

China Retail & E-commerce

Weekly Updates

1 February 2019 – 7 February 2019

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E-commerce

WeChat: Post-90s generation becomes the most active user group for giving out and receiving virtual red packets

On 5 February, WeChat announced that post-90s generation was the most active user group for giving out and receiving virtual red packets, followed by post-80s and post-70s generations. Users in Beijing, Chongqing and Chengdu were the top three among all cities in terms of the total number of virtual red packets given out and received, followed by Shenzhen and Guangzhou. WeChat also launched new designs for virtual red packets for Lunar New Year as well as virtual red packets with emoji and cartoon characters, and allowed customization for virtual red packets¹.

JD.com to further diversify operational functions to its six major business divisions

On 1 February, Richard Liu, chairman and CEO of JD.com, announced new strategies for JD.com in 2019, focusing on upgrading the function of the headquarters of JD.com from a managerial role to a strategic role, while diversifying operational functions to its six major business divisions including JD Retail, JD Logistics, JD Digits, JD Properties, Allianz China, and JD Cloud².

Retail logistics

SPB: JD Logistics ranks first among all express delivery companies in 2018 satisfaction survey

On 2 February, the State Post Bureau (SPB) announced the results and company rankings of express delivery company satisfaction

survey for 2018 – JD Logistics ranked number one among the ten companies being evaluated. The satisfaction survey covers 50 cities, evaluating the top 10 full-service express delivery brands in terms of express delivery volume³.

Department stores and shopping malls

iResearch: New shopping malls open in lower-tier cities; residents of small and medium-sized cities have higher awareness towards domestic brands

iResearch released the "Shopping Centers in Small and Medium-sized City Consumer Research Report 2019". According to the report, compared to a high concentration of white-collar workers living in large cities, more young people – the leading consumer segment driving the consumption upgrading trend – have chosen to live in small and medium-sized cities, considering the lower living expenses, relatively cheaper prices, and relatively higher disposable income. In 2017, small and medium-sized cities had the highest number and volume of newly opened shopping malls; with the number of new shopping malls in tier-3 and tier-4 cities accounted for 58% of the total number of new shopping malls in China. Meanwhile, residents in the small and medium-sized cities have higher awareness towards domestic brands; they not only admire foreign brands, but increasingly demand more first-tier domestic brands⁴.

Apparel

Fosun Group to fully acquire German brand Tom Tailor

Recently, the European Commission has reportedly approved Fosun Group's full acquisition of German brand Tom Tailor, and Fosun will have full control of Tom Tailor after the acquisition. Currently, Fosun holds a 29% share in Tom Tailor. As of to date, Fosun has invested in other fashion brands such as French fashion house Lanvin, Austrian hosiery brand Wolford and Caruso Suiting, among others⁵.

Metersbonwe Group plans to raise 1.5 billion yuan for brand upgrade

On 31 January, Metersbonwe Group announced its proposal to issue non-publicly traded new shares to raise no more than 1.5 billion yuan for upgrading its brand, funding its product supply chain project and repaying bank loans. Among the 1.5 billion yuan, 1.195 billion yuan will be used for brand upgrade and the product supply chain project, while 305 million yuan will be used to repay bank loans. Through marketing approaching, the company looks to change consumers' perception that Metersbonwe is mainly a casual wear brand. Meanwhile, the company will also prepare its product supply chain for transformation and develop extensive collaboration with suppliers with R&D capabilities, as a way to ensure more diversified product supply to meet consumer demands. In addition, Metersbonwe Group will seek to upgrade its IT management system and retail big data platform, with a hope to achieve diversified brand management, new supply chain model management and smart retail management⁶.

Shandong Ruyi completes acquisition of INVISTA's Apparel & Advanced Textiles Unit

On 1 February, Shandong Ruyi Investment Holding announced that it has completed its acquisition of INVISTA's Apparel & Advanced

Textiles business. The transaction includes all associated assets and contracts. The new company will operate as The LYCRA Company, an independent subsidiary, and will continue to manufacture advanced fiber and technology solutions for the apparel and hygiene industries. The LYCRA Company will start day one as a fully operational subsidiary of Ruyi Group, with significant operations in various countries, among others the U.K. and the Netherlands. The transaction also includes eight manufacturing facilities, four research and development labs, 17 offices located in 14 countries around the world, and approximately 3,000 employees. Current leadership and employees will continue in their roles with the new company⁷.

Spanish bridal brand Pronovias opens first China flagship store in Shanghai

Spanish bridal brand Pronovias opened its first flagship store in China in Shanghai Plaza 66 to expand business in Asia. The store has a total size of 500 sqm, similar to its flagship store in New York, Milan, Paris, London and Barcelona. The flagship store has its own dressmaking workshop; it also has a number of fitting rooms, different salons and digital interactive runway in-store⁸.

Cosmetics

Estee Lauder Companies Asia-Pacific market's quarterly net sales exceed US\$1 billion for the first time

U.S. beauty brand Estee Lauder Companies reported its financial results for its second quarter ended 31 December, 2018. Benefited from the strong sales growth of the China market and the higher demand for luxury skin care products from Chinese consumers, the Company's quarterly net sales exceeded

US\$4 billion for the first time; while its quarterly net sales in Asia/ Pacific region also exceeded US\$1 billion for the first time, up 17% yoy. The Estée Lauder Companies have implemented a number of new strategies in the China market, including celebrities' endorsement; launching on Tmall, and reaching out to Chinese consumers through social media channels such as Weibo and WeChat. It is estimated that the e-commerce channel now contributes to more than one-third of the sales in the China market⁹.

Luxury sector

A total of 35 luxury brands launch online flagship store on Tmall in 2018

According to Tmall, a total of 35 luxury brands launched their online flagship store on Tmall in 2018, covering apparel, bags and luggage, watches, and cosmetics. Meanwhile, around 80 luxury brands have already entered Tmall's Luxury Pavilion as of December 2018. There are over 100,000 members each spending over 1 million yuan annually on Luxury Pavilion according to data from Tmall¹⁰.

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Fung Business Intelligence

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