

China Retail & E-commerce

Weekly Updates

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E-commerce

Suning Market launches in Beijing

On 31 October, Suning Market, online fresh food business of Suning Xiaodian, launched officially in Beijing. Meanwhile, a 2,100 sqm Suning Fresh Food Cold Chain Processing Center also opened in Beijing to service community users by providing delivery service within one hour. Fresh products will be sent from Suning Market's source of origins within Beijing directly to Suning Xiaodian; customers can pick-up orders from 30 Suning Xiaodian in Beijing. Customers can enjoy other value-added service including financial service, home electronics repair and maintenance service, and housekeeping service¹.

ICMall of Zhejiang Yiwu China Small Commodities City launches on Kaola.com

On 2 November, ICMall, a self-operated platform of Zhejiang Yiwu China Small Commodities City Trading Co., Ltd., launched its online flagship store on Kaola.com. Meanwhile, its own bonded warehouses in Yiwu also started operation. ICMall is a platform which helps Yiwu China Small Commodities City to distribute its imported goods via online channels. Currently, ICMall has already signed cooperation with various overseas brands to sell over 200 SKUs of cosmetics products. All cross-border e-commerce products will be sent to the bonded warehouse in Yiwu via bonded area import model, and will be delivered to customers within three days by third-party courier. The launch of ICMall is an important strategy for Yiwu China Small Commodities City to expand its online distribution channel, helping more overseas brands and products which entered Yiwu to sell online².

Alibaba's revenue increases by 40% yoy to reach 119 billion yuan in 2Q19

On 1 November, Alibaba Group Holding Ltd. announced its financial results for 2Q19 ending on 30 September 2019. In the quarter, Alibaba recorded 119 billion yuan in revenue, up 40% yoy. Among which, 101 billion yuan was contributed by its core e-commerce business, representing 85% of the total revenue and 40% growth yoy. Composed of new retail operations including Freshippo, Tmall Supermarket, direct import and Intime, Alibaba's core e-commerce delivered strong performance in 2Q19 – 18.2 billion yuan in revenue, up 125% yoy. Revenue from Cainiao Network and local consumer services including Ele.me remained stable and grew by 48% yoy and 36% yoy respectively³.

Galanz sues Tmall for abusing its dominant market position; the case is accepted

On 5 November, Chinese home appliance manufacturer Galanz announced in its official Weibo account that it had filed a lawsuit with the Guangzhou Intellectual Property Court on 28 October 2019 against Tmall for alleged abuse of dominant market position and related issues. The case was accepted on 4 November 2019. Galanz claimed in the suit that the brand's store on Tmall could not be found on the platform's search function, leading to 200,000 inventory backlogs⁴.

SAMR: E-commerce platforms' "either-or" agreements are illegal

On 5 November, the State Administration for Market Regulation (SAMR) organized a forum on the regulation of online commercial activities in Hangzhou. The authority summoned representatives from over 20 e-commerce platform operators including JD.com, Kuaishou, Meituan, Pinduoduo, Suning,

Alibaba, Yunji, Vipshop and 111.com to discuss key issues related to their online business operations. The first issue was related to heightened competition and forced exclusivity. The second issue concerned product quality and safety, especially the distribution of counterfeit, substandard and restricted goods. The third one was about the sale of online drugs. Their focus was on the sale of drugs by unqualified personnel, illegal sale of imported drugs, illegal sale of drugs, counterfeit medicines etc. The fourth issue concerned the collection and protection of personal information. There have been incidents of unauthorized collection, usage, leakage and theft of personal information during online transactions. The fifth issue was related to online promotion⁵.

E-commerce operators file complaint against Alibaba and call for the halt of monopolistic practices

There have been some developments in the lawsuit filed by JD.com against Tmall's "either-or" (choosing one from two) practices. Pinduoduo and Vipshop have applied to the Beijing Municipal High People's Court to join JD.com's case. JD.com, Pinduoduo and Vipshop are e-commerce operators backed by Tencent Holdings. They are the key competitors of Alibaba's Tmall and have alleged that Tmall imposed "either-or" agreements on brands. They hope that the lawsuit will help stop such monopolistic practices⁶.

Alipay opens to international tourists in China

Alipay opens its platform to international travelers in China for the first time. Starting from 5 November, visitors can sign up for Alipay's "Tour Pass" Mini Program with their overseas phone number and bank cards. They can top up in increments of as much as

2,000 yuan. Access to Tour Pass lasts 90 days, any leftover funds will be refunded automatically. This move will allow Alipay to further expand its influence in domestic mobile payment market and also help promote China's tourism industry⁷.

g.suning.com establishes authentic goods alliance with 32 overseas brands

On 6 November, g.suning.com, the cross-border e-commerce (CBEC) arm of Suning.com, jointly established an alliance with 32 overseas renowned brands to ensure that goods sold on g.suning.com are authentic. Meanwhile, g.suning.com will leverage blockchain technology to create a unique "identity card" for each new CBEC imported product to combat counterfeiting⁸.

Retail logistics

SPB: Volume of parcel handled during 11.11 Global Shopping Festival to reach 2.8 billion

On 5 November, a spokesperson for the State Post Bureau (SPB)'s market regulation division estimated that the peak for parcel delivery for 11.11 Global Shopping Festival will last from 11 to 18 November, and the volume of parcel handled during the period will reach 2.8 billion. According to the spokesperson, this year's 11.11 Global Shopping Festival is set to face some new challenges and issues, including higher pressure for last-mile delivery, issue concerning green packaging, uncertainties facing cross-border deliver and safety issue during delivery⁹.

Department stores and shopping malls

New World Department Store's net profit for 1Q-3Q19 drops 78.8% yoy

On 31 October, Shanghai New World Co., Ltd. released financial results for 3Q19. As New World City Plaza, one of its department store branches, has been shut down for renovation, the company has suffered a significant drop in operating income. The company made an operating revenue of 1.24 billion yuan in 1Q-3Q19, down 37.09% yoy; net income attributable to shareholders of the company during this period plunged by 78.8% yoy to 51.26 million yuan. It is reported that the renovation work in New World City Plaza will be completed in December 2019 and the store will be re-opened¹⁰.

CCAGM, Fung Business Intelligence: Imminent needs for department stores to transform and upgrade

On 6 November, the China Commerce Association for General Merchandise (CCAGM) and Fung Business Intelligence of the Fung Group jointly released a report "Upgrading and Transformation of China's Department Stores, 2019" at the second China International Import Expo. The report suggests department store operators to transform in four ways: strengthening digital capability, enhancing product value, adding experiential elements and deploying delicacy management as well as repositioning¹¹.

Supermarkets and hypermarkets

Ele.me Koubei deepens collaboration with local supermarket chains – Yonghui Superstores, Better Life and Hongqi Chain

On 1 November, Yonghui Superstores, Better Life Commercial Chain, Hongqi Chain reached deeper collaboration with Ele.me. The alliance reportedly will explore collaboration on omni-channel marketing, real-time delivery, digital marketing and other areas. Previously, Ele.me Koubei, a merger between Alibaba's online food delivery platform Ele.me and local food and lifestyle platform Koubei, already established an open digital grocery platform and worked in close collaboration with local supermarket chains including RT-Mart, Carrefour, Bailian Group, China Resources and Wumart. The tie-up with Yonghui Superstores, Better Life and Hongqi Chain will enable Ele.me's digital grocery platform to create a more comprehensive network tied to major supermarket chains¹².

Yonghui smart retail launches WeChat Mini Program

On 2 November, a WeChat Mini Program on smart retail was launched for users in Fuzhou city in Xiamen Province. The speedy home delivery and smart supermarket services offered in the Mini Program are supported by Yonghui Life Daojiao of Yonghui Yunchuang. With 30 minutes home delivery services, users can enjoy more convenient and higher quality fresh food and other food products. This is one of the latest attempts and cooperation between WeChat smart retail and Yonghui Yunchuang¹³.

Apparel and Shoes

HLA's 1Q-3Q19 net profit down 0.45% yoy; offloads its womenswear unit Echtoo

HLA has recently announced its financial report for 1Q-3Q19. According to the report, the company's operating revenue surged 12.63% yoy to 14.7 billion yuan, with gross profit margin down to 41.77%, while net income attributable to shareholders of the company recorded a rare drop of 0.45% yoy to 2.6 billion yuan. Net profit after deducting non-recurring gains and losses decreased by 3.63% yoy to 2.4 billion yuan. It is noteworthy that HLA already disposed its womenswear unit Echtoo in September 2019¹⁴.

Li Ning debuts on Complex Con, the first Chinese sportswear brand presenting on the show

On 4 November, Li Ning officially announced its debut on Complex Con Festival 2019, following its second showcase at New York Fashion Week, Paris Fashion Week and Tokyo Atmos Con. As the first Chinese sportswear brand debuts on Complex Con, Li Ning showcases a wide range of fashionable sportswear items and at the same time offers its limited edition Fall/Winter collection at the New York Fashion Week 2019. Named by U.S. fashion magazine Complex, Complex Con is a curated convention and festival for creative collaboration between the most influential people and hottest brands around the world; held once a year in the U.S., the festival is a benchmark of global fashion trends¹⁵.

Bosideng introduces premium down jackets priced over 10,000 yuan to tap the high-end market, yet seeing lackluster sales

China's largest down clothing company

Bosideng has recently organized a product launch for its new Deng Feng down wear collection, which includes seven premium products priced at 5,800 yuan or above, with the most expensive one – Mount Everest series down jacket priced at 11,800 yuan, which is comparable to the prices of premium Canadian down wear brand Canada Goose. Bosideng's official online flagship store showed that as of 6 November, only three customers purchased the 11,800-yuan Mount Everest down jacket, while no order was placed on the other two men's down jackets priced at 9,800 yuan and 7,800 yuan under the same collection¹⁶.

Cosmetics

CBNData, The Oriental Beauty Valley and Nuskina China jointly release bluebook of cosmetics industry 2019

On 4 November, CBNData, The Oriental Beauty Valley and Nuskina China jointly released the "Oriental Beauty Valley Bluebook of Cosmetics Industry 2019". According to the bluebook, in 2018, the scale of global cosmetics market reached US\$488 billion, up 4.12% yoy; skincare was the largest segment of China's online cosmetics market, making up nearly 60% sales of the online cosmetics market, while color cosmetics registered faster growth. Post-90s and 95s shoppers have become a major force driving the growth of online cosmetics market, contributing almost 50% of online cosmetics sales. The report also shows that online cosmetics shoppers were mainly from tier-2 cities, while consumption upgrading was most obvious in tier-4 and other lower tier cities¹⁷.

Luxury sector

Secoo: Top 30 cities for luxury consumption are mostly lower-tier cities

On 6 November, luxury e-commerce platform Secoo released the “Deloitte – Secoo CIIIE Bluebook 2019” at the second China International Import Expo (CIIIE). The bluebook analyzes luxury consumption in China’s lower-tier cities based on the findings generated by Secoo’s big data. When it comes to the top 30 cities of highest annual purchase frequency of luxury goods, 27 tier-3 and below cities are among the list; as for the top 30 cities of highest returning customer rate, 29 lower-tier cities are among the list, while all of the returning customers who made purchases for three times or more are from tier-3 and below cities. The bluebook also includes consumer profiles of typical online shoppers in lower-tier cities and examine their purchasing behaviors and preferences from different dimensions¹⁸.

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Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

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