



China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Teresa Lam

Vice President

E: teresalam@fung1937.com

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com



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Retail in General

NBS: Total retail sales of consumer goods up by 8.6% yoy in October 2018

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,553.4 billion yuan in October 2018, up nominally by 8.6% yoy, and 5.6% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,247.9 billion yuan, up by 3.7% yoy. By type of consumption, in October 2018, catering sales amounted to 400.6 billion yuan, increased by 8.8% yoy. Retail sales of commodities amounted to 3,152.8 billion yuan, up by 8.5% yoy. In January – October 2018, online retail sales grew 25.5% yoy to 7,053.9 billion yuan. Of which, online retail sales of physical goods increased 26.7% yoy to 5,414.1 billion yuan, accounting for 17.5% of total retail sales¹.

E-commerce

Results of 11.11 Global Shopping Festival in 2018

Alibaba: Alibaba reported 213.5 billion yuan (US\$ 30.8 billion) in GMV in 2018 compared to the 168.3 billion yuan (US\$ 25.3 billion) last year, up 26.93% yoy. Over 1 billion delivery orders were processed by Cainiao. 237 brands topped RMB100 million in GMV. 60.3% of the payment were made by finger vein-recognition payment and face-recognition payment².

JD.com: During 1-11 November, JD.com reported a record high GMV of 159.8 billion yuan, up 25.7% yoy. 90% of the delivery orders were completed on the same day or on the next day after customer placing their orders. Provinces with the most number of orders were Guangdong, Beijing, Jiangsu,

Zhejiang and Shandong³.

Suning.com: During 1-11 November, Suning.com recorded 132% yoy sales growth in all of its retail channels. 1,666 Suning Cloud Stores participated in the event with a yoy sales growth of 3,308%; 2,400 Suning.com Direct-sales Stores participated and recorded a yoy sales growth of 84%; orders made on Suning Xiaodian increased tenfold compared to normal days. Orders made on Suning Group Buying platform exceeded 80 million⁴.

VIP.com: VIP.com received over 10 million orders during the 24-hour 11.11 Global Shopping Festival. Facial mask, skin care sets and women's boots were the most popular items. Over 550,000 orders were made via VIP.com's WeChat Mini Program. Residents in Chengdu, Wuhan, Beijing, Guangzhou and Shanghai made the most number of orders⁵.

Netease Kaola: GMV on Netease Kaola during the 11.11 Global Shopping Festival in 2018 was 2.4 times higher than in 2017. Beauty products ranked the first among all categories, while healthcare products and personal care products exceeded maternity and baby products⁶.

Xiaomi: Xiaomi recorded sales of 5.251 billion yuan in all of its retail channels, exceeding the sales it made on Tmall last year (2.464 billion yuan). Xiaomi's AI and IoT products remained the most popular items during the event⁷.

Pinduoduo: At 9 hours and 25 minutes into the sale, total GMV of Pinduoduo surpassed the total for the 24-hour sale in 2017. Number of logistics orders increased over 300% yoy; number of orders for agricultural products exceed 40 million. Pinduoduo held the event during 11-16 November⁸.

Tmall: Residents in Guangdong, Zhejiang and Jiangsu province spend the most during 11.11 Global Shopping Festival

According to Tmall, residents in Guangdong, Zhejiang and Jiangsu province spent the most during the 11.11 Global Shopping Festival, with GMV generated in Guangdong reaching 25.339 billion yuan, up 25% yoy. By city, Shanghai, Beijing, Hangzhou, Guangzhou, Shenzhen, Chengdu, Chongqing, Wuhan, Suzhou, and Nanjing were the top 10 cities with the highest GMV⁹.

Tencent's total revenue up 24% yoy to reach 80,595 million yuan in 3Q18

On 14 November, Tencent announced its financial results for 3Q18. In 3Q18, total revenues amounted to 80,595 million yuan, up 24% yoy. Operating profit was 27,891 million yuan, up 22% yoy. As of 30 September, 2018, combined monthly active user accounts (MAU) of Weixin and WeChat were 1,082.5 million, up 10.5% yoy. Tencent has maintained leadership position in China's mobile payment market with daily transaction volume increased over 50% yoy; of which offline daily commercial payment transaction volume increased over 200% yoy¹⁰.

Vipshop's net revenue up 16.4% yoy to reach 17.8 billion yuan in 3Q18

On 15 November, Vipshop Holdings Limited announced its unaudited financial results for 3Q18. The results showed that Vipshop's total net revenue in 3Q18 increased by 16.4% yoy to 17.8 billion yuan and the number of total orders increased by 29% yoy to 95.7 million. The net income attributable to shareholders was 228.7 million yuan. The number of active customers increased by 11% yoy to 26.5 million, and around 85% of customers during this quarter were repeat customers, and 96% of orders were placed by them. As of 30

September, approximately 2.3 million customers enrolled in Vipshop's Super VIP Paid Membership Program, representing a 21% increase qoq¹¹.

JD.com opens first futuristic unmanned restaurant in Tianjin

On 10 November, JD.com opened its first futuristic unmanned restaurant in Tianjin. With an area of nearly 400 sqm, the restaurant can accommodate up to 100 diners, and the AI-driven system oversees the whole restaurant operation, including order-taking, food ingredients preparation, cooking, serving, and payment¹².

Mogu seeks US\$200 million IPO in the U.S.

On 9 November, Mogu has filed its IPO application to the U.S. Securities and Exchange Commission (SEC). According to its IPO prospectus, the company plans to list on the New York Stock Exchange (NYSE), raising up to US\$200 million. It is reported that the company will be traded with "MOGU" as its stock code in the U.S. The company's businesses include Mogujie, Meilishuo and Uni. For the first half of fiscal year 2019 (1 April 2018 - 30 November 2018), Mogu's operating income amounted to 489 million yuan, up 1.9% yoy; net loss was 303 million yuan, compared to 428 million yuan from the same period last year. For the year ended 31 March 2018, Mogu's GMV reached 14.7 billion yuan, up 24.6% yoy¹³.

Meitu to close its self-operated e-commerce platform

On 14 November, Meitu's self-operated e-commerce unit announced that the company will cease to operate its online beauty platform Meipu from 30 November 2018 due to business restructuring. The platform will stop

offering products, operating stores and performing transactions¹⁴.

Retail logistics

SPB: Express delivery companies handle 416 million parcels on 11 November

The State Post Bureau of the PRC (SPB) revealed that on 11 November, China's major e-commerce companies generated 1.352 billion orders throughout the day, up 25.12% yoy. All of the express delivery companies together handled 416 million parcels on the day, up 25.68% yoy and hit a record high. It is estimated that during 11-16 November, the volume of parcels handled by the whole industry will exceed 1.87 billion pieces, up 25% yoy¹⁵.

JD Logistics teams up with DHL, Kerry Logistics, Yusen Logistics in Thailand

JD Logistics's Smart Fulfillment Platform has recently entered into partnership three major logistics companies – Kerry Logistics, DHL and Yusen Logistics – in Thailand. The partnership enables JD Logistics to integrate its logistics services with those of the three carriers to go through trials prepared for peak season order fulfillment, aiming to provide more reliable, faster and more comprehensive delivery services for consumers outside of Bangkok¹⁶.

Department stores and shopping malls

Intime Department Store sees sales of 59 stores nationwide increase 37% yoy during 11.11 Shopping Festival

Intime Department Store announced that

during the period of 1-11 November, sales of its 59 stores nationwide increased by 37% yoy, and same-store sales increased by 36.7% yoy. Sales of 13 stores including Hangzhou Wulin Store, Hangzhou West Lake Store, and Wenzhou World Trade Center reached record high during the 11.11 Shopping Festival this year; the number of active digital members exceeded 4.5 million, up 2.25 times compared to the same period last year¹⁷.

29 new outlet malls open in 1-3Q18

According to Data Quest China, in 1-3Q18, there were a total of 29 new outlet malls opened nationwide, down significant from 38 new outlet malls in 1-3Q17. The new outlet malls occupy 1.49 million sqm of commercial area, representing a drop of almost 50% from 3.26 million sqm in the same period last year, and 2.07 million sqm in the same period of 2016¹⁸.

Supermarkets and hypermarkets

Walmart China being the first large-scale retailer to connect with blockchain electronic invoicing platform

On 8 November, Walmart China announced that it was the first large-scale retail enterprise to connect with the Shenzhen City Blockchain electronic invoicing platform. The Shenzhen blockchain electronic invoice platform is reportedly the first project jointly created by the Shenzhen Tax Bureau and the "Zhishui" Innovation Lab established by Tencent. Both Walmart and Tencent pointed out that the biggest advantage of using blockchain is that information transmission is more transparent, traceable, and cannot be changed. This can avoid fake invoices and improve the overall

invoice supervision process¹⁹.

First batch of Gome-Carrefour's shops-in-shops launch in 11 Carrefour stores

On 9 November, the first batch of shops-in-shops – jointly created by Gome and Carrefour – were launched in 11 Carrefour stores in Beijing, Shanghai, Wuxi and Hangzhou. The stores sell mainly large home appliances, consumer electronics, and smart products. The stores also adopt O2O model – consumers can search and purchase products on online platform while shopping in the physical stores²⁰.

Sam's Club introduces "premium membership" in China

Sam's Club has recently introduced premium membership package in China, the first time that the company classifies its members into different types in order to provide them differentiated products and services. In addition to enjoying the same benefits as basic members, premium members are also entitled to cash coupons on qualifying purchases, high-end dental services, personal services, free shipping services on online orders, etc. Customers can choose to sign up basic membership or premium membership based on their needs. The launch of premium membership is an important milestone for Sam's Club membership business in China since its entry into the country over 20 years ago. It also implies that there is an increasing demand for high-quality products and services among Chinese consumers and the Chinese retail market is accelerating its move into precise marketing and differentiation²¹.

Yonghui Superstores adjusts store expansion plans for YH Super Species and Yonghui Life

Yonghui Superstores announced that it will

adjust the store expansion plans for Yonghui Life and YH Super Species. It is reported that there are great pressures on the completion of opening 1,000 Yonghui Life stores as planned and while for YH Super Species, Yonghui will adjust its plan from opening 100 new stores during the year to having a total of 100 stores. In Yonghui's 2017 annual report, Yonghui Superstores stated that it plans to open 135 Bravo stores, 100 YH Super Species stores, and 1,000 Yonghui Life stores. According to Yonghui's 3Q18 annual report, the company has opened 137 stores of Yonghui Life and 10 stores of YH Super Species; and franchised 138 stores of Yonghui Life and 19 stores of YH Super Species²².

Suguo officially launches WeChat store "SG Best"

On 12 November, Suguo officially launched its new social e-commerce platform "SG Best" on WeChat after nearly one month of pilot run. Targeting customers aged 20 to 50 who look for quality products, the platform is reportedly positioned itself as "global quality life preferred platform" and provides goods including food, fresh produce, beauty products, personal care and other FMCG products through WeChat, group buying, flash sale, etc. At present, there are more than 500 kinds of products available on the platform, of which 80% are overseas products and 15% are domestic fresh products. In the future, the platform will further introduce products including maternity and kids products, household electronic appliances after building up reputation and stabilizing platform traffic²³.

Kids products

Alibaba to increase stake in Babytree

Alibaba, currently a strategic shareholder of

local online parenting portal Babytree with a 9.9% stake in the company, has decided to exercise its anti-dilution rights to raise its stake in Babytree through further acquiring the company's IPO shares, as a way to provide substantial support to the company. Babytree went public in Hong Kong in June 2018. According to its IPO prospectus, Babytree's operating income for the past three years reached 200 million yuan, 509 million yuan and 729 million yuan respectively, while annual loss for the period amounted to 286 million yuan, 934 million yuan and 911 million yuan respectively²⁴.

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