

# China Retail & E-commerce

## Weekly Updates

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## E-commerce

### MOFCOM announces 238 e-commerce demonstration enterprises, JD.com and Alibaba on the list

On 7th September, the Ministry of Commerce (MOFCOM) announced a list of 238 enterprises which include JD.com, Alibaba and Suning as e-commerce demonstration enterprises. The list of enterprises were chosen based on the principle of fairness, impartiality and openness; and through the procedures outlined in the “Notice of Embarking on E-commerce Demonstration Work by the Ministry of Commerce” and the “Specifications for E-commerce Demonstration Enterprises”<sup>1</sup>.

### Blackmores reopens on Tmall Global

After being closed for almost a month, Australian health supplement brand Blackmores reopened its Tmall flagship store. It is reported that the store was closed since 1st August, 2017. Along with the flagship store re-launch, Blackmores announced a younger brand positioning and its plan to further expand its business in China market. Blackmores first opened its Tmall flagship store in 2012. According to the company, cross-border e-commerce platform is its major sales channel in China<sup>2</sup>.

### Alibaba to open its first shopping mall “more mall”

Alibaba is planning to open its first shopping mall “more mall” in its headquarters, Xixi Campus in Hangzhou. According to media report, “more mall”, which is now under construction, will have five floors covering a

total floor space of about 40,000 sqm. The mall is expected to commence operation in April 2018. It is reported that the “more mall” will showcase a range of “new retail” technologies developed by Alibaba such as augmented reality (AR) technologies, high-tech makeup-testing mirrors, virtual fitting rooms, etc. It will also introduce a batch of Tao brands, along with a number of influential traditional brands. In addition, Alibaba will bring in its supermarket chain Hema Xiansheng as one of the anchor stores in the mall<sup>3</sup>.

### Tmall Supermarket launches free home delivery service in Hong Kong

Tmall Supermarket started to offer free home delivery service in Hong Kong for orders over 249 yuan starting from 1 September. As for self-pick up at designated locations, free delivery would be offered for orders over 199 yuan, down from 299 yuan previously. Meanwhile, Tmall Supermarket will continue to cooperate with more third-party partners to provide self-pick up service in Hong Kong. 70 more pick-up locations will be added in September. Tmall Supermarket officially launched in the Hong Kong on 18 June, 2017<sup>4</sup>.

### JD Supermarket announces the expansion plan in 100 tier 3 and 4 cities

On 1 September, JD Supermarket announced a campaign “JD Supermarket in 100 cities” to speed up its expansion in tier 3 and 4 cities. The company aims to provide more high quality products and services for consumers in tier 3 and 4 cities and to lead consumption upgrade. The campaign will roll out in 100 cities in seven regions – Eastern China, Northeastern China, Central China, Southern China, Northern China, Southwestern China, and Western China, as well as in Datong, Qiqihar, Zhoushan, Lhasa, etc. JD Supermarket will adopt targeted marketing

strategies in every city with different promotion campaigns and pricing strategies to suit the needs of local consumers<sup>5</sup>.

### Yum China's new restaurant KPRO launches facial recognition payment solution

Yum China Holding Inc. announced the launch of its new concept restaurant KPRO in Hangzhou on 1 September 2017. As a subsidiary brand of KFC, KPRO targets a younger generation of consumers with constantly updated seasonal menus.

Meanwhile, with the use of digital technologies, the restaurant provides customers with modern and immersive dining experiences.

The application of new technology - Alibaba's facial recognition solution "Smile to Pay" is one of the highlights in the KPRO debut store. The unique payment technology developed by Alipay allows customers to make payments by just scanning their faces to verify their identity and entering phone numbers for added security<sup>6</sup>.

### Alibaba's Alipay expands into Norway

Alipay, China's largest third-party online payment service provider, entered Norway on 4 September. Alipay will be able to enhance the experience of Chinese consumers and help Norwegian businesses reach out to their Chinese customers. Dinnergruppen, a high-end Asian restaurants group in Norway, and The Thief, a luxury waterfront art hotel in Oslo, are the first local firms to introduce Alipay as one of their payment options. APay Nordic AS, a marketing partner of Alipay in the Nordic countries, will further promote Alipay and attract more retailers in Norway to adopt Alipay as one of the payment methods<sup>7</sup>.

### WeChat Pay tests its new function "Lingqiantong"

On 4 September, WeChat Pay started testing its new function "Lingqiantong". Invitations were sent to staff and some external users for testing. According to the introduction from WeChat Pay, the new function has similar features as Alipay's Yu'E Bao – users can use the balance in Lingqiantong for online shopping, money transfer, sending WeChat red packets, payment through scanning QR codes and settling credit card payments, etc<sup>8</sup>.

### 84.3% China Internet users on WeChat Moments in 1H17

According to China Internet Watch's (CIW) latest report, the number of people in China using social networking and communication sites or apps rose modestly in the 1H17, with 84.3% of Internet users using WeChat Moments and 65.8% using QZone. As of June of 2017, 514 million people made purchases and shopped online in China, an increase of 10.2% yoy; of these, 480 million used mobile shopping platforms, an increase of 9.0% yoy, accounting for 66.4% of all users<sup>9</sup>.

### Alibaba forms strategic partnership with Mexican government

Mexico's government said on Wednesday, it has signed a deal with Alibaba Group, to get Mexican products and services, especially those from small- and medium-sized firms, onto Alibaba's e-commerce platform. The deal comes as Mexican President Enrique Pena Nieto finished his trip to China to discuss trade and investment, as part of a strategy to diversify and open new markets for Mexican products<sup>10</sup>.

## Department stores and shopping malls

### MOFCOM releases the “China Shopping Center Index” for 2Q17

The Ministry of Commerce (MOFCOM) released the “China shopping center index” for 2Q17. The index was 64.8 in 2Q17, down 3.5 points compared with the previous quarter. It shows that China's shopping mall market still maintained a good development momentum, and nearly 95% of the shopping mall operators expected to see sales growth in the coming six months<sup>11</sup>.

### Finland's largest department store introduces Alipay

Finland's largest department store operator Stockmann has recently signed an agreement with Finnish mobile payment company ePassi to officially accept Alipay as a payment method at its department stores. The service will first be launched at the Stockmann flagship store in the city center of Helsinki and will be gradually extended to all Stockmann stores in Finland. It may further be extended to the Stockmann stores in the Baltic States<sup>12</sup>.

## Supermarkets and hypermarkets

### The first “GOGO Unmanned Supermarket” in southwest China opens in Cheungdu Joy City

The first “GOGO Unmanned Supermarket” officially debut in Chengdu Joy City, Sichuan on 2 September, 2017. This is the first unmanned supermarket in the southwestern

region. GOGO Unmanned Supermarket has an operation area of 20 sqm. It provides a large variety of goods with around 1,000 SKU for consumers. There are three ways for customers to enter the supermarket: 1) customers can download the APP and scan the QR code; 2) they can follow the WeChat account and scan the code; or 3) they can enter by scanning the membership card at the entrance<sup>13</sup>.

### Yonghui Superstores and Sun Art Retail Group lead in terms of market cap

According to Linkshop, the total market cap of the 14 listed companies in the supermarket sector reached 190.092 billion yuan as of 1 September. Among these 14 companies, Yonghui Superstores Co., Ltd., Sun Art Retail Group Ltd., Better Life Commercial Chain Share Co., Ltd. ranked the top with market cap exceeding 10 billion yuan. Of which, market cap of both Yonghui Superstores Co., Ltd. and Sun Art Retail Group Ltd. exceeded 50 billion yuan, far more than other players<sup>14</sup>.

### Better Life to launch a new community discount store brand

Wang Tian, the chairman of Better Life Commercial Chain Share Co. Ltd., revealed that a new brand under Better Life in the community discount store format will be launched by the end of 2017, with the first store opened in Changsha. The new community discount store will occupy a total floor space of 300 – 800 sqm, offering no more than 3,000 SKUs with half of them being private label products. Fresh food produce will be the focus of the store. There will also be a small self-service catering area in-store, offering ready-meals, breads, noodles, etc<sup>15</sup>.

## Convenience stores



### “Fresh+” convenience store launches unmanned cashier services

The emerging convenience store brand “Fresh+” launched the unmanned cashier service in three of its branches in Shanghai on 5 September. The technology is supported by Alibaba’s local service platform Koubei. The unmanned cashier service will be extended to all nine stores of “Fresh+” in the future. Customers need to follow the four steps below to complete the unmanned cashier service: First, open the Alipay App, scan the QR code of the unmanned cashier and will be directed to the landing page of “Fresh+” website; Second, click on the banner on the top of the landing page of “Fresh+” website or the unmanned shopping button at the bottom and will lead to the buying section; Third, scan the QR code in the buying section, and then scan the barcode of the products they want to purchase; Forth, click on the bottom right corner to do online payment. When the payment is completed, the system will automatically generate a shopping list. Customers can show the shopping list to the staff in the shop for checking<sup>16</sup>.

### Unmanned convenience store Bingo Box opens first store in Dailian

Unmanned convenience store Bingo Box opened the first store in Dailian on 5 September. The store is located in Changjiang Road, Zhongshan District. With an operating size of 15 sqm, the store has around 500 – 800 SKUs , covering food and beverages and other daily necessities. The store operates around the clock. It is expected that 100-150

more Bingo Box stores will be launched in Dalian in 2H17<sup>17</sup>.

## Apparel and shoes



### Decathlon China opens new headquarters in Shanghai Pudong

French sporting goods retailer Decathlon opened its new greater China headquarters in Pudong, Shanghai on 1 September. Decathlon entered the China market in 2003 and it targets the mass market. As of August 2017, Decathlon has 230 physical stores in 90 cities in China. Decathlon started its e-commerce business in 2009, with its service covering around 400 cities in China<sup>18</sup>.

## Kids products



### Kidswant launches nationwide kids products rental service “Haixiangzu”

On 1 September, maternity-infant-children specialty retailer Kidswant launched “Haixiangzu”, a new rental service for large-sized toys, baby strollers, and baby car seats in the nation. The main objective of launching this service is to solve the pain points of buying large-sized toys or kids products – expensive, occupy a lot of space and kids will only play it for a short period of time. Kidswant first rolled out the rental service in July in Nanjing and Jiangxi for trial operation<sup>19</sup>.



## China's second Disney store opens in HKRI Taikoo Hui

A new Disney store opened in HKRI Taikoo Hui in Nanjing Road, Shanghai recently. This is the second Disney store in China following the opening of the world's largest Disney store in Lujiazui in 2015. Apart from creating a rich shopping experience for customers, the new store will launch more stylish items to target young and fashionable women, including the first China-exclusive high-end fashion bag collection<sup>20</sup>.



## P&G China to open Digital Innovation Center in Guangzhou High-tech Industrial Development Zone

Procter & Gamble (P&G) China announced plans to invest US\$100 million to build a Digital Innovation Centre in Guangzhou High-tech Industrial Development Zone. The project will integrate P&G's digital technology research and innovation in fields such as big data and a digitalized supply chain to accelerate the transformation of its business model. The new digital innovation centre is expected to help the company seize the opportunity with the rapid development of the Internet and strengthen offline sales. The centre will be devoted to digital marketing, big data analysis, artificial intelligence research, smart supply chain development and innovative technology supplier incubation<sup>21</sup>.



## VIP.com unveils smart driverless delivery car

Following JD.com, Suning, and Cainiao, VIP.com unveiled its first smart driverless delivery car. At present, VIP.com's driverless car has entered trial run stage, and is capable of independently completing all the steps of delivering orders, including planning the optimal route automatically, autonomous navigation, smart obstacle avoidance, smart advanced booking, parcel inspection and rejection, etc. In the near future, VIP.com will put in more resources for developing smart driverless delivery cars and enhance last-mile delivery service<sup>22</sup>.

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