

“New Retail” in Action – Issue 17

Carrefour Le Marché – The first smart store of Carrefour

Asia Distribution and Retail

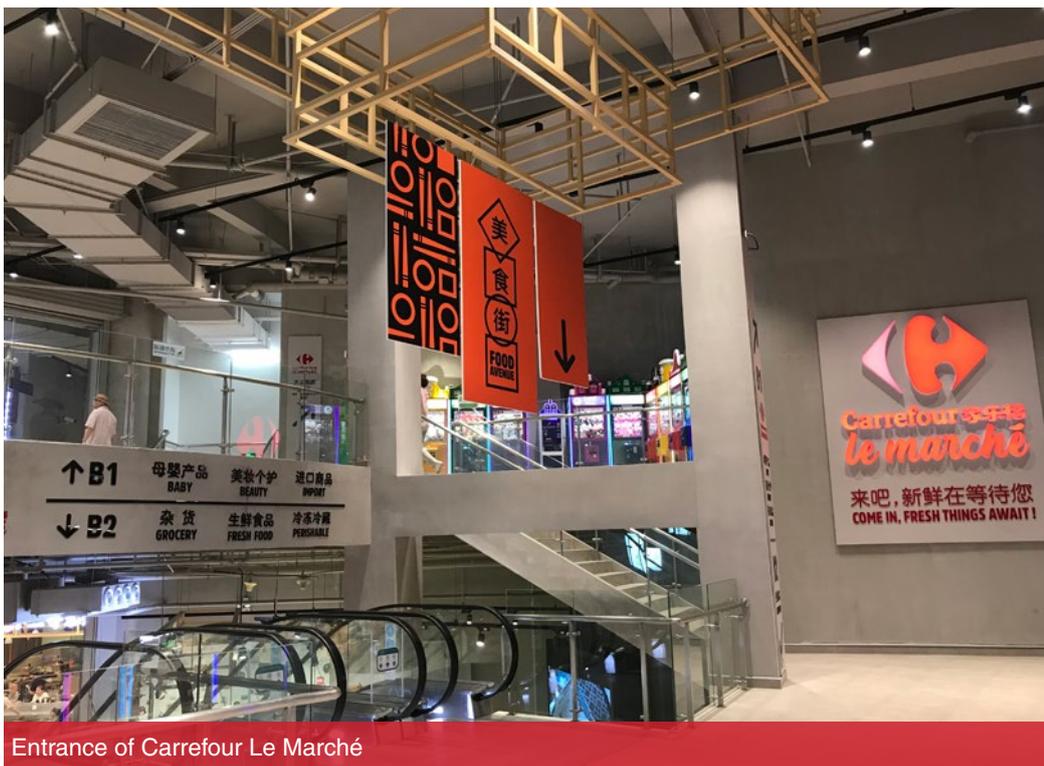
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June 2018

Background

Carrefour China launched its first Carrefour Le Marché smart store in Shanghai on 20 May, 2018. Carrefour Le Marché is a supermarket focusing on imported goods and private labels, restaurants and fresh food. It is Carrefour's first global initiative in smart retail. Partnering with Tencent, Carrefour Le Marché is equipped with a number of “black technologies” such as “Scan and Go” payment service, facial recognition payment system, self-checkout counters, electronic tags and other interactive entertainment facilities.

Fung Business Intelligence visited Carrefour Le Marché in early June. This article covers some observations of our store visit. It also includes our views on Carrefour's latest strategy to “go smart” and “go small”.



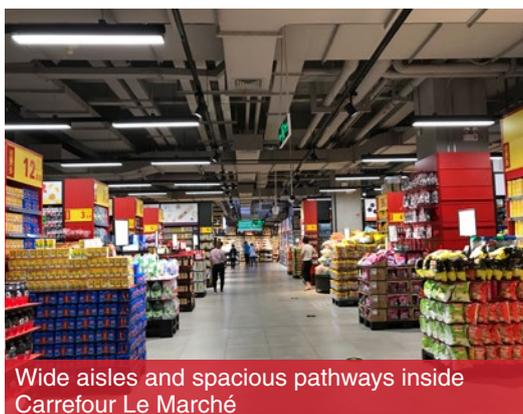
Entrance of Carrefour Le Marché

Photo source: Fung Business Intelligence

Store visit and observations

Fung Business Intelligence visited Carrefour Le Marché on a weekday afternoon in June 2018. Located near a residential area at Pusong North Road in Shanghai, Carrefour Le Marché is connected to the Beixinjing station on Line 2 of Shanghai Metro. With an area of around 4,000 sqm spreading over two levels, Carrefour Le Marché is about half the size of a regular Carrefour hypermarket. Different from the regular hypermarket, the store atmosphere of Le Marché is more comfortable with warm lights and wider aisles.

Foot traffic was not high at the time we visited the store; only a few customers walking around, most of them were housewives and elderly people. Level B1 offers mainly imported goods, beauty products, baby products and home products and home electronics. Grocery products, fresh food and restaurants are found on Level B2. As reported, there are more than 25,000 SKUs in the store. Food accounts for around 80% of the total product offerings. Customers can buy products from more common brands as well as some niche brands. As observed, the proportion of imported goods is much higher in Carrefour Le Marché than in its other regular hypermarkets. There is a designated area of around 300 sqm for imported goods, selling mostly food and beverages, as well as personal care and cosmetics products. Imported goods accounted for around 20% of the total product offerings. Besides, there are more than 1,000 SKUs of private labels in Carrefour Le Marché, mainly food products ranging from beverages to snacks and jams.



Wide aisles and spacious pathways inside Carrefour Le Marché

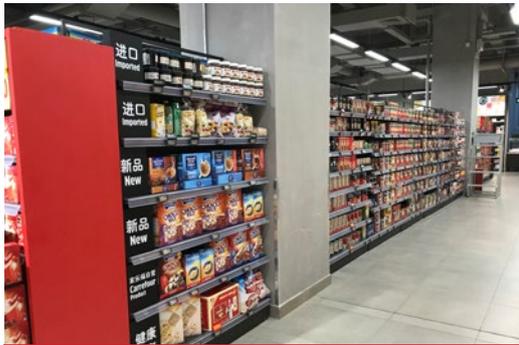


Housewives and elderly people shop around in Carrefour Le Marché

Photo source: Fung Business Intelligence



Private labels section



Imported goods section



Home electronics section

Photo source: Fung Business Intelligence

Around 700 sqm of the floor area is assigned for catering and resting purpose. Restaurants and café, together with a large self-service catering area are located on Level B2. Customers can purchase fresh seafood and have them cooked in the food booths; they can consumer on-the-spot in the dinning space or choose to take away the food. Customers can also purchase ready-to-eat food in the Le Marché Food Avenue. The booths offer Chinese cuisine, Japanese cuisine, as well as western cuisine. It is reported that all booths are self-operated by Carrefour.



Dining area



On-site cooking service for crayfish



Seafood section



Free WiFi service is available in-store



Café

Photo source: Fung Business Intelligence

“Black technologies”

Supported by Tencent, Carrefour Le Marché adopts various “black technologies” in-store, including “Scan and Go” service, facial recognition payment system, self-checkout counters and electronic tags. According to Carrefour, Tencent also helps manage its 30 million members in China. For instance, it pushes personalized advertisements to individual Carrefour members and attracts them to visit the store and make purchases.

“Scan and Go” payment service

For any item in the store, customers can scan the price label or product barcode with Carrefour’s mini program in WeChat, and add it to the E-trolley. When the customers finish shopping, they can choose to pay online via WeChat Pay and go through a designated passageway to “scan and go”. During our visit, we saw a staff standing at the entrance of the passageway to check customers’ electronic receipts to ensure that payments have been completed.



Promotional signage and banner for “Scan and Go” payment service

Photo source: Fung Business Intelligence



Customers are scanning the products and using "Scan and Go" payment



Customers can go through a designated passageway to "scan and go" after payment



Staff members standing at the entrance of the passageway to check customers' electronic receipts

Photo source: Fung Business Intelligence



"Scan and Go" function on Carrefour's WeChat mini program



Each item has a unique product barcode



Electronic receipt is generated after completing "Scan and Go" payment

Photo source: Fung Business Intelligence

Facial recognition payment system

In Carrefour Le Marché, customers can also use facial recognition payment for check-out. Customers have to scan their face and register through WeChat Pay before using the facial recognition payment system. When customers finish shopping, they can just smile to the camera to complete the payment process. It is noteworthy that the facial recognition payment registration currently is open for Chinese residents only.



Facial recognition payment counters



Registration for facial recognition payment can be done via WeChat

Photo source: Fung Business Intelligence, Tencent

Self-checkout counters



Self-checkout counter

Photo source: Fung Business Intelligence

Apart from the normal checkout cashiers, Carrefour Le Marché has added some self-checkout counters on both floors to help speed up the checkout process. During our visit, we saw quite a number of customers opted for the self-checkout service; there were some on-site staff assisting customers to check-out.

Electronic tags

Carrefour Le Marché adopts an electronic label system. Product prices are centrally set and managed by the system, which can avoid misleading price information caused by unclear, torn, and misplaced labels.

Omni-channel initiatives

Similar to other regular Carrefour supermarkets, Carrefour Le Marché offers omni-channel shopping experience for customers. Carrefour Le Marché has participated in the “ship from store” initiative of Carrefour – customers can place order via Carrefour’s online store; and the goods purchased will be delivered from the store to customers living within a 3-km distance in one hour. Free delivery is provided for orders over 188 yuan. Besides, Carrefour Le Marché is also connected with food delivery platforms Eleme and Meituan to further improve its delivery service; as reported, it will soon connect also with JD Daojia, the on-demand delivery platform of JD.com.



Photo source: Carrefour

Interactive entertainment facilities



Photo source: Fung Business Intelligence

Carrefour Le Marché also features some in-store interactive entertainment facilities such as a large TV screen for children to play augmented reality games.

Comments from Fung Business Intelligence

- Carrefour Le Marché is the first smart retail store of Carrefour globally; it is also the company's first retail format co-launched with Tencent. Fung Business Intelligence believes that it is a right attempt for Carrefour to trial a new business format so as to provide better experience for customers. Moreover, by offering a large product choice of unique imported goods and private labels, Carrefour Le Marché can better suit the needs of the increasingly sophisticated consumers who demand for high-quality and unique products. Indeed, Carrefour's global procurement capabilities enable the company to offer a wide range of unique overseas products to Chinese customers.
- In our view, Carrefour is rather a latecomer in the smart retail race. Competitors such as Alibaba's Hema Xiansheng and Yonghui Superstores's YH Super Species have started to operate similar supermarkets since 2016 and expanded rapidly in 2017 and first half of 2018. As of May 2018, Hema Xiansheng has 46 stores in China, while YH Super Species has 44 stores as of June 2018. Thus, it would be quite a challenge for Le Marché to catch up with the comparatively more established market players.
- Carrefour Le Marché's "Scan and Go" payment service is certainly a new digital innovation in the market; however, currently it still needs staff members to station at the "Scan and Go" passageway to check customers' electronic receipts. It may take some time to see how this new technology works. Similar to other smart stores, the profitability of such new store format remains questionable. The installation and maintenance costs of the "black technologies" are very high and it may be difficult for the company to get a decent return on investment in a short period of time. This is especially the case for hypermarket operators such as Carrefour as they focus on selling low-margin fast moving consumer goods. By contrast, Hema Xiansheng focuses more on fresh seafood and catering service, allowing the company to yield higher margins.
- Indeed, Carrefour China has been actively carrying out format revamp over recent years to seek new breakthroughs and compete with the burgeoning local players. Back in 2014, it opened its first convenience store "Carrefour Easy" in Shanghai; since then, it has continued to expand its store network in eastern China. As of January 2018, there are 39 "Carrefour Easy" stores in Shanghai and Wuxi. We believe the opening of Carrefour Le Marché marked another significant milestone for the company to seek new ways of doing business.

- In recent years, some leading Internet players have invested in local supermarkets and hypermarkets to expand offline and roll out their “New Retail” initiatives. Selected examples include Alibaba’s US\$2.88 billion investment in RT-Mart in November 2017¹, and the team up of Tencent and JD.com to buy a minority stake in Better Life Group in February 2018². Going forward, we expect to see more partnerships between leading Internet players and supermarket/hypermarket operators as this is a fast and relatively easy way to achieve better online and offline integration.

¹ In November 2017, Alibaba Group announced that it would invest US\$2.88 billion for a 36% stake of Sun Art Retail Group, which operate nearly 400 hypermarkets under the Auchan and RT-Mart banners.

² In February 2018, according to a filing to the Shenzhen stock exchange made by Better Life Group, Tencent paid US\$140 million for a 6% stake, while JD.com took a 5% stake for US\$117 million in Better Life Group. Better Life Group operates 592 hypermarkets and department stores in 2017, mainly in Central China.

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