

China Retail & E-commerce

Weekly Updates

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Retail in general

Vipshop: Post-90s generation cares about value-for-money the most during shopping

On 13 June, Vipshop released a report focusing on the spending behavior and attitudes of “newbies” in the society, i.e. fresh graduates who have just started working for less than five years. Data show that these group of consumers – who were born after 1990s – put “good quality” and “value-for-money” as the two most critical factors affecting their purchase decision, with “value-for-money” accounting for 65.6%¹.

E-commerce

Central University of Finance and Economics' China Internet Economic Research Institute: New business models such as social e-commerce and content e-commerce account for 32.12% of the GMV of traditional B2C online retailing

The China Internet Economy Research Institute of the Central University of Finance and Economics recently released the "China Online Retailing Industry: Competitive Landscape and Ecosystem Report", which reviews the development of China's online retailing industry over recent years. According to the report, a number of new online business models such as social e-commerce and content e-commerce have emerged in recent years; however, they have yet to be included in the statistical computation of the market size of the online retailing industry and therefore led to the underestimation of the total size of online retailing market. It is estimated that these new e-commerce models accounted for at least 32.12% of the GMV of traditional B2C online retailing in 2018, and is expected to exceed 60% in 2019².

BrandZ: Alibaba becomes the most valuable Chinese brand on the Top 100 global brand list

Recently, BrandZ released the its Top 100 Most Valuable Global Brands report. According to the report, the brand value of Alibaba was worth US\$131.2 billion. It moved up two places to no.7 and became the most valuable Chinese brand for the first time. Other Chinese brands, including Tencent, China Mobile, the Industrial and Commercial Bank of China (ICBC), Maotai, Pingan, Huawei, the China Construction Bank (CCB), Baidu, JD.com, Didi Chuxing, Xiaomi and Meiyuan, also took a position on the list. The report was commissioned by WPP and the brand valuation was conducted by market research agency Kantar³.

JD Daojia provides O2O delivery service for 91 cities

JD Daojia announced recently that its O2O delivery service covers 91 cities in China, of which over 50 of them are tier-3 cities or below. Currently, JD Daojia has already connected with over 300 chained retailers and over 5,000 other enterprises, including Walmart, Yonghui Superstore, China Resources Vanguard, as well as Watsons, Mannings and Miniso⁴.

Russian online mall Yandex.Market to sell products from JD.com from June onwards

JD.com has recently reached a strategic cooperation agreement with Yandex.Market, a Russian online mall, such that the latter can sell products from JD.com on its e-commerce platform from June 2019 onwards. China has been a significant partner of Russia in e-commerce business, contributing to 90% of Russia's total cross-border traffic and around half of its cross-border e-commerce turnover.

China was also Russia's top import origin in 2017 with a total imported volume of US\$ 37.3 billion⁵.

E-commerce logistics

Fengniao to build 20,000 fully digitalized instant delivery stations over the next three years after spinning off from Ele.me

Recently, Ele.me announced that its instant-delivery platform Fengniao has spun off from Ele.me and re-named as "Fengniao Instant Delivery". After spinning off from its parent company, the delivery platform will implement digital upgrade of its instant delivery system. It is reported that Fengniao Instant Delivery will build 20,000 fully digitalized instant delivery stations, and establish a digitalized and open ecosystem for instant delivery, in the hope of expanding the related services to more industries and regions in the next three years⁶.

Department stores and shopping malls

Linkshop data center: Total revenues of 54 listed department store operators amount to 483.031 billion yuan in 2018

Recently, Linkshop's data center has done an analysis based on the 2018 financial statements of 54 listed department store operators in China. In 2018, total revenues of the 54 listed department store operators amounted to 483.031 billion yuan, and total net profit was 14.659 billion yuan. Overall, 27 out of the 54 listed companies saw rising revenues; 27 companies recorded an increase in net profit, of which 15 companies recorded increase in both revenues and net profit, and 15 companies recorded decline in both revenues and net profit. Among the top 10

best performing companies, Dashang Group, Wuhan Department Store and CCOOP Group recorded decline in revenues; and Golden Eagle Retail Group, Wuhan Department Store, CCOOP Group, and Maoye International showed various degrees of decline in net profit⁷.

CCFA and CBRE: Performance of China's shopping mall sector remains positive in 2018

The China Chain-Store & Franchise Association (CCFA) and CBRE, an international commercial real estate services and investment firm, recently published the "2018-2019 Chinese Shopping Mall Development Report". According to the report, the shopping mall sector saw steady growth in sales and rental income in 2018, driven by robust domestic consumption and the more sophisticated needs of consumers became more sophisticated. The overall performance of shopping mall remained positive. Shopping mall landlords are also optimistic towards future operating conditions⁸.

Supermarkets and hypermarkets

ParknShop-Yonghui to open first store in June, adopting dual branding strategy

"ParknShop-Yonghui", a joint venture company formed by Yonghui Superstore, ParknShop and Tencent in October 2018, will open the first store in June 2019. The store will adopt a dual branding strategy and operate under two labels – "ParknShop-Yonghui Bravo" hypermarkets, and "ParknShop-Yonghui Taste" boutique supermarkets. In the future, ParknShop-Yonghui will reportedly focus on expanding in Guangdong-Hong Kong-Macao Greater Bay

Area; it plans to open 15 large-size stores and dozens of mini-stores, especially in the community areas⁹.

Fresh-produce supermarket T11 opens first store in Beijing

Fresh-produce supermarket T11 recently opened its first store in Beijing near the CBD area, targeting middle class consumers. With a store size of around 5,000 sqm, the store houses over 8,000 SKUs including fresh fruits, vegetables, seafood, bakery products, hot food items and beverages. The store reduces spaces for seafood but add more spaces for concession counters and include a self-operated area for wine. The wine section accounts for around 20% of the store area, with over 2,000 SKUs of red wine, beer, white wine, and sake available from 150 origins. Consumers can enjoy the wine in the bar area of T11 for a service fee of 150 yuan¹⁰.

Convenience stores

Zhongbai Lawson taps Changsha market; opens 200 stores in three years

On 6 June, five Zhongbai Lawson convenience store opened in Changsha. This is the first attempt of Zhongbai Lawson to tap the Hunan market. Zhongbai Lawson plans to further expand in Changsha in the next three years by opening 200 self-operated and franchise convenience stores. It hopes to push forward the development of convenience store market in Changsha. In 2016, Zhongbai Group signed cooperation agreement with Japan-based Lawson Inc. to launch Zhongbai Lawson convenience stores¹¹.

Apparel

H&M's & Other Stories to tap the China market via Tmall this fall

& Other Stories, H&M Group's high-end womenswear brand announced to open its first online flagship store on Tmall this fall, which makes Tmall the apparel brand's first official sales channel in China. It is reported that this high-end brand covers ready-to-wear, bags, beauty products, shoes and accessories, etc. & Other Stories will be the fifth H&M brand to join Tmall, following the launch of three flagship stores by the group's H&M brand, COS, MONKI and H&M Home¹².

Mango accelerates expansion in China

Spanish fast fashion brand Mango signed a cooperation agreement with Hangzhou Jingzhe Clothing Co., Ltd. to accelerate its development in Asia, especially in the China market. Under this cooperation agreement, the brand will further develop both online and offline channels – it plans to open 16 physical stores in China by the end of 2019, and launch online stores via major e-commerce platforms at the same time¹³.

Lululemon to open 15 new stores in China this year

In the quarter ended 5 May (1Q19), Canadian athletic apparel brand Lululemon's net revenue surged 20% yoy to US\$782 million; same-store sales increased 14% yoy, and net profit surged 28.6% yoy to US\$96.6 million. Lululemon revealed that China has become the brand's largest potential market –shown by the more than 100% increase in revenue from its e-commerce business in 1Q19. Lululemon will add 10 to 20 stores in the China market this year¹⁴.

The Cambridge Satchel Company to focus on China's e-commerce market

British leather goods brand The Cambridge Satchel Company recently said that it is turning its business focus to China after experiencing years of losses. The company hopes to turn profitable by expanding its footprint in the China market through e-commerce. The Cambridge Satchel Company said it has already launched an official Chinese website (<https://www.camsatchelco.cn/>). The Cambridge Satchel was founded in 2008 and currently has stores in London, Brighton, Cambridge and Edinburgh¹⁵.

Festival, and the new items from the 2019 F/W collections will also be available on JD.com. This is its second partnership of Prada Group in less than two weeks with a Chinese e-commerce company, following its tie-up with luxury-focused platform Secoo at the end of May¹⁷.

Kids products

Toys"R"Us plans to open 400 stores in China by 2021

It is reported that Toys"R"Us will move forward its expansion plan in China by adding 40 to 50 new stores per year. It aims to double its offline stores from the current 200 to 400 by 2021. Most of these stores will be located in tier-1 and tier-2 cities. Toys"R"Us explained that, unlike some traditional industries, the toy sector does not face any structural challenges in its bricks-and-mortar business. However, the company would strive to better respond to the emerging needs of consumers, keep track of the changing consumption trends and make corresponding adjustment in its product sourcing strategies¹⁶.

Luxury sector

Prada Group ties up with JD.com

On 7 June, JD.com announced the cooperation with Italian fashion house Prada Group. Three of its brands including Prada, Miu Miu, and Car Shoe will launch flagship stores on JD.com during the 6.18 Shopping

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