China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general

NBS: Total retail sales of consumer goods up by 7.2% yoy in October 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,810.4 billion yuan in October 2019, up nominally by 7.2% yoy (4.9% yoy in real terms). Of which, retail sales of enterprises above a designated size amounted to 1,232.2 billion yuan, up 1.2% yoy. By type of consumption, in October 2019, catering sales amounted to 436.7 billion yuan, increased by 9.0% yoy. Retail sales of commodities amounted to 3,373.7 billion yuan, up 7.0% yoy. In January– October 2019, online retail sales grew 16.4% yoy to 8,230.7 billion yuan. Of which, online retail sales of physical goods increased by 19.8% yoy to 6,517.2 billion yuan, accounting for 19.5% of total retail sales[1].

E-commerce

Results of 2019 11.11 Global Shopping Festival

Alibaba: Alibaba reported 268.4 billion yuan (US$38.4 billion) in GMV in 2019 compared to the 213.5 billion yuan (US$30.8 billion) last year, up 25.71% yoy. The total number of delivery orders also reached a new high of 1.292 billion, up 24% from 2018. There were 299 brands achieved 100 million yuan in GMV. The top 10 countries selling to China through Tmall Global were Japan, the U.S., Korea, Australia, Germany, France, the U.K., New Zealand, Italy and Canada.

JD.com: During 1-11 November, JD.com reported a record high GMV of 204.4 billion yuan.

Suning.com: Suning.com recorded 76% yoy sales growth in all of its retail channels on 11 November. 13,000 stores participated in the event. Carrefour China, which is acquired by Suning.com earlier, recorded cumulative sales of 3.12 billion yuan, up 43% from last year.

Xiaomi: Xiaomi recorded sales of 6.1 billion yuan in all of its retail channels, exceeding the sales it made last year (5.251 billion yuan)[2].

Baidu: Users from lower-tier cities become the new driving force of 11.11 Global Shopping Festival

On 13 November, search engine Baidu released the “2019 Statistics Report on 11.11 Global Shopping Festival”. It states that level of interest from Baidu’s users towards the festival has grown over the past 11 years, while the growth has stabilized. The post-90s generation has become the major shoppers. The level of interest towards the festival from residents in tier-1, tier-2 and tier-3 cities has grown by 30%, 35% and 70% respectively. Major e-commerce players Taobao and JD.com focused their sales efforts in tier-3 cities this year. The ten most popular platforms in this year’s 11.11 Global Shopping Festival were: Taobao, Tmall, JD.com. Pinduoduo, Suning, Xiaomi online store, Vipshop, Dangdang, Xiaohongshu and NetEase Yanxuan[3].

Tmall launches "instant delivery" for pre-sale products for 11.11 Global Shopping Festival

Tmall launched "instant delivery" for pre-sale products for 11.11 Global Shopping Festival – over 90% of the parcels can be delivered on the same day or the day after. This year, some pre-sale products are already packed in parcels and sent to “store-front” warehouses to shorten the distance of delivery (within 10km), greatly alleviating the pressures of pick-and-pack, transportation and distribution during the shopping festival[4].

Alibaba Group confirms secondary listing on HKEX

On 13 November, Alibaba Group Holding issued a document via the Hong Kong stock exchange (HKEX) that contained few new public details on its secondary listing. According to media reports, the secondary listing is likely to take place on 25 November and raise approximately US$15 billion; the share price is expected to be determined on 20 November. According to Alibaba, the IPO proceedings will be used to fund the expansion of its consumer base and increase customer participation[5].

Tencent's 3Q19 total revenues up 21% yoy; DAU for WeChat Mini Programs exceeds 300 million

On 13 November, Tencent released the financial report for 3Q19. In 3Q19, total revenues amounted to 97,236 million yuan, up 21% yoy. Operating profit was 25,827 million yuan, a decrease of 7% yoy. Profit attributable to equity holders of the company for 3Q19 was 20,382 million yuan, a decrease of 13% yoy. As of 30 September 2019, monthly active user accounts (MAU) of QQ was 731 million, down 8.9% yoy. Combined MAU of Weixin and WeChat were 1,151.0 million, up 6.3% yoy. Daily active user accounts (DAU) for WeChat Mini Programs exceeded 300 million[6].

Vipshop's total net revenue reaches 19.6 billion yuan in 3Q19; the number of active customers goes up by 21% yoy

On 13 November, Vipshop announced its unaudited financial results for 3Q19. Total net revenue for this period increased by 10.0% yoy to 19.6 billion yuan. The online retailer has been making profits for 28 consecutive periods. Total orders for 3Q19 increased by 33% yoy to 127.6 million from 95.7 million in the prior year period. The number of active customers for 3Q19 also increased by 21% yoy to 32 million[7].

Suning.com launches family membership program; enjoys 12 exclusive benefits

On 10 Nov, Suning.com launched its family membership program "Super Family". Super Family is the upgrade version of Suning.com's basic membership program, with 12 added functions such as "Super Box", free admission to parent-child playground, free movies, free financial analysis and free parking. Super Family is reportedly one of the major initiatives of Suning's "full scene retail" plan, aiming to satisfy the diverse and imminent needs of consumers and meeting their needs for clothing, food, accommodation and transportation. Currently, the annual membership fee for Super Family is 365 yuan[8].

Pinduoduo to nurture over 100 imported brands with annual sales of more than 10 million yuan in next three years

On 7 November, Pinduoduo's cross-border e-commerce unit spokesperson expressed at the China International Import Expo (CIIE) that in the next three years, Pinduoduo will introduce 10,000 world-class international brands and nurture over 100 imported brands with annual sales of more than 10 million yuan, aiming to generate over 200 billion sales annually from its cross-border e-commerce business which focuses on cross-border direct mail services and bonded goods. It is reported that during the CIIE, Pinduoduo, Shanghai Gaoqiao Free Trade Zone and China Post jointly launched a one-stop market entry solution called "Jin bobao" for foreign brands and retailers, aiming to help world-class international brands swiftly reach out to 500 million new customers in China[9].

Retail logistics

Alibaba invests 23.3 billion yuan to raise stake in logistics unit Cainiao

On 8 November, Alibaba announced to invest an additional 23.3 billion yuan to raise its equity stake in its logistics affiliate Cainiao Smart Logistics Network to 63% from 51%. Alibaba said it will subscribe newly issued Cainiao shares in its latest financing round and also purchase equity interest from a certain, unnamed Cainiao shareholder. In September 2017, Alibaba bumped its stake in Cainiao to 51% from 47% with 5.3 billion yuan, and at the time committed to spend more than 100 billion yuan to expand the logistics business over five years[10].

Department stores and shopping malls

China Index Academy: Rents of 100 shopping malls in medium-sized and small cities rise by 1.52% yoy

On 11 November, the China Index Academy released the “2019 Report on the Development of Commercial Property in Medium-sized and Small Cities in China”. The report finds that that the rent of key shopping malls in those cities has remained stable and grew by 1.52% yoy in 2019. Average rent was 6.5 yuan per sqm per day. It is expected that the rent level in shopping malls in those cities will remain stable in the near future[11].

Rainbow Group’s 11.11 Global Shopping Festival sales go up by 68% yoy

Rainbow Group’s online sales during the 11.11 Global Shopping Festival broke record as total sales and number of orders increased by 68% yoy and 90% yoy respectively on 11 November 2019. For its offline supermarket business, sales share of “Rainbow Daojia”, Rainbow’s home delivery service, went up by 24% compared with that of the same period last year. The average price per order made through Rainbow Daojia’s WeChat Mini Program also jumped 70%. For its department store business, the total number of online orders and sales generated by its 86 department stores on 11 November 2019 surged by 382% and 310% respectively[12].

Supermarkets and hypermarkets

Yonghui Supermarket works with No. 1 Australian supermarket Woolworths

On 7 November, Yonghui Supermarket signed cooperation agreement with Woolworths, the largest supermarket in Australia, at the second China International Import Expo (CIIE) such that Yonghui will become Woolworths’ first offline retail partner in China. Both companies will launch a number of projects shortly. It is reported that Woolworths’ products and some other Australian goods will be available on Yonghui’s online app “Yonghui Maicai” and in offline stores by upcoming Chinese New Year[13].

Freshippo vows to source customized products for Chinese consumers at CIIE

During the second China International Import Expo (CIIE), Freshippo signed cooperation agreements with the Italian trade promotion body, New Zealand Zespri and Dole Food. It also reached intention of cooperation with vendors from over twenty countries including

Australia and France. Through the CIIE, Freshippo has turned imported goods into its own brands by sourcing customized products for Chinese consumers. It shows that the prosperous domestic market has caused huge shifts in China's import trade landscape[14].

Apparel

MIIT: Apparel companies above designated size record sales growth of 1.5% yoy in the first nine months of 2019

On 11 November, the Ministry of Industry and Information Technology (MIIT) announced that the number of apparel companies above designated size reached 13,702 in January to September 2019, with accumulated sales increased by 1.5% yoy to 1,208.5 billion yuan, and net profit amounted to 62.6 billion yuan, down 1.6% yoy. Apparel companies above designated size produced a total of 18.3 billion garments in the first nine months of the year, down 1.3% yoy; China's apparel export value decreased by 4.5% yoy to US$114.3 billion[15].

Decathlon unveils stock-taking robot at CIIE; aims to promote to the whole country in 2020

On 7 November, French sporting goods retailer Decathlon unveiled "DE-BAO", the first stock-taking robot combining RFID and AI technology, at the second China International Import Expo (CIIE). Developed by Decathlon, "DE-BAO" can perform automatic inventory counting in store outlets. The robot is still undergoing testing. Decathlon plans to make further investments and deploy the robot to 21 outlets in Shanghai by end of 2019. It aims to promote it nationwide by 2020[16].

Etailor raises 10 million yuan of funding from China Merchants Bank for offline expansion

Etailor (also known as Egaiyi), a high-end cloth alteration and tailor-made clothing online platform, has recently completed a series of fund raising from the China Merchants Bank. It will use the financial resources to accelerate online and offline integration of cloth alteration services. It also seeks to upgrade in three areas: 1) to increase services points to 100 cities by 2020; 2) to replicate the central production model and set up factories in Northwest, Central China and South China such that production capacity can be boosted; and 3) to expand value-added services for members, including high-end clothing customization, and repairing and caring services for luxury leather goods, which are already underway[17].

Cosmetics

iiMedia: Market size of China's cosmetics market to reach 425.6 billion yuan in 2019

Recently, iiMedia Research released the "Report on China Cosmetics E-Commerce Industry Development and Investment Strategy Analysis, 2019-2024". The report shows that during 2012-2018, China's cosmetics market achieved steady growth with a CAGR of 8.0%. It is expected that the market size of China's cosmetics market will reach 425.6 billion yuan in 2019. Majority of the transaction was completed via online channels - the online shopping penetration of cosmetics rose from 53.4% in 2014 to 74.2% in 2018. Netizens in Guangdong concerned the most about cosmetics-related information, followed by netizens in Zhejiang and Shandong[18].

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