

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general

Vipshop, iResearch, and GQ Lab: Consumption of China's middle-class women becomes more autonomous

On 7 March, Vipshop, iResearch and GQ Lab jointly published the "China's Middle-class Female's Consumption Report". Based on Vipshop's big data and iResearch's consumer research data, the five major consumption trends of middle-class women in China include:

1. High sensitivity towards brands and prices;
2. Receive fragmented branding information; gains brand awareness via sales promotions;
3. Place greater emphasis on self-awareness; consumption is self-pleasing and becomes more autonomous;
4. Selection criteria for purchase shift from "practicality" to "reflecting personal tastes", and recognition among peer is important;
5. "Intangible consumption" such as fitness and education gains popularity¹.

E-commerce

Tmall plans to add 1,000 more beauty brands in 2019

During the 5th Tmall Beauty Awards ceremony held on 4 March, Tmall's FMCG unit general manager Hu Weixiong expressed that Tmall will increase its investment in the beauty market, with a focus on imported and popular Internet KOL-brands, and plan to add 1,000 more beauty shops on Tmall in 2019. In 2018, Tmall's sales of beauty products surged 60% yoy, with more than 300 million customers shopping beauty products on the platform. The company stated that it will also incubate

50-plus new products, with each targeting annual sales of over 100 million².

Koubei expands "smart store" solutions to cover all local lifestyle services industries

On 1 March, Alibaba's local-services platform Koubei announced to expand its "smart store" solutions from catering industry to all other local lifestyle services sectors to facilitate the digitalization of the industry and improve operational efficiencies. Meanwhile, it hopes to leverage its big data capabilities to enrich user profiles and carry out targeted marketing accordingly. Koubei will provide various smart solutions to stores including site selection, marketing, and membership management³.

Pinduoduo's agricultural products sales reach 65.3 billion in 2018

On 4 March, Pinduoduo published its annual report on poverty alleviation. The report shows that the total order for agricultural products and sideline products on Pinduoduo was 65.3 billion yuan in 2018, up 233% yoy compared with 19.6 billion yuan in 2017. The data also shows that as of the end of 2018, the number of merchants at national-level impoverished counties registered on the platform was more than 140,000, with annual order amounting to 16.2 billion yuan, mainly covering agricultural products and sideline products⁴.

Vipshop's wholesale platform "Weipincang" opens offline stores

It is reported that Vipshop's wholesale platform "Weipincang" has opened a total of 21 offline stores Guangzhou, Qingyuan, Dongguan, Zhuhai, Shenzhen, Chengdu, Tianjin and Shanghai. Weipincang aims to help brands clear inventory by selling products to small and medium-sized wholesalers and daigou agents. Buyers can view all offline store locations and new offerings via the

Weipincang app. It is observed that offline stores of Weipincang are mostly located in communities, selling mainly domestic brands with lower price points; by contrast, offline stores of Vipshop are mostly located in high-traffic shopping malls and department stores, offering better-known local and overseas fashion brands⁵.

Supermarkets and hypermarkets

Carrefour China sees 11-fold increase in profit for FY18

On 28 February, Carrefour reported its financial results for FY18; total sales grew by 1.4% yoy to reach 85 billion Euros. Carrefour China saw a 11-fold yoy increase in recurring operating income, amounting to 350 million yuan in Greater China region. In 2018, Carrefour launched several important initiatives in China, including opening its smart store Le Marché; launching its own payment tool Carrefour Pay and “Scan & Go” WeChat Mini Program; cooperating with Meituan, Ele.me, and JD Daojia to provide one-hour delivery service to consumers; launching online store via WeChat Mini Program; partnering with domestic and overseas brands such as Dyson and Brookstore to roll out the “shop-in-shop” concept; and collaborating with Gome to transform 11 Gome stores⁶.

Jiajiayue takes over seven hypermarkets of China Resource Vanguard in Shandong

On 6 March, Jiajiayue supermarket announced to take over the operation of seven hypermarkets of China Resource Vanguard in Shandong, including two in Jinan, three in Qingdao, one in Zibo and one in Yantai. China Resource Vanguard will

gradually exit the hypermarket business in Shandong. According to Jiajiayue, this take over will be beneficial to Jiajiayue in terms of creating synergies with China Resource Vanguard stores, integrating resources and supply chain infrastructure in the region, improving efficiencies and operation of the hypermarkets of both companies, and enhancing the competitiveness of Jiajiayue in the market. Previously, the operation of China Resources Vanguard’s five hypermarkets in Beijing are taken over by Beijing Wumei Commercial Group. China Resources Vanguard may turn its focus to blt boutique supermarkets⁷.

Sun Art Retail to launch joint operations headquarters by integrating RT-Mart and Auchan

Sun Art Retail has reportedly decided to integrate the operations headquarters of RT-Mart and Auchan and form a combined operations headquarters to enhance operational and cost efficiencies. According to Sun Art Retail, RT-Mart will assist Auchan to upgrade its IT system and streamline its supply chain system; the integration will enrich the company’s experience in technological application and management, resulting in a better use of resources at the Group level⁸.

Sun Art Retail's total sales revenue reaches 101.315 billion yuan in 2018, down 1% yoy

On 3 March, Sun Art Retail released its FY18 annual financial results. The results show that the total sales were 101.315 billion yuan, down 1% yoy; revenue was 99.359 billion yuan, down 2.9% yoy; operating profit was 4.196 billion yuan, down 6.5% yoy; profit attributable to equity shareholders of the company was 2.588 billion yuan, down 7.3% yoy. Same-store sales growth has further declined from 0.26% in 2017 to 1.72% in

2018. Sun Art Retail pointed out that handing over the home appliance department to Suning.com under the strategic agreement between the Group and Suning.com was the main reason for the decline in revenue; while the drop in operating profit was caused by the increase in operating costs of developing physical stores and investing in O2O business through Taoxianda, an online fresh produce supermarket developed by Alibaba⁹.

Convenience store

Suning's unmanned convenience store to enter replication and expansion stage

Suning said that it will accelerate the expansion of its unmanned store project in June this year. The unmanned store will take up a floor space of 250 sqm, of which 100 sqm will be an unmanned shopping area based on visual recognition, which can improve operational and management efficiency, and alleviate the high operation cost of running the convenience store overnight. Suning.com has recently opened a "Biu×24h" store in Nanjing – which operates as a Suning Xiaodian during day time (with staff working in the store) and will turn into an unmanned store from 10 pm till 7am in the next morning¹⁰.

7-Eleven China shortens operating hours; some stores remove around-the-clock policy

Following 7-Eleven Japan adopting shorter operating hours, 7-Eleven China has also shortened operating hours at some stores. The retailer has cut down the operating hours from 24 to 16 and removed the around-the-clock policy. Since the end of 2018, some 7-Eleven branches in Nanjing have already changed their working hours from 24 to 16.

Some analysts believe that shortening the operating hours at some branches in Nanjing was the company's effort to reduce labor costs considering its low profit margin in the near term¹¹.

Cosmetics

Tom Ford to launch flagship store on Tmall

Tom Ford will open a flagship store on Tmall in early March. According to its official announcement, the flagship store will carry the brand's makeup products, including lipsticks, perfumes, foundations and limited-edition collections, which include the brand's best-selling products and signature collection Boys & Girls mini gift sets and new lipsticks¹².

3CE opens pop-up store "Pink Hotel" in Beijing

South Korea's cosmetic brand 3CE has recently opened a "Pink Hotel" themed pop-up store in Beijing. Running for four days, the store is the brand's first local pop-up store following its debut in China on 26 February. Apart from housing different themed areas, including a makeup buffet, a classic bathtub setting, and a laundry space, the store also offers a make-up area for customers to try on the brand's makeup products, a fashion display area, an interactive area, a rest area, etc. 3CE said the brand hopes to rebuild its retail network in China and strengthen its brand positioning in the market¹³.

Consumer Electronics

Suning.com rolls out strategic plan for the distribution of air-conditioners in rural areas

On 28 February, Suning.com held an air-conditioning industry development summit in Nanjing. During the occasion, Suning.com announced the key development plan of Suning Home Electronics and its strategic plan for the distribution of air-conditioners in rural areas. There are four major areas, namely, investing 1 billion yuan in building stores, 2 billion yuan in subsidizing the purchase of air-conditioners in rural areas, developing 4 million sets of customized rural products, and achieving total sales of 20 billion yuan. According to incomplete statistics, the number of consumer electronics retailers in China has grown to more than 40,000, with market size exceeding over 100 billion yuan¹⁴.

Apparel and footwear

Brand Finance: Anta again enters the list of the 50 most valuable apparel brands in the world

U.K. valuation and strategy consultancy Brand Finance released the "Brand Finance Apparel 50 2019" last week. U.S. sports brand Nike and fast fashion brand Zara retained as the top two on the list, followed by Adidas. It is worth noting that Chinese sports brand Anta is once again on the list, ranking 21st, up 7 places from last year's position¹⁵.

American footwear brand Allbirds to officially debut in China

American footwear brand Allbirds announced that it will officially enter China by launching its first local store at HKRI Taikoo Hui, Shanghai in April 2019. The new launch will mark the brand's first offline store in Asia, following its store openings in San Francisco, New York and London. Besides, Allbirds also plans to open specialty stores in Beijing and Chengdu, offer its products on Alibaba's online shopping platform Tmall and establish its presence on local leading social platforms WeChat and Weibo by the end of this year. Founded in 2014, Allbirds is well-known for its two signature products – machine-washable wool sneakers Runner and Louger, with each pair priced at US\$95. The company has been making profits since its launch. It sold more than 1 million pairs of its wool sneakers via its self-operated online store and offline distribution channels during the first two years in business¹⁶.

Uniqlo launches "express store delivery service" on its WeChat Mini Program to boost online sales

Uniqlo has recently launched an "express store delivery service" on its WeChat Mini Program. Currently, the new service only supports Uniqlo's app and WeChat Mini Program and available to designated Uniqlo stores with the express store delivery service sign. There are 17 Uniqlo stores in Beijing offering this new service. After selecting the express store delivery service option and placing orders via their smartphones, customers can have their orders sent to their home by SF Intra-city delivery service. Orders placed at the stores with the express store delivery service sign will be delivered by default through the intra-city delivery service, while customers can also choose other delivery options or pick up their orders at stores¹⁷.

Belle International prepares HK IPO for its sportswear unit

It is reported that China's footwear giant Belle International is preparing to relist part of its business in Hong Kong. Reuters reported that Belle International has already hired Bank of America Merrill Lynch to help prepare for a Hong Kong listing of its sportswear business this year. The company reportedly aims for a valuation of at least HK\$20 billion to HK\$25 billion for the unit, which distributes brands such as Nike and Adidas. The spin-off comes nearly two years after Chinese investment firms Hillhouse Capital Group and CDH Investments took Belle International private in July 2017¹⁸.

JNBY's net profit increases 22.1% yoy to 381 million yuan

Recently, JNBY released its interim results for the six months period ended 31 December, 2018. During the period, JNBY's total revenue was 2.027 billion yoy, up 22.6% yoy. Gross profit was 1.24 billion yuan, up 20.2% yoy. JNBY's three apparel brands – CROQUIS, jnby by JNBY and less contributed to 41.3% of the total revenue during the period¹⁹.

further cooperate in online and offline product integration and create better marketing and brand promotion strategies²⁰.

Luxury

Secoo forms partnership with travel agency Utour Group

On 6 March, Secoo announced that it has reached a strategic cooperation with domestic travel agency Utour Group. Both companies will integrate their platforms and memberships, jointly launch market campaigns, develop new businesses and products to create better shopping experience for customers, etc. Currently, the two companies have jointly launched various travel products for travelling in Japan, and will

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Fung Business Intelligence

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