China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in General

NDRC and 10 other ministries issue the "Implementation Plan to Further Optimize Supply to Promote Steady Growth in Consumption and Promote the Formation of a Strong Domestic Market (2019)"

On 29 January, the National Development and Reform Commission (NDRC) and 10 other ministries jointly issued the "Implementation Plan to Further Optimize Supply to Promote Steady Growth in Consumption and Promote the Formation of a Strong Domestic Market (2019)". The Implementation Plan aims to further optimize supply to meet people's growing needs for a better life, and promote the formation of a strong domestic market. The Implementation Plan covers the following six aspects:

1. To promote automobile consumption;
2. To fill the supply-demand gap in urban areas, and better cope with the needs arising from urbanization and the aging population;
3. To promote the upgrading of rural consumption and facilitate the interaction between rural and urban consumption;
4. To strengthen support and guidance on the development of new products and promote the consumption of such new products;
5. To expand the supply of high-quality products and services;
6. To improve policies and further optimize the consumer market[1].

The State Council issues the "Opinions on Promoting High-quality Development of Comprehensive Bonded Zones"

On 25 January, the State Council issued the "Opinions on Promoting High-quality Development of Comprehensive Bonded Zones", which clearly state the need to improve the competitive advantages of comprehensive bonded zones by enhancing related policies, expanding functions of the bonded zones, improving supervision, and nurturing better business environment. The Opinions also highlight that the government hopes to promote the development of the comprehensive bonded zone into processing and manufacturing centers, R&D design centers, logistics distribution centers, inspection and maintenance service center, and sales and service centers with global influence[2].

CNCIC: Total retail sales of China's 100 key large-scale retail enterprises up 0.7% yoy in 2018

According to the statistics from the China National Commerce Information Center (CNCIC), the retail sales of the 100 key large-scale retail enterprises increased by 0.7% yoy in 2018; the growth rate was 0.3 ppt lower than that of January – November 2018. In December 2018, the retail sales of 100 key large-scale retail enterprises nationwide decreased by 2.4% yoy, and the growth rate was 0.1 ppt lower than that in November 2018[3].

E-commerce

Alibaba's single-quarter revenue reaches over 100 billion yuan for the first time

On 30 January, Alibaba Group announced its financial results for the quarter ended December 31, 2018. Its revenue was 117.278 billion yuan, up 41% yoy. Alibaba is the first Internet company in China with a single-quarter revenue of over 100 billion yuan. Mobile MAUs on its China retail marketplaces reached 699 million in December 2018, an increase of 33 million over September 2018. Annual active consumers on its China retail marketplaces reached 636 million, an increase of 35 million from the 12-month period ended 30 September, 2018. Over 70% of the increase in annual active consumers was from third-and-lower tier cities. Tmall physical goods GMV grew 29% yoy in this quarter, driven by growth in fast-moving consumer goods, apparel and home furnishing categories[4].

JD.com adds "size recommendation" function

Recently, JD.com added a "size recommendation" function on its platform. This function can reportedly support the creation of size charts for apparel, shoes, and lingerie, etc. Users can key in the body measurement data in the mobile app for size matching. JD.com said that this new function can help merchants lower the rate of product returns, reduce the chance of buying the wrong products and increase click-through rate[5].

Mia's launches first fresh food warehouse

On 28 January, baby and maternal product online retailer Mia announced its plan to launch its first fresh food warehouse in Chengdu. Through the launch of the fresh food warehouse, the company can deliver fresh food products directly to 30-plus cities in the Southwestern area including Sichuan and Chongqing. It is reported that Mia's fresh food warehouse in Chengdu is planned to cover a storage space of 20,000 sqm, 70% more space efficient than conventional warehouses[6].

Department stores and shopping malls

Rainbow launches first experiential restaurant "Hong Shi Hui"

Recently, Rainbow Department Store opened its first catering business – "Hong Shi Hui" experiential restaurant in Rainbow Supermarket at International Trade Times Square, Luohu, Shenzhen. With a floor space of 260 sqm, the new experiential restaurant focuses on customers' experiences and will constantly provide new dining experiences. In the restaurant, customers can either order food directly in the restaurant, or purchase the fresh ingredients from the supermarket and request for cooking service from the restaurant. In addition, customers can try out the smart cooking facilities such as "robot chef" and cookery lessons in the restaurant[7].

Thailand's Central Department Store launches "Central Chat & Shop" service on WeChat

Thailand's largest department store chain Central Department Store has recently launched the "Central Chat & Shop" service on WeChat. The new service enables Chinese consumers to carry out live chat with customer service representatives, making shopping easier and more convenient. To make purchases, customers can simply place orders with the customer service team or upload the photos of their desired products and settle payment through credit cards or online bank transfers[8].

Supermarkets and hypermarkets

JD Daojia and Sam's Club to accelerate plans to build "store-front warehouses"

Recently, JD Daojia and Sam's Club announced that their jointly built "store-front warehouses" (warehouses that are located near retail stores to support speedy last-mile delivery) are operational in Shenzhen, Shanghai, and Beijing. Products are delivered from Sam's Club to these warehouses before delivering to the customers to reduce delivery costs and replenishment costs. It is reported that mature store-front warehouses are 10 times more efficient than normal supermarkets. JD Daojia and Sam's Club plan to accelerate the building of store-front warehouses in more cities in 2019 and provide 1-hour delivery service to more consumers in China[9].

Winshang: New store openings of Hema Xianshang and YH Super Species account for 70% of the total new openings in the industry

According to statistics from Winshang, 16 fresh food supermarkets opened a total of 190 new stores in 2018, of which Hema Xianshang and YH Super Species opened 86 stores and 46 stores respectively, accounting for 70% of the total. Better Life's Fresh Ideas and Suning's SuFresh continued to expand gradually, while New Huadu's Hai Wu Hui, Bailian's RISO, Lianhua's Jingxuan and Green&Health did not open any store in 2018. At the same time, increasing numbers of new players such as Meituan, Baoneng, Vanke and Kaisa Group tapped the fresh food supermarket business in 2018; competition in the market has become more intense[10].

Better Life Group to acquire 22 stores of Hunan Joindoor Supermarket

Recently, Better Life Group and Hunan Joindoor Supermarket Co., Ltd. signed a cooperation agreement. Better Life Group will acquire 22 Joindoor Supermarkets and related assets for 189 million yuan. Joindoor stores are mainly located in Changsha, Yiyang, Changde, Hengyang, and Zhangzhou. These stores will be rebranded as stores of Better Life Group from 26 January, 2019. It is expected that the deal will further strengthen the leading position of Better Life Group in Hunan[11].

Ele.me connects with more than 650 supermarket chains

Since 15 January, more than 650 stores of RT-Mart, Carrefour, Century Lianhua, Watsons, and 7-11 have connected to ele.me; nearly 7,000 supermarkets across the country have been upgraded with the delivery service of Fengniao to meet the needs of consumers for the Lunar New Year. It is reported that ele.me will deliver the goods within 30 minutes after the orders are placed during the Lunar New Year period, i.e. from 10 January to 19 February[12].

JD Daojia: Instant consumption becomes mainstream

Recently, JD Daojia released its annual consumption data report for 2018. According to the report, in 2018, the consumption upgrading trend triggered the rapid development of instant consumption – "order and delivery within an hour" has become phenomenal and one of the mainstream consumption modes in the country. The report also pointed out that this phenomenon has spread across all product categories, consumption scenes and consumer segments, even in lower-tier cities – growth rates of GMV in tier-2 and tier-3 cities have exceeded that of tier-1 cities[13].

Vanke launches new supermarket brand "V-24 Seasonal Fresh"

Following the launch of its first self-operated new retail brand "Vmarket" in August last year, residential property developer Vanke launched its new supermarket brand "V-24 Seasonal Fresh" and opened two stores in Shenzhen within one week. The newly opened Vanke Licheng store reportedly has a floor area of 1,000 sqm, and offers more than 1,000 varieties of goods including fruits, vegetables, seafood, and frozen food[14].

Apparel

iResearch Consulting and YOKA: Integration of social network and e-commerce deepens; content marketing-embedded e-commerce platforms become increasingly popular

iResearch Consulting and YOKA jointly released "Research Report on Post-90s Generation's Attitude towards Fashion, 2018". According to the report, the post-90s generation consumers look for uniqueness in fashion and are unwilling to follow trends; they consider if the brand's proposition matches with their personality; they are willing to buy from niche brands. Over 60% of the surveyed post-90s consumers browse for fashion-related news on a daily basis. They like to browse on Weibo and WeChat, and watch short videos on streaming apps. The deepened integration of social network and e-commerce allow consumers to purchase fashion items more easily. Content marketing-embedded e-commerce platforms are increasingly popular. Amid the consumption upgrading trend, consumers are demanding better shopping experience for fashion and they have higher demand for fashion items. Around 40% of the surveyed post-90s consumers purchase fashion items at least once a week[15].

La Chapelle expects 2018 net profit to drop 91.98% yoy

On 30 January, Shanghai La Chapelle Fashion Co., Ltd. made an announcement on estimated profit decrease for the year ended 31 December 2018. According to the announcement, the net profit attributable to shareholders of the company for the year of 2018 is expected to decrease by approximately 459 million yuan, representing a decrease of approximately 91.98% as compared to 2017. The net profit after deducting non-recurring items of gains and losses attributable to shareholders of the company in 2018 is projected to decrease by approximately 415 million yuan, representing a decrease of approximately 109.21% as compared to 2017. La Chapelle stated that the decrease in estimated profit of the company is mainly due to the decrease in terminal retail sales and the fact that sales of its direct-sale points could not meet its expectations in 2H18, which in turn resulted in a decrease in the company's gross profit margin of approximately 5% for the year 2018 when compared to 2017[16].

Kids products

Kidswant launches social commerce platform "Mama Zhuan"

Kidswant has reportedly rolled out its social commerce platform "Mama Zhuan". Apart from being an app for social commerce, Mama Zhuan can also direct users to its WeChat Mini Program and WeChat E-commerce Store. It organizes all its baby and maternal products into different categories to meet diverse consumer needs. The app also classifies its users into three groups – basic users, shop owners and service managers. Basic users, or fans, are those without the status of shop owners ; basic users will automatically become shop owner once they have spent over 299 yuan on the app. Shop owners can share products or webpages of stores on the app and get rewards if the products are sold; after successfully inviting 20 users to become shop owners, shop owners will be upgraded to service managers, who not only earn commission by sharing products but also get a 20% commission from shop owners referred by them as an additional reward[17].

Cosmetics

NMPA: Claiming cosmetics as cosmeceuticals is illegal in China

On 10 January, the National Medical Products Administration (NMPA) promulgated the “Frequently Asked Questions Concerning the Supervision and Regulation of Cosmetics I”, revising the regulation regarding “cosmeceuticals” and “medical skin care products” in China. The NMPA stated that the concept of cosmeceuticals does not exist in China and claiming cosmetics as “cosmeceuticals” and “medical skin care products” is deemed illegal in China[18].

Thai beauty brand BEAUTY BUFFET officially enters China

Recently, Thai beauty brand BEAUTY BUFFET and Guangzhou Health Choice Network Technologies Co. Ltd. signed a strategic cooperation agreement in Bangkok. Under the agreement, BEAUTY BUFFET officially authorized Health Choice to be its exclusive distributor in China, and announced that Health Choice has the brand rights and import agent rights in China. Reportedly founded in Thailand in 1998, BEAUTY BUFFET is a listed company and has 379 offline stores in its home country. Currently, it has extended its network to nine ASEAN countries, together with China, Hong Kong, Middle East, Russia and India. The beauty brand has four sub-brands – Scentio, Lansley, Gino McCray, and The Bakery, with various types of products ranging from cosmetics, facial care, body care, hair care and makeup tools[19].

Home products

Muji announces the 10th price cut in China

Encountering sales decline and news reports stating Muji’s food pose cancer risk, Muji has recently announced to lower its prices by some 20% in China, its 10th price cut in the country. The company expressed that the decision came after the group re-examined the prices of some of its top products, aiming to offering customers more high value-added products. Including the recent price cut, it has been the 10th time that Muji slashed it prices in China over the past four years. The move is considered a means by the company to boost sales and improve fiscal performance[20].

Miniso’s 2018 operating revenue hits 1.7 billion yuan, running 3,500-plus stores worldwide

Recently, Miniso announced that the company operated 3,500-plus stores across over 79 markets worldwide in 2018; it generated 1.7 billion in operating revenue and employed more than 30,000 staff members around the world during the year. The company started adopting multi-brand strategies in 2018 and developed three sub-brands, namely Nome, Minso and Wonderlife, in a bid to satisfy diverse consumer needs and increase the overall market share of the company[21].

Luxury sector

OC&C: China’s Generation Z spends more than their Western peers

According to a survey conducted by global business consulting firm OC&C, amid the uncertainties facing the global luxury sector, Generation-Z consumers in China spent at least US$ 7,000 on luxury goods annually, more than their Western peers. China's Generation Z's luxury spending accounts for an average of 15% of household income, while British and American peers spend only 4% of household income on luxury products. The survey interviewed 15,500 Generation Z respondents in nine countries including China and the U.S. to understand their luxury goods consumption behavior[22].

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Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

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