

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

General Office of the State Council issues "Implementation Plan for Improving the Mechanism of Promoting Consumption Systems (2018-2020)"

The General Office of the State Council recently issued the "Implementation Plan for Improving the Mechanism of Promoting Consumption Systems (2018-2020)". The Plan aims to eliminate the most direct, most prominent and most urgent institutional barriers that restrict consumer consumption, and to further stimulate the consumption potential of residents. The Program proposes six key tasks to be implemented in 2018-2020:

- (1) To further relax market entry criteria in the service consumption sector;
- (2) To improve the policy system to promote the upgrading of the physical consumption structure;
- (3) To accelerate the construction of products and services standards in key sectors;
- (4) To establish and improve the credit system in the consumer sector;
- (5) To optimize the supporting facilities for residents' consumption;
- (6) To strengthen promotion for consumption and information guidance¹.

NBS: Total retail sales of consumer goods up by 9.2% yoy in September 2018

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,200.5 billion yuan in September 2018, up nominally by 9.2% yoy, and 6.4% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,276.2 billion yuan, up by 5.7% yoy. By type of consumption, in September 2018, catering sales amounted to 344.7 billion yuan, increased by 9.4% yoy. Retail sales of commodities amounted to 2,855.8 billion

yuan, up by 9.2% yoy. In January - September 2018, online retail sales grew 27.0% yoy to 6,278.5 billion yuan. Online retail sales of physical goods increased 27.7% yoy to 4,793.8 billion yuan, accounting for 17.5% of total retail sales².

E-commerce

China's rural e-commerce sales exceed trillion yuan for the first time in 2017, up 39.1% yoy

On 12 October, China International Electronic Commerce Center released the "China Rural E-Commerce Development Report (2017-2018)". The report shows that total rural e-commerce retail sales amounted to 1,244.88 billion yuan in 2017, increased 39.1% yoy. Among them, the retail sales of rural physical products were 782.66 billion yuan, a yoy increase of 35.1%, accounting for 62.9% of the total rural retail sales. Among the rural online sales of services categories, online travel, online food ordering were particularly prominent, contributing 21% and 17.2% of the growth of rural online retail sales respectively. In 1H18, total rural e-commerce retail sales reached 632.28 billion yuan, up by 34.4% yoy³.

Alibaba merges Ele.me and Koubei to form new local services company

On 12 October, CEO of Alibaba Group Daniel Zhang announced in an internal letter that Alibaba has merged its online food delivery service platform Ele.me and local commerce platform Koubei into a new local life service company. Daniel Zhang said the merger of the two companies represents a significant milestone for Alibaba's attempt to increase domestic consumption by reaching more consumers in food delivery and local services,

etc. The two units operate in 676 cities with over registered 3.5 million merchants. Ele.me has 0.67 million monthly active riders and 260 million users; each user makes about 20 orders per year. Koubei has 167 million monthly active users⁴.

Baidu Waimai rebrands as Star.Ele to focus on premium food and local services

On 15 October, Baidu Waimai announced to rebrand as Star.Ele. Star.Ele will run as a sub-brand of Ele.me to offer premium food and local services from selected vendors. Baidu Waimai was acquired by Ele.me earlier on 24 August, 2018. Ele.me has continued to operate the two brands separately after the acquisition, with Baidu Waimai focusing on the premium food delivery market and Ele.me focusing on the mass food delivery market⁵.

Toutiao taps e-commerce market

Toutiao, a Chinese news and information content platform, is reportedly tapping into e-commerce by launching its e-commerce platform app “Zhidian”. Aiming to bypass the intermediaries, Zhidian directly sources products from brands and manufacturers. The platform currently offers apparel, home products, outdoor and sporting goods and health-related products⁶.

Alibaba: Consumption upgrading is prominent in the silver market

On 16 October, Alibaba released the “Silver Market Consumption Upgrade Data Report” which studies the consumption behavior of mature consumers aged 50 or above. The report shows that the consumption upgrading trend among this group of customers is significant; they are willing to spend more beauty products, outbound tourism and health-related products and services. The number of mature Taobao users has

increased by 160% over the past three years; and the number of silver-hair customers using mobile payments has doubled compared to 2017, according to the data from Alipay⁷.

Retail logistics

Suning’s “Zhunshida” delivery service to cover 100 cities nationwide

On 16 October, Suning Logistics announced that it has upgraded its delivery service “Zhunshida”. The four key upgraded areas include expanding service scope, establishing service benchmarks, increasing service speediness, and expanding service categories. The upgraded delivery service will cover 100 cities across the country; users can freely choose any two-hour timeslot within the week for delivery from the six available timeslots every day. At the same time, Suning Logistics also announced that it will establish 28 benchmark cities across the country – to fully enhance its service coverage within these cities, and to achieve the goal of delivering goods on time in all areas⁸.

JD Logistics officially launches personal express delivery business

On 18 October, JD Logistics announced the official launch of its express delivery services for individual customers. It is reported that the services will initially be launched in northern and southern China, and will be expanded to the whole country at a later stage. Major services provided include express delivery and logistics services, covering four major functions, namely “express delivery”, “batch delivery”, “scan code delivery” and the yet-to-release “voice delivery”⁹.

Department stores and shopping malls

Rainbow Department store to launch new project in Shenzhen

Rainbow Department Store Co. Ltd. has recently entered into a cooperation with Shenzhen Baixing Shichang Management Co., Ltd., and signed a lease contract for the Hongrongyuan Liyuan Project of Xinqiao Street, Bao'an District, Shenzhen. Positioned as a community lifestyle center, the new development project reportedly has three storeys, with a total area of 13,000 sqm. It will be a commercial complex comprises "convenient shopping + leisure experience + daily life service". It is reported that Rainbow's Sp@ce supermarket will be opened in the new complex¹⁰.

Dongbai Group signs strategic cooperation framework agreement with JD.com

On 17 October, Dongbai Group signed a strategic cooperation framework agreement with JD.com. In the areas of commerce and retail, Dongbai will leverage JD.com's artificial intelligence, big data and cloud computing technologies to strengthen the online-to-offline integration with its physical stores. In the area of logistics, both parties will cooperate in building logistics infrastructure and planning for logistics operation and technological upgrading, and improve consumer experience online and offline with better integration of logistics services, as well as deepen their cooperation in supply chain¹¹.

Liberty London lines up with Secoo to enter China market

U.K.-based high-end department store Liberty London announced that it has signed an

exclusive agreement with Secoo. Secoo will be the exclusive distributor for Liberty London in China. Through this cooperation agreement, Liberty London will offer its luxury handbags, leather goods, gift sets and stationery to more than 20 million members of Secoo. Secoo said the cooperation will help strengthen the development of Secoo and enrich its high-end product offerings¹².

Supermarkets and hypermarkets

Wumart to focus on small-scale stores next year

At the Wumart Suppliers Annual Meeting 2019, Wu Shaochuan, the COO of Wumart Group, revealed that Wumart will open 260 new stores next year, of which 160 are small-scale stores. In addition to accelerating the opening of physical stores, Wumart will join hands with Dmall to promote self-purchasing in convenience stores. Consumers can complete the payment by scanning the goods through the multi-point self-purchasing equipment in the stores¹³.

Convenience stores

Seven departments in Beijing issue measures to better operate convenience stores

Recently, seven departments in Beijing including the Municipal Commercial Committee, the Municipal Development and Reform Commission, the Municipal Finance Bureau, the Municipal Industrial and Commercial Bureau, the Municipal Food and Drug Administration, the Municipal Urban Management Committee, and the Municipal

Public Security Bureau Fire Department jointly issued the “Notifications of “Promoting the Development of Convenience Stores Measures”” to optimize the development of convenience stores sector. The Measures propose 19 innovative initiatives in six aspects, including:

- (1) Expanding the scope of development and optimizing the layout of retail outlets;
- (2) Increasing financial support and reducing operation costs;
- (3) Promoting the idea of “simplifying procedures, decentralizing powers, enhancing supervision” and simplifying the registration process;
- (4) Reforming business requirements and innovating supervision models;
- (5) Standardizing law enforcement inspections and improving service levels;
- (6) Promoting standardization and developing and nurturing brands¹⁴.

Apparel

Total revenue of Uniqlo’s overseas markets (including China) surpass Japanese market for the first time

On 11 October, Uniqlo’s parent company Fast Retailing Group released its annual performance report for 2018. From September 2017 to August 2018, the Group’s total revenue was 213 billion yen (about 131.09 billion yuan), up 14.4% yoy; operating profit was 236.2 billion yen (about 14.53 billion yuan), up 33.9% yoy, achieving the best performance ever. The improved financial performance was attributable to the Uniqlo overseas markets, including China and its Japan market. Meanwhile, total revenue from its overseas markets surpassed the Japanese market for the first time in this fiscal year, and the scale of operating profit from overseas

markets has also expanded and achieved the same level as its Japanese market. The China market remained the major force contributing to Uniqlo’s financial performance¹⁵.

H&M’s sub-brand COS launches flagship store on Tmall

On 16 October, COS, a sub-brand of H&M which targets the mid-to high-end market, launched its flagship store on Tmall as its only third-party online platform besides its own official online store. The online flagship store offers womenswear, menswear, childrenswear, etc. COS is expanding rapidly in China. Besides the online flagship store, COS will also open a flagship store in Jing An Kerry Centre in Shanghai; it also plans to open new stores in Beijing, Xiamen and Guangzhou. Currently, COS operates 28 stores in China¹⁶.

Consumer electronics

Gome opens online flagship store on Pinduoduo

On 11 October, Gome officially launched its online flagship store on Pinduoduo. 172 SKUs are available in the store on Pinduoduo, covering a wide range of household appliances including television, washing machines, refrigerators, and air conditioners. Gome also launched a flagship store “Gome House Manager” where customers can make bookings for its after-sale service on Pinduoduo¹⁷.

Suning report: Elderly people love buying smart products

Suning.com and Suning Finance jointly released a consumption report on “Modern

Living". The report shows that the elderly is adopting a more technologically advanced and modern life, which is shown by their higher enthusiasm in purchasing smart phones, smart watches and SLR cameras than those aged 45 – 60. At the end of 2016, the number of people aged 65 and over in China has exceeded 150 million, accounting for 10.8% of the total population. Since the beginning of this year, the number of Suning.com's elderly users has increased by 2% yoy, among which 92% like to place orders through mobile phones¹⁸.

courier in an electric car. To differentiate its made-to-order service from others, customers' names will be embroidered on the brand's logo. Customers can visit the stores twice for measurement and try-on; and then will receive their new custom-made suits within six to eight weeks²⁰.

Luxury sector

Dunhill launches online shopping function on WeChat Mini Program

U.K. premium menswear brand Dunhill launched an online store on WeChat. The brand has launched a "Shop the runway" feature in its store on WeChat Mini Program which enables WeChat users to purchase the brand's products appeared in the fashion show. The WeChat Mini Program store offers Dunhill's exclusive products; new products will be released on a weekly basis. The products will be delivered within 72 hours after purchase within the China territory¹⁹.

Italian menswear Canali teams up with JD.com to launch high-end made-to-order service

On 11 October, Italian menswear brand Canali and JD.com formed a strategic partnership. Canali reportedly will launch its O2O premium made-to-order service "Jingzunka" exclusively on JD.com, and consumers can also enjoy "JD Luxury Express" service – the white-glove delivery service provided by JD.com to deliver orders to consumers' doorsteps via a well-dressed

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