

# China Retail & E-commerce

## Weekly Updates

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## Retail in general



**CNCIC: Total retail sales of China's 100 key large-scale retail enterprises drop by 2.5% yoy in May 2018**

According to the statistics from the China National Commerce Information Center (CNCIC), the retail sales of the 100 key large-scale retail enterprises decreased by 2.5% yoy in May 2018; the growth rate was 7.8 ppts lower than in the same period of last year. Of which, retail sales of apparel fell by 3.0% yoy in May 2018, 11.4 ppts lower than in May 2017; retail sales of cosmetics increased by 4.8% yoy in May 2018, which is the only product category with increasing retail sales in the month<sup>1</sup>.

**State Council to continue to push forward policies and measures for promoting “Internet + agriculture”**

At the State Council Executive Meeting on 27 June, Premier Li Keqiang revealed that the government will continue to push forward policies and measures for promoting “Internet + agriculture”, aiming to speed up the application of information technology in agricultural production; to help agricultural products to sell outside its own village and to strengthen the connection of e-commerce enterprises with farmers and farmer cooperatives; to encourage the development of new retail formats and business models in rural areas and increase employment opportunities for farmers<sup>2</sup>.

**Kantar Worldpanel, Bain & Company: Total sales of China's consumer goods market grow 4.3% yoy in 2017**

On 27 June, the Kantar Worldpanel and Bain & Company released the “China Shopper Report 2018”. The report shows that in 2017, the total sales growth of China's consumer goods market reached 4.3% yoy, exceeding the growth rate of previous year's sales (3.6%) for the first time in six years. According to Kantar, as China's growing middle class continues to upgrade to buy higher-end and healthier products, the number of high-growth categories keeps on increasing. In addition, the report also pointed out that e-commerce sales grew by more than 28% yoy last year, accounting for about 10% of the total market sales, more than double the share it had two years ago<sup>3</sup>.

**CTA: China's outbound tourists spend US\$115.29 billion in 2017**

On 27 June, the China Tourism Academy (CTA) released the “China's Outbound Tourism Annual Report 2018”. The report pointed out that in recent years, China's outbound tourism market and related consumption have grown continuously. Data showed that in 2017, number of China's outbound tourists reached 131 million, up 6.9% yoy; the spending related to outbound tourism amounted to US\$115.29 billion, up 5% yoy. It is expected that in the future, Chinese travelers will spend less on shopping, while they will spend more on other categories such as food and beverages, and leisure, etc. overseas<sup>4</sup>.

## E-commerce



### Meituan-Dianping files for Hong Kong IPO

On 25 June, Chinese food delivery and online services company Meituan-Dianping filed an initial public offering (IPO) prospectus to the Hong Kong stock exchange. Meituan-Dianping did not disclose the detail about the amount of funds targeted or a time frame. According to the filing document, Meituan-Dianping's revenue in 2017 reached 33.9 billion yuan, up 161.2% yoy, with an adjusted net loss of 2.85 billion yuan. Meituan-Dianping said it will use around 35% of the funds raised from the IPO to upgrade its technology, around 35% to develop new products and services, around 20% to make acquisitions and investments, and around 10% for general operations<sup>5</sup>.

### Alibaba establishes a new research Institute Luohan Academy in Hangzhou

On 26 June, Alibaba's new research institute Luohan Academy was established in Hangzhou. The academy was formed by Alibaba and top global scholars in various fields such as sociology, economics, and psychology. Alibaba and Ant Financial Services will provide support for research done by the Institute. The 15 members of the new academic committee were mainly economists, including six Nobel Laureates in economics. Unlike DAMO established in October 2017 which focuses on research work on cutting-edge technology, Luohan Academy mainly address the emerging economic consequences and social disruptions of a digital economy<sup>6</sup>.

### The second Taobao Xinxuan store opens in Shanghai

Taobao Xinxuan's second store, which is named as Taobao Xinxuan Shenghuojia, opened in Shanghai on 28 June. The shop is located in Shanghai's RT-Mart Yangpu store, covering an area of 230 sqm. It offers home products and travel accessories. Taobao Xinxuan is a lifestyle brand of Alibaba. Backed by Alibaba's big data, Taobao Xinxuan is supported by a full value chain platform that can help designers turn ideas into products. Taobao Xinxuan's first store was opened in Alibaba's Qinchengli shopping center in Hangzhou on 28 April, 2018<sup>7</sup>.

### iResearch: Number of Internet KOLs with more than 100,000 fans up 51% yoy in 2018

Recently, iResearch released the "Report on Development of Wang Hong Economy in 2018". The report shows that in 2018, the number of "Wang Hong" (Internet KOLs) with more than 100,000 fans increased by 51% yoy. Of which the number of male Internet KOLs increased significantly in 2018 and accounted for 49.9% of the total number of Internet KOLs. According to the report, the GMV of online stores opened by Internet KOLs increased by 62% yoy, as of April 2018. Of which, more than 70% of the GMV was generated by apparel sales<sup>8</sup>.

## E-commerce logistics



### JD Logistics and Jinjiang municipal government sign strategic cooperation agreement

On 27 June, JD Logistics and Jinjiang

municipal government signed a strategic cooperation agreement. JD Logistics will exert its technological advancement and management expertise to help improve the logistics infrastructure in Jinjiang, to improve the supply chain efficiency of Jinjiang enterprises; and to accelerate the transformation and upgrading of local industries<sup>9</sup>.

## Department stores and shopping malls

### Suning and Evergrande form a 20 billion yuan JV to accelerate the development of Suning.com Plaza

On 22 June, Suning.com's wholly-owned subsidiary Suning Plaza Commercial Property Management Company and Evergrande Group signed a cooperation agreement. Under this agreement, the two companies will jointly set up a joint venture (JV) – Shenzhen Hengning Business Development Co., Ltd. – valued at 20 billion yuan. Of which, Suning Plaza Commercial Property Management Company will invest 9.8 billion yuan, holding 49% stake of the JV and Evergrande Group will invest 10.2 billion yuan, holding 51% stake of the JV. It is reported that the JV will be responsible for the development and operation of Suning.com Plaza, so as to provide a one-stop shopping and leisure experience for customers. This cooperation further strengthens the relationship between Suning.com and Evergrande Group since Suning.com invested 20 billion yuan in Evergrande Group in November 2017<sup>10</sup>.

### Parkson launches mini program pop-up store for members

Recently, Parkson Department Store has

officially launched the “Parkson Members Mini Program Store”. At present, the mini program store focuses on beauty and jewellery categories. It is reported that Youzan Technology Co. Ltd. provides technical support to the store. With the help of the Youzan multi-network function, six Parkson's stores in Shanghai, Kunming, Nanchang, Xi'an, Nanning, and Anshan launched offline promotions simultaneously. Customers can click the Parkson Wechat post to enter the mini program. After entering the mini program store, the system will automatically identify the closest store. After placing orders, customers can choose to pick up at store or home delivery<sup>11</sup>.

### Beiguo Commercial Building's boutique supermarket Ulife opens

On 26 June, Beiguo Commercial Building's boutique supermarket Ulife officially opened. It is located at Beiguo Xiantianxia Shopping Centre in Shijiazhuang with an operation area of 8,000 sqm and is positioned itself as a supermarket that provides customers with “new lifestyle experience and quality life”. The supermarket offers about 25,000 SKUs which are sourced from worldwide. Ulife places great emphasis on experience. The supermarket features a catering area that allows customers to have the food cooked in the food booth on the spot. Besides, Ulife also introduced a “Maoka” pet store, a digital lifestyle store, and a toys store, etc<sup>12</sup>.

## Supermarkets and hypermarkets

### Suning partners with RT-Mart to sell home electronics in RT-Mart stores

On 21 June, 2018, Suning and RT-Mart jointly

announced the signing of a memorandum of understanding (MoU) to cooperate in the selling of home electronics in RT-Mart's stores in the mainland China. According to the announcement, the cooperation will be based on a concessionary model – Suning will provide home electronics which are centrally purchased from its supply chain to RT-Mart's stores in the mainland China. The two parties will use the same pricing and promotional plans for home electronics sold in their stores. The cooperation will gradually take effect starting from August 2018. The cooperation of the two companies is also expected to expand into other product categories in the future. Currently, RT-Mart operates 393 branches in the Chinese mainland<sup>13</sup>.

### Renrenle joins hands with Kingking to open cosmetics specialty stores

Renrenle Commercial Group collaborated with the Chinese cosmetics distribution company Qingdao Kingking Applied Chemistry Co., Ltd. to open a new type of cosmetics specialty store – Hi Beauty. Currently, three stores have already been opened. According to Hi Beauty, the sales of the newly opened stores are approximately 70% higher than that of the original cosmetics counters, but the goal is to more than double the operating revenue of the stores. According to Renrenle's development plan, five new Hi Beauty stores will be opened in southern China in June. The new stores will be located at different retail formats including traditional hypermarkets and supermarkets<sup>14</sup>.

### Chengdu Hongqi Chain forms strategic partnership with Sinopec Group

On 27 June, Chengdu Hongqi Chain Co., Ltd. and Sinopec Sichuan Sales Co., Ltd. jointly signed a strategic cooperation agreement. Both parties will integrate resources and foster in-depth cooperation to optimize supply chain, support each other in areas including retail

formats and channels, joint marketing of brands, member value-added services, new business development, and local lifestyle services, etc. According to the cooperation agreement, the "Hongqi Express" products operated by Hongqi Chain Store will be sold at the Easy Joy convenience stores operated by Sinopec Sichuan. Sinopec's non-oil products such as seafood, red wine, dried fruits, mineral water, and pork will be directly supplied to the supermarkets of Hongqi, further enriching the company's product categories<sup>15</sup>.

### Greenland launches new supermarket brand "Eat and Drink Institute"

G-Super, a supermarket brand under Greenland Holding Group launched a new store format "Chihe yanjiu suo" (a.k.a. "Eat and Drink Institute"). The store occupies a total area of 2,100 sqm, with half of the area rented to third-party food and beverage brands. Currently, there are 11 food and beverage brands available in the catering area. To differentiate from Hema Xiansheng and YH Super Species, the store does not sell fresh vegetables and seafood, except fruits. G-Super hopes the store can act as an incubator for new brands<sup>16</sup>.

## Convenience stores

### Unmanned convenience store Easy Go raises 120 million yuan

On 25 June, unmanned convenience store Easy Go completed a financing round and raised 120 million yuan backed by Four Seas Group and RC Group. Founded in early 2017, Easy Go operates unmanned convenience stores with a store size of around 15 sqm.

Each store has around 500 SKUs and sells mainly imported food and beverages. Easy Go now operates more than 100 stores in Guangzhou, Shenzhen, Chengdu, Chongqing and Beijing, targeting community areas<sup>17</sup>.

## Cosmetics



### L'Oreal and Tmall form "Green New Retail" cooperation

On 25 June, L'Oreal Group and Alibaba Group signed the "Green New Retail" strategic cooperation agreement. It is reported that the two parties will continue to optimize the design and materials of courier boxes and internal fillers, and reduce the environmental impact that may be caused by circulation of packaging in the market. The "Green New Retail" project is expected to cover all the brands of L'Oreal China before the 11.11 Global Shopping Festival in 2018<sup>18</sup>.

## Apparel and accessories



### Marisfrolg Group launches first menswear brand MJU:T

High-end womenswear group Marisfrolg launched its first menswear brand MJU:T, with an aim to provide Chinese male consumers high quality clothing and allow them to discover the lifestyle and dressing styles that suit them better. In addition to MJU: T, the Marisfrolg Group also carries various apparel brands including Marisfrolg · Marisfrolg.SU · AUM · ZHUCHONGYUN · MDC, and Italian high-end womenswear brand Krizia, which

was acquired in 2014. Founded in 1993, Marisfrolg was ranked number one among China's high-end womenswear brands in 2015, with a market share of a 1.31% market share<sup>19</sup>.

## Kids products



### Balabala opens two stores in Hong Kong

On 23 June, Semir's kidswear brand Balabala officially entered the Hong Kong market by opening its first two stores in Olympian City III and Hollywood Plaza. Balabala revealed that the brand plans to open approximately 20-30 stores in Hong Kong over the next three years. It hopes to enter the international market by strategically opening stores in Hong Kong<sup>20</sup>.

## Luxury sector



### Chanel sees sales increase 16.5% yoy in Asia Pacific region in FY17; to further invest in China market

French luxury brand Chanel released its financial results for FY17. The results revealed that Chanel's sales in the Asia Pacific region (including China) grew 16.5% yoy to US\$3.75 billion, surpassing the yoy growth of Chanel's overall sales performance at 11%. Meanwhile, Chanel has accelerated its development in the China market by introducing its first pop-up store in China "CoCo Game Center" in Shanghai in April and also an experiential show for its CoCo Crush fine jewelry collection in Beijing Guardian Art Center the same month. Later in June, Chanel

opened China's first integrated full-line flagship store in Beijing World Trade Mall to improve its customer service capabilities and attract new customers<sup>21</sup>.

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