

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

**Teresa Lam**

Vice President

E: [teresalam@fung1937.com](mailto:teresalam@fung1937.com)

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)



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# E-commerce

## China e-Business Research Center: E-commerce-related complaints up 12.32% yoy in 1H19

Recently, China e-Business Research Center published the "China's E-Commerce User Experience and Complaint Monitoring Report 2019". The report shows that, in 1H19, a total of 195 complaints were received from mainstream e-commerce platform users, up 12.32% yoy, posting the highest rate of complaint in history. Of which, 90 retail e-commerce platforms, 25 cross-border e-commerce platforms, 41 life service e-commerce platforms, 17 fintech e-commerce platforms, 20 online logistics platforms, and two B2B e-commerce companies were being complained. Meanwhile, refund issues, product quality issues, and online fraud were the top three areas of complaints in 1H19<sup>1</sup>.

## Beibei Group launches social-commerce platform Beichang for discounted products

On 20 July, Beibei Group launched a new social-commerce platform Beichang, which serves as an online outlet for brands. Beichang also jointly established the "Alliance of Global Genuine Products" together with over one thousand brands to ensure the products sold on Beichang are authentic. After launching a beta test for Beichang for just over one month, more than 1,200 brands and over 150,000 micro-store owners have joined the platform. The transaction value of the platform reached 20 million yuan in the 30 days during the trial period<sup>2</sup>.

## Tmall to recruit 100,000 celebrities and KOLs in next 3 years for new product launch

Recently, Tmall rolled out a new initiative related to launching new products on the

platform. Tmall announced that it will launch a development program to nurture "stars" and plan to recruit 100,000 celebrities and KOLs in the next three years. Tmall hopes to leverage the huge resources of these popular people on social media to recommend new products, and in turn, boost sales on the platform<sup>3</sup>.

## Ymatou launches membership-based social-commerce platform "Global Select"

On 21 July, cross-border e-commerce (CBEC) platform Ymatou launched its membership-based social-commerce platform "Global Select", which is an independent app from its CBEC platform. According to Global Select, customer can purchase membership packages of various levels on Global Select to enjoy corresponding benefits and discounts. Members can share the links of products or services to others via social media platforms, and they can earn commissions if others make purchases with the links<sup>4</sup>.

## b.box signs strategic agreement with NetEase Kaola to tap the China market

Recently, NetEase Kaola has signed a strategic agreement with Australia baby products brand b.box to cooperate on direct sourcing, marketing, etc. The two companies said that in the near future, NetEase Kaola will speed up the launching of b.box's new products on the platform, and help b.box to increase expand awareness in China through broadcasting short videos and launching live streaming events<sup>5</sup>.

## NetEase Kaola provides cross-border e-commerce solutions for HUGGIES (South Korea)

On 25 July, NetEase Kaola formed a strategic partnership with HUGGIES (South Korea). HUGGIES (South Korea)'s parent company Kimberley Clark will offer diapers from its four

major diaper brands on NetEase Kaola. According to NetEase Kaola, it will provide customized long-term cross-border e-commerce solutions for HUGGIES (South Korea)'s four diaper product lines. At the same time, it will provide sales and marketing support such as photo shooting for products and content creation, live streaming and creating short videos<sup>6</sup>.

### NetEase Yanxuan taps low-priced market and offers products from 9.9 yuan

Recently, NetEase Yanxuan launched a new section on its website to offer selected products at a discount, from 9.9 yuan to 99.9 yuan. NetEase Yanxuan selected 180 SKUs of popular products including food and home products and offered a discount of 20-50% on the list price of the products. According to NetEase Yanxuan, this initiative aims to enable consumers to enjoy the benefits of supply chain optimization, namely cheaper product price, rather than to tap the lower-tier markets<sup>7</sup>.

## Supermarkets and hypermarkets

### Yonghui Superstores records 45% yoy growth in net profit in 1H19

On 22 July, Yonghui Superstores released the financial results for 1H19. According to the statement, Yonghui Superstores recorded an operating income of 41.173 billion yuan, up 19.7% yoy; its operating revenue was 1.483 billion yuan, up 58.04% yoy; net profit attributable to shareholders of the company was 1.354 billion yuan, up 45.02% yoy. However, a loss of 217 million yuan was recorded for its joint venture company Yonghui Yunchuang, B2B business

“Caishixian” and fresh market brand Fmart<sup>8</sup>.

## FMCG

### Kantar Worldpanel: China's FMCG sector grows 6.9% yoy in 2Q19

According to the latest report by Kantar Worldpanel, in 2Q19, the growth rate of fast-moving consumer goods (FMCG) sector was 6.9% yoy. The growth was mainly attributable to the omni-channel promotion events for “618 Shopping Festival” launched by e-commerce operators and retailers as well as inflation (due to the increase of food price). For the latest 12 weeks, modern trade (including hypermarkets, supermarkets, and convenience stores) showed signs of recovery and recorded an increase of 2.3% yoy in sales. The growth was mainly driven by supermarkets; the performance of hypermarkets remained sluggish. The penetration rate of hypermarkets was reduced by 2.3% yoy. E-commerce continued to perform remarkably well as its sales went by 40.3% yoy<sup>9</sup>.

### Johnson & Johnson launches online flagship store on Tmall Global and introduces five new brands to China

Recently, Johnson & Johnson launched an online flagship store on Tmall Global and introduced five new brands to China, including skin care brand Biafine, shampoo brand Maui Moisture, lotion brand Lubriderm, health and wellness brand Zarbee's Naturals, as well as bandage brand Band-Aid. According to Johnson & Johnson, it will continue to introduce more overseas brands into China to meet the diverse needs of Chinese consumers<sup>10</sup>.

of Goat<sup>13</sup>.

## Apparel and shoes

### High-end swimwear brand MARYSIA enters the China market

On 15 July, U.S. high-end swimwear brand MARYSIA has entered the China market by launching its official online flagship store. The online store sells the brand's entire collections of products, and the prices are the same as in other parts of the world. To ensure product quality, all products are directly shipped from overseas. At present, MARYSIA's products include parent-child swimsuits, holiday attire and holiday accessories<sup>11</sup>.

### Peacebird to open first South China multi-brand store in Shenzhen

Peacebird will open its first multi-brand store for South China in Shenzhen's Uniworld shopping mall on 28 July. The multi-brand store will carry the company's four major brands – womenswear brands Peacebird Women and Ledin, menswear brand Peacebird Men as well as lifestyle brand Peacebird Livin. It will be the first time Peacebird Livin being launched in South China; the launch aims to satisfy new generation consumers' diverse needs from quality live to clothing style<sup>12</sup>.

### U.S. online sneaker marketplace Goat officially launches in China

On 22 July, a Los Angeles-based online sneaker marketplace Goat announced that it has entered the China market and launched a localized app and a WeChat Mini Program in China. Founded in 2015, Goat received US\$100 million investment from leading U.S.-based sportswear company Foot Locker in February 2019. Chinese consumers have long been the largest international customer group

## Home products

### Miniso receives financing from Mexican tycoon and plans to open 180 stores in the country this year

On 15 July, Grupo Sanborns, part of the retail business owned by billionaire and the richest individual of Mexico Carlos Slim, announced that it has reached a final agreement to buy an 18.27% stake in Chinese retail company Miniso BF Holding. Taking into consideration the 14.99% stakes Grupo Sanborns had previously bought, its total shareholding in Miniso BF Holding will reach 33.27%. Ever since it arrived in Mexico and opened its first store in 2016, the brand has witnessed rapid expansion across various cities in the country. It opened nearly one hundred stores in 2018 and planned to open an additional 180 in 2019. Miniso has been actively developing international market since 2015. It has set up 3,500 stores in 86 countries around the world<sup>14</sup>.

## Luxury

### Dior launches e-commerce website in China

Recently, luxury brand Dior launched its e-commerce website (<http://on.dior.com/official>) in China. Customers can purchase bags, ready-to-wear items, jewelry and accessories, as well as cosmetics via the e-commerce platform. Dior currently operates e-commerce websites in Europe and the U.S., as well as selected countries in Asia, including China, Japan and South Korea<sup>15</sup>.

### Michael Kors announces to launch on Tmall and Tmall Luxury Pavilion

On 19 July, Michael Kors announced to launch the brand's official online flagship store and its online watch flagship store on both Tmall and Tmall luxury Pavilion, offering a range of exclusive items and the full line of Michael Kors men and women collections. It is reported that Tmall will be the brand's main channel for debuting products in China, including new items that will be exclusive to the platform – not sold anywhere else in the world. The brand can also leverage Tmall's big data analysis to predict fashion trends and incorporate customer needs into product development<sup>16</sup>.

### JD.com launches offline maintenance store for luxury products

JD.com has recently launched its first offline maintenance store for luxury products in Taikoo Li Sanlituan in Beijing, providing experiential services for luxury goods shoppers. It is reported that JD.com plans to open dozens of offline luxury maintenance stores which will be mainly operated directly by JD.com, while the company will also consider franchise partnerships afterward. Services provided by the offline luxury maintenance store include leather goods cleaning and maintenance, watch repair and maintenance, jewelry care and custom design, clothing alteration, made-to-measure clothing and pre-owned luxury products buy-back and resale services<sup>17</sup>.

### Hermès Asia sales surge 20% yoy in 2Q19, with China as the biggest contributor

French luxury brand Hermès has recently announced its 2Q19 financial report. According to the report, for the three months ended June 2019, Hermès' sales jumped

14.7% yoy to 1.674 billion euros; the growth was much higher than the 3% yoy growth in 2Q18. Sales for 1H19 also soared 15.1% yoy to 3.284 billion euros. Asia excluding Japan posted the strongest sales growth, with sales surging 20.7% yoy to 643 million euros, mainly contributed by the double-digit growth in China. Considering the high level of market complexity in China, the company expressed earlier that it would not rule out cooperating with China's third-party e-commerce platforms such as Alibaba and JD.com in future<sup>18</sup>.

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## Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

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