China Retail & E-commerce

Weekly Updates

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Retail in general

MOFCOM: Growth of retail industry to remain stable and healthy in 2019

Recently, the Ministry of Commerce (MOFCOM) released the "Report on China's Retail Market Development, 2018-2019". The report shows that as of end-2018, there were 20.8 million retail enterprises in China, up 7.8% yoy, and the growth rate was 0.9 ppt higher than that in 2017. Total retail sales of consumer goods reached 33.8 trillion yuan, up 8.9% yoy. The retail market witnessed steady growth in 2018, with improved performance of key enterprises and listed companies. In 2019, it is expected that the growth of retail industry will remain stable and healthy. However, the retail industry still faces various challenges – increasing operating costs such as labor costs, rents and financing costs; high investment costs on technologies for transformation and upgrade; obsolete commercial infrastructure may hinder the development of retail enterprises; integrity issues arising from online and offline retailing; imperfect regulatory mechanism; lack of talents for the retail industry, etc[1].

CNCIC: Sales of top 100 major retailers in January to August grow by 0.2% yoy

According to China National Commercial Information Center (CNCIC), sales of the top 100 major retailers in China during January – August 2019 recorded a yoy growth of 0.2%, with the growth rate increasing by 0.1 ppt compared to January – July 2019. By category, retail sales of cosmetics rose 9% yoy, followed by grocery items (up 2.9% yoy) and daily necessities (largely unchanged)[2].

E-commerce

Alibaba invests in AR beauty startup Perfect, introducing virtual try-on technology to Taobao and Tmall

Recently, Alibaba has led an undisclosed amount of funding in Taiwan's augmented reality (AR) beauty startup Perfect. Through the strategic partnership, Perfect's beauty AR solution will help Taobao and Tmall drive engagement with customers when they are shopping for beauty products, while increasing online conversion rate and improving overall customer satisfaction on their platforms. Alibaba will leverage Perfect's virtual try-on technology YouCam, which enables customers to virtually try on lipsticks, eyeliners and other makeup products sold by merchants on Taobao and Tmall and see their makeup looks before purchasing the products[3].

Alibaba completes acquisition of 33% equity interest in Ant Financial

On 24 September, Alibaba announced that it has completed the acquisition of 33% new issued equity in Ant Financial. Following the deal, Ant Financial will terminate the profit-sharing agreement signed in 2014 that required Ant Financial to pay Alibaba royalties and technology service fees equivalent to 37.5% of its pre-tax profits to Alibaba each year[4].

Tmall launches new digital system for incubating new brands and products

On 23 September, Tmall announced the launch of its new digital system which will help incubate new products and brands. The system will also shorten the product development cycle from two years to six months. Specifically, the new system can help merchants achieve digitalization in four major processes – exploring opportunities, fostering

innovation, proof of concept and iterative marketing, and provide merchants consumer-oriented one-stop solution. The world's top 10 retail giants including L'Oreal and Shiseido also express that in the future, over 50% of their new products in China will be incubated by the Tmall platform[5].

JD Cloud launches new social commerce tool Yunxiaodian

Recently, JD Cloud launched a new social commerce tool "Yunxiaodian". By sharing products to their social network via Yunxiaodian, users can enjoy product discounts and gain commissions if they successfully lure others to buy the products. Users can manage their fans on Yunxiaodian's platform, and they can also view their cumulative sales, revenues, marketing tools, etc. for better micro-store management. Currently, nearly all products on JD.com can be shared via Yunxiaodian. JD.com or merchants on JD.com will handle product delivery and after-sales services for micro-store owners[6].

JD.com officially launches in-app UGC community section "Shaiyishai"

On 24 September, JD.com officially launched a user generated content (UGC) community section "Shaiyishai" on its app. Users can enter "Shaiyishai" by tapping "discover" at the bottom part of the app; after entering the new section, they can see authentic product reviews and diary pages about product recommendations and daily lives posted by JD.com's customers. To avoid advertising messages, JD.com only allows users to share reviews of products that they purchased through JD.com. In addition, JD.com will provide support to users who produce high-quality content in areas such as network traffic distribution and resources, so as to create its own incubation platform for online

influencers[7].

Logistics

SF Express launches "buy for you" service

SF Rush, SF Express's intra-city express delivery service unit, has launched a "buy for you" service recently. Users can enter the types of products they want to buy and where to buy them, and also the receivers' address in SF Express's WeChat Mini Program, SF Rush will assign their nearby riders to help users to buy the products. The service is available to users within a 2km radius from riders 24 hours a day; average delivery time with the basic delivery service is 55 minutes. Extra fees will be charged for heavy products, locations outside the 2km radius from riders, and also during special hours[8].

JD Logistics launches Japan's first autonomous delivery robots with Rakuten and Seiyu

JD Logistics provides its unmanned delivery solutions to Japanese retailers Rakuten and Walmart's Japanese supermarket unit, Seiyu GK, in the debut of one of Japan's first commercial autonomous vehicle delivery services. The deal is an extension of the partnership in unmanned technologies that JD.com and Rakuten began in February 2019. Rakuten's autonomous delivery service will be available within Umikaze Park in the central Japanese city of Yokosuka during weekends between 21 September to 27 October[9].

Department stores and shopping malls

New World Department Store China announces annual results, with profit surging 196.18% yoy

On 24 September, New World Department Store China announced its annual results for the twelve months ended 30 June 2019. According to the announcement, the group generated approximately HK$3.52 billion in revenue, down 7.91% yoy; profit attributable to shareholders surged 196.18% yoy to HK$32.66 million, while the group's merchandise gross margin was 17.5%. As at 30 June 2019, the group operated 31 department stores and shopping malls in total[10].

Supermarkets and hypermarkets

Ele.me Koubei sets up an open platform to provide delivery services for supermarkets

On 20 September, Ele.me Koubei, a food delivery service provider, launched a digital platform for over 10,000 big supermarkets in 676 cities in China. It will provide payment, sales and marketing as well as distribution and delivery services for participating supermarkets. The company has already stationed dedicated delivery men in those big supermarkets and can complete around 200 delivery orders per supermarket per day. To ensure the delivered food are safe to eat, it uses multi layered delivery boxes such that fresh food can be stored separately. In terms of delivery options, customers can choose between single delivery, express delivery and direct delivery by merchants. Ele.me Koubei

also arranges extra delivery men to provide backup if necessary[11].

Convenience stores

Sinopec's Easy Joy Convenience Store opens first unmanned "grab and go" convenience store in Shanghai

On 22 September, Sinopec's Easy Joy Convenience Store opened its first unmanned "grab and go" convenience store in Shanghai which adopts facial recognition technology and image recognition technology. After registering on the app and scanning their unique QR code, customers can enter the store, grab the products they want and just walk out. Easy Joy will identify the products that the consumers picked with image recognition technology and various shelf sensors, and automatically check-out for customers when they walk out of the store[12].

Sinopec's Easy Joy Convenience Store launches food service during breakfast and lunch

Recently, Sinopec's Easy Joy Convenience Store partnered with third-party service providers to offer food service during breakfast and lunch in its convenience store in Beijing Shilihe. Rice and Chinese tea eggs are all freshly prepared as ordered. This is not the first time for Sinopec to tap catering service. Previously, Zhejiang Sinopec partnered with C-store Convenience Store to offer hot meals in forecourt stores. In August 2019, Sinopec launches private label coffee brand "Easy Coffee" and opened its first store in Suzhou[13].

FMCG

Ele.me Koubei and Mannings sign strategic cooperation agreement; over 180 Mannings stores connect with Ele.me Koubei

Recently, Ele.me Koubei and Mannings signed a strategic cooperation agreement, covering delivering services for baby and maternity products, healthcare products and personal care products. With the extensive experience of Ele.me Koubei on local lifestyle service and its big data analytic capabilities, Mannings will select various key brands for product launch on Ele.me Koubei. Both companies will deepen cooperation in aspects including brands, product, memberships, marketing, as well as consumer experience. Currently, over 180 Mannings stores have connected with Ele.me Koubei, covering 26 cities in China[14].

Apparel

Nike's fiscal 1Q20 revenue tops US$10 billion, with revenue in the Greater China region surging 22% yoy

American sportswear brand Nike has announced its fiscal 1Q20 financial report. For the three months ended August 31, 2019, the group's revenue grew 7% yoy to US$10.7 billion, ahead of market estimates; net income soared 25% yoy to US$1.37 billion, driven by sales growth in all product categories and geographies, of which revenue in the Greater China region surged 22% yoy to US$1.68 billion[15].

Home products

Tmall Wuyougou's household products consumption data: "Post-80s" and "post-85s" households show the biggest difference in home decor style

On 20 September, Alibaba's return services platform Tmall Wuyougou and big data marketing platform Alimama jointly released data on household products consumption. Driven by improved delivery and assembly services provided by online retailers and the post-90s consumers reaching marriage age, online home furniture consumption has started delivering robust growth since 2016; of which sales of furniture for small- to medium-sized apartments increased by 49%, while O2O furniture shopping surged by 118%. The data also suggest that shoppers from different generations show big differences in home decor style. "Post-80s" and "post-85s" households show the biggest difference in home decor style – the former, alike those of the "post-90s" consumers, favor Japanese style and simple and streamlined design, while the latter, close to those of the "post-70s", prefer the classic and farmhouse styles of American and Southeast Asian homes[16].

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