

China Retail & E-commerce

Weekly Updates

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Retail in general



China becomes the most preferred market for overseas expansion of Japanese retail brands

According to the survey conducted by Japan Economic News' Nikkei MJ, China has become the most popular market of Japanese retailers for overseas expansion. According to the Nikkei MJ survey, 13.8% of surveyed retailers operate stores overseas, and 65.2% of the retail companies considered China as the most preferred market for future store expansion, 20% higher than the U.S. market, the second most preferred market by the Japanese retailers. Apart from China, Thailand, Singapore, Taiwan, the Philippines, South Korea, Vietnam and Indonesia are also the preferred markets that Japanese companies target for their overseas expansion¹.

Fortune China: JD.com tops the retail sector in the list of Top 500 listed companies

On 10 July, Fortune China released the list of Top 500 listed companies in China. This year, total revenue of the companies on the list amounted to 39.65 trillion yuan, up 18.22% yoy; net profit reached 3.48 trillion yuan, an increase of about 24.24% yoy. A total of 27 retail enterprises were on the list. JD.com achieved the highest rank among retailers and ranked 18th. Regarding Internet service companies, the total market value of seven Internet service companies, including Alibaba, Tencent and Iqiyi exceeded 7 trillion yuan, accounting for nearly 15% of the total market value of the 500 listed companies².

MOFCOM to support the upgrade of pedestrian streets

On 10 July, the Ministry of Commerce of the PRC (MOFCOM) published the "Notice of the General Office of the Ministry of Commerce on Promoting the Construction of High-Quality Pedestrian Streets". The notice pointed out that the Chinese government will support selective cities to transform and upgrade potential pedestrian streets, and to strive to cultivate a number of high-quality pedestrian streets which comply with international and domestic standards in two to three years. The notice states that the government will encourage qualified regions to provide special funds to support the renovation of pedestrian streets, and establish a government-supported, multi-participatory pedestrian street renovation project to enhance investment and financing mechanisms³.

E-commerce



Taobao launches recruitment program for global buyers

On 7 July, Taobao launched a global recruitment program in Hong Kong, hoping to expand the sourcing of high quality overseas products and brands on a global scale. While meeting the needs of mainland consumers, it also helps these brands and products better develop the China market. Located in the Greater China cultural circle, consumption trends in Hong Kong are roughly the same as the mainland market. At the same time, many mainland consumers often come to Hong Kong for shopping. In addition, Hong Kong's location advantage has also attracted many international brands. By recruiting more buyers in Hong Kong, Taobao Global can

source more products to meet the diverse needs of mainland consumers. According to data from Taobao, they currently have close to 20,000 buyers worldwide, covering more than 70 countries and regions⁴.

JD.com launches “JD Partner” mini program on WeChat to serve merchants selling on JD.com

On 9 July, JD.com launches its “JD Partner” mini program on WeChat to serve merchants selling on JD.com. It is reported that the mini program can assist merchants to select service providers they need by categorizing service providers systematically and allowing merchants to filter and select conveniently. According to JD.com, currently merchants can select service providers to operate their storefront; to handle customer service; to design visual display; to provide solutions for launching promotion events and logistics, etc⁵.

L Catterton Asia and JD.com to invest US\$175 million in Secoo

On 9 July, Secoo Holding Limited, a Chinese luxury e-commerce platform, announced a strategic partnership with L Catterton Asia, the Asian unit of L Catterton which is the largest consumer-focused private equity firm in the world, and JD.com. Through the partnership, L Catterton Asia and JD.com will invest US\$175 million in Secoo. By partnering with L Catterton Asia, Secoo will be able to leverage L Catterton's global fashion and retail expertise to further expand within the luxury market. The transaction will also enable Secoo to continue enhancing shareholder value and strengthen its leading position in the rapidly growing Chinese luxury e-commerce market⁶.

Suning forms partnership with SAP for smart retail and logistics platform

On 9 July, Suning Holdings Group signed a strategic partnership agreement with enterprise application software solution provider SAP. Suning and SAP will jointly develop technological cooperation in areas including retail, logistics and sports to promote innovation and integration in artificial intelligence, Internet of Things, big data, and cloud computing, etc. According to the agreement, in the future, the two companies will jointly carry out technological innovation and carry out research on artificial intelligence, machine learning, blockchain, and Internet of Things to embrace digital economy⁷.

JD.com’s blockchain service platform “Zhizhen Lian” launches for beta testing

Recently, JD.com announced that it has officially launched its self-developed blockchain service platform “Zhizhen Lian” to companies who desire to subscribe to the service provided by the platform. It is reported that “Zhizhen Lian” is an upgraded version of JD.com’s “Blockchain Anti-counterfeiting Traceability Platform” which was set up in 2017. JD.com hopes its strategic partners will use the anti-counterfeiting traceability capability of the platform as the major resource to keep track on their goods. In the past year, JD.com’s Blockchain Anti-counterfeiting Traceability Platform has connected to more than 400 brands, covering more than 12,000 merchandises, and listed more than 1 billion items of traceability data on the chain⁸.

Retail logistics

JD Logistics and Unilever sign strategic cooperation agreement to expand distribution network in rural regions

On 5 July, JD Logistics and Unilever signed strategic cooperation agreement in warehousing and logistics. JD Logistics will open its warehousing and logistics network across the nation to Unilever; Unilever can leverage JD Logistics' distribution network to reach out to more consumers in rural areas and remote areas in Northwestern and Southwestern China to increase their market share in those regions. Currently, Unilever has already developed a mature market in tier-1 and tier-2 cities, but its brand influence and distribution network in lower tier cities is still rather weak⁹.

Department stores and shopping malls

Suning Real Estate cooperates with Costa Coffee to open in Zhenjiang Suning.com Plaza

Costa Coffee will be unveiled in Zhenjiang Suning Plaza on 21 July, which will be the first collaboration after Suning Real Estate and Costa Coffee reached a strategic cooperation agreement in March. According to the agreement between Suning and Costa Coffee, the two parties will leverage the resources of Suning Group, and will open the first batch of stores at Suning.com Plazas under Suning Real Estate Group. Also, Costa Coffee's standard stores, kiosks and one-touch coffee

machines will be promoted in Suning.com Plaza, Suning Cinemas and Suning Xiaodian, etc. Both parties target to open 10 stores in the first year of strategic cooperation and 300 stores in five years¹⁰.

Convenience stores

Easy Joy and JD.com jointly launch smart convenience store in Tianjin

Recently, the smart convenience store jointly established by Sinopec Group's Easy Joy Convenience Store and JD.com was launched in Tianjin. The convenience store applies machine learning, image recognition and other technologies which does not only increase the portion of online business on top of offline business, but also helps the growth of petrochemical business of Sinopec and industrial upgrading. It is reported that the store uses "shop-in-shop" store format, and the store uses smart store technology D-MART module, including Jingdong Huiyan (JD.com's own facial recognition system), smart advertising monitor, and heat map, etc. In addition to opening stores in Tianjin, the new smart convenience stores are also launched in Suqian in Jiangsu and Beijing¹¹.

Suguo to open 22 stores in Nanjing on the same day on 18 July

Suguo will launch 22 convenience stores on the same day on 18 July. Apart from stores in central Nanjing, some stores will be located in districts that are further away from the city center such as in the Pukou District. It is reported that Suguo plans to open another 116 smaller-format stores in 2H18, with around 20 new stores opening every month. Currently, Suguo operates over 1,000

convenience stores. It targets to run 1,800 convenience stores in five years¹².

Apparel and shoes

Victoria's Secret opens first Shenzhen full-line store

On 10 July, Victoria's Secret opened its first Shenzhen full-line store at Jinguanghua Shopping Mall. This is also the ninth full-line store opened by the lingerie brand in China, following Shanghai, Chengdu, Chongqing, Beijing, Suzhou, Nanjing, Guangzhou and Hangzhou. Additionally, Victoria's Secret plans to open its second Shenzhen full-line store in Haiya Colourful City in August this year¹³.

Reebok opens Asia Pacific's first flagship store in Shanghai

On 8 July, Reebok's first flagship store in Asia Pacific "FitHub 3.0" officially opened at 627 Huaihai Zhong Road in Shanghai. The new flagship store is a brand new upgraded FitHub 3.0 which provide shopping experience and work-out experience in one single store. Reebok was inspired by CrossFit gym room, which signed an exclusive deal with Reebok globally, to come out with this revolutionary and upgraded retail concept¹⁴.

Kids products

Fosun and Babytree announced establishment of joint venture company "Xiaoxing Doctor"

On 9 July, Fosun and Babytree announced the establishment of a joint venture company "Xiaoxing Doctor" to provide one-stop solutions for families with new-born baby in their first 1,000 days. "Xiaoxing Doctor" platform utilizes open platform strategy and relies on three technical modules of artificial intelligence, Internet of Things (IoT) operating system and system for public services to provide families with health-related content, resources on medical services, technology platforms and intelligent hardware¹⁵.

Semir to set up subsidiary in Xi'an to expand Balabala's store network

On 10 July, Zhejiang Semir Garment Co., Ltd. announced to set up a wholly-owned subsidiary Xi'an Balabala Garment Co., Ltd. with a registered capital of 5 million yuan. The business scope of the subsidiary includes sales and marketing of clothing, shoes, hats, bags, leather products, arts and crafts, stationery, toys, furniture, lighting, and textile products. Semir said that the move is to enhance the store network of Balabala in Xi'an as well as in Northwestern China, hence to increase the influence and market share of Balabala¹⁶.

Luxury sector

Tariffs cuts prompt Gucci to drop prices in China

In response to import tariff reductions by the Chinese Government, and to further narrow the price differential between China and the rest of the world, Gucci confirmed that it will adjust retail prices of all merchandize with an average drop of about 5%. This is applicable to all products including new and classic items

sold in its directly operated stores in China. On the other hand, its competitor Louis Vuitton lowered the price of some of its products sold in its China's official website and physical stores in end-June, ranging from 300 yuan to 1,500 yuan, which is equivalent to a drop of between 3% and 5%¹⁷.

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