China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in General

MOFCOM: Retail and catering businesses record total sales of over 1 trillion yuan during Lunar New Year holidays, up 8.5% yoy

According to the Ministry of Commerce (MOFCOM), retail and catering businesses recorded total sales of around 1,005.0 billion yuan during the Lunar New Year holidays (4 February – 10 February), up by 8.5% from that of last year. Traditional Chinese New Year's products, green food products, smart home electronics, innovative digital products, as well as regional food and products saw the highest sales growth among all product categories.

- **Beijing**: Retail sales of 120 major enterprises reached 4.88 billion yuan during the Lunar New Year period, up 5.1% yoy.
- **Shanghai**: Total retail sales reached 17.73 billion yuan during the Lunar New Year holidays, of which, retail sales on 4 February (Chinese New Year's Eve) and 5 February (Chinese New Year's Day) were the highest, reaching 2.28 billion yuan (up 9.8% yoy) and 2.19 billion yuan (up 14.1% yoy) respectively. West Nanjing Road, East Nanjing Road and Lujiazui were the districts with the highest sales.
- **Guangzhou**: Retail sales of 14 major enterprises amounted to 0.847 billion yuan during the Lunar New Year period, up 3.4% yoy, recording positive growth for the first time in three years.
- **Chongqing**: Retail sales of major enterprises in major shopping districts totaled 3.61 billion yuan during the Lunar New Year holidays, up 9% yoy.
- **Chengdu**: Retail sales of 60 major enterprises amounted to 1.68 billion yuan during the Lunar New Year holidays, up 13.4% yoy.
- **Hangzhou**: Retail sales of 182 major enterprises amounted to 1.24 billion yuan during the Lunar New Year holidays up 8.1% yoy.
- **Nanjing**: Retail sales of around 100 enterprises amounted to 1.57 billion yuan during the Lunar New Year holidays, up 9.1% yoy[1].

MOFCOM: Growth of retail sales may slow further in 2019

On 12 February, the Ministry of Commerce (MOFCOM) held a press conference on China's commercial and business environment in 2018. According to the MOFCOM, China is currently the second-largest retail and consumer market after the U.S., but the gap is narrowing. In 2018, growth of total retail sales of consumer goods only reached 9% yoy, partly because the fast-growth of service consumption was not reflected in the total retail sales of consumer goods – in 2018, service consumption accounted for 49.5% of the total spending. It is expected that consumption will continue to be the major driver of China's economy, with service consumption to be the growth engine. The MOFCOM said that retail sales growth may further slowdown in 2019, but continue to see steady rise in absolute sales figure[2].

Deloitte releases the "Global Powers of Retailing 2019"; 13 Chinese and Hong Kong retailers are on the Top 250 list

Deloitte released the "Global Powers of Retailing 2019" and identified the 250 largest retailers around the world based on publicly available revenue data for FY2017 (fiscal years ended through June 2018). Among the Top 250 retailers, 13 of them are from Mainland China and Hong Kong, of which ten retailers are from Mainland China and three are from Hong Kong. JD.com ranked the top among the Chinese retailers at 20th. Others include Suning (ranked 5th), A.S. Watson

Group (ranked 50th), China Resources Vanguard (ranked 81th), Dairy Farm (ranked 87th), VIP.com (ranked 92th), Gome (ranked 95th), Yonghui Superstores (ranked 127th), Chow Tai Fook (ranked 136th), Bailian Group (ranked 147th), Wumei Holdings (ranked 187th), Chongqing Department Store (ranked 235th) and Wangfujing Department Store (ranked 241th)[3].

CNCIC: Retail sales of 100 key large-scale retail enterprises drop 1.3% yoy during Lunar New Year holidays

According to the statistics of China National Commercial Information Center (CNCIC), during the Lunar New Year holidays in 2019 (4-10 February), the retail sales of the 100 major key retail enterprises dropped by 1.3% yoy; the percentage of sales decline is similar to that of the previous year. Among all the surveyed 100 large-scale retail companies, retail sales of 39 companies achieved positive growth while 61 companies recorded negative growth[4].

MOFCOM: Approval and filing for enterprises engaging in direct selling business suspends

On 14 February, Gao Feng, spokesman of the Ministry of Commerce (MOFCOM) announced in a regular press conference that the approval and filing for enterprises engaging in direct selling business has been suspended. The MOFCOM will sort out all enterprises engaging in the direct selling business in China and strengthen its regulatory and legislative framework to better control such enterprises. It will cooperate with relevant departments to penalize illegal business operators, aiming to safeguard the rights of consumers[5].

E-commerce

Alipay: Overseas mobile payment made by post-60s consumers soars 1.3 times

On 11 February, Alipay published the statistics on Chinese outbound travelers' mobile payment behavior during the Lunar New Year period. Overseas consumption per capita through Alipay by Chinese outbound travelers from tier-3 and tier-4 cities grew faster than those from the top-tier cities such as Beijing, Shanghai and Guangzhou. Meanwhile the number of Alipay users born in the 1960s has increased by 1.3 times. During the Lunar New Year period, Zhoushan recorded the fastest growth in per capita overseas consumption, up 55% yoy. Weifang came second, with a yearly growth rate of nearly 50%, which is significantly higher than that of Beijing, Shanghai and Guangzhou. The per capita consumption growth rates of these three tier-1 cities were 27%, 30% and 24% respectively[6].

Alibaba: Consumption of residents in lower-tier cities soars during Lunar New Year holidays

On 11 February, Alibaba released the "2019 Report of the Lunar New Year Holidays". The report shows that during the Lunar New Year period, online spending on traveling, shopping, catering and cultural entertainment grew significantly. Over 3 million brands have launched new products for the Lunar New Year on Tmall. Consumption of residents in lower-tier cities soared, with yoy sales growth in tier-3 and tier-4 cities reached 55%; by contrast, yoy sales growth in tier-1 cities was 51%. For offline consumption, sales of Intime Department Store increased by 35% yoy, with traffic up 19% yoy[7].

JD Big Data Research Institute: JD.com's sales during Lunar New Year holidays increase 42.74% yoy

Recently, JD Big Data Research Institute published its online shopping data during the Lunar Chinese New Year period (3 – 8 February 2019). The data summarizes the online shopping trend during the festive period with the following key observations:

1. Total sales in the Lunar New Year period increased by 42.74% yoy;
2. Top five best-selling product categories in terms of sales revenue: mobile phones, computers, household appliances, apparel and home furnishings;
3. Top five best-selling product categories in terms of sales volume: Lifestyle living/ Tourism, maternity and toys, food and beverage, beauty, and apparel.
4. Top five best-selling product categories with highest yoy growth: kitchen utensils (399%), home furnishings (185%), gift wrappings and boxes (148%), lifestyle living/ tourism (107%), and medical care (83%).
5. Consumers spent more on quality goods – the most expensive items sold during the Lunar New Year period include watches, mobile phones, jewelry, computers, and apparel.
6. Compared with the same period of last year, the fastest-growing categories of fresh produce during the Lunar New Year period are poultry, frozen food, and seafood[8].

Amazon Overseas records strong double-digit sales growth during Lunar New Year holidays

During the Lunar New Year holidays (4-10 February), Amazon Overseas recorded strong double-digit sales growth compared with last year. Total sales recorded in the 7-day period were 60% higher than that of the previous week. Meanwhile, sales generated from Amazon Overseas' bonded warehouse also recorded more than 50% yoy increase during its 5-week Lunar New Year promotion period[9].

Tmall Global launches "Quality Assurance" program

On 12 February, Tmall Global rolled out "Quality Assurance" program, committed to improving the quality of its imported goods and enhancing consumer shopping experience through brand licensing, customer service commitment, product certification and strict control of product supply chain. The program will first be applied to vendors on the platform selling nine major product categories including apparel, cosmetics, maternal and baby care, healthcare, etc. These vendors will have to go through product quality assurance verification and show their customers their product quality assurance statement on their product page of their online storefronts. The verification process is expected to be completed in mid-September this year. The program requires vendors to provide valid quality certifications endorsed by the brands of their products and renew the certifications before it expires[10].

Vipshop invests in the online high-end clothing alteration platform eTailor

Online high-end clothing alteration brand eTailor recently raised 50 million yuan in Series A financing, which was led by listed Vipshop. eTailor provides high-end clothing alteration chain services – the platform can arrange on-demand body measurement service through online booking or customers can visit their direct-operated stores for measurement. It is reported that the platform has set up its own centralized factory, formed its own professional alteration team and built its outlets in the nation. Currently, the platform is providing services to Armani, Curiel and other high-end brands, and has also formed cooperation with Tmall, Vipshop, JD.com and Secoo. At present, eTailor has opened more than 40 offline experiential stores in 13 cities, and is expected to expand to 60 cities by the end of the year. After this round of financing, eTailor will continue to expand its POS and will further expand to 100 cities next year[11].

Retail logistics

Cainiao: Central and Western regions see significant increase in consumption of imported goods during Lunar New Year holidays

On 11 February, Cainiao announced its logistics data during the Lunar New Year period. During the period, Cainiao's still provided delivery services for Alibaba's platforms including Tmall Supermarket, Tmall 3C, and Tmall Global. Shoppers from over 400 districts and counties across the country were able to receive their parcels on the next day after placing the order. In addition, the data show that the Central and Western regions of China saw significantly increase in the number of imported goods bought on Tmall Global, compared to the previous year[12].

Department stores and shopping malls

Suning.com acquires 37 Wanda department stores

On 12 February, Suning.com officially acquired 37 department stores from Wanda Department Store Co. Ltd., a move to create seamless online and offline retail experience with the department store channel and provide customers greater in-store shopping experience with more digital elements and consumption scenes. Suning.com will leverage its smart retail capabilities to transform Wanda Department Store's supply chain, focusing on digitalization and experience. It hopes to build a core competitive edge in its department store business with improved in-store shopping experience and comprehensive product offering. The acquisition only covers Wanda Department Store and does not involve other subsidiaries under Wanda Group, including Wanda Plaza[13].

Supermarkets and hypermarkets

Jiajiayue Supermarket launches first fresh food market in Jinan

Recently, Jiajiayue Supermarket launched its first fresh food market in Jinan, Shandong province. With an operating area of around 2,000 sqm, the store is divided into three major sections – supermarket section, fresh food section, as well as an area for community services. The supermarket area is run by Jiajiayue, mainly offering fast-moving consumer goods; the fresh food section is similar to the traditional wet market and is operated under the consignment model, selling fresh food products such as vegetables and fruits; and the community services area offers daily services such as tour guide service and laundry services[14].

FMCG

Suning Holdings establishes FMCG Group

On 14 February, Suning Holdings Group announced the establishment of the FMCG

Group. The new company will integrate product planning, supply chain management, operation, and marketing functions for its fast-moving consumer goods (FMCG) business. It will be responsible for product procurement, managing leasing functions, as well as marketing functions. In the future, the FMCG Group will manage businesses including Suning's online supermarket, Suning Xiaodian, Su Fresh, and Redbaby; it will centralize their procurement, investment and human resources, and accelerate the integration of Suning's FMCG supply chain[15].

Cosmetics

Shiseido China's operating profit surges 116.4% yoy in 2018

On 8 February 2018, Shiseido announced its fiscal result for 2018. During the year, Shiseido showed stellar performance in China; its sales rose 32.3% yoy to 190.8 billion yen, while its operating profit in China even surged 116.4% yoy to 24.5 billion yen. Such remarkable growth was mainly driven by the brand's efforts to market its premium and mass cosmetic brands, coupled with its digital marketing strategies and deepened partnership with major Chinese e-commerce companies. Benefited from the fast-growing Chinese market, the company has started eyeing Japan, China and travel retail business (e.g. duty-free shops at airports) as one market, with key focus on Chinese customers and accelerating cross-border sales in the Asian region[16].

Sulwhasoo opens self-operated flagship store on JD.com

On 13 February, high-end Korean skincare brand Sulwhasoo officially opened its self-operated flagship store on JD.com. Consumers who place orders in the flagship store can enjoy JD.com's special services such as high-end delivery service "Jingzunda" and preferential membership service "PLUS". All beauty brands under Amorepacific Group are available on JD.com[17].

Nielsen: Supermarkets and shopping malls remain the most important channels for cosmetics distribution in China

According to Nielsen's latest research on "Cosmetics and Personal Care Consumption Trends in China", over the past 12 months, supermarkets/shopping malls (36%) were still the channels with the highest penetration rate for purchasing personal care and beauty products, while online shopping platforms (16%) and cosmetics specialty stores (15%) were growing rapidly. Good product quality, variety and convenience are the main selection criteria for consumers to choose personal care/beauty products. In addition, consumers prefer comfortable shopping environment when selecting personal care store, and enjoy professional services provided by the staff in cosmetics. Nielsen research finds that the post-90s consumers have higher acceptance of emerging channels and are also the main force of online shopping, with social platforms (merchants selling on social networks) accounting for 10% of the post-90s consumers' consumption channels, the highest among all age groups[18].

Luxury sector

Hermès' sales rise 10% yoy on robust demand in China

Hermès' latest financial results showed that the group's total sales for 2018 rose 10% yoy to 5.97 billion euro, of which sales for 4Q18 surged 10.1% yoy to 1.65 billion euro. Apart from the Japanese market, which registered the strongest sales growth among other Asian countries, China also experienced continuous growth momentum in 2018, mainly benefited from the launch of the brand's official e-commerce in the country in October 2018[19].

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