

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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E-commerce

WeChat mini programs now support augmented reality

On 5 July, WeChat rolled out augmented reality (AR) effects on its Mini Program platform. Armani cosmetics app is the first WeChat Mini Program to introduce AR features, which let users try on different makeup, like various shades of lipstick, through their front-facing camera. Other cases of WeChat's AR function include trying on clothes and footwear, displaying information in a virtual exhibition, etc. This feature is now open to brand merchants and AR service developers¹.

Alibaba develops a new membership store currently under beta testing

Recently, Alibaba is testing its self-operated "Tmall membership store". Users have to pay an annual fee of 88 yuan to become a member, who can enjoy discounts on purchases in the membership store which carries products selected by Tmall buyers from all over the world².

JD.com launches intangible cultural heritage channel to explore poverty-alleviation e-commerce

On 9 July, JD.com launched its intangible cultural heritage (ICH) channel. Several ICH poverty-alleviation workshops in the country jointly launch a multi-brand online flagship store on JD.com. To fully integrate online and offline channels of "e-commerce + ICH + poverty alleviation" and to promote the online sales of ICH merchants, JD.com has made concerted efforts to facilitate its channel operation and deployment of internal and external resources³.

Vipshop buys Shanshan Group for 2.9 billion yuan

On 11 July, Vipshop announced to acquire 100% stakes in Shanshan Group via its wholly-owned Hong Kong subsidiary Vipshop International Holdings Limited for 2.9 billion yuan in cash. Through this acquisition, Vipshop aims to launch brick-and-mortar outlet business, actively explore integral online-to-offline off-price sales models and ultimately implement an omni-channel strategy for discounted goods. Shanshan Group is an outlet chain currently operating five outlet stores; it plans to build at least five more outlets in the pipeline⁴.

Retail logistics

SF Express invests 50 million yuan to set up a freight forwarding company

SF Express had recently set up an entity known as Shenzhen SF Express Freight Co., Ltd. The registered capital of the new entity is 50 million yuan. Previously SF Holding has tapped the freight forwarding business by acquiring Xinbang Logistics and forming the independent "SXJD Freight" brand. Industry analysts believe that SF Express's plan for freight forwarding business in 2019 is to strengthen its network, improve automatic sorting of heavy goods and build more smart facilities for warehouses, so as to further enhance efficiency and grow its freight forwarding business. The formation of the new firm marks bolder moves of SF Express towards the freight forwarding sector⁵.

Convenience stores

MOFCOM issues the "Notice on Promoting the Development of Convenience Stores Chain Operations"

On 9 July, the Ministry of Commerce (MOFCOM) issued the "Notice on Promoting the Development of Convenience Stores Chain Operations". The notice urges regional government departments to highly value the importance of the development of convenience stores in China. Municipalities and provincial capitals should start the work of promoting the development of convenience stores in 2019 and submit the work plan to the MOFCOM by end-July, while other cities should file the work plan to the MOFCOM by end-September. In addition, local commerce departments should also follow the "Key Points for Drafting the Work Plan for the Development of Convenience Store Chain Operations". In terms of quantity, local governments should focus on the development of convenience store chain operators with over 50 stores; in terms of quality, local government should focus on how to improve services, operation excellence and digitalization of the convenience store chains.

1. **Optimizing network of convenience stores:** to encourage enterprises to expand their store network; to encourage chain operators to transform old and small mom-and-pop stores; to encourage the introduction of well-known convenience store chain operators from other regions.
2. **Improving services of convenience stores:** to support enterprises to expand business scope, develop their private labels and expand the sales of fresh food; to encourage operators to extend business hours; to support operators to build or use third-party logistics services to improve logistics efficiencies.

3. **Strengthening digitalization:** to encourage enterprises to launch integrated operations online and offline; to support enterprises to adopt cloud computing and artificial intelligence along the supply chain for better collection of consumer data and inventory management; to promote self-service payment systems; to encourage the use of electronic price tags to improve the level of commodity management⁶.

Department stores and shopping malls

Winshang: 118 brands opening first stores in Shanghai in 1H19; catering brands accounts for about 36%

According to statistics from Winshang, in 1H19, a total of 118 brands opened their first stores in Shanghai, and these stores are mainly located in Nanjing West Road Commercial District, Jing'an Temple Commercial District, Huaihai Road Commercial District, and Lujiazui Commercial District. Catering brands topped the list of new brands in Shanghai, with a total of 42 brands, accounting for about 36% of all new brands; followed by apparel brands, with 18 brands, accounting for about 15% of all new brands⁷.

Home products

IKEA to build IKEA China Digital Innovation Center

On 9 July, IKEA announced that it will build a "IKEA China Digital Innovation Center" in Shanghai, with a focus on 3D design services, mobile solutions, mobile app design and development, social media, big data applications, in-store customer experience,

etc. The center is expected to have around 200 staff⁸.

Cosmetics

Chanel Beauty officially launches online flagship store on Tmall

Chanel Beauty launched a pre-sale event for its online flagship store on Tmall on 5 July to offer its full range of fragrances and beauty products. After the pre-sale period, Chanel Beauty's Tmall flagship store will be officially launched on 2 August, and it will also launch an online store on Tmall's luxury platform Luxury Pavilion. So far, there are already nearly 80,000 fans following Chanel Beauty's Tmall flagship store⁹.

Apparel

Ruyi Group spends nearly 1.1 billion yuan to indirectly increase its stake in French fashion group SMCP

On 5 July, Shandong Ruyi Group announced that it intends to invest in Weixin Fund and become its priority partner with limited liability. Weixin Fund mainly engages in equity investment business, and is indirectly holding approximately 25% stake of French fashion group SMCP, which is controlled by Ruyi Group. Ruyi Group plans to use its own funds of 1.098 billion yuan to subscribe for a priority share of 865 million yuan, which is equivalent to 32.03% of Weixin Fund's capital contribution. It is noteworthy that Ruyi Group officially acquired a majority stake of SMCP in April 2016 with a total of 1.3 billion euros, making it the largest shareholder of SMCP¹⁰.

Ellassay to acquire 35% stake of Shenzhen Qianhai Shanglin Investment Management Company for 242 million yuan

On 8 July, Shenzhen Ellassay Fashion Co., Ltd. has made an asset acquisition announcement stating that the company will acquire 35% stake of Shenzhen Qianhai Shanglin Investment Management Co., Ltd. from Fosun for 242 million yuan. Upon completion of the acquisition, Shenzhen Qianhai Shanglin Investment Management Co., Ltd. will become a wholly-owned subsidiary of Ellassay¹¹.

Caleres and Brand Investment form a joint venture to tap the China market

American footwear company Caleres announced that it will develop distribution business in the Greater China market, including Hong Kong, Macau and Taiwan, through setting up a joint venture with Brand Investment Holding. According to the strategic partnership, Naturalizer and Sam Edelman will be the first brands of Caleres to enter the market. Both Naturalizer and Sam Edelman will launch online in the summer of 2019; while the first Naturalizer store will open in Beijing and the first Sam Edelman store will be launched in Shanghai. According to the company, additional stores are planned for other cities as the business expands¹².

Luxury

Toplife merges into Farfetch and to shut down on 21 July

JD.com's luxury e-commerce platform Toplife has been merged into Farfetch, a global luxury e-commerce platform, and Toplife's operation will be terminated by 21 July. Previously in February 2019, JD.com and

Farfetch expanded strategic partnership and announced that Toplife will merge into Farfetch China, while Farfetch will gain a Level 1 entry point on JD.com's app¹³.

Farfetch jointly launches WeChat Mini Program with Mr. Bags

On 8 July, Farfetch, an online luxury fashion retail platform, and Mr. Bags, a fashion blogger enlisted in Forbes' "30 Under 30 Asia" list, jointly launched a WeChat Mini Program known as "Mr. Bags x Farfetch". Farfetch aims to embed its platform into a content-rich scene such that consumers can place orders directly when they are viewing Mr. Bags' blogs in the WeChat Mini Program. Consumers can stay on Mr. Bags' Mini Program when placing orders and can enjoy the convenience of "see-now-buy-now" within WeChat's eco-system¹⁴.

Versace China opens Beijing flagship store

Versace China opened a new flagship store in Guomao area in Beijing as part of the plan by Versace's new owner Capri Holdings to expand its footprint globally. With a store size of over 400 sqm, the two-level boutique features a marble-based store design overseen by French architect Gwenael Nicolas. Capri Holdings bought Versace from Donatella Versace last year for US\$2.2 billion. It plans to double its worldwide sales with at least 112 new stores scheduled by 2022¹⁵.

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