

China Retail & E-commerce

Weekly Updates

6 Apr 2018 – 12 Apr 2018



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Retail in general



MOFCOM: Sales of 5,000 key retail enterprises increase by 5% yoy in March

According to the Ministry of Commerce of the PRC (MOFCOM), the sales of China's 5,000 key retailers increased by 5% yoy in March, an increase of 0.8 ppt and 0.5 ppt from January to February and the same period of last year respectively. For 1Q18, the sales of key retail enterprises increased by 4.5% yoy, up by 0.4 ppt yoy, indicating the steady growth of China's consumer market. Emerging industries such as online retailing have continued to maintain rapid growth. In 1Q18, the sales of key monitored e-commerce platforms increased by 20.5% yoy. Meanwhile, traditional retail formats have furthered their efforts to innovate and transform, resulting in steady sales increase. Sales of key monitored convenience stores, shopping centers and specialty stores have increased by 7.2%, 6.3% and 5.9% yoy respectively¹.

Alibaba, Tencent, and Huawei enter top 10 of the most valuable technology brands in the world for 2018

Recently, Brand Finance, a UK brand assessment agency, released the ranking of the most valuable technology brands in the world in 2018. The top five are all American brands, namely Amazon, Apple, Google, Facebook and Microsoft. China has a total of 18 technology brands on the list with a total value of US\$249.4 billion, accounting for 17% of the total brand value of the list. Among them, Alibaba, Tencent and Huawei entered the top ten, showing the strength of Chinese technology brands².

E-commerce



MOFCOM to start evaluation for E-commerce demonstration bases and demonstration enterprises

On 9 April, the Ministry of Commerce of the PRC (MOFCOM) issued the "Notice on Conducting a Comprehensive Evaluation of the National E-commerce Demonstration Bases and E-Commerce Demonstration Enterprises (2017 - 2018)". The evaluation will be held in April to May in 2018. The MOFCOM aims at strengthening the guidance and management of national E-commerce demonstration bases and e-commerce demonstration enterprises, at the same time summarizing the experience in these demonstration bases and typical business models of the enterprises, and further enhancing the effectiveness of the demonstration sites³.

JD.com set up a farm and uses unmanned technologies to coordinate agricultural resources

On 9 April, JD.com announced that it would take agricultural and forestry plant protection services by drones as a starting point to integrate JD.com's capabilities in logistics, finance, fresh produce, and big data and build a smart agricultural community. It will form partnerships with local governments, leading enterprises in agriculture and downstream industries, experts in the agricultural field, etc. to jointly build an open and win-win agricultural cooperation platform. As the first project of the agricultural community, JD.com will simultaneously launch the "JD.com Agricultural Services" app and create its own

first farm brand “JD.com Farm”⁴.

Taobao completely bans the sale of virtual currencies starting 17 April

Recently, Taobao has amended the "Taobao's Prohibited Product Management Regulations" and completely banned the sale of "virtual goods and derivative services of digital products generated based on blockchain technology". Taobao said that the reason for the adjustment is that such digital currency and similar digital products are prone to user speculation and risk of financing irregularities. The new “Prohibited Product Management Regulations” will come into effect on 17 April. The specification shows that the scope of banned sales is expanded from “virtual currencies such as Bitcoin and Litecoin and related products” to “virtual goods and derivative services of digital products generated based on blockchain technology”⁵.

Auchan China and Tmall Supply enter into a nine-month supply agreement

On 9 April, Sun Art Retail Group announced that Auchan China and Tmall Supply signed the “Auchan-Tmall Supply Agreement”. Auchan China agreed to purchase and Tmall Supply agreed to supply certain products on a non-exclusive basis to Auchan China. The Auchan-Tmall Supply Agreement has a term of nine months, effective from 1 April, 2018 to 31 December, 2018⁶.

Netease Yanxuan to launch 100 offline stores in 2018

Netease Yanxuan revealed that Yanxuan Home will be the focus of its offline expansion in 2018, targeting to launch 100 offline stores nationwide this year. It is reported that besides Yanxuan Home, Netease Yanxuan will launch a new offline store project related to coffee culture soon⁷.

E-commerce logistics



Gome strengthens after-sales logistics services and implements indemnity policy for delivery delays

Recently, Gome announced to implement an indemnity policy for delivery delays across its physical stores and online platform in tier-1 and 2 cities. According to the policy, if there is a delay in delivery or installation caused by Gome (over two hours), customers are entitled to receive a compensation of 100 yuan; this is applicable to Gome's self-owned home appliances. It is reported that at present, very few companies are willing to compensate customers in relation to delays in the logistics delivery process⁸.

JD Logistics launches “shandian” delivery service to deliver products within one hour

On 9 April, JD Logistics announced the launch of its “shandian” delivery service. JD Logistics will match customers' address with the nearest warehouse after the customers entered their delivery address when ordering on JD.com. Customers who purchase products with the “shandian” delivery service label can receive their orders in less than one hour⁹.

Cainiao and Leyou form New Retail partnership

Cainiao and maternity and infant product retailer Leyou announced that the two companies have recently formed a strategic partnership on new retail initiative. Under the partnership, the inventory system of Leyou is upgraded to cater for both online and offline orders – consumers can place their orders

online and goods will be delivered from the nearest Leyou store to their designated addresses. Furthermore, for eligible orders placed at Leyou's Tmall flagship store, the goods will be delivered to the designated addresses within 3-km from the nearest physical store of Leyou within two hours. To help Leyou digitize its supply chain system, Cainiao makes use of its smart algorithms which takes into consideration the real-time information including online and offline orders, inventory, and delivery addresses. Founded in 1999, Leyou provides 16 categories of products including childrenswear, maternity wear and toys. As of December 2017, Leyou has 580 stores, covering more than 150 cities in China¹⁰.

Supermarkets and hypermarkets



Suguo connects to e-commerce platform HRT under China Resources

Suguo said that 1,400 stores of its stores have connected to HRT platform under China Resources from 10 April as a move to boost its digital transformation. HRT is an e-commerce platform launched by China Resources in 2016. Suguo members can upgrade their membership status in HRT and enjoy membership benefits for all retail brands under China Resources including China Resources Vanguard, MIXC shopping mall, Ole' supermarket, BLT supermarket, and V+ supermarket. Currently Suguo has over 7 million member accounts. Leveraging the digital capabilities of China Resources, Suguo can enhance its operation, improve consumer experience, and know more about its customers with big data analysis¹¹.

Sam's Club in Shenzhen sets up online store on JD Daojia

Sam's Club of Wal-mart Stores, Inc. and JD Daojia jointly announced that both companies will conduct in-depth cooperation. Sam's Club in Shenzhen has officially launched an online shop in JD Daojia and became the first member-only merchant to establish a presence on JD Daojia. Both parties stated that in the future, the cooperation will be extended to other key cities. Sam's Club two warehouses in Shenzhen will be directly connected with JD Daojia. These warehouses are invested by Sam's Club, but the construction of systems and warehouse management are jointly responsible by Sam's Club and JD Daojia, while deliveries will be done by Dada¹².

Convenience stores



Ccoop to launch unmanned stores in Changsha, Xian, Guangzhou and Jiangsu in 2018

Recently, Ccoop has launched an unmanned store project which includes two business models of unmanned stores – the self-scanning model and the facial recognition model. For the self-scanning model, all products carry a RFID tag. Consumers can enter the store by scanning the QR code at the store entrance and completing the registration process. They can simply check out items at the self-checkout counter for purchasing. For the facial recognition model, consumers need to scan their face at the entrance and register their payment account to enter the store. In-store smart IP camera can track what products are taken by customers. Customers can simply leave the

store after shopping and the system will charge them automatically and send them a notification via mobile. Currently, Ccoop has two unmanned stores – the first one was opened in Haikou in December 2017 and the second one opened in Shanghai in March 2018. It will roll out further to Changsha, Xian, Guangzhou, Meizhou, and Jiangsu in this year¹³.

Home products

Tmall and Lishi Muye jointly open branded smart furniture store

According to the recent Weibo post from domestic home furniture retailer Lishi Muye, the furniture retailer and Tmall will jointly open their latest smart store in Lishi's store in Foshan, Guangdong on 14 April. It is understood that this is the second branded smart furniture store in the country, after B&Q's B&T home. In the new smart store, customers can make use of the self-guided shopping screen, which is equipped with facial recognition technology and can also show 3D scenes of different home styles. Virtual product shelves connected to Cloud service – which provide nearly 3,000 furniture products – are also available in-store for customers to perform product searches¹⁴.

Luxury sector

Tmall Fashion & Luxury: explosive growth for current and potential online luxury shoppers

On 11 April, Tmall Fashion & Luxury released

the “2018 New Generation of Luxury Consumers Report”. According to the report, post-90s generation accounted for nearly 50% of the luxury shoppers on the Tmall platform, which is equivalent to 45% of all the transactions related to luxury goods. Tmall's big data shows that more than 100 million consumers have either browsed, bookmarked, or purchased luxury goods over the past year – this huge potential customer pool is four to five times the number of the current luxury goods' customers in China. On the other hand, Luxury Pavilion, Tmall's luxury platform which has been launched for more than six months, has partnered with 50 top luxury brands and recruited nearly 100,000 members with more than 1 million yuan spending so far¹⁵.

JD.com partners with Audemars Piguet to launch pop-up e-store

Recently, Swiss watchmaking brand Audemars Piguet and JD.com collaborated to launch the first pop-up-e- store of the brand. It is reported that this marks Audemars Piguet's first foray into e-commerce. In this partnership, all products will be delivered by JD.com's premium delivery service “Jingzunda”. In addition to Audemars Piguet, JD.com has also collaborated with TAG HEUER, Zenith, Chopard, MOVADO, and H. Moser & Cie¹⁶.

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