

China Retail & E-commerce

Weekly Updates

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Retail in general



State Council to lower tariffs on selected imported consumer goods from 1 July

On 30 May, the State Council announced to further lower tariffs on a number of imported consumer goods effective from 1 July. Average tariff rates for clothes, shoes, hats, kitchenware and sports products will be reduced to 7.1% from the current 15.9%; average rates for household appliances such as washing machines and refrigerators will be lowered to 8% from 20.5%; tariffs on aquatic products and mineral water will be lowered to 6.9% on average from 15.2%; tariffs on cleaning products, cosmetics and some healthcare products will be levied at 2.9%, down from the current 8.4%. Further tariff cuts will be beneficial to the opening-up of the China market and meet public demand. It can also push forward quality improvements of products and industrial upgrading. The State Council also stated that related departments should strictly carry out the policy and prevent any price increases by middlemen¹.

MOFCOM: Consumption upgrade drives stronger demand for imported goods

On 28 May, the Ministry of Commerce (MOFCOM) released the “Report on Statistical Survey of the Supply and Demand of Major Consumer Products”. The report shows that imported goods have become an important part of market supply. Consumer demand for imported goods has remained strong. 20% of the survey respondents said that over 30% of their consumption was spent on imported goods. 31% of the survey respondents said that they would increase spending on imported goods in the coming half year.

Imported products that are in highest demand are cosmetics, watches and glasses, baby and maternity goods, passenger cars and jewelry².

BrandZ™ Top 100 Most Valuable Global Brands 2018 releases; Tencent, Alibaba in top 10

On 28 May, WPP and Kantar Millward Brown released the 2018 BrandZ™ Top 100 Most Valuable Global Brands ranking. Tech-related brands continued to dominate the Top 10 list, with eight out of the Top 10 are technology or tech-related brands. Chinese brands Tencent and Alibaba ranked 5th and 9th respectively. This year, Tencent’s brand value increased by 65% yoy to US\$179 billion, staying behind Google, Apple, Amazon, and Microsoft, while surpassing Facebook. Alibaba entered the top 10 for the first time, with brand value reaching US\$113 billion, nearly doubled from last year. Alibaba has put more focus on mobile payment and cloud computing, in addition to its e-commerce business³.

E-commerce



MOFCOM: Online retail sales reach 7.18 trillion yuan in 2017, up 32.2%

On 29 May, the Ministry of Commerce (MOFCOM) released the “Report on China’s E-commerce Development, 2017”. According to the report, in 2017, China’s e-commerce transactions amounted to 29.16 trillion yuan, up 11.7% yoy; online retail sales reached 7.18 trillion yuan, up 32.2% yoy; revenue of e-commerce service reached 2.92 trillion yuan, up 19.3% yoy; rural online retail sales reached 1.24 trillion yuan, up 39.1% yoy; transaction value via cross-border e-commerce (CBEC) (import and export) amounted to 90.24 billion

yuan, up 80.6% yoy; of which, total transaction value for CBEC (export) was 3.36 billion yuan, up 41.3% yoy; transaction value for CBEC (import) was 56.59 billion yuan, up 120% yoy.

China's e-commerce sector is set to continue its fast growth momentum in 2018. The report highlights three development trends:

1. Integration of e-commerce and other industries will speed up – including the integration of e-commerce with technologies such as big data, artificial intelligence and blockchain; integration of e-commerce and traditional industries and supply chain facilities; integration of e-commerce and social networks; integration of domestic and foreign trade facilitated by e-commerce.
2. Digitalization of industries will accelerate – promoting retail format innovations, improving product quality and enhancing consumer's shopping experience.
3. International cooperation will be facilitated – integrating global resources such as technology, big data, payment services, and logistics services to enhance sharing and collaboration⁴.

Beijing Municipal Commission of Commerce and Alibaba sign MOU on “New Retail City” cooperation

On 28 May, the Beijing Municipal Commission of Commerce and Alibaba signed a Memorandum of Understanding (MOU) on “New Retail City” cooperation. In order to promote the innovation and upgrading of the consumer market in Beijing, the two parties will deepen government-enterprise cooperation in 12 aspects such as building convenient lifestyle service maps, promoting new retail formats, and building a smart logistics system. It is reported that Tmall's new retail initiatives will drive the digital

transformation of 5,000 traditional shops in Beijing and upgrade them into “Tmall Smart Store”, realizing the integration of online and offline businesses. Koubei.com will also create a “new retail smart business district” in Beijing to further enhance the international reputation and influence of traditional shopping districts such as Wangfujing and Qianmen⁵.

Suning.com sells US\$1.5 billion of Alibaba shares

On 30 May, Suning.com announced that it has sold US\$1.5 billion worth of shares in Alibaba Group Holding Ltd, which the company is expected to make a net profit of approximately 5.601 billion yuan. This is Suning.com's second time selling Alibaba's shares in six months' time; the last time occurred in December last year, in which Suning.com managed to cash in US\$940 million (about 6.22 billion yuan). After completing the deal, the company will still hold 13.16 million shares of Alibaba Group, accounting for 0.51% of its current total issued shares. According to Suning.com, gains from the share sale will be used in areas such as channel expansion, product development, R&D and business expansion. In the near future, Suning will continue to deepen strategic cooperation with Alibaba Group in the areas of joint procurement, Tmall flagship store's operations, logistics services, and O2O integration, etc⁶.

Vipshop launches menswear online store

Vipshop has recently launched its menswear online store, which is available in its WeChat's mini program simultaneously. To differentiate itself from the main website, the menswear online store uses blue as the key color tone, instead of pink which is used in the rest of the website. Through setting up the new menswear store, Vipshop hopes to target not only female shoppers but to expand its brand

portfolio⁷.

JD.com to launch smart restaurant JOY's in August

JD.com's Division X revealed that it will open a smart restaurant – JOY's in August this year. The restaurant's operations, both frontline and kitchen operations, will be automated and run by robots. The use of robots allows standardization of cooking temperature, time, and ingredients. At present, the restaurant's "chef robot" can provide more than 40 delicacies from the eight traditional Chinese cuisines. The other robot, "server robot, equipped with gravity sensing system and smart obstacle avoidance capability, can also optimize the path of food delivery on its own. By 2020, JD.com plans to open up the technologies and its exclusive recipes of JOY's, and to establish 1,000 franchise stores nationwide⁸.

E-commerce logistics



Alibaba launches Green Logistics Plan 2020

On 23 May, Cainiao, Alibaba's new retail division, Tmall, Taobao, Xianyu, Ist.1688.com, Hema Xiansheng, and ele.me jointly announced the commencement of "Green Logistics Plan 2020" in Beijing – an anti-pollution campaign in the logistics sector. According to the Plan, by 2020, it is expected that Tmall will be able to upgrade all its delivery bags to eco-friendly bags; Taobao and Xianyu will use eco-friendly courier bags for picking up parcels in 200 cities; Alibaba's B2B platform 1688.com will expand its campaign of using fewer paper boxes to thousands of small-sized retailers; Hema

Xiansheng will achieve zero wastage throughout the whole delivery process; Ele.me will promote the "Green Take-away Alliance" and reduce 75% of plastic wastage in the delivery of take-away orders; and Cainiao will further open up its cartons screening technology, with the hope to provide 5 billion cartons in the future; it also has the vision of using eco-friendly packings for all parcels in China⁹.

Alibaba leads consortium in US\$1.38 billion deal for stake in ZTO Express

Alibaba Group, Cainiao Smart Logistics Network, and ZTO Express announced a strategic agreement, in which investors led by Alibaba and Cainiao will invest US\$1.38 billion in ZTO in exchange for an approximately 10% equity stake in the company. The investment will see Cainiao and ZTO deepen their collaboration in the transformation of China's logistics industry amid the New Retail era. The investment will further support both Cainiao and ZTO's focus on building up first- and last-mile pickup and delivery capabilities, warehouse management, cross-border logistics and technology-driven smart solutions¹⁰.

Tmall launches next day delivery services

Recently, Tmall announced the launch of next day delivery services and released general guidelines for the new service; the new guidelines became effective starting 24 May. It is reported that if the customer purchases any products that fall under the category of "next day delivery", the seller is obliged to deliver the goods to consumers by the end of the third day after the customer made the payment¹¹.

Eleme launches unmanned drone delivery service

On 29 May, Eleme officially rolled out its unmanned drone delivery service for commercial use. This is the first domestic drone route for takeaway service approved by the government. A total of 17 drone routes have been approved; all of them are located within the Shanghai Jinshan Industrial Park, currently covering commercial districts, office towers, and communities (it will extend to cover school areas in August to October). Each route will have 3-4 flights per day. According to Eleme, 100 restaurants are connected with the drone delivery service. During the trial operation period, customer can receive their orders within 20 minutes after placing order on Eleme¹².

Department stores and shopping malls

Parkson's Chongqing Nanping store transforms into "Parkson Young Mall"

Recently, Parkson Group implemented the transformation strategy of diversified retail formats and started to revamp and transform its store in Chongqing. As the only store of Parkson Group in Chongqing, Parkson's Nanping branch will be transformed into "Parkson Young Mall" that meets the lifestyle of the younger generation by the end of this year. Parkson will retrofit all the ceilings, floors, and walls of the original Nanping branch to provide a high quality leisure and shopping destination for customers. It is reported that Parkson Young Mall will be one of the benchmark projects of Parkson's "New Retail" transformation in 2018¹³.

Supermarkets and hypermarkets

Meituan's fresh supermarket Xiaoxiang Fresh opens in Beijing

On 25 May, Meituan's fresh supermarket Xiaoxiang Fresh opened in Beijing Fangzhuang Shidai Life Plaza. Xiaoxiang Fresh is an O2O fresh food supermarket which focuses on fresh products with on-site catering service; customers can also order online and enjoy fast cold-chain delivery service. Most of the products are sourced by Xiaoxiang Fresh. Xiaoxiang Fresh is also equipped with latest technologies such as self-checkout system, smart cart, facial recognition technology, etc. to enhance consumer experience¹⁴.

Convenience stores

Xianfeng Fruit and Lawson jointly open a new convenience store in Hangzhou

On 23 May, the first "Convenience Store + Fruit Shop" format shop jointly operated by Xianfeng Fruit, one of China's leading fruit store chains and Lawson made its debut in Hangzhou. This new attempt is set to change the current business model of convenience stores and fruit stores to become a brand-new "New Retail" format. According to industry experts, Xianfeng Fruit's strong supply chain capabilities enable the company to harness its advantages in terms of types of products, pricing and quality amid the short turnaround times of products. The cooperation of the two companies can produce synergy and help Lawson to differentiate from its competitors. At

present, Xianfeng Fruit has 12 large-scale constant-temperature and cold-storage distribution centers, and it has in-depth cooperation with more than 300 fruit-planting bases all over the world, and directly participates in areas such as premium cultivation, fruit selection, and fine storage and transportation¹⁵.

First “Golden Eagle – 7-Eleven” store opens in Nanjing

On 30 May, the first “Golden Eagle – 7-Eleven” store opened in Nanjing Golden Eagle Shopping Center (Zhujiang Road branch). Previously in November 2017, 7-Eleven has signed a 20-year franchise agreement with Nanjing Golden Eagle CVS Management Company of Golden Eagle Retail Group. This is the first attempt of Golden Eagle to tap the convenience store sector. The Golden Eagle – 7-Eleven store focuses on fresh food, 55% of the product offerings are unique fresh food and hot meals. Golden Eagle plans to open 30 such 7-Eleven stores by end-2018. It will expand further to other cities in Jiangsu from 2019. It targets to open 1,000 stores in Jiangsu within three years. It also plans to open more stores by franchise operation starting the end of this year to speed up the pace of expansion¹⁶.



ANTA Sports's FILA opens two flagship stores in Shanghai

Last week, sportswear brand FILA which is owned by ANTA Sports opened two flagship stores in Nanjing Road and Huaihai Zhong Road in Shanghai, and released its best-selling product in the latest quarter. It is reported that the two stores will gather a full

product range of FILA including childrenswear. According to the annual report of ANTA Sports, by the end of December 2017, there were 1,086 FILA stores (including the independent stores of FILA KIDS) in the Greater China region and the company targets to open 1,300 to 1,400 new stores in 2018¹⁷.

Semir forms JV company to run teenagers' apparel brand COCOTREE

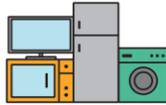
Recently, Semir Group announced that it signed a cooperation agreement with Wenzhou Jianuo Garments Co., Ltd. and will jointly set up a joint venture (JV) company – tentatively named as Zhejiang Senle Garments Co., Ltd. – with a registered capital of 45 million yuan. In this investment, Semir will contribute a total of 22.95 million yuan, accounting for 51% of the registered capital. The new company will be responsible for manufacturing and selling apparel items, including clothing, shoes, hats, knitwear, and leather products. To ensure its operation can start sooner, the new company will purchase the registered trademark rights and some equipment of the “COCOTREE” brand held by Wenzhou Jianuo, which is a private company mainly engaged in apparel business and running the “COCOTREE” brand. Founded in 2002, “COCOTREE” specializes in offering teenagers' apparel items and was awarded as one of the top 10 kidswear brands by the China National Garment Association (CNGA) for four consecutive years. As of today, COCOTREE has 143 stores in the nation¹⁸.

Tmall Fashion and Intersport jointly open smart store in Beijing

On 29 May, Switzerland sporting goods retailer Intersport and Tmall Fashion jointly opened a smart store – “Tmall x Intersport” in Beijing. Located in Beijing Square, Qianmen Street, the new store is equipped with new

retail technologies such as smart shelves empowered by Cloud Shelf technology as well as smart mirrors. Other than opening 24 hours a day, the new store also provides other services such as home delivery, AI shopping assistant services, etc¹⁹.

Consumer electronics



Xiaomi opens its first store in Italy at a famous shopping centre in Milan

Recently, Xiaomi made its debut in Milan, Italy after setting foot in other overseas countries such as India, Indonesia, Russia, Burma, Singapore, Ukraine, France, etc. The store is located in Milan's famous shopping center Il Centro. It is the largest shopping mall in Italy and the second largest in Europe. Indeed, Xiaomi is the first brand from China to open in the mall²⁰.

Home products



JD Home and Elle Decoration jointly launch borderless retail pop-up store “Jingzhiji Living Art Center” in Beijing

On 26 May, “Jingzhiji Living Art Center” – the borderless retail pop-up store jointly launched by JD Home and magazine “Elle Decoration” was opened at Wanda Plaza in Tongzhou, Beijing. Providing a brand new shopping experience for home products, the pop-up store offers four key product display areas – living room, bedroom, kitchen and restaurant. The pop-up store will last till 8 June²¹.

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