

China Retail & E-commerce

Weekly Updates

15 Jun 2018 – 21 Jun 2018



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Retail in general



China set to increase personal income tax threshold to boost domestic demand

On 19 June, an amendment draft for the Individual Income Tax Law has been submitted to the National People's Congress of the PRC for review, which proposes to raise the tax exemption amount from 3,500 yuan to 5,000 yuan per month. The draft also for the first time allows personal tax deductions for spending on children's education, continuing education, medical fees for critical illness, interest for housing loans as well as housing rent, in a bid to boost domestic consumption. Other notable possible changes include improving the tax rate structure and introducing anti-avoidance clause. The draft would be China's seventh major amendment to the individual income tax law since its introduction in 1980¹.

CGCC, CNCIC: Sales of Top 100 retailers in China maintain rapid growth in 2017

China General Chamber of Commerce (CGCC) and China National Commercial Information Center (CNCIC) jointly released "Top 100 retailers in China 2018". According to the list, total sales of the top 100 retailers in China amounted to 6.08 trillion yuan in 2017, up 26.0% yoy. The growth rate is 7.5 percentage points higher than that in 2016. Of which, seven companies which engage in e-commerce business achieved total sales of 3.57 trillion yuan, up 41.2% yoy; and sales of 13 companies which engage in both online and offline business increased 15.5% yoy, while sales of 83 physical retailers increased 7.5% yoy. Tmall, which saw its total sales up

by 43.9% yoy tops the list of the top 100 retailers. Second and third on the list are JD.com and Dashang Group, with yoy sales growth of 37.8% and 19.4% respectively².

CBNData: Post-90s and post-95s generations to lead the mass consumer market

On 14 June, CBNData released the "Online Consumer Big Data Insights of the Post-90s and Post-95s" report. According to the report, the post-90s have gradually become the backbone of the workplace. Increasing income levels have made luxury bags, top-notch beauty products, and high-end skincare products become their buying targets. The report predicts that the post-90s and post-95s generations will lead the mass consumer market. They pay more attention to the quality of life, personal interests, and health. In the future, they are going to reshape the consumer market³.

VIP.com, JD.com: Gender boundaries on consumption are gradually blurring

On 14 June, VIP.com and JD.com released a report on the consumption patterns of male and female consumers. The report shows that the gender boundaries on consumption are gradually blurring. Both VIP.com and JD.com will cooperate in the direction of "gender-neutral consumption".

The report highlights six consumption trends for male:

1. Male fashion and grooming markets are rising.
2. Post-90s generation becomes the major consumer group for menswear and male grooming products.
3. Male consumers in the lower-tier cities spend more on fashion and grooming

- products.
4. Male consumers in the tier-1 and tier-2 cities participate more frequently in activities related to family consumption.
 5. Male consumers spend a lot on catering to keep a healthy life.
 6. More male consumers now buy presents for their partner during festivals such as the Valentine's Day, International Women's Day, etc.

The report also highlights five trends for female:

1. Female consumers spend more on mobile gaming.
2. Products with advanced technologies or nice designs are popular among female consumers.
3. "To couple strength and gentleness" becomes the motto for many women.
4. Female consumers tend to focus more in developing various interests and abilities.
5. Female consumers exercise frequently to keep a healthy lifestyle, e.g. running, fitness training, swimming, etc⁴.

E-commerce

Google to invest US\$550 million in JD.com

On 18 June, JD.com and Google announced that Google will invest US\$550 million in cash in JD.com and the two parties will form an extensive strategic partnership. According to the agreement, Google will receive 27,106,948 newly issued JD.com Class A ordinary shares at an issue price of US\$20.29 per share. Google and JD.com will cooperate on a series of strategic projects, one of which is to develop retail solutions in various regions around the world, including Southeast Asia, the U.S., and Europe. Both parties will work

together to explore ways to build next-generation retail infrastructure solutions to provide consumers with valuable, personalized, smooth and convenient shopping experiences. JD.com also plans to optimize a series of high-quality merchandise and sell through Google Shopping platform in various regions of the world⁵.

Tmall, JD.com, Suning record explosive sales growth during 618 shopping festival

During this year's 618 shopping festival period, with the push of new retail, both online and offline businesses have experienced major breakthroughs. Sales performance of Tmall, JD.com and Suning are summarized below:

Tmall

- On 18 June, 70 million people rushed to the offline stores that participated in the Tmall 618 event, including more than 70 new retail commercial districts, 100,000 Tmall smart stores, and physical stores of Intime, Hema Xiansheng and RT-Mart nationwide.
- Tmall Global's orders during the 618 shopping festival accounted for over 70% of China's total cross-border import e-commerce orders, maintaining a three-digit growth rate.

JD.com

- From 1 June to 18 June of 2018, JD.com accumulated a total of 159.2 billion yuan sales value.
- On JD Daojia platform, Walmart's sales were four times that of the same period last year, and Yonghui's sales were five times that of the same period of last year; Better Life's sales were 2.6 times higher than the previous year, while Century Mart's sales were seven times that of the same period of last year.

- During this year's 618 shopping festival period, JD Logistics opened a 24-hour "shandian" delivery service in some cities, providing quick delivery experience with measures such as pre-position model and consumption forecast.

Suning

- As of 18 June, the overall sales of Suning increased by 121% compared with the same period last year.
- The performance of the new business is eye-catching. Taking Suning Xiaodian as an example, the stores in 16 cities received a total of 150,000 delivery orders⁶.

JD.com raises stake in Vipshop to 6.8%

On 18 June, according to JD.com's documents recently submitted to the SEC (United States Securities and Exchange Commission), the company invested another US\$120 million to increase its stake in Vipshop to 6.8%. The document also shows that since April 2018, JD.com has bought approximately 8.59 million ADSs (American Depositary Shares) at a weighted average trading price of US\$14.1517 each. Those aggregate ADS represent 1.72 ordinary shares of Vipshop, amounting to a total of approximately US\$120 million. In December last year, Tencent, JD.com and Vipshop jointly announced that the three parties have reached an agreement that Tencent and JD.com would invest approximately US\$863 million cash into VIPshop. After the transaction, Tencent and JD.com hold 7% and 5.5% of the total outstanding shares of VIPshop respectively⁷.

JD.com to open first campus experiential store in September

JD.com will open its first campus experiential store this September. According to JD.com, the experiential store – covers an area of around 500 sqm – consists of different functional areas such as reading corner, open office, dining area, and recruitment area which occupy half of the store's space. The black technology experiential zone, reportedly the highlight of the store, composes of smart retail terminals and new technology equipment; there are also VR glasses, motion sensing games, smart speakers, etc. available in-store. In addition, the experiential store will also set up pop-up stores for various brands, and JOY interactive area, etc⁸.

JD.com's group-buying platform "JD Pingou" is now open to individuals

JD.com's group-buying platform "JD Pingou" is now open to individuals for store opening. Starting from 1 June, individuals with valid ID cards can register and open their store on the platform under the category of "unbranded product". Individuals need to pay 10,000 yuan as product quality assurance deposit, plus monthly fee of 500 yuan and 1% commission for selling on the platform. At present, the categories that have been opened to individual merchants include apparel and underwear, sportswear, footwear, jewellery, watches, home textiles, and home furnishings, etc. It is reported that the official function of JD Pingou is to leverage group-buying and social-selling among merchants on JD.com to drive more foot traffic and generate sales. The platform features the concept of "low price but not low quality"⁹.

JD.com launches 15-day price guarantee service

On 21 June, JD.com released the "Guidelines for 15-day Price Guarantee Service". With the

launch of the new service, sellers are obliged to pay back the price difference to their customers if the price is adjusted downward after purchase, due to the sellers' pricing strategy. This is applicable for online orders and all the products marked with the "15-day price guarantee" sign. Customers can enjoy this service in the next 15 days, i.e. within 360 hours after making a purchase¹⁰.

JD.com's local platform JD Central officially opens to the public in Thailand

JD Central (<https://www.jd.co.th/>), a joint venture between JD.com and Thailand's Central Group, was open to the public on 18 June, marking the formal entrance of JD.com into the Thai market. It is reported that JD.com will start cooperating with other ACMECS countries after setting up the JV with Central Group. Located in the center of Southeast Asia, the five ACMECS countries (Thailand, Laos, Vietnam, Cambodia and Myanmar) possess abundant labor resources and high-quality specialty products, which attract JD.com to cooperate with them. JD.com said that it plans to share its knowledge in running online platforms, logistics and financial services to all ACMECS countries over the next two years¹¹.

Nielsen and Suning reach a strategic cooperation for omni-channel data integration

Recently, Nielsen and Suning signed a strategic cooperation agreement, announcing that the two parties will collaborate on data integration across all channels of Suning's smart retail (including Suning.com and offline Suning Supermarket, Red Baby Store, and Suning Xiaodian). The two companies will also introduce another big data product: "Yi Tou Cube". This product will provide

advertisers with powerful measurement tools and solutions to evaluate and optimize the marketing effectiveness of media platforms. It will help companies to understand and evaluate the sales effectiveness of advertising and marketing investment, and help brands to better understand the effectiveness and return on investment of their advertisements within and outside of Suning's websites¹².

E-commerce logistics



Suning's self-driving truck begins operation in Beijing

On 17 June, Suning announced that its self-driving truck "Wolong No. 1" has completed road test and started operation in Beijing on 18 June. "Wolong No. 1" will be used for instant delivery service; online orders that are made within a 3-km distance of Suning Xiaodian's surrounding communities will be fulfilled in one hour. The self-driving truck is reportedly 8 inches long and can ride for more than 8 hours during operation¹³.

Department stores and shopping malls



Maoye International to purchase 38.24% stake of Ugoan for 218 million yuan

On 19 June, Maoye International Holdings Limited announced that the company's non-wholly-owned subsidiary, Maoye Commercial Co, signed a purchase agreement with Ugoan. According to the agreement, Maoye Commercial will acquire 38.24% stake of Ugoan for 218 million yuan; upon completion of the transaction, Ugoan will become an indirect non wholly-owned subsidiary of

Maoye International. Maoye stated in the announcement that the company believes that the acquisition can enable the company to learn from Ugoan's experience in doing online businesses and new retail, and also help Maoye to further open up its online and offline channels. To enhance the company's profitability, Maoye will make use of Ugoan's big data to develop the company's precise marketing strategy. Established in 2013, Ugoan owns womenswear brands UGOCCAM and Fleur Wood¹⁴.

Supermarkets and hypermarkets



Shirble Department Store partners with Hema Technology to transform Shirble Supermarkets into Hema Xiansheng in two years

On 19 June, Shirble Department Store Holdings (China) Limited announced that it has entered into a strategic cooperation framework agreement with Hema Technology, whereby Shirble will cooperate with Hema Technology to transform the Shirble Supermarkets into the Hema Xiansheng stores by three phrases within a period of two years effective from 1 July, 2018. Pursuant to the Strategic Cooperation Framework Agreement, the business operation of the 12 selected Shirble Supermarkets in Shenzhen will cease operation, and the related areas will be leased to Hema Technology for the operations of Hema Xiansheng stores. Hema Technology has agreed that it will pay to the Group the Lease Payments from 1 July, 2018 onward for the use of the relevant areas in the Shirble premises. In addition, as part of the Strategic Cooperation Framework Agreement, both Hema Technology and Shenzhen Shirble have agreed to explore and co-develop new community retail solutions¹⁵.

Cosmetics



WASO of Shiseido debuts in China

On 14 June, five products of WASO which is under Shiseido, including facial cream, make-up remover, essence, scrub, and oil control, formally entered the Chinese market. WASO is positioned as an entry-level skin care brand. The target consumer group is young people who are aged 20-30. WASO's products highlight the concept of natural ingredients and natural skin care. Currently, these products have been sold at Tmall's official flagship store as well as beauty counters nationwide. The products are priced between 220-300 yuan. In the future, WASO will leverage department stores to make foray into low-tier cities and strengthen the expansion of new sales channels (including standalone stores, Tmall, etc.)¹⁶.

Apparel and accessories



JNBY launches new brand "REVERB"

On 19 June, JNBY announced the launch of a new sustainable apparel brand "REVERB" in China in pursuit of the Group's multi-brand expansion strategy and horizontal expansion of business through diversification of its brands and brand portfolio. REVERB embraces "circular fashion" as its brand philosophy, focusing on the design concepts of "Athleisure, Genderless and Sustainability". JNBY plans to open REVERB's first store either in Hangzhou or Shanghai this September¹⁷.

Li Ning launches online store on WeChat mini program

Recently, Chinese sportswear brand Li Ning has launched its online store on WeChat mini program, offering apparel and footwear for both men and women, and other sports products. It also sells its Fall/Winter 2018 Collection launched in the New York Fashion Week. Shoppers can place orders directly on the app and pay by WeChat Pay. In 2017, Li Ning's e-commerce business grew fast and accounted for 19% of the total revenue, while the number of offline stores decreased¹⁸.

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