

China Retail & E-commerce

Weekly Updates

19 October – 25 October 2018

 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Teresa Lam
Vice President

E: 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



Retail in General *p2*

- NBS: Consumption upgrading continues in 1-3Q18
- CNCIC: Total retail sales of China's 100 key large-scale retail enterprises increase by 3.8% yoy in September 2018
- China Youth Daily: Around 70% of the millennials focus on "value for money" when purchasing

E-commerce *p2*

- Ele.me and Watsons forms cross-platform cooperation
- Meituan launches group buying channel on its WeChat Mini Program
- Suning Jiwu launches online flagship store on North America's overseas e-commerce platform Yamibuy

E-commerce: 11.11 Global Shopping Festival *p3*

- Alibaba kicks off 2018 11.11 Global Shopping Festival; businesses in its ecosystem all join the event for the first time
- JD.com kicks off 11.11 Global Shopping Festival event

Commercial property *p4*

- Linkshop: 104 new shopping malls open in 3Q18
- KWG Property and Suning sign a strategic cooperation agreement

Supermarkets and hypermarkets *p4*

- Yonghui Superstores, ParknShop and Tencent to form a joint venture and launch new brand name "ParknShop Yonghui"
- Suning and Auchan sign strategic cooperation agreement; 65 Suning counters to open in Auchan stores during 11.11 Global Shopping Festival
- 600 "new retail" supermarkets and hypermarkets to join 11.11 Global Shopping festival promotions
- Renrenle's loss narrows to 115.924 million yuan in 3Q18

FMCG *p5*

- Kantar Worldpanel: China's FMCG sector maintains 6.3% yoy growth in 3Q18

Cosmetics *p5*

- Watsons opens the country's first standalone make-up store in Beijing
- L'Occitane's net sales increase by 8.6% to 595 million euro in 1H18

Apparel *p6*

- New Look to exit the China market by end of 2018
- Ruyi Group's four major menswear brands open online flagship stores on JD.com

Home products *p6*

- IKEA Order Centre upgrades to "IKEA Experiential Centre"
- IKEA kicks off trial operation of online store in 35 cities
- JBNY's home furniture brand JNBY HOME starts hotel business

Luxury sector *p7*

- Tencent: Nearly 50 luxury brands launch on WeChat Mini Program; 76% show sales conversion capabilities
- French crystal brand Baccarat officially launches on JD.com and TOPLIFE
- Hermès launches new Chinese official website

Retail in General

NBS: Consumption upgrading continues in 1-3Q18

According to the data by the National Bureau of Statistics of the PRC (NBS), China's consumer market in 1-3Q18 is generally stable, and retail transformation and upgrading continues. The role of consumption in China's economic growth is becoming more important. Final consumption accounted for 78% of the China's economic growth in 1-3Q18, up 14 ppts from the same period last year. Rural retail sales accounted for an increasing share of the total retail sales of consumer goods, while sales of catering increased steadily during the period¹.

CNCIC: Total retail sales of China's 100 key large-scale retail enterprises increase by 3.8% yoy in September 2018

According to the statistics from the China National Commerce Information Center (CNCIC), the retail sales of the 100 key large-scale retail enterprises increased by 3.8% yoy in September 2018; the growth rate was significantly higher than that of the same period of last year and last month. In the first three quarters, the retail sales of 100 key large-scale retail enterprises nationwide increased by 1.7% yoy, and the growth rate was 0.2 ppts higher than that in January-August².

China Youth Daily: Around 70% of the millennials focus on "value for money" when purchasing

Recently, China Youth Daily conducted a research to study the shopping behavior of Chinese millennials aged 18-35 and collected 1,969 samples. 68.1% of them responded that

they will focus on "value for money" with reference to their spending power when purchasing; 58.3% of them will consider if the products are necessary; 61.1% of surveyed millennials said that young people should be spending on their own interests and self-upgrading³.

E-commerce

Ele.me and Watsons forms cross-platform cooperation

Recently, Ele.me and Watsons announced to form cross-platform and cross-industry cooperation. More than 1,700 SKUs from Watsons will be available on Ele.me's online platform, covering cosmetics, daily necessities and personal care products. Currently, 1,600 Watsons stores have already connected to Ele.me; it is expected that more than 2,500 Watsons stores will be connected to Ele.me by the end of 2018. Customers who order from their nearest Watsons store on Ele.me can receive their orders within an hour⁴.

Meituan launches group buying channel on its WeChat Mini Program

Recently, Meituan launched a group buying channel on its WeChat Mini Program. WeChat users can kickstart the group buying process by sharing the group buying deal to their friends. If there are two or more persons joining the deal, the orders will be confirmed and customers can enjoy the discount. Currently, 270 SKUs are available on the platform, covering personal care products, fruits and fresh produce and small household appliances priced at around 100 yuan⁵.

Suning Jiwu launches online flagship store on North America's overseas e-commerce platform Yamibuy

Recently, Suning's private label "Suning Jiwu" officially announced that it will launch an online flagship store on North America's e-commerce platform Yamibuy (www.yamibuy.com) in order to tap into the market. At the same time, Suning will participate in the overseas 11.11 Global Shopping Festival organized by Yamibuy for the first time. Suning Jiwu revealed that goods will be shipped from the U.S. warehouse, and will be sold on the e-commerce site. The first batch of products include more than 50 kinds of goods, mainly for travelling and home products, and will cover other product categories including beauty products, food, electrical appliances and other products later. Established in 2013, Yamibuy is reportedly covering 50 states in the U.S. and has over 500,000 registered users⁶.

E-commerce: 11.11 Global Shopping Festival

Alibaba kicks off 2018 11.11 Global Shopping Festival; businesses in its ecosystem all join the event for the first time

On 19 October, Alibaba kicks off 2018 11.11 Global Shopping Festival. This year, 180,000 brands from China and around the world will participate in the festival. 200,000 smart stores in China across the apparel, fast-moving consumer goods, beauty products, automobile and home décor industries will help boost traffic to offline and online shopping channels. Tmall will offer 500,000 items for pre-order starting from 20 October.

Customers can access promotional coupons via Mobile Taobao and Mobile Tmall. Meanwhile, Lazada will host its first 11.11 Shopping Festival for customers in Singapore, Malaysia, Thailand, Indonesia, the Philippines and Vietnam. Some 200,000 mom-and-pop stores powered by Alibaba's Ling Shou Tong will provide online sales promotions and augmented reality-based red packets that offer discounts at 3,000 "Tmall Corner Stores." Rural Taobao will also bring coupons to its services in 800 counties across 29 provinces in China⁷.

JD.com kicks off 11.11 Global Shopping Festival event

On 19 October, JD.com kicked-off this year's 11.11 Global Shopping Festival event which will last from 20 October to 15 November. JD.com will line up with over 600,000 physical stores to offer O2O shopping experience to consumers, including its own innovative retail formats JD Home, JD Convenience Store, JD unmanned supermarket, and 7Fresh, as well as physical stores of its collaborating brands such as Hongdou and Qumei. Leveraging its big data analytic capabilities, JD.com can offer precise marketing to consumers according to their profiles and preferences. The event will focus on the three areas:

1. Leveraging JD.com's JPASS system, consumers can get coupons online and use them in over 10,000 offline stores;
2. JD.com's blockchain traceability solutions allow the company to connect with over 500 domestic and international brands, and collect detailed product information of over 24,000 SKUs;
3. Applying black technologies including smart shopping guide, AR/VR fitting, smart shopping cart, facial recognition payment systems to provide better shopping experience to consumers⁸.

Commercial property

Linkshop: 104 new shopping malls open in 3Q18

According to the statistics of Linkshop.com and Soupu.com, 104 new shopping malls (standalone commercial building with area of over 20,000 sqm, excluding professional markets, hotels and office buildings) were completed in 3Q18 (July-September), adding an additional 9,551,100 sqm commercial properties area to the market. Among the newly opened commercial projects in the third quarter, 66 shopping centers opened in September, accounted for about 64% of the total; while 19 malls were opened in July and August, each accounted for 18% of the total. Eastern China has the largest number of new shopping malls, while Southern China and Central China saw steadily growth⁹.

KWG Property and Suning sign a strategic cooperation agreement

KWG Property and Suning Holding Group signed a strategic cooperation agreement on 19 October. The two entities will carry out in-depth cooperation in areas including retail, investment, finance, and merchandising to create a one-stop smart living ecosystem. According to the agreement, KWG Property will introduce Suning.com stores, Suning Red Kids, Suning Sports, Suning Cinema, Suning Xiansheng, Suning mini-stores and private labels of Suning into its real estate, shopping malls, hotels, long-term rental apartments, etc¹⁰.

Supermarkets and hypermarkets

Yonghui Superstores, ParknShop and Tencent to form a joint venture and launch new brand name "ParknShop Yonghui"

On 24 October, Yonghui Superstores announced that the company signed an investment agreement with ParknShop (China) Investments and Tencent. The three parties will form a Sino-Foreign Equity Joint Venture in China, valued at 1.2 billion yuan. Yonghui Superstores will take 50% stake of the joint venture, while ParknShop (China) Investments will hold 40% stake and Tencent will hold 10% stake. The joint venture will launch a new brand name "ParknShop Yonghui" and will consolidate all supermarket businesses of Yonghui Superstores and ParknShop in Guangdong¹¹.

Suning and Auchan sign strategic cooperation agreement; 65 Suning counters to open in Auchan stores during 11.11 Global Shopping Festival

Recently, Suning and Auchan have reached a strategic cooperation whereby Suning will help Auchan penetrate into China's home electronics market by upgrading its 75 stores in China. Suning will upgrade and transform Auchan stores with more product offerings, better O2O integration, after-sale services, as well as better supply chain management. The two companies will leverage Auchan's offline hypermarkets to offer consumers smart home experience. Suning will start to revamp Auchan's stores in Shanghai first and roll out to other cities later. Meanwhile, Suning will launch 65 counters inside Auchan's stores during the upcoming 11.11 Global Shopping Festival¹².

600 “new retail” supermarkets and hypermarkets to join 11.11 Global Shopping festival promotions

On 18 October, Tmall announced that there will be 600 supermarkets and hypermarkets that have undergone “new retail” transformation joining the 11.11 Global Shopping Festival. During the 11.11 period, 50 million users will experience offline promotions in advance. It is noteworthy that the results of the integration of various resources within the Alibaba’s system will be unveiled during this year’s 11.11 period¹³.

Renrenle's loss narrows to 115.924 million yuan in 3Q18

On 24 October, supermarket chain Renrenle announced its financial performance report for 3Q18. The report shows that the Renrenle’s operating income in 3Q18 was 1.982 billion yuan, down 4.82% yoy. The company recorded a net loss attributable to shareholders of listed companies, amounting to 115.924 million yuan. The supermarket chain is expected to turn profitable in 2018, with estimated net profit amounting to approximately 10-40 million yuan for the whole year¹⁴.

FMCG

Kantar Worldpanel: China’s FMCG sector maintains 6.3% yoy growth in 3Q18

According to the latest report by Kantar Worldpanel, in 3Q18, the growth rate of fast-moving consumer goods (FMCG) sector was 6.3% yoy. The growth was mainly attributable to pricing factor, which shows an increase of 4.8% yoy. Modern trade (including hypermarkets, supermarkets, and convenience stores) reported the faster growth of 2.6% yoy, among which

supermarkets grew by 5.0% yoy. E-commerce continued to register strong growth in 3Q18, with sales value up by 43.6% yoy, representing 10.6% of the total FMCG market¹⁵.

Cosmetics

Watsons opens the country's first standalone make-up store in Beijing

Recently, Watson opened its China’s first standalone make-up concept store in Beijing, in collaboration with L’Oreal Paris and Maybelline New York. The store features the world’s first “Play table” make-up display counter, which can be rotated like a sushi turntable for consumers to choose products. Virtual make-up trial service is also available in-store, which can automatically recognize consumer’s face with the use AR technology. In addition, the store also provides “scan & go” service – consumers can scan QR code via WeChat and place their orders directly via their mobile phones¹⁶.

L'Occitane's net sales increase by 8.6% to 595 million euro in 1H18

On 23 October, L’Occitane issued an announcement to release unaudited business information for the six months ended 30 September, 2018. According to the announcement, L’Occitane’s net sales at the reported exchange rate was 595 million euro, an increase of 8.6% yoy. At constant exchange rates, sales increased by 12.4% yoy; excluding Lime Life, the comparable sales growth increased from 3.6% yoy in the first quarter of this year to 4.9% yoy. In terms of sales, the U.S., Hong Kong, China and Russia are the fastest growing markets. China’s growth has accelerated to 14.1% yoy due to the contributions from all sales

channels¹⁷.

Apparel

New Look to exit the China market by end of 2018

British fast fashion brand New Look has decided to withdraw from the China market and will close all of its 120 stores in China to focus on restructuring its business in its home country. The fashion brand has reportedly appointed the property agent CBRE to find new tenants for its stores in China. New Look entered the market in 2014 and has closed 20 stores in China since the beginning of the year¹⁸.

Ruyi Group's four major menswear brands open online flagship stores on JD.com

On 19 October, JD.com and Ruyi Holding Group held a signing ceremony at the headquarters of JD.com. Ruyi Group, with its controlling stake in high-end menswear group Trinity Ltd., have its brands Gieves & Hawkes, KENT&CURWEN, CERRUTI 1881 and D'URBAN opened official online flagship stores on JD.com. According to the strategic cooperation agreement earlier, Ruyi and JD.com will work closely in areas including brand entries, borderless retail, finance, logistics, smart supply chain and cloud services. Meanwhile, to build the first borderless fashion ecosystem in China, the two companies will jointly launch a development fund to support innovation work in China's fashion industry¹⁹.

Home products

IKEA Order Centre upgrades to "IKEA Experiential Centre"

Recently, IKEA revamped its order centre located at Wukesong's Huaxi LIVE hi-up in Beijing into an experiential centre. The revamped centre, also known as the PUP (Pick-up and Order point) store, is a new store format and is positioned as a small IKEA self-pick up store. Compared to traditional large-scale stores, the IKEA PUP store offers a more precise variety of goods while providing a more flexible shopping channel – consumers can either make their purchase in-store and pick-up part of the goods by themselves, or pre-order the products, and choose for delivery or self-pick -up at the store. Currently, there are only two IKEA PUP stores in China; the first store opened in Wenzhou in 2015 and the Wukesong store is the second one²⁰.

IKEA kicks off trial operation of online store in 35 cities

Recently, IKEA launched its online store. Unlike the previous online store that was launched two years ago (with limited delivery service in Shanghai only), the new online store provides delivery services to consumers in 35 cities. It is reported that IKEA plans to provide e-commerce services in 149 cities nationwide by the end of this year²¹.

JBNY's home furniture brand JNBY HOME starts hotel business

JNBY HOME, a home furniture brand owned by JBNY, and a boutique hotel targeting youth travelers "Wadangwashe" have reached a cooperation agreement. Both parties will build a hotel at the headquarters of JBNY in Hangzhou at the end of the year. It is reported that Wadangwashe is responsible for

investment and operation of the hotel. A JNBY HOME experiential store will be located at the hotel lobby. The furniture, bedding, bathrobes, pillows and other items in the hotel will be designed and provided by JNBY HOME. In addition to household items, the experiential store will also offer JNBY's apparel products. However, the hotel will be small in size with only 49 rooms²².

Luxury sector

Tencent: Nearly 50 luxury brands launch on WeChat Mini Program; 76% show sales conversion capabilities

On 19 October, Tencent disclosed for the first time an important insight into the interpretation of luxury trends. Tencent said that the digital marketing initiatives of the luxury goods industry have entered a critical period, and the key to brand-driven consumption is to accurately capture the precise consumer groups. Luxury consumption's new major consumers have their own buying habits and consumption behaviors. Their major characteristics include "prefer new season collections and stylish products", "trust friends and their recommendations" and "buy instantly if they want to". It is noteworthy that nearly 50 luxury brands have launched on WeChat Mini Program, of which 76% have sales conversion capabilities²³.

French crystal brand Baccarat officially launches on JD.com and TOPLIFE

Recently, JD.com announced that it has entered into cooperation with French crystal brand Baccarat. Baccarat has launched its online flagship store on JD.com and its luxury e-commerce platform TOPLIFE, offering crystal art products including tableware, wine, home decoration, lighting and jewelry. It is

reported that in this cooperation, JD.com will provide Baccarat service solutions in four aspects, covering user insight, precision point of sales, sales and after-sales service, and help it further expand in the China market²⁴.

Hermès launches new Chinese official website

On 17 October, Hermès officially launched its new Chinese website with new online shopping features. All products of the brand will be available online, except the Birkin and Kelly handbags. Since last year, Hermès has made quite a lot of attempts in digital transformation in the China market. In October last year, Hermès opened a time-limited store on its WeChat public account to sell smart watches with Apple. In December, it sold four styles of men's and women's shoes on WeChat²⁵.

References

- ¹ "NBS: Consumption upgrading continues in 1-3Q18", 23 October 2018. China Chain Store and Franchise Association.
<http://www.ccfa.org.cn/portal/cn/view.jsp?lt=3&id=436609> (in Chinese only)
- ² "CNCIC: Total retail sales of China's 100 key large-scale retail enterprises increase by 3.8% yoy in September 2018", 25 October 2018, CNCIC.
<http://www.cncic.org/?p=1607> (in Chinese only)
- ³ "China Youth Daily: Around 70% of the millennials focus on "value for money" when purchasing", 23 October 2018. Zgswcn.com.
<https://www.longsock.com/dt/2018/1023/48214.html> (in Chinese only)
- ⁴ "Ele.me and Watsons forms cross-platform cooperation", 22 October 2018. Ebrun.
<http://www.ebrun.com/20181022/302506.shtml> (in Chinese only)
- ⁵ "Meituan launches group buying channel on its WeChat Mini Program", 18 October 2018. Sina.
<https://tech.sina.com.cn/i/2018-10-18/doc-ihmrasqs0049158.shtml> (in Chinese only)
- ⁶ "Suning Jiwu launches online flagship store on North America's overseas e-commerce platform Yamibuy", 24 October 2018. Ebrun.
http://www.ebrun.com/20181024/302951.shtml?eb=com_chan_lcol_fylb (in Chinese only)
- ⁷ "Alibaba kicks off 2018 11.11 Global Shopping Festival; businesses in its ecosystem all join the event for the first time", 19 October 2018. Alibaba News.
<https://alibabaneews.com/article/alibabasuoyouyewubumenijie-dazaozuidaquimotianmaoshuang11quanqiukuanghuanjie> (in Chinese only)
<https://www.alizila.com/alibaba-11-11-turns-10/>
- ⁸ "JD.com kicks off 11.11 Global Shopping Festival event", 19 October 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/411870.shtml> (in Chinese only)
19 October 2018. Ebrun.
<http://www.ebrun.com/20181019/302155.shtml> (in Chinese only)
- ⁹ "Linkshop: 104 new shopping malls open in 3Q18", 22 October 2018, Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/412020.shtml> (in Chinese only)
- ¹⁰ "KWG Property and Suning sign a strategic cooperation agreement", 22 October 2018. Winshang.
<http://news.winshang.com/html/064/7952.html> (in Chinese only)
- ¹¹ "Yonghui Superstores, ParknShop and Tencent to form a joint venture and launch new brand name "ParknShop Yonghui"", 24 October 2018, Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/412259.shtml> (in Chinese only)
<https://www.scmp.com/business/companies/article/2170062/tencent-teams-parknshop-yonghui-superstores-latest-bid-shake>
- ¹² "Suning and Auchan sign strategic cooperation agreement; 65 Suning counters to open in Auchan stores during 11.11 Global Shopping Festival", 22 October 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/412029.shtml> (in Chinese only)
- ¹³ "600 "new retail" supermarkets and hypermarkets to join 11.11 Global Shopping festival promotions", 18 October 2018. Beijing Business Today.
<http://www.bbtnews.com.cn/2018/1018/269982.shtml> (in Chinese only)
- ¹⁴ "Renrenle's loss narrows to 115.924 million yuan in 3Q18", 24 October 2018. Winshang.
<http://news.winshang.com/html/064/8115.html> (in Chinese only)
- ¹⁵ "Kantar Worldpanel: China's FMCG sector maintains 6.3% yoy growth in 3Q18", 22 October 2018, Linkshop.
<https://www.kantarworldpanel.com/cn/news/CHINA-FMCG-MARKET-ENJOYED-STRONGER-GROWTH-DURING-Q3> (in Chinese only)
<https://www.kantarworldpanel.com/cn-en/news/CHINA-FMCG-MARKET-ENJOYED-STRONGER-GROWTH-DURING-Q3>
- ¹⁶ "Watsons opens the country's first standalone make-up store in Beijing", 22 October 2018. Fashion Network.
<http://cn.fashionnetwork.com/news/qu-chen-shi-yu-bei-jing-kai-mu-guan-quo-shou-jia-du-li-cai-zhuang-men-dian.1026388.html#.W811Z-gzaUj> (in Chinese only)
- ¹⁷ "L'Occitane's net sales increase by 8.6% to 595 million euro in 1H18", 24 October 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/412244.shtml> (in Chinese only)
- ¹⁸ "New Look to exit the China market by end of 2018", 19 October 2018, Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/411876.shtml> (in Chinese only)
- ¹⁹ "Ruyi Group's four major menswear brands open online flagship stores on JD.com", 22 October 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/412032.shtml> (in Chinese only)
- ²⁰ "IKEA Order Centre upgrades to "IKEA Experiential Centre"", 22 October 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/412030.shtml> (in Chinese only)
- ²¹ "IKEA kicks off trial operation of online store in 35 cities", 24 October 2018, Winshang.
<http://news.winshang.com/html/064/8110.html> (in Chinese only)
- ²² "JBNY's home furniture brand JNBY HOME starts hotel business", 23 October 2018. Longsok.
<https://www.longsock.com/dt/2018/1023/48214.html> (in Chinese only)

²³ "Tencent: Nearly 50 luxury brands launch on WeChat Mini Program; 76% show sales conversion capabilities", 22 October 2018, Winshang

<http://news.winshang.com/html/064/7982.html> (in Chinese only)

²⁴ "French crystal brand Baccarat officially launches on JD.com and TOPLIFE", 15 October 2018, Tom.com.

<http://news.tom.com/201810/4087381424.html> (in Chinese only)

²⁵ "Hermès launches new Chinese official website", 19 October 2018. Fashion Network.

<http://cn.fashionnetwork.com/news/ai-ma-shi-shang-xian-quan-xin-zhong-wen-guan-wang.1025624.html#.W850TugzZPZ> (in Chinese only)

Fung Business Intelligence

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

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

