



China Retail & E-commerce

Weekly Updates

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Retail in General

NDRC: Final consumption accounts for 78.5% of China's economic growth in 1H18

On 2 August, the National Development and Reform Commission (NDRC) held a press conference about the work progress of expanding consumption. In 1H18, China's consumption market remained stable. The total retail sales of consumer goods reached 18 trillion yuan, up 9.4% yoy. Final consumption accounted for 78.5% of China's economic growth in 1H18. Below are some of the points highlighted:

1. Consumption structure continued to optimize – Driven by increasing household income and expanding mid-to high-end supply, consumption upgrading continued to accelerate;
2. Demand for service consumption increased – Tourism, entertainment and sports consumption continued to heat up;
3. Online retailing continued to grow rapidly – Growth of online retail sales of goods and services amounted to 4.1 trillion yuan in 1H18, up 30.1% yoy;
4. Potential of rural consumption market further unleashed – Growth of rural retail sales rose by 10.5% yoy in 1H18, 1.3 ppts higher than urban retail sales¹.

E-commerce

State Council: Beijing and other 21 cities approved to become CBEC comprehensive pilot zones

On 7 August, the State Council issued a statement approving the establishment of new cross-border e-commerce (CBEC)

comprehensive pilot zones in 22 cities including Beijing. The newly added 22 cities including Beijing, Hohhot, Shenyang, Changchun, Harbin, Nanjing, Nanchang, Wuhan, Changsha, Nanning, Haikou, Guiyang, Kunming, Xi'an, Lanzhou, Xiamen, Tangshan, Wuxi, Weihai, Zhuhai, Dongguan and Yiwu are the third batch of CBEC comprehensive pilot zones in China. From the location point of view, Shenyang, Changchun, Harbin and Hohhot have an edge when dealing with the Russia and Northeast Asia markets; Guiyang and Kunming have long been engaging in traditional trade with the ASEAN market; while Yiwu and Xi'an are important cities to facilitate trade between China and Central and Eastern Europe².

Trustdata: Market size of unmanned shelf industry to reach 3 billion yuan by 2020

On 3 August, Trustdata released the "Development Report of Unmanned Shelves in 1H18". According to the report; the market size of the industry is estimated to reach 3 billion yuan by 2020. Currently, there are around 300,000 unmanned shelves in China, and it is expected that the number will exceed 1 million by 2020. The report stated that the industry is moving towards a "3.0 digitized era"; it also highlighted three major trends in the unmanned shelf industry – operations of unmanned shelves will become more well-organized; ordinary shelves will be replaced by smart shelves; and industry consolidation will intensify³.

Linhuiba partners with Alibaba to provide pop-up stores solutions for brands

Linhuiba, a Hangzhou-based event space trading platform, signed a framework cooperation agreement with Alibaba. Linhuiba will provide space resources for Tmall to launch pop-up stores for various brands. Currently, Tmall has already launched a

number of pop-up stores in shopping malls in Hangzhou, Shanghai, Guangzhou and Shenzhen. It is collaborating with different brands to set up pop-up stores for a limited period; Tmall hopes to enhance the shopping experience of consumers by providing them something new from time to time⁴.

Alipay launches group buying function on Taobao

Recently, Alipay launched a group buying function on Alipay's homepage. It offers group buying deals within limited time, and the deals will be changed regularly. The goods from the group buying offers come from different Taobao merchants, covering more than ten categories including daily necessities, food, and apparel. The price for the group buying offers is generally cheaper than the price on Taobao; some of the offers may have discounts as low as 50%. Consumers can either initiate a group buying deal and ask friends to join, or they can simply join the deals that are set up by others. Taobao will also recommend deals to users according to their purchasing behavior on Taobao⁵.

Alibaba launches new membership system "88VIP"

On 8 August, Alibaba announced that it will revamp its membership system – all Tmall and Taobao members will be upgraded to "88VIP", and each member will have their own "ID card" for more personalized services. Under this new membership scheme, all members can enjoy discounted offers from Tmall Supermarket, Tmall Global, and 88 brands from Tmall's 15,000 brands; members can be upgraded and become annual card holders of video hosting service platform Youku, online delivery platform Eleme, Xiami music and online movie ticketing service platform Tao piaopiao. "88VIP" is reportedly a new membership system which connects

almost all core businesses of Alibaba, including shopping, dining, movies and entertainment within the Alibaba ecosystem⁶.

Taobao and Microsoft to launch mixed-reality shopping tool "Taobao Maia"

It is reported that Taobao will launch a mixed-reality shopping tool "Taobao Maia" during its Taobao Maker Festival this year together with Microsoft HoloLens. With holographic computing technology, customers can overlay synthetic content on the real world using the device. When customers look at the product with the device, product details with comments will be displayed immediately. Taobao will launch a 300-sqm "future shopping street" in the West Lake District in Hangzhou during the Taobao Maker Festival in September; consumers can test and try the shopping tool at the futuristic shopping street⁷.

Suning launches short video shopping platform "Touhao Maijia"

On 2 August, Suning's short video streaming platform "Touhao maijia" was officially launched. The new channel is an exclusive channel for customized products, with different themes for buyers periodically. By integrating resources of brands and retailers, media, and veterans into one single platform, the new platform adopts a hybrid approach – by combining the sharing function of social commerce & sharing platform Xiao Hongshu (aka "Red") and video streaming function of video sharing platform Tik Tok – Internet KOLs can introduce and recommend products through video streaming. The channel will cover various product categories including beauty, home products, mother and baby, supermarkets, electronics and so on. Currently, the platform has yet to launch a standalone mobile app; it is placed under one of the sub-channels of Suning.com's mobile app⁸.

Suning launches “retail cloud wealth building scheme” ; to open 5,000 retail cloud stores in 2018

On 8 August, Zhang Jindong, Chairman of Suning Holding Group, announced at the Retail Cloud Partner Conference that within three years, the first round of company’s “retail cloud wealth building scheme” will be completed. By 2020, 12,000 retail cloud stores will be opened; more than 1,000 companies with sales reaching 10 million yuan will be nurtured with an aim to boost the development of the consumer market in counties and townships. The scheme also plans to open up to 5,000 retail cloud stores by the end of this year; 8,000 stores by 2019 with total sales reaching 30 billion yuan⁹.

NetEase launches first sportswear brand Yessing

On 8 August, NetEase officially launched its first sportswear brand Yessing. Focusing on relaxing sports style, Yessing offers four collections including shuttle pants, light jackets, ripped jeans, and “one item multiple styles” collection, with price ranging from 109 to 349 yuan. Yessing is reportedly going to launch clothing and accessory items for jogging, cycling, stretching and walking in the next phase¹⁰.

Retail logistics

SF Express and Eternal Asia formally establishes a big data venture company

On 7 August, SF Express and Eternal Asia issued separate announcements stating that the supply chain big data joint venture company jointly established by a number of supply chain companies has completed the registration procedures for industrial and

commercial establishment on 3 August, 2018, and obtained the business license issued by Dongguan City Administration of Industry and Commerce. Earlier, on 26 April, 2018, SF Express announced that it had signed a shareholder agreement with eight supply chain companies such as Eternal Asia and YH Global to jointly establish a “supply chain big data company” so as to enhance the competitiveness of Chinese enterprises in the global supply chain industry¹¹.

Department stores and shopping malls

Wangfujing’s private label “Dream Factory” launches on e-commerce platform for the first time

On 2 August, Wangfujing Group announced that the first batch of merchandise of its private label “Dream Factory” has launched on Beijing Tourism Group (BTG)’s s-commerce platform – “Say Hi Say Yeah” mobile app. The app is a big data sharing platform launched by BTG Group in early 2018. It comprises the offline business of BTG Group, including food, accommodation, travel, shopping, entertainment, and culture. It also includes about 180 corporate brands from both within BTG Group, as well as those outside the group. Wangfujing Dream Factory is a private label of Wangfujing Group which focuses on selling creative products. After the Wangfujing Group and the BTG Group merged and restructured in January 2018, Wangfujing Dream Factory has become the first brand of Wangfujing Group to be launched on BTG’s “Say Hi Say Yeah” app¹².

MOFCOM: China's shopping malls and convenience stores sectors maintain stable and healthy development in 2Q18

On 2 August, the Ministry of Commerce (MOFCOM) released the "China's Shopping Mall Index" and "China's Convenience Store Index" for 2Q18. According to the report, the shopping mall index for 2Q18 dipped 1.4% qoq to 66.1, but it was 16.1 pts above the 50-point threshold that separates the expansion and contraction status, indicating that the shopping mall sector was still in a healthy state of development. On the other hand, the overall prosperity index of the convenience store sector in 2Q18 dropped 1.59% qoq to 70.25 and was 20.25 pts above the 50-point threshold; overall speaking, the convenience stores sector faced less turbulence and witnessed stable development. The convenience store sector was within the scope of healthy development¹³.

Supermarkets and hypermarkets

JD.com launches first overseas unmanned supermarket in Indonesia

On 2 August, JD.com launched its first overseas unmanned supermarket "JD.ID X-Mart" in PIK Avenue in Jakarta, Indonesia. With a store size of 270 sqm, the store sells over 2,000 SKUs covering apparel, home products, cosmetics and FMCG. The unmanned store is the first smart supermarket in Southeast Asia which is powered by artificial intelligence. Consumers can scan their face and register their preferred payment methods for using the facial recognition payment system. After choosing the products they wish to purchase, customers can simply walk through the "smart payment lane" to check out without the need to reach for their

wallets¹⁴.

Yonghui trials new warehouse project in Suzhou

Yonghui is reportedly trialing a warehouse project in Suzhou by building warehouses (known as "Yonghui Life Satellite Warehouse") close to its stores. Customers can order on Yonghui Life app or WeChat mini program and their orders will be delivered to the designated address from the "Yonghui Life Satellite Warehouse". With a size of 300-600 sqm, the warehouse handles thousands of SKUs of fresh products and daily products. It is reported that there are five such warehouses in Suzhou. Currently, Yonghui's delivery services leverages storefronts of Yonghui Superstores, YH Super Species, as well as Yonghui Life. This is also a trial cooperation project between Yonghui Superstores and Tencent¹⁵.

Walmart Global Store on JD Worldwide to launch first pop-up store in Guangzhou

On 4 August, Walmart Global Store on JD Worldwide's opened its first pop-up store in Luogang Wanda Plaza, Guangzhou. With a floor space of 150 sqm, the store has four display zones, namely, America zone, Japan zone, Australia zone and Europe zone, and will last for eight consecutive days. The store will provide interactive customer experience through smart fitting mirrors and make-up mirrors from JD.com. Additionally, the pop-up store will provide 2-hour delivery service exclusively to its VVIP customers, the first of its kind in pop-up store¹⁶.

Dada-JD Daojia raises US\$320 million from Walmart

On 9 August, Dada-JD Daojia, a Chinese O2O food delivery platform, announced that it has raised US\$320 million from Walmart in its

latest round of financing. Walmart will have 10% share of Dada-JD Daojia after this financing round; and cooperation between the two companies will further be deepened. Walmart invested US\$50 million in Dada-JD Daojia back in October 2016. Currently, around 200 Walmart stores in 30 major Chinese cities have connected with JD Daojia and offered one-hour speedy delivery service for customers. Walmart hopes that this deeper collaboration with Dada-JD Daojia will enhance its omni-channel footprint and enable it to deliver a better O2O customer experience¹⁷.

Greenland launches first AI unmanned supermarket G-shop in Haikou

Recently, Greenland Holdings's officially opened its first AI unmanned supermarket G-Shop in Haikou Greenland City in Hainan province. Strategically developed by Greenland and Deep Blue Technology Co., Ltd., the new supermarket makes use of the latest AIoT technology, and adopts palm vein recognition technology in the store. New users are required to scan their palm for biometric authentication, and bound their account with Alipay¹⁸.

Apparel and footwear

Glorious Sun Enterprises to sell Jeanswest's business in China for HK\$800 million

Hong Kong casualwear brand Jeanswest's operator Glorious Sun Enterprise Ltd. announced on 3 August that it will sell the loss-making mainland apparel retail business to Dr. Charles Yeung and Mr. Yeung Chun Fan (Directors and substantial shareholders of

the Company) at a consideration of HK\$800 million. The company will focus on the profitable business in Hong Kong, Macau and Southeast Asia. According to the financial information, Jeanswest's sales performance in Mainland China continues to deteriorate while losses are increasing. Upon completion of the transaction, Glorious Sun Enterprises will maintain its apparel retail business in Hong Kong, and further expand to Southeast Asian countries as well as the Middle-East countries including Saudi Arabia and the United Arab Emirates. The group will strive hard to transform its business¹⁹.

Consumer electronics

Shanghai Municipal Government and Xiaomi Group sign a strategic cooperation framework agreement

On 7 August, the Shanghai Municipal Government and Xiaomi Group signed a strategic cooperation framework agreement in Shanghai. Zhou Bo, member of the Standing Committee of Shanghai Municipal Committee and executive deputy mayor, and Hong Feng, Senior Vice President of Xiaomi Group, signed the agreement on behalf of both parties. On the same day, Xiaomi Group and Government of Xuhui District also signed relevant strategic cooperation agreements. Shanghai has formulated and issued the "Three-Year Action Plan (2018-2020) to accelerate the development of the "Made in Shanghai" brand to the global manufacturing base, vigorously develop advanced manufacturing, and promote the deep integration of the Internet, big data, artificial intelligence and the real economy. The two parties will carry out comprehensive cooperation to jointly build a consumer electronics industry ecological chain cluster in

Shanghai, and help Shanghai to build a globally influential science and technology innovation center²⁰.

Luxury sector

Dior becomes the first luxury brand to set up an official account on Tik Tok

French luxury brand Dior has officially opened an account on music & video sharing platform Tik Tok. The luxury brand opened its account four months ago, and has released a total of 13 short videos, and accumulated a total of 33,000 fans since then. On 30 July, the brand released five short videos while launching the DIORAMOUR handbag series which is exclusively available in China. After viewing the videos, audiences can click the “New Products” button on the page and will be directed to relevant product page on the online platform for purchase. Dior is the first luxury brand to officially set up an account on the platform, though there were other luxury brands advertised on Tik Tok previously²¹.

German luxury brand MCM officially launches on Tmall

On 8 August, German luxury brand MCM officially entered Tmall and launched its flagship store on Luxury Pavilion, Tmall's luxury portal. In this collaboration, MCM has unveiled several products for Qixi festival (Chinese Valentine's day) and are exclusively sold on Tmall, including the silver mini shoulder bag and the small crossbody bag; only 50 bags are released worldwide. In addition, on MCM's Tmall flagship store, new products of the 2018 Autumn/Winter collection are released simultaneously, including the MCM LPD mainline collection the Cassette series, the LPD classic collection PARTICIA and the STARK series²².

Miu Miu teams up with Xiaohongshu to launch PR event during Qixi festival

Miu Miu and social platform Xiaohongshu will jointly launch an event during Qixi festival (Chinese Valentine's day). In this event, the brand will work with the platform's lead bloggers and launch “Miu Theory” on the platform. Miu Miu only does its publicity work through Xiaohongshu, and transaction needs to be completed through Miu Miu's official website. It is noteworthy that this is the first time for Miu Miu to partner with a third-party community e-commerce platform and the second time to do publicity work through hashtag²³.

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