, big data, artificial intelligence, mobile payment and blockchain. By leveraging CITIC Group's advantages, the two companies will work together to promote the transformation of "Internet +", integrated financial services and communications and information service, educational publishing, cultural and sports industries and other areas to achieve win-win situation<sup>6</sup>.

## Miss Fresh to launch 300,000 unmanned shelves in 2018

Miss Fresh, a Chinese online grocery retailer announced to form cooperation with Haier. The two companies will jointly launch a bundle of unmanned shelves and Haier's commercial freezers, as part of its smart solutions tailored for the unmanned retailing market. Miss Fresh can leverage Haier's advanced technologies and services in commercial freezers to accelerate its offline expansion nationwide, while Haier can get more knowledge about smart cold chain logistics in the FMCG segment. Miss Fresh aims to launch 300,000 shelves in 60 cities in China in 2018<sup>7</sup>.

## Dangdang.com launches offline bookstore in Chongqing

Dangdang.com launched an offline bookstore in Chongqing Jiefangbei Guotai Plaza Park 108 on 25 January. This is the first offline bookstore of Dangdang in Chongqing; it is also Dangdang's first flagship store. With a gross area of 2,500 sqm, the bookstore sells nearly 40,000 books. It also sells gardening

and home products, and offers light meals and DIY workshops in-store to provide a nice reading and shopping environment for customers<sup>8</sup>.

## E-commerce logistics



## The General Office of the State Council issues "Opinions on Promoting the Synergistic Development of E-commerce and Express Delivery Services"

On 23 January, the General Office of the State Council promulgated the "Opinions on Promoting the Synergistic Development of E-commerce and Express Delivery Services". To accelerate the development of e-commerce and express delivery services, the Opinions set out policy guidelines in six areas including:

1. To optimize policies and regulations to accelerate the development of e-commerce and express delivery services;
2. To accelerate the development of logistics infrastructure for e-commerce;
3. To strengthen regulations and facilitate the management of delivery trucks for e-commerce orders;
4. To encourage innovations in express delivery services;
5. To encourage enterprises to go smart and improve operation efficiency;
6. To strengthen the concept of green ecosystem.

Noticeably, this is the first time the Government proposed the idea of green e-commerce and green express delivery. The government encouraged e-commerce players and express delivery operators to jointly promote green e-commerce and delivery by launching green packaging and green process reengineering in the supply chain, promoting green consumption, and exploring the

establishment of a package recycling system<sup>9</sup>.

### JD.com forms partnership with TEDA to promote smart logistics

JD.com announced to form a strategic partnership with the Tianjin Economic-Technological Development Area (TEDA). JD.com will leverage its big data and advanced technologies such as artificial intelligence to support Tianjin's smart city initiative. JD.com and Tianjin government marked the launch of the strategic partnership with the debut of JD.com's autonomous delivery vehicles in Tianjin. After extensive testing in campus environment, this is the first time the vehicles were being used in a public, urban setting<sup>10</sup>.

### JD Logistics expands express delivery service to large-size commodities

JD Logistics announced to expand its express delivery service to large-size commodities, especially for home appliances, covering 50 major cities and 200 counties. Express delivery service for smaller consumer goods was launched in 2013, and the delivery time was shortened to within two hours in 2015<sup>11</sup>.

## Supermarkets and hypermarkets



### Carrefour and Tencent sign strategic cooperation agreement

Carrefour China announced on January 23 that Tencent and Yonghui Superstores will make potential investments in Carrefour China, and Carrefour and Tencent have reached a strategic cooperation agreement in China. Through this strategic partnership, Carrefour will enhance its online exposure, increase traffic to its online and offline retail businesses,

and leverage Tencent's advanced digital and technology expertise to develop new smart retail projects. Tencent will further develop the retail services provided by its social platform within the Carrefour ecosystem and promote the use of WeChat and WeChat Payment and cloud computing services. Carrefour will remain Carrefour China's largest shareholder after the completion of this investment<sup>12</sup>.

### Suguo launches the first "second generation store"

On 20 January, Suguo launched its first "second generation store" in Suguo Nanjing Dachang Meili Square. The store focuses mainly on premium products, scenario-based shopping, and the "fresh food plus catering" model. The gross floor area of the store is around 12,000 sqm, of which the supermarket occupies around 5,000 sqm. The store sells around 15,000 SKUs of products, including grocery and non-grocery products, cosmetics, maternity and baby products, and fresh food<sup>13</sup>.

## Convenience stores



### JD Convenience Store launches unmanned shelves

On 20 January, JD Convenience Store launched unmanned shelves, and will start to place the shelves nationwide. This project is reportedly handled by "xin.jd.com", the platform operated by JD.com to serve small and medium-sized businesses (SME). Xin.jd.com relies on its parent company's goods and supply chain resources to connect small and medium manufacturers with retailers' sales network. It also provides brands with one-stop solution services including warehousing and distribution support, marketing, data sharing, etc<sup>14</sup>.

## Suning's new retail format store "Suning Xiaodian" opens in Shanghai

Suning officially opened its first new format store "Suning Xiaodian" in Shanghai Jiangqiao on 19 January. With its offline store and its own app, Suning Xiaodian hopes to better integrate online and offline businesses and provide better shopping experience for consumers. The store sells around 2,000 SKUs of products, of which around 30% are fresh food. Consumers can scan the QR code on the shelves for self-checkout. Alternatively, they can also order via Suning Xiaodian's app and have the goods delivered to their home or pick-up in-store. Suning Xiaodian also leverages the sourcing network of Suning's B2C website Suning.com and Suning Supermarket, especially for fresh food, dairy products, snacks, baked goods, fruits and daily necessities. It is reported that Suning Xiaodian will operate in five different formats – community store, CBD store with a special focus on catering, store in high footfall locations, unmanned shelves, as well as vending machine. Suning targets to open 1,500 new Suning Xiaodian in 2018<sup>15</sup>.

## Department stores and shopping malls

### MOFCOM releases the China Shopping Center Index for 4Q17

On 25 January, the Ministry of Commerce (MOFCOM) released the "China shopping center index" for 4Q17. The index was 67.2 in 4Q17, up 0.3 point compared with the previous quarter. It shows that China's shopping mall market still maintained a good development momentum. The "status quo index" was 64.7, an increase of 1.2 points from the third quarter. In particular, the leasing

activities and operating performance indicators were significantly better. The index also shows that there is a positive market outlook for the expected sales and leasing performance for the next six months<sup>16</sup>.

### Secoo forms strategic partnership with Parkson Retail Group; to jointly drive omni-channel services

Secoo Holding Limited announced that it has signed a strategic partnership agreement with Parkson Retail Group to drive omni-channel services that will take both companies' online-to-offline (O2O) initiatives to the next level. Pertaining to the Strategic Partnership Agreement, Secoo and Parkson will offer products on each other's websites, and integrate their O2O business resources to enable customers to make orders online and pick up products at either brand's offline stores. In the meantime, the partnership allows both Secoo and Parkson customers to benefit from reciprocal membership privileges, including coupons to spend in stores and online, and access to exclusive offers<sup>17</sup>.

## Apparel

### Chinese apparel brand Lily opens first European flagship store

Recently, Chinese apparel brand Lily announced that it has opened a flagship store in Barcelona, Spain, which is also its first store in Europe. The flagship store in Barcelona will be able to have the new collections for each season at the same time as their stores in China. Following Barcelona, Lily also plans to open new stores in other major business areas such as Madrid, as well as enter 20 department stores in Spain in the next three

years<sup>18</sup>.

## Cosmetics



L'Occitane China's sales rose 23.4% yoy in the first three quarters ended December 31

L'Occitane Group reported that its net sales at constant rate grew by 3% yoy to 1 billion euros in the nine months ended 31 December, 2017. Sales in China rose 23.4% yoy to 1.14 billion euros, while same store sales growth further accelerated to 17.4% yoy. China is one of L'Occitane's fastest growing markets due to promotions during festive seasons, and having Luhan, a Post-90s actor as their spokesperson. L'Occitane is confident that China will soon become its second largest market<sup>19</sup>.

## Luxury sector



French leather goods brand Moynat opens pop-up store at Beijing SKP

Recently, French luxury leather goods brand Moynat opened a pop-up store on 1F of Beijing SKP. The pop-up store displays and sells several classic handbags collections, including Réjane, Pauline, Gabrielle, Limousine, Mini Vanity, Madaleine, etc. The pop-up store also provides engraving services to customers – including traditional Chinese surnames, traditional Chinese characters, Chinese Zodiac signs and patterns, and exclusive customized handbags, etc<sup>21</sup>.

## Consumer electronics



Haier Electronics Group launches new brand Haier home; to open 400 stores in China in 2018

On 19 January, Haier Electronics Group launched a brand new customized home products brand, Haier home in Qingdao, and opened its first scenario-based exhibition to display different home settings. It is reported that Haier home plans to open 400 new stores across the country in 2018<sup>20</sup>.

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