

China Retail & E-commerce

Weekly Updates

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Retail in general

NBS: Total retail sales of consumer goods up by 8.2% yoy in January – February 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 6,606.4 billion yuan in January – February 2019, up nominally by 8.2% yoy. Of which, retail sales of enterprises above a designated size amounted to 2,309.6 billion yuan, up 3.5% yoy. By type of consumption, in January – February 2019, catering sales amounted to 725.1 billion yuan, increased by 9.7% yoy. Retail sales of commodities amounted to 5,881.3 billion yuan, up by 8.0% yoy. In January – February 2019, online retail sales grew 13.6% yoy to 1,398.3 billion yuan. Of which, online retail sales of physical goods increased 19.5% yoy to 1,090.1 billion yuan, accounting for 16.5% of total retail sales¹.

Shanghai to introduce policies to boost consumption in 2019

On 6 March, the Shanghai Municipal Government revealed that Shanghai will introduce a number of policies in 2019 to boost consumption, aiming to make the city a vibrant shopping destination and a global city of consumption. The policies include helping 500 brands to set up their first store in Shanghai and establish Shanghai as a place for global product launch; upgrading distinctive commercial districts; enhancing consumer experience with mobile technologies and WeChat Mini Programs, etc. Shanghai will also launch themed activities for U.K., Germany, Italy, Spain, Finland, Sweden, Australia and Thailand corresponding to the China International Import Expo. It will also focus on quality consumption, consumption on fashion, culture, health, smart products and other personalized consumption; and promote

the extension of tax-rebate scheme for overseas visitors².

Amazon China and Data 100.com.cn: Diversification, personalization and internationalization are new characteristics of female consumers

On 6 March, Amazon China and Data 100.com.cn jointly published a report about female consumer buying behavior in the digital age. Focused on the post-70s/80s/90s female groups in tier-one and new tier-one cities, the report examined the current conditions and trends of the lifestyle, career and self-realization development of female consumers in the digital age. The report stated that diversification, personalization and internationalization are new characteristics of female consumers. Stylish and good-looking smart devices are well-received among female consumers. Meanwhile, female consumers in the new era not only enjoy financial independence but also pursue a more independent personality. Women are more adept using new technologies and platform to achieve self-improvement. The report also revealed that women consumers in the digital age have more diverse consumption choices and are more concerned with their quality of life, while leading an increasingly digitalized lifestyle³.

Alibaba: Guangdong, Zhejiang, Jiangsu are the top three provinces in terms of digital consumption power

On 13 March, Alibaba announced the top ten provinces in terms of digital consumption power. Guangdong, Zhejiang and Jiangsu are the top three among all, similar to the GDP rankings. Digital consumption power is higher in more developed regions such as the Yangtze River Delta region and the Pearl River Delta region. For example, Yangtze River Delta is the region where Alibaba first

launched its new retail initiatives. As of October 2018, there were more than 12,000 Tmall smart stores in Shanghai; and around 40% of the Freshippo (aka Hema Xiansheng) stores are located in the Yangtze River Delta region⁴.

E-commerce

Alibaba's LST launches joint business collaboration with 50 brands

Alibaba's LST (lst.1688.com) has recently launched a "business collaboration project" with various brands – 20 local and overseas brands have already joined the project, while another 30 are in their preparation. After signing strategic cooperation agreement with the brands, LST will cooperate with the brands in brand building, marketing, supply chain optimization, and enhancing shoppers' experience. Alibaba LST is a one-stop shopping platform for mom-and-pop stores to order products; it also provides logistics, marketing, and other value-added services for stores. Currently, it covers 1.3 million retail stores in the country⁵.

Three Squirrels signs strategic cooperation agreement with Alibaba's LST

On 8 March, Three Squirrels signed a strategic cooperation agreement with Alibaba's LST (lst.1688.com). Under the cooperation agreement, the two companies will carry out in-depth cooperation in the fields of brand building, product marketing, supply chain optimization, and customers' experience upgrading. According to the introduction, in 2019, Three Squirrels will list about 120 SKUs on LST, and upgrade its products in the offline consumption scene by creating 50 products with exclusive packaging. At the same time, Three Squirrels promises to provide more

product choices within the same product category, more product varieties and introduce new products with better quality to its customers. Since its collaboration with Alibaba's LST in May 2018, Three Squirrel has reportedly achieved sales revenue of over 300 million. It has worked with 350,000 mom-and-pop stores; the percentage of repeated purchase has exceeded 60% after nine months of cooperation between the two companies⁶.

Tencent unveils livestreaming function "TencentLive" to serve WeChat public accounts

Recently, Tencent unveiled a livestreaming function "TencentLive". The product is still under beta testing, and will be serving hosts of WeChat public accounts. According to public information, TencentLive can be operated on the app and on WeChat Mini Program. Hosts of WeChat public accounts can create livestreaming events via the app and generate a corresponding QR code for the event. Viewers can scan the QR code and join the livestreaming using their WeChat Mini Program. Currently, Tencent has already owned and invested in 13 livestreaming platforms, including Huayang, Egame, Huya, Douyu, etc⁷.

Hangzhou Ruhnn Holding to go public in the U.S.

On 7 March, Internet KOL facilitator Hangzhou Ruhnn Holding has filed with the Nasdaq to raise US\$100 million to US\$200 million in an initial public offering. According to the company's prospectus, for the nine months ended 31 December 2018, Ruhnn had 113 signed KOLs across its platforms and registered 2.2 billion yuan in GMV and 856 million yuan in total net revenues, but had a net loss of 57.5 million yuan. In 4Q18, the company's operating revenue surged 62%

qoq to 385 million yuan. Owned 8.56% by Alibaba's Taobao, Ruhnn currently has 148.4 million fans and operates 91 self-managed online stores across its platforms⁸.

Mogujie explores new business model "Designer x Fashion KOLs"

Recently, Mogujie unveiled a new business model "Designer x Fashion KOLs" in 2019 Singapore International Fashion Week. By integrating traditional fashion shows with online streaming platforms, Mogujie connects designers with fashion KOLs and allows the latter to help designers deliver their design concept to viewers and sell their products via the livestreams. This model can help designers generate sales online quickly and reconstruct the whole fast fashion supply chain⁹.

Xiaohongshu trials social-commerce app "Xiaohongdian"

Recently, Xiaohongshu (aka "Red" or "Little Red Book") is testing a social-commerce app "Xiaohongdian" on WeChat Mini Program. Xiaohongdian reportedly updates the product offerings on a daily basis, and the products are all chosen according to big data from Xiaohongshu's users. Currently, mainly snacks are available on the platform. Users can access Xiaohongdian via their WeChat accounts; they can also invite friends to join Xiaohongdian by sharing links via WeChat Moments and WeChat groups and earn commissions¹⁰.

Xiaomi launches social-commerce platform "Youpin Tuishou"

Recently, Xiaomi launched its social-commerce platform "Youpin Tuishou" in Beijing. Youpin Tuishou is a membership-based social-commerce platform offering Xiaomi Youpin's products. Users need to have

an invitation code to access the platform. Currently, Youpin Tuishou mainly offers home products, home textile, smart home products, apparel and accessories, as well as mobile phones and computers. Users can earn around 4-30% commissions by sharing deals with friends, or by inviting friends to register on the platform¹¹.

Pinduoduo's revenue reaches 13.12 billion yuan in 2018, net loss increases substantially

On 13 March, Pinduoduo reported its 4Q18 and FY18 results. Total revenues were 13,120.0 million yuan in FY18, up 652% yoy. Active buyers in the twelve-month period ended 31 December, 2018 were 418.5 million, up 71% from the same period in 2017. GMV in the twelve-month period ended 31 December, 2018 was 471.6 billion yuan, up 234% yoy. Non-GAAP operating loss was 3,958.2 million yuan, up significantly from 469.2 million yuan in 2017¹².

JD.com launches store on Google Express to enter the U.S. market

According to media reports, JD.com has reportedly opened an online store "Joybuy" on Google Express, Google's e-commerce platform to enter the U.S. market. The new store currently offers 500 kinds of products such as headphones and keyboards. JD.com claimed that they were only conducting a trial operation. Earlier in June 2018, JD.com received a US\$550 million investment from Google, and JD.com expressed it would select a range of high-quality products and leverage Google Express to reach out to various regions of the world¹³.

Retail logistics

Alibaba to buy stake in STO Express for 4.66 billion yuan

On 11 March, Alibaba announced that it would invest 4.66 billion yuan in STO Express. It is reported that after completing the transaction, STO Express will explore further collaboration with Alibaba in the fields of logistics technology, express delivery, and new retail logistics. Earlier, Alibaba, Cainiao and ZTO Express announced a strategic investment agreement to invest US\$1.38 billion in ZTO Express, holding about 10% of ZTO Express's stake¹⁴.

SF Holding and DHL debut co-branded SF Express-DHL venture; to develop digitalized logistics strategy

On 11 March, SF Holding and DHL Group's jointly launched their co-branded services "SF Express-DHL Supply Chain China" in Shanghai, which will reportedly provide logistics services for industries including in high-tech, medical, retail, consumer goods, automotive, chemicals, and e-commerce. Through applying industry-oriented vertical management method, SF Express will analyze the logistics pain points of various industries and help customers to upgrade and rejuvenate their supply chain systems. Meanwhile, SF Express will digitalize and optimize management so as to create a more efficient, transparent and smart logistics supply chain system¹⁵.

Cainiao Courier Station's smart lockers launch facial recognition service

On 13 March, Cainiao Smart Logistics Network announced that all of its smart lockers at Cainiao Courier Station have launched facial recognition service. With the new service, consumers can choose to

authorize their pickup through the facial recognition technology. The launch of Cainiao Courier Station's smart lockers is a major part of Cainiao's IoT initiatives. Integrating IoT and facial recognition technologies, Cainiao Courier Station's smart lockers enable self-service pickup and smart locker management, including automatic troubleshooting, remote maintenance, etc¹⁶.

JD Logistics expands its speed parcel delivery service to 31 cities

JD Logistics has recently expanded its speed parcel delivery service to 14 more cities, covering Qingdao, Changsha, Chongqing and Quanzhou, among others; on top of the 17 cities already with the service, including Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu, etc., the speed parcel delivery service is currently available in 31 cities. In October 2018, JD Logistics officially launched its speed parcel delivery service, enabling customers to send packages intracity and across China via JD.com mobile app¹⁷.

Supermarkets and hypermarkets

Ipien Shengxian secures funding from Tencent

Recently, fresh produce community store chain Ipien Shengxian completed a new series of financing – Tencent has officially become Ipien's shareholder, with Tencent Technology (Shenzhen) Co., Ltd. and Tencent Mobility Limited holding 2.86% and 11.43% of Ipien's stake respectively. Ipien's scope of business reportedly includes fresh produce discount community stores, fresh produce O2O community platform, restaurant business, etc. Since 2017, Ipien has started to expand rapidly across the country; it had

about 400 physical stores by end-2018 and plans to have 1,000 stores in 2019¹⁸.

DeliLife opens first concept store in Shanghai

On 11 March, boutique supermarket DeliLife opened its first new concept store in Century Link Tower in Shanghai. With a total operating area of 5,300 sqm, the newly opened store consists of a boutique supermarket, dining hall and a kitchen. According to Delilife's introduction, its supermarket provides more than 20,000 kinds of products from all over the world. Its dedicated buyer team will specifically look for international product mix, with an aim to develop an iconic gourmet platform around the world¹⁹.

Convenience store

CCFA: Convenience store sector shows steady growth

China Chain Store & Franchise Association (CCFA) released the " Prosperity index of China's convenience stores, 2019" which collected data from 650 convenience stores. In 2018, 61.1% of the surveyed convenience stores reported increase in sales revenue; 78.2% reported increase in transaction value per customer; 52.1% reported increase in customer traffic. 72.5% of the surveyed convenience stores launched their online business; 60.5% launched home delivery service; and 68.0% launched O2O initiatives to generate offline customer traffic. The convenience store sector did face some challenges in 2018, including store closures due to capital chain rupture and the failure of some unmanned stores and unmanned shelves operators. Amid slowing retail sales growth, the convenience store sector – a smaller-sized retail format – is set to see promising

development going forward²⁰.

Bailian and Alibaba's new retail project EGO Convenience Store opens first outlet in Shanghai

Bailian and Alibaba's new retail project "EGO Convenience Store" opened its first outlet in Shanghai on 11 March. Bailian and Alibaba jointly invested 100 million yuan in the joint venture, with Shanghai Commercial Investment Holdings Co., Ltd., a wholly-owned subsidiary of Bailian, holding 57% of shares and Hangzhou Alibaba Venture Management Investment Co., Ltd. holding 43% of shares. It is reported that the catering section accounts for around 60% of total floor area of the Shanghai store, offering coffee, hot drinks, ready food and bakery products. There are also around 20 seats in-store for on-site catering. ECO convenience store has secured 20-30 store locations in Shanghai at the moment²¹.

Apparel

Moschino Underwear launches first online flagship store on JD.com

Italian fashion brand Moschino has recently expanded its strategic partnership with JD.com with the official opening of its first Moschino Underwear and Swimwear online store flagship store on JD.com on 11 March. The launch marks a significant step of Moschino's expansion into the China market and enables the brand to leverage on JD.com's big data analysis capabilities to precisely market their products to local customers. Both parties will also work together to tap into new fashion needs in the market and offer Chinese customers fashionable pieces reflecting individual personality²².

Luxury

Secoo and designer fashion brand Karl Lagerfeld forge strategic partnership

On 7 March, Secoo and designer fashion brand Karl Lagerfeld sealed a strategic partnership. Both parties will work together on e-commerce sales, cross-sector co-brand products, fashion IP creation, social media marketing targeting young consumers, online and offline integration for new retail, etc. The partnership will focus on fashion brand Karl Lagerfeld and offer customers a wide range of Karl Lagerfeld-branded classic clothing and footwear products on Secoo's online platform and offline stores, while at Karl Lagerfeld offline stores, members can also enjoy services provided by Secoo²³.

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