



BRICKS-AND-MORTAR REVOLUTION

By Rhiannon McGregor

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Retail : China : Phygital

China – Despite the rise of e-commerce, forward-thinking department stores in China are prospering, according to a new report.

: The report by Fung Business Intelligence (FBIC Group) analysed the financial reports from 85 domestic department stores and surveyed more than 60 department store operators

: Cross-sector partnerships are opening up new opportunities

: Some progressive department stores have formed alliances with the country's leading internet brands

The recently published **China's Department Stores Report 2016** found that despite an overall slowdown in sales, with 55.3% of those sampled experiencing a fall in sales revenue in 2016, many department store retailers have demonstrated their ability to prosper through shrewd collaborations, marking a shift towards a greater convergence of online and offline retail.

At the beginning of 2017, Bailian Group, one of the the country's largest department store operators, announced a partnership with e-commerce site Alibaba, enabling it to benefit from new opportunities in a bricks-and-mortar environment.

Although Bailian had already launched its own e-commerce platform, known as iBailian, it was unable to attract significant traffic on its own, but through a partnership with Alibaba it has been able to use the e-commerce giant's traffic sources, as well as its big data and logistics capabilities. Of the 85 department stores surveyed, 50% indicated that they had already begun to implement an online-to-offline (O2O) strategy and 32.1% said they planned to do so in the future.

In 2016, these bricks-and-mortar institutions have been engaging in e-commerce as a fundamental part of their wider brand strategy, with 75.9% reporting that they had created their own transactional website. One brand cited in the report as leading the way in O2O is Wangfujing Group, which has recently created an O2O hub by amalgamating its offline marketing department with its e-commerce company and O2O project team.

The Big Picture

As shown at [Retail Week Live 2017](#), China is a rapidly expanding consumer market, and while e-commerce continues to grow exponentially, bricks-and-mortar brands that successfully integrate an online-to-offline strategy can reap the rewards.