

China Retail & E-commerce

Weekly Updates

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Retail in general *p2*

- CNCIC: Sales of top 100 major retailers in January to May stay on par with the same period last year

E-commerce *p2*

- SAMR and seven other departments jointly launch the “2019 Plan of Special Action (“Network Sword Action”) for Online Market Regulation”
- Tmall Global launches English version of its website and scraps invitation-only policy
- Tmall launches upgrade program for all flagship stores; to connect online and offline consumption scenes
- Tmall Global partners with KOL Austin Li to trial “KOL store” model
- E-commerce platform Shopee cooperates with Hangzhou Government to nurture CBEC talents

Retail logistics *p3*

- JD Logistics launches the first smart packaging system in the industry

Department stores and shopping malls *p3*

- Wumart becomes a shareholder of Chongqing Department Store
- Takashimaya Department Store to close its Shanghai operation in August and exit from China

Supermarkets and hypermarkets *p4*

- Bain & Company, Kantar World Panel: China’s FMCG market growth rate reaches 5.2% yoy in 2018
- Suning.com acquires 80% stake of Carrefour China
- Yonghui pulls out of the buy-in talks with Tencent on Carrefour investment bid
- Carrefour China launches online flagship store on JD.hk
- Meituan Shangou launches unmanned store-front warehouse

Convenience stores *p5*

- CAG to acquire 35.21% stake in Lawson Beijing

Apparel *p5*

- South Korea’s fashion group TBH Global plans to exit China

Cosmetics *p5*

- YSL Beauty opens largest global flagship store in Guangzhou
- Innisfree and Tmall New Product Innovation Center jointly launch beauty products

Consumer electronics *p6*

- Japan’s largest home electronics appliance retailer Yamada Denki launches on g.suning.com

Retail in general

CNCIC: Sales of top 100 major retailers in January to May stay on par with the same period last year

According to China National Commercial Information Center (CNCIC), sales of the top 100 major retailers in China during January – May 2019 were on par with the same period last year, with the growth rate increasing by 0.7 percentage point compared to January-April 2019. By category, retail sales of cosmetics rose 9.6% yoy, followed by grocery items (up 3.4% yoy) and daily necessities (up 0.8% yoy), while sales of jewelry items, and sales of home electronic appliances and apparel fell 5.9% yoy and 5.8% yoy respectively¹.

E-commerce

SAMR and seven other departments jointly launch the “2019 Plan of Special Action (“Network Sword Action”) for Online Market Regulation”

On 20 June, eight departments, including the State Administration for Market Regulation (SAMR), jointly issued the 2019 Plan of Special Action (“Network Sword Action”) for Online Market Regulation. Lasting from June till November this year, the “Network Sword Action” aims to enforce the E-Commerce Law and crack down major problems in China’s e-commerce sector. Major initiatives include:

1. Regulating registration of e-commerce entities to create a healthy environment for new entrants of the e-commerce market
2. Creating a safe consumption environment by cracking down counterfeit products, unsafe foods, counterfeit medicine, etc.
3. Creating a fair market environment for competition by regulating anti-competitive practices

4. Regulating false advertising
5. Regulating illegal activities for online transactions
6. Strengthening the monitoring of transaction information and product inspection
7. Implementing the responsibilities of e-commerce operators to maintain a lawful business environment²

Tmall Global launches English version of its website and scraps invitation-only policy

On 26 June, Tmall Global announced that it has launched its first English-language website, merchant.tmall.hk, and abolished invitation-only policy to entice more merchants to join the platform. According to the introduction, overseas niche brands with limited knowledge of the China market and less brand awareness in China can consider direct import tools, such as Tmall Overseas Fulfillment; whereas brands with better knowledge of the China market and higher commitment can consider selling on the direct import store on Tmall Global (a B2B2C model) or launching a flagship store on Tmall Global (a B2C model). To achieve its ambition of importing US\$200 billion of goods in five years, Tmall scrapped the invitation-only policy. Any brands that pass the vetting procedure can open a store on its platform. The move is set to pave the way for the upcoming 11.11 Global Shopping Festival³.

Tmall launches upgrade program for all flagship stores; to connect online and offline consumption scenes

On 25 June, Tmall announced the launch of an upgrade program for all the online flagship stores on its platform. The program will be made available to all merchants on the platform before the 11.11 Shopping Festival this year, aiming to help merchants to fully transform their businesses in the new retail

era. The upgrade program will reportedly focus on multi-consumption scenes operation, membership system, fans management, and customer segmentation to enhance merchants' ability and efficiency in their digitalization process. At the same time, merchants can also utilize Tmall's technological prowess to create customized storefront for each customer⁴.

Tmall Global partners with KOL Austin Li to trial "KOL store" model

On 19 June, beauty KOL Austin Li Jiaqi launched the "Exclusive Overseas Store of Austin Li" on Tmall Global. It is reportedly the first KOL store on Tmall Global. Created based on contents, the KOL store is a new attempt by the e-commerce platform. Under this new model, Austin Li or his agent will be responsible for store set up, product selection and content creation while Tmall Global will provide global supply chain management, including sourcing, warehousing, logistics and post-sale services⁵.

E-commerce platform Shopee cooperates with Hangzhou Government to nurture CBEC talents

On 25 June, Southeast Asia-based e-commerce platform Shopee signed a cooperation agreement with Hangzhou Government to launch a campaign to recruit and nurture talents from colleges. The campaign starts from June 2018, and it targets at connecting governments, schools and enterprises, nurturing cross-border e-commerce (CBEC) talents, building an all-round training system for CBEC so as to support the sustainable development of the CBEC market. In the future, Shopee will further push forward these initiatives in major e-commerce-regions including Eastern China and Southern China⁶.

Retail logistics

JD Logistics launches the first smart packaging system in the industry

Recently, JD Logistics launched the first all-rounded smart packaging system in the industry, targeting to increase the operating efficiencies by 5-10 times. The smart packing system integrates software and hardware and provides logistics solutions for nearly all product categories. In the automated warehouse in Shanghai, the system enables scanning, picking and packaging, as well as labelling to be handled with full-automation⁷.

Department stores and shopping malls

Wumart becomes a shareholder of Chongqing Department Store

On 21 June, Chongqing General Trading (Group) Co., Ltd (CGTC), the controlling shareholder of Chongqing Department Store, announced a proposal for mixed-ownership reform. According to the proposal, Wumart Technology Group Co., Ltd. and Better Life Commercial Chain Share Co., Ltd. will inject capital into CGTC such that they will become 45% and 10% shareholders respectively. Upon completion of the reform, there will be significant changes in the control over CGTC and Chongqing Department Store. The stake of Chongqing State-Owned Asset Supervision and Administrative Commission in CGTC will be diminished from 100% to 45%. There will not be a single party having de facto control over CGTC or Chongqing Department Store⁸.

Takashimaya Department Store to close its Shanghai operation in August and exit from China

On 25 June, Japanese department store chain Takashimaya Co. Ltd. announced that it will shutter its flagship store in Shanghai on 25 August 2019. Shanghai Takashimaya attributed the closure to the slowdown in consumption spending, tough competition within the industry and from Chinese e-commerce sites. Takashimaya said it will dissolve and liquidate the Shanghai subsidiary. In the future, the group will reallocate more resources to Southeast Asia countries in the hope of achieving better growth. Opened in December 2012, the Shanghai Takashimaya store has reportedly suffered sluggish sales and losses in the past three years. Its annual loss widened from under one million yuan in 2017 to 8.66 million yuan in 2018⁹.

Supermarkets and hypermarkets

Bain & Company, Kantar World Panel: China's FMCG market growth rate reaches 5.2% yoy in 2018

Bain & Company and Kantar World Panel jointly released the latest China Shopper Report, "Premium Products, Small Brands and Now New Retail". The report shows that total spending in the fast-moving consumer goods (FMCG) market continued to rebound in 2018, growing at a rate of 5.2% yoy, slightly faster than previous year's growth rate of 4.7% yoy. As Chinese consumers continued to trade up, premiumization plays a significant role in the sector's recovery, with average selling prices (ASP) rose by 4.6% yoy. The report also finds that the overall growth of e-commerce channel slowed slightly to 30.6% between 2017 and 2018, compared with the annual growth rate of 35.1% between 2014 and 2018¹⁰.

Suning.com acquires 80% stake of Carrefour China

On 23 June, Suning.com announced that Suning International, a wholly-owned subsidiary of the company, plans to acquire 80% stake in Carrefour China for 4.8 billion yuan. Upon completion of this deal, Suning.com will become the controlling shareholder of Carrefour China, and Carrefour Group will continue to hold 20% stake in its China business. The deal is subject to an antitrust probe by Chinese regulators. It is reported that Carrefour currently has 210 hypermarkets and 24 convenience stores in China. In 2018, Carrefour China's operating income is close to 30 billion yuan¹¹.

Yonghui pulls out of the buy-in talks with Tencent on Carrefour investment bid

On 24 June, Yonghui Superstores, which previously signed a letter of intent for equity investment with Carrefour together with Tencent, announced it was pulling out of the buy-in talks. According to Yonghui, it will use the planned investment amount to expand its store network nationwide, instead, and continue to enhance its overall competitiveness. In early 2018, Yonghui and Tencent announced to buy a stake in Carrefour's Chinese business, yet no investments have been made until now. Meanwhile, Carrefour and Tencent also signed a cooperation agreement which covers data, smart retail, mobile payment, in-store shopping experience and data analytics. However, as Carrefour China announced its sale of 80% of its shares to Suning.com on 23 June and that Suning.com will become the controlling shareholder of Carrefour China, the cooperation between Carrefour China with Yonghui and Tencent will come to a halt¹².

Carrefour China launches online flagship store on JD.hk

Recently, Carrefour China announced the launch of its online flagship store on JD.hk, the cross-border e-commerce platform of JD.com. JD Logistics will provide various services for Carrefour including importation of goods, customs clearance, sorting and distribution, as well as other logistics services. The first batch of 300 SKUs, mainly from Taiwan and France, will be available on JD.hk, covering cosmetics, healthcare products, home products and food and beverages. In 2018, Carrefour China already opened flagship store on JD.com, and both companies has cooperated in areas including online and offline integration, logistics, and e-commerce¹³.

Meituan Shangou launches unmanned store-front warehouse

Recently, Meituan Shangou, an e-commerce platform set up by Meituan-Dianping, launched a new unmanned warehouse serving its groceries businesses. According to Meituan Shangou, the unmanned warehouse is a store-front warehouse which is fully automated – from merchandise selection and forecast, pick and pack, to transportation, etc. After customers place orders on Meituan Shangou via Meituan or Meituan Waimai app, robots in the unmanned warehouse will start to pick and pack and pass to couriers for last-mile delivery. It is hoped that automation can increase operating efficiencies and lower operating costs¹⁴.

Convenience stores

CAG to acquire 35.21% stake in Lawson Beijing

Recently, the State Administration for Industry

and Commerce (SAIC) announced that Beijing Capital Agribusiness Group (CAG) signed a contract with Lawson (China) Investment Co., Ltd., intending to increase capital in Lawson (Beijing) Co. (“the target company”), Ltd. Upon completion of the transaction, CAG will hold a 35.21% stake in the target company and enjoy joint control of the target company with Lawson (China) Investment Co., Ltd. Earlier in March this year, CAG signed a strategic cooperation agreement with Lawson (China) Investment Co., Ltd., to jointly tap the fresh produce community stores market¹⁵.

Apparel

South Korea’s fashion group TBH Global plans to exit China

It is reported that South Korea’s fashion group TBH Global Co. Ltd. plans to offload its China business to relieve its debt stress and hopes to raise US\$200 million through the disposal. The company is in early-stage talks on the deal. TBH Global Co. Ltd. owns several brands, including Basic House, Mind Bridge and Jucy Judy, among others. According to the company’s 2018 financial statement, TBH Global Co. Ltd. racked up 208.8 billion won (approximately 1.24 billion yuan) in operating revenue, up 20% yoy, while its net loss was 57.7 billion won (approximately 340 million yuan)¹⁶.

Cosmetics

YSL Beauty opens largest global flagship store in Guangzhou

YSL Beauty has recently opened its largest global flagship store in Guangzhou’s Parc Central shopping mall. With “SPREAD THE LOVE” as the store design concept, the global

flagship store carries wide ranges of the brand's products, from classic and new arrival items to limited-edition products exclusively available in the Parc Central's branch. YSL has also introduced its first-ever 24-hour vending machine offering the brand's celebrity beauty collections¹⁷.

provide customers greater shopping experience¹⁹.

Innisfree and Tmall New Product Innovation Center jointly launch beauty products

Recently, South Korea cosmetics brand Innisfree and Tmall New Product Innovation Center jointly launched a series of cross-sector beauty products for the first time. During the development stage of the new series, the two companies studied consumer data from all angles to generate more accurate information and roll out diversified and personalized products according to the needs of customers¹⁸.

Consumer electronics

Japan's largest home electronics appliance retailer Yamada Denki launches on g.suning.com

On 24 June, Yamada Denki, Japan's largest home electronics appliance retailer and the second largest home electronics appliance retail chain in the world, has launched its official online flagship store in China on g.suning.com, the international business of Suning.com. More than carrying 3C electronics appliances, Yamada Denki also offers cosmetics, baby and maternal items and other products. Suning expressed that the new launch enables the company to enrich its product offerings for Chinese customers and meanwhile, further improve Suning.com's consumption scenes and product mix to

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