

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in general *p2*

- MOFCOM: Sales of typical retail enterprises increase by 4.6% yoy in 2017
- Beijing's consumer satisfaction index hits five-year high

E-commerce *p2*

- iiMedia Research: Tencent and Alibaba become the largest Chinese companies in terms of market capitalization in 2017
- Alibaba announces to integrate Koubei into its New Retail system
- Alibaba releases China's Digital Economic Development Report 2017
- JD.com promises to sell 2 billion euros worth of French products over the next two years
- Suning.com targets to install 50,000 unmanned shelves nationwide
- Jumei.com sees revenue and profit drop by 9% yoy and 28% yoy in 1H17
- Lecuntau launches first rural smart convenience store; plans to launch 10,000 stores in three years

Supermarkets and hypermarkets *p3*

- Sam's Club of Wal-Mart expands its online business

Department stores and shopping malls *p3*

- Dmall O2O business to go online in 43 stores of Zhongbai
- Marks & Spencer shuts down online flagship store on Tmall

FMCG *p4*

- Kantar: Strong recovery in China's FMCG market; Yonghui Superstores up 12.4%

Apparel *p4*

- Semir's online revenue exceeds 5 billion yuan in 2017

Consumer electronics *p4*

- Better Life Group plans to open 100 new stores in 2018

Kids products *p5*

- Shanghai Jahwa United acquires Cayman A2 to deepen its operation in baby and maternity market

Luxury sector *p5*

- Italian luxury fashion brand Marni to open flagship store on Tmall
- Saint Laurent launches on JD.com's luxury e-commerce platform "Toplife"

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Retail in general



MOFCOM: Sales of typical retail enterprises increase by 4.6% yoy in 2017

In 2017, the sales of 2,700 retail enterprises monitored by the Ministry of Commerce (MOFCOM) increased by 4.6% yoy. Among them, sales generated through e-commerce channels went up by 26.8% yoy; operating revenue and profit increased by 8.0% yoy and 7.1% yoy respectively¹.

Beijing's consumer satisfaction index hits five-year high

In 2017, the overall consumer confidence index in Beijing was at a high level, and the consumer satisfaction index in 4Q17 hit a new high since 2013. According to Beijing Municipal Bureau of Statistics, the consumer confidence index in 4Q17 was 113.2, down 1 point qoq².

E-commerce



iiMedia Research: Tencent and Alibaba become the largest Chinese companies in terms of market capitalization in 2017

Mobile Internet market research and data analytics company iiMedia Research published the "China's Top 300 Listed Companies 2017". Of the top 300 listed companies, 10 of them had a market capitalization of more than 1 trillion yuan and the top two companies, namely Tencent and

Alibaba even exceeded 2 trillion yuan. In 2017, Tencent and Alibaba recorded market capitalization of 2,300.92 billion yuan and 2,215.74 billion yuan respectively³.

Alibaba announces to integrate Koubei into its New Retail system

On 9 January, Alibaba announced to integrate Koubei, the local lifestyle service platform into its New Retail system. The business reporting line of Koubei will change from Ant Financial to Alibaba Group. Koubei said it will continue to explore and practice New Retail models in local lifestyle services, especially the catering industry, and help offline merchants to enhance their operational efficiency⁴.

Alibaba releases China's Digital Economic Development Report 2017

Alibaba Group released the "China's Digital Economic Development Report 2017" on 9 January. The report shows that the implementation of New Retail strategies over the past year has stimulated the growth of the digital economy in Chinese. From January to November 2017, Gansu, Guizhou and Tibet became the three provinces with the fastest e-commerce sales growth among the 31 provinces (excluding Hong Kong, Macao and Taiwan). Gansu province ranked first in terms of total GMV generated via Alibaba platform (increased 114% yoy in 2017)⁵.

JD.com promises to sell 2 billion euros worth of French products over the next two years

On 8 January, JD.com signed a memorandum with the French Agency for Business and Investment, committed to selling French goods on JD.com's e-commerce platform. Richard Liu, President of JD.com, promised

that JD.com will sell 2 billion euros worth of French goods in China over the next two years and will also offer "one-stop" solution in France to facilitate French brands and retailers to sell their goods to Chinese consumers quickly and easily⁶.

Suning.com targets to install 50,000 unmanned shelves nationwide

Suning's unmanned shelves which allow consumers to make transactions by scanning product code with mobile phone have started pilot-run in Nanjing since January. The company is expected to install 1,000 shelves by the end of January. Regarding the scale of future development, it is reported that 50,000 unmanned shelves will be rolled out nationwide in 2018. The first phase will include 79 key cities in China and follow by 134 cities in the next phase⁷.

Jumei.com sees revenue and profit drop by 9% yoy and 28% yoy in 1H17

Recently, Jumei.com released its unaudited financial report for 1H17 ended 30 June, 2017. During the period, net revenue was approximately 3.2 billion yuan, representing a decrease of 9.2% yoy. Net profit for ordinary shareholders reached 101.9 million yuan, showing a drop of 27.8% yoy. Total net GMV reached 3.6 billion yuan, a decrease of 8.5% over the same period last year⁸.

Lecuntao launches first rural smart convenience store; plans to launch 10,000 stores in three years

Recently, rural e-commerce platform Lecuntao has launched its first smart convenience store "Le Xiao Liu" in Shanxi's Qingxu. Lecuntao coined the convenience store as the 4.0 version of its new retail format – an upgrade of

its business model, merchandise, services and customers experience. Different from traditional convenience store, customers can make their purchases through scanning QR codes; or if customers cannot pick up what they want from the store, they can place their orders on its online store via WeChat anytime, and the goods will be delivered to their home directly. The e-commerce platform targets to open 1,000 Le Xiao Liu smart stores in 2018, and transform and upgrade a total of 10,000 stores in the country within the next three years. Lecuntao was established in Taiyuan, Shangxi province in 2014. Currently, Lecuntao's service network covers 25 provinces, 800 counties and 85,000 villages across the country; its annual transaction value exceeded 4.2 billion yuan⁹.

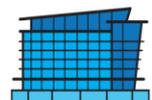
Supermarkets and hypermarkets



Sam's Club of Wal-Mart expands its online business

Wal-Mart's membership-only store Sam's Club is reportedly to further deepen its cooperation with JD.com. The cooperation will mainly focus on logistics, membership and bulk purchase aspects. In addition, it will deepen the cooperation with Dada.com in the depot projects to capture more members as soon as possible. Wal-Mart expects Sam's Club's online sales to be close to the sales of physical stores in three years¹⁰.

Department stores and shopping malls



Dmall O2O business to go online in 43 stores of Zhongbai

On 10 January, Dmall and Zhongbai Group officially announced that Dmall's O2O business will be fully launched in 43 Zhongbai stores in Wuhan. Wuhan citizens will enjoy the "2-hour delivery" shopping experience. It is reported that Dmall will provide "2-hour product delivery service" for its business partners; customers who live within 3 km of the stores can enjoy the service; all products will be delivered from the stores.¹¹.

Marks & Spencer shuts down online flagship store on Tmall

Following the announcement of closing 10 stores in China in 2H16, Marks & Spencer recently announced the closure of its online flagship store on Tmall, which implies the withdrawal of Marks & Spencer from the China market. Marks & Spencer debuted in China in 2008, and at the end of 2016, it announced to withdraw from 10 loss-making international markets including China, its largest market at that time¹².



FMCG

Kantar: Strong recovery in China's FMCG market; Yonghui Superstores up 12.4%

The latest Kantar Consumer Index data showed that in the 12 weeks leading to 1 December, 2017, China's FMCG market sales increased by 7.7% yoy. Hypermarkets, supermarkets and convenience stores grew by 3.7%, up from 1.5% in the same period of previous year. Driven by rising average spend per customer, supermarkets saw the highest sales growth at 5.4% while hypermarkets grew at only 1.8%. Among all the major retailers, Yonghui Superstores recorded the fastest sales growth at 12.4%, followed by Sun Art Retail Group at 6.5%¹³.



Apparel

Semir's online revenue exceeds 5 billion yuan in 2017

On 2 January, Semir announced that its B2C e-commerce sales in 2017 exceeded 5 billion yuan, which is its first time achieving this record, and surpassing that of local apparel big brands such as HLA and Meters/bonwe. In the past year, Semir has gradually expanded its product offerings, from apparel to luggages, shoes and hats, underwear, etc. Additionally, Semir launched an online kidswear brand "Mini Balabala" targeting young kids aged 0-6 years; and also "Glabuy", an online apparel brand targeting the high-end consumer segment. Semir's e-commerce platform was established in 2012, and has become the new growth point for the brand over the past five years. In 2016, Semir's online revenue reached 3.2 billion yuan, increased by more than 80% yoy¹⁴.



Consumer electronics

Better Life Group plans to open 100 new stores in 2018

Better Life Group claimed on 9 January that "localization" and "empowerment" will be the core actions of the company in 2018. The company targets to open 100 new stores this year, while its appliance team aims to achieve a sales target of 1.5 billion yuan. Better Life Group will reorganize the digitalization strategy this year to fully meet the needs of customers, and deploy full digitalization across all operations so as to lay a solid

foundation to transform into a data-driven, online-and-offline-integrated new retail enterprise in 2019¹⁵.

Kids products



Shanghai Jahwa United acquires Cayman A2 to deepen its operation in baby and maternity market

On 29 December, 2017, Shanghai Jahwa United Co., Ltd. said its subsidiary Abundant Merit Ltd. completed acquisition of Cayman A2 Ltd. Previously in June 2017, Shanghai Jahwa United Co., Ltd. announced that Abundant Merit Ltd. planned to acquire 100% share of Cayman A2 Ltd. from controlling shareholder's unit Arianna Global Limited for US\$293 million (1.996 billion yuan). Cayman A2's operation entity Mayborn Group Limited and its subsidiary specialize in baby products and own baby and maternity brand Tommee Tippee¹⁶.

Saint Laurent launches on JD.com's luxury e-commerce platform "Toplife"

French fashion label Saint Laurent launched on Toplife, JD.com's luxury e-commerce platform. The brand sells the latest men's and women's collections on the platform; it also provides Chinese consumers with a variety of content, including video, advertising and latest news. Saint Laurent leverages JD.com's logistics capability and network, including its approximately 405 distribution centers and warehouses to provide excellent services to customers. Saint Laurent's customers in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Shenyang, Wuhan and Xi'an can enjoy Toplife's exclusive Luxury Express service, whereby goods will be delivered within the shortest timeframe¹⁸.

Luxury sector



Italian luxury fashion brand Marni to open flagship store on Tmall

Italian luxury fashion brand Marni will open flagship store on Tmall soon; and at the same time Marni will also enter Luxury Pavilion, Tmall's invite-only e-commerce platform for premium and luxury brands. Marni will offer 150 limited-edition red bags and special gift sets featuring dog ornaments on its Tmall flagship store for the coming Chinese New Year, which is the Year of the Dog¹⁷.

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