

China Retail & E-commerce

Weekly Updates

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Retail in general



GAC launches 18 measures to facilitate cross-border trade

On 22 March, General Administration of Customs of the PRC (GAC), together with departments related to port management, launched the “Measures to Facilitate China’s Cross-Border Trade (Trial)” and proposed 18 measures to further optimize the port business environment and facilitate China’s cross-border trade. The 18 measures aim at reducing time and costs for import and export by streamlining customs clearance procedures, simplifying documentation procedures, reducing port charges, and establishing a sound management mechanism¹.

Tencent holds firm as China’s most valuable brand for four consecutive years

WPP, the world's largest marketing communications company, and its research arm Kantar Millward Brown together released the “2018 BrandZ Top 100 Most Valuable Chinese Brands” rankings on 26 March. The total brand value for the top 100 brands reached US\$683.9 billion in 2018, growing by a record 23% yoy. Tencent was China’s most valuable brand for the fourth consecutive year, achieving a brand value of US\$132.2 billion. Alibaba ranked the second with a brand value of US\$88.6 billion. Other retail brands on the list include JD.com (12), Suning (30), VIP.com (53), and Yonghui Superstores (76)².

E-commerce



Alibaba to tap IoT market at full speed

On 28 March, Alibaba announced to tap the Internet of Things (IoT) market at full speed. IoT will be another major business of Alibaba alongside e-commerce, finance, logistics and cloud computing. Alibaba cloud will be positioned as an IoT infrastructure provider, targeting to connect with 10 billion devices in five years³.

Suning.com and China Unicom enter into cooperation to promote offices transformation

On 22 March, Suning.com and China Unicom announced to form a strategic partnership to continue to jointly upgrade their smart retail businesses in the future. In the first phase of the partnership, the two companies plan to transform and upgrade a number of Unicom offices into new smart retail stores. The two parties will also work together in big data cooperation, particularly in credit information products and precision marketing. In terms of financial cooperation, they will accelerate third-party payments integration and provide supply chain finance, corporate deposits, and extended warranty services. In addition, the two parties will jointly establish a technology laboratory to study the application of 5G technology in smart homes, car networking and other areas⁴.

JD.com and Sina form strategic partnership

JD.com and Sina formed strategic partnership on 27 March. Known as the “Jinglang Plan”, the two companies will form a task force for in-

depth exploration in the fields of big data, product and content development, etc. during the partnership period. Both JD.com and Sina hope that the partnership can help accelerate product and service development by leveraging each other's strengths⁵.

JD.com forms partnership with COFCO

On 23 March, JD.com announced the signing of a comprehensive strategic cooperation framework agreement with COFCO, and the entire industry chain of COFCO will be connected with JD.com's "boundless retail" platform. The two parties will cooperate in areas including e-commerce, offline retail, logistics and finance. JD.com will leverage its strengths in large customer base, big data capabilities, artificial intelligence technologies and e-commerce marketing platforms to provide decision-making solutions for the production and accurate marketing services for consumers; COFCO will develop and design products that are based on insights generated by big data and customers' feedback so as to meet the needs of consumer upgrading, and through innovation in physical scene settings to enhance brand reputation⁶.

JD.com and Intel join hands to speed up the development of smart retail applications

JD.com and Intel signed another Memorandum of Cooperation (MOC) to jointly promote smart retail applications. Through this cooperation, JD.com will utilize Intel's edge computing and AI technologies to provide total solutions in various retail scenarios. The technologies are applicable in self-service check-out counters, ATM, digital signage, etc. which require the use of facial and image recognition capabilities. Earlier in October 2017, JD.com teamed up with Intel to create D-MART, the world's first smart store solution⁷.

JD.com to open 7,000 physical home appliance stores in 2018

JD.com announced to focus on launching offline home appliance offline in tier-4 to tier-6 cities and in rural areas in 2018. It targets to open 7,000 more stores and reach a total of 15,000 stores by the end of this year, covering all counties in the nation. JD.com hopes that retail sales generated from all of its home appliance stores will increase fivefold in 2018 as compared with the previous year. JD.com said that household appliance business is embracing a new era of boundless retail. Meanwhile, JD.com will also open the first batch of "super experiential" stores for home appliance with an area of over 30,000 sqm in tier-1 cities in 2018⁸.

GOME Retail shows net loss of 450 million yuan in FY17; online GMV grows 118.13% yoy

GOME Retail announced its financial results for FY17. In 2017, total revenue of GOME Retail was approximately 71.575 billion yuan, down 6.68% yoy; and loss attributable to owners of the parent company was approximately 450 million yuan, as compared with a profit of 325 million yuan in 2016. During the reporting period, the total gross merchandise volume (GMV) of GOME Retail for both online and offline operations increased by approximately 20.10% yoy. The GMV from the e-commerce business increased by approximately 48.67% yoy while GMV from the online marketplace increased by approximately 118.13% yoy⁹.

Gome taps fresh food e-commerce

On 24 March, Gome announced to tap the fresh food e-commerce market. Meanwhile, together with China Good Agri-products Development and Service Association, Gome

has launched two industry standards – "Quality Agricultural Products Certification Standard" and "Merchant Acceptance Standard for Quality Agricultural Products on E-commerce Platform". Gome has also signed cooperation agreement with Fruit Ally to sell high-quality fruits on Gome's online platform¹⁰.

Retail logistics

Interim Regulations on Express Delivery effective on 1 May, 2018

On 27 March, the State Council executive meeting passed the Interim Regulations on Express Delivery. Effective from 1 May, 2018, the regulations state that enterprises providing express delivery services and their employees shall not sell, disclose or illegally provide any user information they obtained to third parties. Enterprises which provide express delivery services shall establish electronic data management systems for express delivery orders, maintain property all user data, regularly dispose old order data, and adopt effective means to safeguard users' personal information¹¹.

JD Logistics signs strategic cooperation agreement with China Logistics

On 26 March, JD Logistics signed a strategic cooperation agreement with China Logistics Co., Ltd. Both parties will leverage their competencies and cooperate in areas including warehousing, delivery, resources sharing, and logistics technologies. They aim to improve service standards of the logistics industry and help players in the logistics industry upgrade and transform by going smart¹².

Department stores and shopping malls

CCAGM, Fung Business Intelligence, MOFCOM: pursuing omni-channel retailing is one of the keys for department store operators to transform

On 27 March, China Commerce Association for General Merchandise (CCAGM), Fung Business Intelligence and the Ministry of Commerce (MOFCOM) jointly released the "China's Department Stores Report 2017-2018", analyzing macroeconomic data, collects financial reports from 85 domestic department store operators. Major key trends and developments of China's department store sector include: pursuing omni-channel retailing; diversifying retail formats and tapping into other business sectors to achieve synergy; enriching and expanding self-operated business to enhance product uniqueness and gross profit margins. According to the report, 86.3% of department store operators have started to deploy O2O strategies in 2017, up from 45.3% in 2016¹³.

FMCG

Tmall announces four core development goals for its FMCG business in 2019

On 28 March, Tmall announced its core development strategy for its fast-moving consumer goods (FMCG) business in 2019. The four focuses are:

1. Customer engagement: to increase sales conversion rate, redesign search engine algorithms and improve product recommendations;

2. New retail: to deploy new technologies, more in-depth online and offline interactions, and upgrade physical stores; to roll out smart retailing strategies and focus on digitalizing product information, membership data and transactions information;
3. Brand operations: to support brand development, for example, to help brands to launch new products or exclusive promotion campaigns on Tmall, etc.;
4. Data management and analytics: to use data banks extensively for precise marketing strategies and social commerce, etc¹⁴.

Supermarkets and hypermarkets



Wal-mart and WeChat strengthen cooperation; some of Wal-mart stores stops accepting Alipay

Starting from 15 March, Wal-Mart has temporarily stopped accepting Alipay in its stores in the Western China regions, including Yunnan, Guizhou, Sichuan, and Chongqing due to the company's business decision. According to Wal-mart, the stores in these areas have formed strategic partnership with WeChat Pay; they have launched exclusive promotional offers for WeChat Pay users and jointly carried out precise marketing cooperation. Currently, Wal-mart has more than 90 stores in the Western China region¹⁵.

Suning opens first "Suning Jiwu" store in Nanjing

On 23 March, Suning opens the first "Suning Jiwu" store in Nanjing Xinjiekou. With a store size of 400 sqm spanning across two storeys, Suning Jiwu store sells a number of product categories, including mobile phone, computer,

home electronics, cosmetics, home products, beverages, etc. On the first floor, it sells mainly smart home and unique home products; the second floor features restaurants that offer seafood cooked by the chefs on the spot. It is reported that all products in Suning Jiwu store were sourced by Suning's own buyer team as the company hopes to provide unique and differentiated products to customers. Suning targets to open 300 Suning Jiwu Stores in tier-1 and tier-2 cities in the next three years¹⁶.

Sun Art to put forward three core strategies for new retail upgrades

On 26 March, Sun Art announced its financial results for FY17. In 2017, Sun Art achieved total operating revenue of 102.32 billion yuan, up 1.9% yoy; and net profit reached 3.02 billion yuan, up 14.9% yoy. Sun Art also announced that in 2018, it will implement three core strategies for "new retail" upgrading, namely, store digitalization, multi-channel and multi-format development, and hypermarket revamp¹⁷.

Hema Xiansheng signs strategic cooperation agreement with 13 national real estate developers

On 28 March, Hema Xiansheng signed strategic cooperation agreement with 13 national real estate developers including SCPG, Future Land, Evergrande Group, Country Garden, Sunac China, Shimao Group, Kaisa Group, China Overseas Land & Investment, Forte, Yintai Land, KWG Property, Easyhome and Jiahao. The signing parties stated that they will leverage their core competencies to support and push forward construction projects related to "New Retail". Currently, Hema Xiansheng operates 37 stores across the country¹⁸.

tremendous support to the development of the industry²⁰.



Uniqlo to open its largest digitalized experiential store in Shenzhen and to offer virtual fitting experience across 600 stores

Uniqlo's largest store in Shenzhen, with an area of approximately 2,600 sqm, will be opened at Vientiane World on 30 March. This is the first time for Uniqlo to launch a digitalized experiential store integrating online and offline experiences, and connecting real world and virtual experiences. Customers can scan the QR codes on the posters in-store via QQ's mobile app to view the LifeWear product line and other apparel products; they can also join the membership program to receive new products information, discounts and mix and match advice. To enjoy this new experience, customers can simply scan the relevant QR code via QQ's mobile app once arriving at the mall. Meanwhile, Uniqlo will launch virtual fitting experience across 600 stores nationally from 30 March¹⁹.

JD.com to support designer brands to enter the China market

Recently, JD.com co-organized the 2018 Autumn/Winter Fashion Show in Shanghai with British Fashion Council (BFC) and Vogue magazine's Designer Fashion Fund. During the event, JD.com showed support to three designer brands from China, South Korea and the U.K. by helping them to build their brand development roadmaps. JD.com also mentioned, in the future, the company will try to build its importance in influencing the global fashion industry by continuing to participate in the early development stage of fashion items including product design and provide

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