China Retail & E-commerce

Weekly Updates

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Retail in general *p2*

- MOFCOM: "Consumption Upgrade Action Plan" to launch in 2018
- Strengthening the protection of consumer rights; to further promote no-reason product returns in physical retailing
- AT Kearney: Chinese millennials increasingly trust local brands

E-commerce *p2*

- iResearch: China's online shopping GMV to reach 1.44 trillion yuan in 3Q17, up 30.2% yoy
- Tmall: "Post-90s" consumers become the dominant force of imported goods consumption in 2017
- Alipay: Mobile payment accounts for more than 80% of all transactions in 2017
- Koubei: Shanghai, Hangzhou and Beijing become the top three cities with highest spending in 2017
- JD.com and Meili Inc. set up JV company to focus on social selling via WeChat
- Better Life Group shuts down cross-border e-commerce platform Yunhou Overseas

Supermarkets and hypermarkets *p3*

- Yonghui increases its stake in Hongqi and becomes the second largest shareholder
- Renrenle opens seven stores of various new retail formats in one day
- RT-Mart and Tmall Supply Chain enters into a supply agreement of 200 million yuan
- Hema Xiansheng to open 30 stores in Beijing in 2018
- JD.com's "X unmanned supermarket" opens in Yantai

Convenience stores *p4*

- Total no. of chain convenience stores in Beijing to reach 3,000 by 2020

Department stores and shopping malls *p5*

- Ito Yokado launches e-commerce platform in China

Consumer electronics *p5*

- Lenovo JD Home experiential store opens in Wuhan
- OPPO's first super flagship store opens in Shanghai

Kids products *p5*

- Annil plans to open 50-80 stores per year in shopping malls

Luxury sector *p6*

- Second-hand luxury goods store Xin Kokuya opens in Shanghai

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Retail in general

MOFCOM: "Consumption Upgrade Action Plan" to launch in 2018

The Ministry of Commerce (MOFCOM) held the National Commerce Conference (2017) on 25 December, 2017, revealing that the "Consumption Upgrade Action Plan" will be launched in 2018. The Plan strives to address the issue of inadequate development and imbalances in China's distribution sector. It also aims to encourage innovation in the distribution sector, strive for better alignment between supply and demand in the consumption market; promote green consumption, and improve consumption environment. Major initiatives include: to establish more community service centers in urban and rural areas; to launch projects which lead consumption in major commercial districts; to build platforms which facilitate overseas consumption; to promote green consumption; to modernize supply chain; and to create a safe environment for consumption[1].

Strengthening the protection of consumer rights; to further promote no-reason product returns in physical retailing

Relevant government departments have introduced new initiatives to protect consumer rights. The recently held conference on China's business administration and market supervision revealed that, in 2018, the national business administration and market supervision departments will continue to strengthen the protection of consumer rights and better serve people's growing needs for a better life. They will foster the full implementation of no-reason product returns for online shopping while at the same time further promote no-reason product returns in physical retailing[2].

AT Kearney: Chinese millennials increasingly trust local brands

According to an AT Kearney report, Chinese millennials prefer domestic brands to well-known international brands. AT Kearney surveyed more than 7,000 consumers in different age group across China, Japan, India, the U.S., the U.K., France and Germany. The report found that 71% of Internet native consumers in China showed an increasing trust in major domestic brands, whereas only 57% showed an increasing trust in international brands. However, renowned international brands are gradually losing trust, as the younger consumers showed less trust and loyalty compared to older generations[3].

E-commerce

iResearch: China's online shopping GMV to reach 1.44 trillion yuan in 3Q17, up 30.2% yoy

According to iResearch, the GMV of China's online shopping in 3Q17 totaled 1.44 trillion yuan, up 30.2% yoy. The GMV of China's B2C online shopping market attained 0.9 trillion yuan, up 43.7% yoy and took up 61.1% of the whole online shopping market in China; meanwhile C2C segment accounted for 13.5% of the whole market. The GMV of China's mobile shopping amounted to 1.17 trillion yuan in 3Q17, up 35.7% yoy. 81.4% of the online shopping transactions were made on mobile devices, while only 18.6% of the transactions were made via PC[4].

Tmall: "Post-90s" consumers become the dominant force of imported goods consumption in 2017

Tmall announced the 2017 consumption report on cross-border imported goods. The report shows that in 2017, the consumption of imported goods contain the following characteristics: "Post-90s" and "post-95s" generations made up more than 50% of the active consumers of cross-border imported goods, becoming the major force of imported goods consumption. Besides, Japan, the U.S. and South Korea ranked the top three importers for three consecutive years, which are also the most popular countries for China's outbound travel[5].

Alipay: Mobile payment accounts for more than 80% of all transactions in 2017

On 2 January, Ant Financial's Alipay released its transaction summary report for year 2017. In the year, mobile payment accounted for 82% of total no. of transactions among the 520 million Alipay users. At provincial level, Guizhou and Shanxi jointly occupied the top spot, with mobile payment accounting for 92% of total transactions. 11 provinces saw mobile payment accounting for more than 90% of total transactions in the year, compared to only one in 2016[6].

Koubei: Shanghai, Hangzhou and Beijing become the top three cities with highest spending in 2017

Recently, Alipay's local services platform Koubei released its data report on consumption at offline channels in year 2017. Data show that Zhejiang, Jiangsu and Guangdong were the three provinces with the highest spending in 2017; while at city level, Shanghai topped the list with the highest spending, followed by Hangzhou and Beijing; Wuhan and Guangzhou came fourth and fifth respectively. To date, Koubei has covered more than 300 Chinese cities, with an average of more than 30 million daily transactions[7].

JD.com and Meili Inc. set up JV company to focus on social selling via WeChat

On 4 January, JD.com and Meili Inc., a leading fashion e-commerce platform in China, announced to set up a new joint venture company to focus on social selling via WeChat. The cooperation will leverage the experience of both companies – JD.com's experience in operating the "Shopping" channel on WeChat, as well as Meili Inc.'s experience in operating social shopping platforms Mogujie.com and Meilishuo.com[8].

Better Life Group shuts down cross-border e-commerce platform Yunhou Overseas

Better Life Group announced to terminate its cross-border e-commerce platform Yunhou Overseas on 31 December, 2017. Launched in 2015, Yunhou Overseas was one of the major businesses of Better Life Group's e-commerce unit Yunhou.com which focuses on cross-border (import) e-commerce. Better Life Group did not disclose reasons for terminating the operation[9].

Supermarkets and hypermarkets

Yonghui increases its stake in Hongqi and becomes the second largest shareholder

According to the announcement by Yonghui Supermarket on 2 January, it will acquire a further 9% stake in Chengdu Hongqi Chain Co Ltd (Hongqi) by investing about 710 million yuan through its shares acquisition proposal.

Prior to this, Yonghui held a 12% stake in the company. After the completion of the deal, Yonghui Supermarket will hold a total of 21% stake in Hongqi and become the second largest shareholder. Meanwhile, Yonghui Supermarket confirmed that there is no plan to increase its share further in Hongqi in the next 12 months[10].

Renrenle opens seven stores of various new retail formats in one day

Chinese supermarket chain Renrenle opens eight stores across China on 29 December, 2017, of which seven of them are stores of new retail formats – including four “Le Super” premium supermarkets, two “Le Life” lifestyle supermarkets, and one “Le Fresh” fresh food supermarket. Renrenle is reportedly planning to open more of these new stores in 2018. It is expected that total revenue generated from these new retail format stores to exceed 20 billion yuan in two years time[11].

RT-Mart and Tmall Supply Chain enters into a supply agreement of 200 million yuan

On 29 December, 2017, Sun Art Retail Group issued a public announcement stating that RT-Mart, an indirect non-wholly owned subsidiary of the Company, entered into a supply agreement with Tmall Supply Chain, and RT-Mart will source its merchandise from Tmall Supply Chain. The terms of the Agreement will last from 31 December, 2017 until 31 December, 2018, and the proposed annual sourcing amount is capped at 200 million yuan[12].

Hema Xiansheng to open 30 stores in Beijing in 2018

Hema Xiansheng announced on 3 January that it plans to open 30 stores in Beijing in 2018, covering all major districts including Xizhimen, Guanganmen, and Shuangjing. All customers in Beijing can enjoy delivery within 30 minutes. Hema Xiansheng launched 25 stores in seven cities nationally in 2017. It will focus more in Beijing market in 2018[13].

JD.com’s “X unmanned supermarket” opens in Yantai

Recently, JD.com opened its first "X unmanned supermarket" outside its headquarters on the seventh floor of Joy City, Yantai, Shandong Province, which meant that JD.com’s previously piloted unmanned supermarket has started to roll out nationwide. This X unmanned supermarket in Joy City Yantai mainly leverages JD.com's big data platform, with reference to the surrounding consumer spending data, and Joy City’s data for its merchandise selection. To a certain extent, this store represents a model for JD.com’s X unmanned supermarket to launch in shopping malls in tier-3 cities[14].

Convenience stores

Total number of chain convenience stores in Beijing to reach 3,000 by 2020

According to the Beijing Municipal Commission of Commerce, the number of chain convenience stores in Beijing will reach about 3,000 by 2020. It is reported that in 2020, the number of chain convenience stores in Beijing’s downtown area will reach over 2,000, and the number of 24-hour convenience stores will account for over 50% of total number of convenience stores. To date, data show that there are about 1,500 chain convenience stores in the city[15].

Department stores and shopping malls

Ito Yokado launches e-commerce platform in China

Department store chain Ito Yokado launched its e-commerce platforms on the first day of 2018. Ito's e-commerce business can be divided into three self-operated platforms, namely, Ito's official website (PC-end), mobile app and its online store on WeChat. Ito's official website has various specialty stores, including stores for fresh produce, maternity and kids' products, food, home products, apparel, etc. Currently, there are a total of 1,604 products available for sale on the website; and Ito targets to list 30,000 products on its e-commerce platforms in the near future[16].

Consumer electronics

Lenovo JD Home experiential store opens in Wuhan

Recently, Lenovo JD Home officially opened in Wuhan Intime Creative City, which is also the first innovative retail experiential store jointly operated by Lenovo and JD.com. It is reported that the store has an area of about 200 sqm. Lenovo JD Home has a rich product category covering 3C electronic products, baby products, cosmetics, books, toys, stationery and other categories. In addition, Lenovo JD Home Intime store has created shopping areas with different scenes and special areas with leisure facilities. In August 2017, Lenovo signed a strategic agreement with JD Home; it is the first company in China's 3C market to sign a cooperative agreement with JD.com[17].

OPPO's first super flagship store opens in Shanghai

Mobile phone brand OPPO's first super flagship store was officially opened in Huaihai Middle Road, Shanghai on 24 December, 2017. With an area of about 500 sqm, the store has similar market positioning as Apple Store. The store displays and sells products at the same time. It is reported that OPPO has a presence in 30 markets worldwide, with six overseas R&D bases, and it has maintained a steady growth throughout 2017. OPPO has over 10,000 specialty stores and 250,000 authorized POS across China. The company is reportedly going to build its second super flagship store in Shenzhen this year[18].

Kids products

Annil plans to open 50-80 stores per year in shopping malls

Childrenswear brand Annil planned to open large numbers of stores in shopping malls in the near future. According to Annil's recent announcement, the company will actively expand its footprint in shopping malls and targets to open 50-80 stores per annum. As of November 2017, the number of Annil's outlets surpassed 1,420, about two-thirds are self-operated, while the remaining one-third being franchise stores. The company has 70% of stores located in tier-1 and 2 cities, 30% in tier-3 and 4 cities[19].

Luxury sector

Second-hand luxury goods store Xin Kokuya opens in Shanghai

Japan's largest second-hand luxury goods store, Xin Kokuya officially opened in Shanghai Xintiandi on 29 December, 2017. The Xin Kokuya Shanghai store mainly sells four categories of products, including bags, jewelry, accessories, and watches from luxury brands such as Hermès, Chanel, Louis Vuitton, etc. At the same time, the shop also provides professional identificationand authentication services to ensure that all products sold at the shop are genuine. The Xin Kokyua Shanghai store is operated jointly by CITIC XinBang Asset Management Corporation Ltd. and Japan's Daikokuya Inc. It is reported that Xin Kokyua currently has outlets in Beijing, Shanghai, Shenyang and Qingdao[20].

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