

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in General p2

- MOFCOM releases “Review and Prospects of China’s Domestic Trade Development 2017”
- CCFA announces “2017 Top 100 Franchise Businesses in China”

E-commerce p3

- MOFCOM: Online retail sales of physical goods contributes more than 37% of total retail sales of consumer goods in 2017
- Xiao Hong Shu raises US\$300 million from investors led by Alibaba
- CBEC platform Netease Kaola Haigou changes name to Netease Kaola and repositions as an integrated e-commerce platform
- CBEC player Aomygod upgrades its physical store

E-commerce logistics p4

- Cainiao forms US\$1.5 billion JV to invest in logistics center in Hong Kong
- Cainiao and RoboSense announce world’s first solid-state LiDAR unmanned logistics vehicle
- Cainiao launches “one-minute delivery service” for Tmall’s 6.18 shopping festival, covering 30 provinces across the country
- Cainiao launches smart pick-up tower during Tmall’s 6.18 shopping festival
- JD Logistics shortens delivery time of direct mail for CBEC to 3.9 days

Department stores and shopping malls p5

- Parkson launches Parkson Beauty in Changsha

Supermarkets and hypermarkets p5

- RT-Mart and Hema Xiansheng jointly launch medium-sized supermarket “Hexiaoma” in Suzhou
- Carrefour online marketplace is now available in Chongqing
- Wumart opens new supermarket brand “New Mart” in Beijing
- Walmart China and Tencent reach in-depth strategic cooperation

Kids products p6

- Babytree receives funding from Alibaba

Consumer electronics p7

- Suguo joins hand with Brookstone to open first Xiaomi store in supermarket
- Xiaomi’s largest Mi Home flagship store in China to open in Nanjing on 16 June
- Better Life and JD.com to jointly open the first Songde-JD Home store on 16 June

Home products p7

- MUJI opens online flagship store on JD.com and launches self-operated shopping app

Luxury sector p8

- Italian jewelry brand Rebecca opens on Tmall

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Retail in general



MOFCOM releases “Review and Prospects of China's Domestic Trade Development 2017”

On 3 June, the Ministry of Commerce (MOFCOM) released the “Review and Prospects of China's Domestic Trade Development 2017” and highlighted the following five features on the development of domestic trade:

1. Innovation
 - Innovation in concepts: New concepts such as “new retail”, “boundless retail” and smart retailing lead the innovation and development of domestic trade.
 - Innovation in technologies: Internet of Things (IoT), big data, cloud computing, virtual reality, and artificial intelligence (AI) are transforming the retail sector.
 - Innovation in business models: New business models such as fresh food O2O supermarkets and social e-commerce platforms evolve.
2. Integration
 - Integration of domestic and foreign trade: Facilitated by the rapid development of new trade models such as cross-border e-commerce.
 - Online and offline integration: Facilitated by the omni-channel strategies of large enterprises such as Alibaba, JD.com and Suning, as well as the rapid development of “Internet + lifestyle services”.
 - Cross-sector integration: Facilitated by the initiatives of local governments to promote the integrated development of commerce, tourism, culture, and sports,

etc.

3. “Smart” development
 - Smart cities: Local governments push forward the development of smart cities to enhance consumer’ shopping experience.
 - Smart stores: Various e-commerce platform operators launch smart stores and unmanned stores that are equipped with self-checkout facilities, face recognition system, robots, smart shopping carts, etc.
 - Smart lifestyle: Emergence of new retail formats and business models for lifestyle services.
 - Smart logistics: Driven by the application of the Internet of Things (IoT), big data, cloud computing, artificial intelligence, as well as facilities such as drones, unmanned vehicles, and unmanned warehouse in the commercial and logistic industries.
4. Coordinated development
 - Integration of urban and rural areas; accelerated regional cooperation and industry cooperation.
5. Green development
 - The rapid development of green circulation strategy will guide green manufacturing and green consumption.

The MOFCOM expects the domestic trade sector to continue to maintain its steady growth momentum in 2018, and play a more critical role in guiding production, promoting consumption, creating employment, and stabilizing economic growth. It is estimated that the total retail sales of consumer goods will increase by about 10% yoy in 2018; online retail sales will increase by about 30% yoy; and the contribution of consumption to GDP growth will be stabilize at over 60%.

Consumption will continue to be the largest driving force of China's economic growth¹.

CCFA announces "2017 Top 100 Franchise Businesses in China"

China Chain Store and Franchise Association (CCFA) announced the list of "2017 Top 100 Franchise Businesses in China". Total sales of the Top 100 franchise businesses amounted to around 330 billion yuan, up 13% yoy. The number of stores reached 160,000 in 2017, up 11% yoy; 120,000 of which were operated by their franchisees, up 12% yoy. The growth for both sales and number of stores was slower than that in 2016. In 2017, the "Development Index of Top 100 Franchise Businesses in China" was 108, 5 percentage points lower than that in 2016².

E-commerce

MOFCOM: Online retail sales of physical goods contributes more than 37% of total retail sales of consumer goods in 2017

At a regular press conference of the Ministry of Commerce (MOFCOM) on 7 June, the MOFCOM spokesman Gao Feng revealed that online retail sales of physical goods contributed more than 37% of the total retail sales of consumer goods in 2017. The rapid growth of online retail market in China has become a major growth driver in China's consumption market and an accelerator of the transformation and upgrade of China's retail industry. Gao Feng highlighted the following trends in China's online retail market:

1. Diversification of retail formats – new models such as social commerce, e-commerce facilitated by livestreaming, and unmanned stores have become

2. new consumption hotspots.
2. Globalization of demand and supply – online retailing helps rural residents buy products easily and helps rural produce to sell nationally. Cross-border e-commerce also help Chinese residents buy overseas products more conveniently.
3. Coordinated regional development – online retailing facilitates the coordinated development of urban and rural consumption, as well as the development of consumption markets in Eastern and Central and Western China.
4. Improved quality of service – retail logistics and after-sale services for online retailing are improving continuously³.

Xiao Hong Shu raises US\$300 million from investors led by Alibaba

On 1 June, Chinese social commerce player Xiao Hong Shu (aka "Red") completed an Alibaba-led financing round, raising more than US\$300 million with a valuation in excess of US\$3 billion. Some of the other notable backers include GSP Ventures, Tencent Investment, GGV Capital, Genesis Capital, Tiantu Capital, Zhen Fund and K11's Adrian Cheng. It is reported that the new funds would be used to support talent acquisition, machine learning infrastructure and user growth. Founded in 2013, Xiao Hong Shu has more than 100 million users as of May 2018⁴.

CBEC platform Netease Kaola Haigou changes name to Netease Kaola and repositions as an integrated e-commerce platform

Recently, Netease's cross-border e-commerce (CBEC) arm Netease Kaola Haigou changed its name to Netease Kaola and repositioned itself as an integrated e-

commerce platform. New logo and new slogan will be available online soon. From now on, Netease Kaola will not just offer overseas products, but also high-quality products from China, e.g. products which are made under Kaola's "factory to customer" model⁵.

CBEC player Aomygod upgrades its physical store

On 2 June, the "Aomygod Global Boutique Store" of cross-border e-commerce (CBEC) player Aomygod's completed store upgrade and officially opened its doors. The store is located on the 2nd floor of Aoyuan Plaza, Panyu District, Guangzhou. The store offers large varieties of products including personal care products, baby products, beauty and skincare products, drinks, imported foods, etc. All products are duty-paid products, and consumers can purchase them directly from the Aomygod store. The store features some smart shopping experience such as the "one-second trial" AR makeup mirrors, large-scale interactive treasure hunt walls, global traceability screens, etc. It also offers 2-hour delivery service for customers who live within 3 km from the store⁶.

E-commerce logistics



Cainiao forms US\$1.5 billion JV to invest in logistics center in Hong Kong

On 6 June, Cainiao Smart Logistics Network announced to lead a joint venture (JV) to invest US\$1.53 billion in building a new logistics center at Hong Kong International Airport as part of its efforts to expand its global delivery network. Cainiao will take a 51% stake in the JV, while China National Aviation Corporation (Group) and YTO

Express will each hold 35% and 14%, respectively. The logistics center will cover an estimated gross floor area of 380,000 sqm. It is expected to be able to handle 1.7 million tons of cargo per year at full capacity after it opens in 2023⁷.

Cainiao and RoboSense announce world's first solid-state LiDAR unmanned logistics vehicle

Cainiao Network and RoboSense jointly released G Plus, the world's first solid-state LiDAR unmanned logistics vehicle. The G Plus driverless delivery vehicle provides solid-state LiDAR technology, RS-LiDAR-M1Pre, developed by China's RoboSense. This is the first time that solid-state LiDAR has been used in the development of an unmanned vehicle. The RS-LiDAR-M1Pres can ensure the most powerful 3D perception for driving. This allows vehicles to clearly see the direction of travel: shape, distance, travel speed, and direction of travel of pedestrians, cars, trucks, etc., as well as exact areas to drive, ensuring smooth flow of unmanned logistics vehicles in complex road environments. It is reported that the unmanned vehicles can be mass-produced, allowing rapid expansion of unmanned logistics vehicles and streamlining mass market logistics⁸.

Cainiao launches "one-minute delivery service" for Tmall's 6.18 shopping festival, covering 30 provinces across the country

On 6 June, Cainiao announced that it will extend its "one-minute delivery service" to another 70 cities before the 6.18 shopping festival. Currently, this delivery service covers more than 100 cities in 30 provinces across the country; and is now connected with a total of 1,000 Watsons stores, as well as other top apparel brands such as Mark Fairwhale, Lily and 361. As the first 6.18 shopping festival using new logistics capabilities, Hema

Xiansheng's "30-minute delivery promise", Tmall Supermarket's "1-hour delivery promise", and Cainiao's "2-hour ship from store delivery promise" have all become new performance standards. Cainiao's "one-minute delivery service" has already covered fresh produce, cosmetics, maternity and baby products, FMCG, clothing, medicine, and other categories, and is expanding from tier-1 and tier-2 cities to tier-3 and tier-4 cities⁹.

Cainiao launches smart pick-up tower during Tmall's 6.18 shopping festival

Cainiao has launched a smart pick-up tower in Alibaba's headquarters and will put it into use during the Tmall 6.18 shopping festival. With a height of more than 5 meters and in an octahedron shape, the new smart tower connects with drones and unmanned vehicles, and provides pick-up services 24 hours a day ; it helps transform the last-mile delivery into an unmanned era. According to Cainiao's introduction, the new tower, jointly developed by Cainiao and Hangzhou Dongcheng Electronics, can store approximately 600 – 800 parcels, and customers can pick up their parcels by facial scanning¹⁰.

JD Logistics shortens delivery time of direct mail for CBEC to 3.9 days

In preparation for the coming JD.com's 6.18 shopping festival, JD Logistics has upgraded its overseas warehousing services. This enables the company to shorten the delivery time for cross-border e-commerce (CBEC) which uses direct mail to 3.9 days; while next-day delivery service is provided for customers in major cities. JD Logistics' overseas warehouses will also handle the last-mile delivery service. Currently, JD Logistics has over 110 overseas warehouses in five continents¹¹.

Department stores and shopping malls

Parkson launches Parkson Beauty in Changsha

Recently, Parkson Beauty, a brand new retail concept store jointly launched by Parkson Retail Group and Changsha IFS, has been unveiled on the L1 and L2 floors of Changsha IFS. Parkson Beauty is positioned as a high-end beauty and skincare products specialty store. It is the largest one-stop cosmetics and beauty concept store under Parkson Group in China. The store has two floors and covers an area of over 5,000 sqm, which houses top international cosmetics and skin care products. In addition, the multi-brand store of Parkson, Play Up, is also opened at Parkson Beauty. Play Up offers a large array of "popular online products" created by fashion and trendy KOLs, with more than 70 brands and 1,300 popular products¹².

Supermarkets and hypermarkets

RT-Mart and Hema Xiansheng jointly launch medium-sized supermarket "Hexiaoma" in Suzhou

On 2 June, the first store of Hexiaoma – a new supermarket jointly operated by RT-Mart and Hema Xiansheng was opened in the Cultural and Sports Center, Huqiu District of Suzhou. With an area of 800 sqm, the new store sells mainly fresh produces such as fruits and vegetables, chilled seafood, and meat, as well as selected fresh private label products of Hema Xiansheng. In addition, the

store dedicates an area exclusively for sports goods. Hexiaoma positions itself as a medium-sized supermarket, targeting customers within the community. Unlike Hema Xiansheng, Hexiaoma doesn't have the iconic dine-in area; it is more like a RT-Mart supermarket that has incorporated Hema Xiansheng's "New Retail" DNAs¹³.

Carrefour online marketplace is now available in Chongqing

Recently, Carrefour online marketplace has officially rolled out in Chongqing. Customers in Chongqing can place their orders either through Carrefour's official website or Carrefour's mobile app. Goods purchased will be shipped from the nearest Carrefour store; SF Express will handle packaging and last-mile delivery services. Carrefour has also opened an exclusive channel for imported goods – "Global Buy" on its online marketplace; products that are sold on Global Buy are all sourced from Carrefour stores in Taiwan, including Carrefour's private labels. As of to date, Carrefour has reportedly rolled out its online business in more than 20 cities across the country¹⁴.

Wumart opens new supermarket brand "New Mart" in Beijing

Wumart's new brand "New Mart" was opened on 6 June and positioned as a small community fresh food supermarket. The supermarket is located in Zhaogongkou, Fengtai District in Beijing, with an area of about 500 sqm. New Mart mainly offers fresh food, grocery products, cleaning and some general merchandise. It mainly serves the consumers in the communities around them, and provides delivery services for online orders. The store uses electronic price tags and features some "Dmall self-service purchase" machines. It is reported that Wumart has been gradually upgrading its

stores, and transforming the small stores into supermarkets¹⁵.

Walmart China and Tencent reach in-depth strategic cooperation

On 7 June, Walmart China and Tencent jointly announced that they formally entered an in-depth strategic partnership. To upgrade the various consumption scenes, the two companies will have in-depth cooperation on smart retail and digitalization process such as shopping experience enhancement, precision marketing, comprehensive payment services, and membership system enhancement, etc., by fully utilizing their strengths in their own fields. Earlier in March, Walmart China partnered with Tencent to launch the in-store self-service payment service through WeChat's mini-program "Scan and Go"; customers could complete their payment by scanning the product barcodes while they shop and pay directly via their mobile phone. As of to date, Walmart has launched this service in its stores in 28 cities and plans to extend this service to 400 plus stores in the country during this year¹⁶.

Kids products

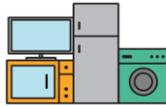


Babytree receives funding from Alibaba

On 4 June, China's largest parenting startup Babytree announced that it has reached a strategic cooperation agreement with Alibaba Group. The company was valued at 14 billion yuan after obtaining the financing from Alibaba. The two sides did not disclose the specific amount of funds involved, but said that they would carry out large-scale and in-depth cooperation in areas including e-commerce, C2M, advertising marketing, paid

content, new retail, and online and offline parenting businesses¹⁷.

Consumer electronics



Suguo joins hand with Brookstone to open first Xiaomi store in supermarket

On 30 May, Brookstone, a brand licensee of Xiaomi, opened the first Xiaomi store in Suguo supermarket in Nanjing. The store reportedly provides product consultation service, interactive activities as well as Brookstone's special and unique "new retail" experience for customers. Around 34 smartphone models and more than 200 SKUs of Xiaomi products are offered in the store. In 2018, Brookstone will further cooperate with Suguo to open more Xiaomi stores in other Suguo supermarkets; two more Xiaomi stores are expected to open in Suguo's supermarkets in Nanjing this year¹⁸.

Xiaomi's largest Mi Home flagship store in China to open in Nanjing on 16 June

Xiaomi's largest Mi Home flagship store in China will be opened in Nanjing on 16 June. The store is located in KINGMO shopping centre in Jingfeng district of Nanjing and is currently in trial operation. The shop has an area of more than 700 sqm. It is reported that, in January this year, the number of Xiaomi's Mi Home has exceeded 300 nationwide. Lei Jun, CEO of Xiaomi, said earlier that the company will open over 1,000 offline stores in China in the coming three years¹⁹.

Better Life and JD.com to jointly open the first Songde-JD Home store on 16 June

Better Life and JD.com will jointly launch the

first Songde-JD Home store on 16 June. The store is located at Songde Changsha Meixihu branch with a floor area of around 500 sqm. The store will offer more than 100,000 SKUs and feature a self-service shopping screen which allows customers to make purchase as well as designated zones for JD.com's top direct merchandise and "Jexun". The store will also incorporate various "black technologies". For instance, customers can register as members by face scanning; the system will identify customers' gender through the smart somatosensory equipment, and recommend personalized products for each customer; customers can also complete the payment within two seconds by scanning their face²⁰.

Home products



MUJI opens online flagship store on JD.com and launches self-operated shopping app

On 1 June, MUJI officially opened its online flagship store on JD.com, selling its full range of merchandise. Meanwhile, MUJI has also launched the MUJI passport app that connects with JD.com's big data analytics. The MUJI passport app aims to bring new shopping experience to customers by incorporating functions such as helping customers to locate stores nearby, retrieving favorite products, accumulating and redeeming membership points. In addition, the app is directly linked to MUJI's online store which enables customers to place orders, send inquiries, and apply for after-sales services, etc²¹.

Luxury sector

Italian jewelry brand Rebecca opens on Tmall

Rebecca, a jewelry brand created by Alessandro Testi in 2000 in Italy, has recently entered the China market by opening a flagship store on Tmall. This initiative is part of the brand's global development plan. International business now accounts for 20% of the brand's overall turnover. Through Tmall, Rebecca will provide personalized jewelry services to Chinese consumers while maintaining the advantages of fast product delivery. It is reported that the brand currently has a total of six single-brand stores overseas, and has presence in 1,200 multi-brand stores²².

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