

China Retail & E-commerce

Weekly Updates

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Retail in General

China to adjust some import and export tariffs from 1 January, 2019

To actively expand imports, reduce institutional costs and advance supply-side structural reforms, Ministry of Finance announced on 22 December that China will post adjustments on some import and export tariffs, effective 1 January, 2019. For imports, China will levy temporary tariffs on 706 products; import tariffs on 14 information technology products will be cancelled starting 1 July, 2019. China will also further cut most favored nation tariffs on 298 information technology products from July 2019. For export, export tariffs on 94 products will be canceled¹.

CNCIC: Total retail sales of China's 100 key large-scale retail enterprises down 2.3% yoy in November 2018

According to the statistics from the China National Commerce Information Center (CNCIC), the retail sales of the 100 key large-scale retail enterprises dropped by 2.3% yoy in November 2018, 1.3 percentage points (ppts) higher than in October 2018. In the first 11 months in 2018, the retail sales of the 100 key large-scale retail enterprises increased by 1.0% yoy, 0.1 ppts slower than in the first 10 months².

Beijing to build 10 thematic commercial streets

Beijing Municipal Bureau of Commerce revealed that Beijing will launch the upgrading project for daily services in 2019. Beijing will also launch the "Three-Year Action Plan for the Construction of Beijing's Convenience Retailing", aiming to create 10 thematic commercial streets, to cultivate 100 chained-brands, and to build 1,000 stations for daily

service industry. The coverage of basic convenience business services is expected to reach 95% in urban communities. Meanwhile, Beijing will push forward the renovation and upgrading of the city's commercial districts. Renovation in commercial districts of Gongzhufen, Huilongguan and Tiantongyuan, and pedestrian streets in Wangfujing and Qianmen will be the pilot projects³.

E-commerce

Taobao Live to launch new section for poverty alleviation

Taobao Live will launch a new section for rural livestreaming in 2019 for poverty alleviation. It will nurture farmers to become livestreaming hosts and offer trainings to them. In the past three years, Taobao Live has already nurtured over 100,000 farmers to become livestreaming hosts. As of today, there are over 1,200 hosts who have over 1 million followers⁴.

NetEase Kaola and Vanke Logistics sign a strategic cooperation agreement in CBEC warehousing

On 21 December, NetEase Kaola and Vanke Logistics signed a strategic cooperation agreement in Hangzhou. The two companies will push forward the development of warehousing network for cross-border e-commerce (CBEC) nationally. Vanke Logistics will leverage on its experience in development and construction, asset operation management and other aspects to high-standard warehousing facilities; NetEase Kaola will leverage on its ability to gain CBEC orders. In the future, the two companies will further expand cooperation in warehousing operations, logistics, and other scenarios in the new consumption era⁵.

Number of overseas brands entering Tmall Global up 122% yoy in 2018

According to Tmall Global, the number of overseas brands entering Tmall Global increased by 122% yoy in 2018. By countries/regions, brands in the U.S., Japan and South Korea have the most number of brands entering Tmall Global. In the past four years, there were over 19,000 overseas brands from 75 countries in 3,900 categories entered Tmall Global, of which 80% of them entered China for the first time⁶.

Amazon Global Selling launches "Fashion+" Project in China

On 24 December, Amazon Global Selling announced to launch the a "Fashion+" project in China to help Chinese fashion sellers to expand their business and build brands overseas through cross-border e-commerce (CBEC). The project will cover five categories of products including apparel, shoes, jewelry, watches and bags. Amazon will integrate its fashion resources with local resources to create customized services for sellers to expand globally and to upgrade the operations⁷.

Tencent and PowerLong sign strategic cooperation agreement

On 26 December, Tencent and PowerLong signed strategic cooperation agreement. The two companies will cooperate in technology resources, business operations, artificial intelligence and big data. They will fully utilize PowerLong's business resources and Tencent's capabilities on technology and data and develop innovative technologies for the new consumption era and enhance shopping experience for consumers⁸.

Retail logistics

NDRC and MOT: to build 30 national logistics hubs by 2020

On 24 December, the National Development and Reform Commission (NDRC) and the Ministry of Transport of the PRC (MOT) jointly issued the "National Logistics Hub Layout and Construction Plan". The plan aims to build 30 national logistics hubs which are with high capacity, modernized and interconnected by 2020; and to nurture a number of enterprises with strong ability to integrate resources and with advanced business models. It also targets to build around 150 national logistics hubs by 2025. With further optimization of China's industrial infrastructure, as well as the continued efforts to reduce logistics costs and increase efficiency, the ratio of total logistics costs to GDP is expected to reduce to around 12%⁹.

Department stores and shopping malls

Intime to build an anime-themed mall

On 20 December, Intime Department Store and Chinese Comics IP Business Cooperation Platform jointly signed a cooperation agreement to build an anime-themed mall. It is reported that the platform, officially launched on 20 December, is jointly developed by Taobao ACG and China International Cartoon and Animation Festival (CICAF). The platform provides one-stop services including copyright management, content marketing, and product authorization to domestic and overseas Intellectual Property (IP) mascot entering Taobao ACG community¹⁰.

Rainbow Department Store launches 70,000-sqm shopping mall in Xiamen

On 22 December, Rainbow Department Store has officially opened its Rainbow Shopping Mall in Wuyuan Bay, Xiamen. Covering about 70,000 sqm, the new shopping mall comprises five floors above the ground and one floor underground. Positioned as a fashionable and trendy shopping destination, the mall has an array of lifestyle, F&B, recreation, leisure and convenience-oriented offerings. It introduces various lifestyle and retail brands including Sp@ce supermarket, CGV Cinema, Aeon Molly Fantasy and Sisyphus Bookstore. Rainbow Department Store expressed that the company will set sights on Xiamen and Fuzhou in the future and gradually expand into key counties and cities in the surrounding areas¹¹.

Yuexiu Financial Holdings plans to sell its wholly-owned Guangzhou Friendship Group to Guangbai Group

On 24 December, Yuexiu Financial Holdings announced that the company plans to sell its 100% stake in Guangzhou Friendship Group to Guangbai Group, which will pay for the whole acquisition in cash¹².

Supermarkets and hypermarkets

RT-Mart and Auchan sign supply agreement with Taobao Xinxuan

On 21 December, Sun Art Retail announced that it has entered into supply agreements with RT-Mart China, Auchan China and Hangzhou Xinxuan (an indirect wholly-owned subsidiary of Taobao China). The agreements have a term of one year from 1 January, 2019 to 31 December, 2019. The proposed annual

caps for the year are 70 million yuan for RT-Mart and 5 million for Auchan. Hangzhou Xinxuan is principally engaged in the sale of home furnishing, personal care products, travel and accessories, electronics, mothercare products and other household products under the label "Taobao Xinxuan"¹³.

Yonghui Superstores restructures private label portfolio, targeting mid- to high-end market

On 22 December, Yonghui Superstores announced its new private label strategies and brand architecture. YH Select will be a major platform for showcasing the group's private labels. Offering a comprehensive range of mid- to high-end brands including Tianqu Food, U-Song, Super Feedie, Super Select, O'fresh, etc., YH Select has nearly 300 SKUs covering home, snack and grocery products. Currently, YH Select's products are available at 1,000-plus Yonghui Superstores nationwide and on YH App as well as its WeChat Mini Program¹⁴.

JD Daojia allows customers to make payment with Walmart Gift Card both online and offline

JD Daojia has recently upgraded its payment system, allowing customers to make payment for gift cards and pre-paid cards of its retail partners. Currently, the company has introduced Walmart Gift Card, allowing customers to make payment with the card both online and offline. Customers can make purchases with the card in some 400 Walmart stores nationwide and on JD Daojia platform's 250-plus Walmart stores across some 40 local cities¹⁵.

Hema Xiansheng to operate Tmall Supermarket fresh food business

On 24 December, Alibaba Group announced

that the operation of its fresh food business on Tmall Supermarket will be transferred from fresh produce e-commerce platform Yiguo to Alibaba's retailing arm Hema Xiansheng. Yiguo and Hema Xiansheng will deepen their partnership in a bid to maximize seamless online and offline experience, accelerate the construction and upgrade of its fresh food supply chain as well as enhance Alibaba's capability across the entire fresh food supply chain. After the adjustment, Yiguo will focus on empowering the fresh food retailing units within Alibaba's ecosystem including Hema Xiansheng, RT-Mart, Tmall Supermarket, and Ele.me. Meanwhile, Hema Xiansheng will take charge of the operations of Tmall Supermarket and extend its seamless online and offline fresh food service to more consumers through continuous store expansion nationwide¹⁶.

FMCG

Watsons' first pharmacy in China debuts in Foshan

Recently, Watsons' first pharmacy in China opened in Foshan. The pharmacy is located in community area and is positioned as a family-oriented community health service center. The store mainly sells prescription drugs, health products, food and cosmeceuticals, and personal care products. There are also in-store pharmacists to provide consulting services to customers¹⁷.

Apparel

Peacebird joins hands with Wanda Group to launch Christmas pop-up store

69 Peacebird-branded stores will collaborate with 29 Wanda plazas in South Central China

to embrace new marketing method inspired by popular cross-sector IPs in 2018. During the event, Peacebird will launch a pop-up store dubbed "PEACEBIRD "!"pop-up" in Nanchang Honggutan Wanda Plaza, featuring well-received IPs of Coca-Cola, Godzilla, Phoenix Bicycle, etc. Peacebird will also roll out cross-over clothing and accessories collections jointly created with other brands in Hefei Baohe Wanda Plaza. Through launching new collections, pop-up stores and sales promotions, Peacebird aims to create more opportunities to engage and interact with its customers¹⁸.

Home products

Muji Global Flagship Store opens in Nanjing

On 23 December, Muji opened its global flagship store in Nanjing House of Fraser. With a retail space of over 3,200 sqm, the store combines Japanese style interior design with Chinese elements. The flagship store also has a high-definition interactive screen covering the whole wall for the first time in Muji's stores. Customers can also interact with the screen with Muji's smartphone app Muji Passport to enhance shopping experience¹⁹.

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Fung Business Intelligence

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