

# China Retail & E-commerce

## Weekly Updates

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Asia Distribution & Retail

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## Retail in general



### NBS: Total retail sales of consumer goods up by 9.5% yoy in Jan-Feb 2017

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 5,796.0 billion yuan in January – February 2017, up nominally by 9.5% yoy. Of which, retail sales of enterprises above a designated size amounted to 2,468.0 billion yuan, up by 6.8% yoy. By types of consumption, in January to February 2017, catering sales amounted to 625.1 billion yuan, increased by 10.6% yoy. Retail sales of commodities amounted to 5,170.8 billion yuan, up by 9.4% yoy. In January – February 2017, online retail sales grew 31.9% yoy to 858.0 billion yuan. Online retail sales of physical goods increased 25.5% yoy to 641.9 billion yuan, accounting for 11.1% of total retail sales<sup>1</sup>.

### MOFCOM and other authorities jointly issue the “13th Five-Year Plan for the Development of Service Trade”

13 authorities including the Ministry of Commerce jointly issued the “13th Five-Year Plan for the Development of Service Trade” (the Plan).

According to the Plan, China targets to have a higher annual average growth in service trade than that of the global average in the 13th Five-Year Plan period. Also, technological/ knowledge-intensive business services and high value-added services aim to account for an increasing weight in the total export of China. Examples of these emerging services that are capital-/ technology-/ knowledge-intensive include communications, finance, insurance, computer and information services,

consulting, R & D, intellectual property, energy saving, inspection and certification, environmental services, and exhibition.

The Plan laid out six major tasks, such as improving relevant policies and regulations, optimizing market structure, facilitating market growth, nurturing innovations, expanding schemes of open collaboration, as well as formulating a system of comprehensive regulatory bodies. Five key focuses include improving business environment, improving system for business facilitation, building talent bases, and strengthening the statistical measurement.

The Plan also listed out 24 important sectors in 12 categories as the focus for service trade development.

Beijing, Shanghai and Guangdong will develop core business areas for services trade, focusing on the pilots of policy and regulatory reform, international trade investment and regional trade liberalization respectively<sup>2</sup>.

### Brand Finance: Alibaba ranks the third among the world’s 50 most valuable retail brands

Brand Finance, a renowned U.K. brand valuation company, announced the “Retail 50 2017” list of the world’s 50 most valuable retail brands in the year. Amazon topped the list while Walmart and Alibaba followed in the 2nd and 3rd place respectively. Alibaba went from the 5th in 2016 to the 3rd with its estimated brand value amounted to around US\$35 billion, increased by around 94% from US\$17.9 billion in the previous year. According to Brand Finance, Alibaba was the fastest growing retail brand in the year. It was also the only Asian company among this year’s top ten. JD.com ranked 11th, up by three places from last year’s place at 14th<sup>3</sup>.

## E-commerce



### 7-day Unconditional Return Policy for retail e-commerce comes into force on 15 March 2017

The “Implementation Measures on 7-day Unconditional Return for Goods Purchased Online” (“the Measures”) came into force starting from 15 March 2017. On top of the four categories of goods exempted from “unconditional return” for online purchase according to the requirements stated in the “Consumer’s Rights Protection Law”, the Measures stated that three additional categories can also get exemption with consumers’ consent prior to purchase.

The three categories are: goods that are easily spoiled and will affect user’s health and safety after de-packaging; goods that have been clearly indicated as near-expiration or defected during sales display; and goods that will depreciate or lose much of its value upon activation or trial use<sup>4</sup>.

### CECRC: E-commerce complaints up by 14.78% in 2016

China e-commerce Research Centre (CECRC) released the “2016 Report on the Monitoring of Consumer’s Experience and Complaints in China’s E-commerce Market”. The report monitored the consumer’s online consumption experience in various e-commerce sectors, such as online shopping, O2O, Haitao (or cross-border retail e-commerce), s-commerce, online food ordering, credit spending and Internet finance. According to the report, the number of valid complaints lodged on the centre’s online consumer complaint platform increased by 14.78% from that of 2015.

The top ten categories of consumer complaints are issues concerning: shipping, logistics, customer service, refund, goods return, dishonest marketing, product quality, suspected counterfeit, false product description, and leakage of consumer’s private information. The report pointed out that issues concerning cross-border e-commerce accounted for a larger portion of consumer’s complaints. The proportion increased from 7.53% in 2015 to 11.52% in 2016<sup>5</sup>.

### Alipay now available to Hainan Airlines passengers for in-flight payment

Alipay, SHARECO, an aviation internet technology developer, and Hainan Airlines jointly announced the launch of Alipay services on the first batch of 15 passenger planes of Hainan Airlines. Passengers can pay with Alipay when shopping or upgrading their passenger class by connecting to the in-flight Wi-Fi services. It is expected that the payment service will be available to 129 Hainan Airline planes by end of 2017. Hainan Airline is the first time Chinese airline to provide an in-flight electronic payment option<sup>6</sup>.

### Ali Research Institute: “New Retail” regime is the age of demand-centred production reform

Ali Research Institute published the “Research Report on the New Retail Regime”. According to the report, in the age of traditional retail, production changes used to be the result of technology changes. In the “New Retail” regime, production changes are the result of changes in consumption pattern. Consumers’ experience and data analytics are at the core of this pan-retail business model, in which the traditional concept of retail has been transformed to include content marketing and other elements aside from a mere transaction of goods and services<sup>7</sup>.

## Alibaba announces setup of standalone R&D department

Alibaba plans to form an independent R&D department to house all of its R&D projects including machine learning and AI. The plan, named the NASA project, is expected to cover core technologies such as machine learning, chips, IoT, operating system and biometric identification. Alibaba said it has already begun a global recruitment exercise for this new department<sup>8</sup>.

## Tmall Global launches Denmark channel as Denmark forms strategic partnership with Alibaba

Alibaba and the Danish government signed a strategic partnership agreement and planned to work together on three areas: launching the Denmark channel on Tmall Global; launching an online visa application service jointly supported by Alitrip.com, Denmark Tourism Bureau and the Scandinavian Airlines; also, deepening the collaboration between Alibaba and Denmark in the area of international intellectual property. Alitrip.com is a comprehensive travel e-commerce platform of the Alibaba Group that offers various travel-related products and services. Denmark channel on Tmall Global started operation on 12 March and is the first newly opened national channel on Tmall Global this year<sup>9</sup>.

## JD.com and CCTV jointly organize “315 Quality Products Shopping Festival”

JD.com and CCTV jointly launched the “315 JD.com Quality Shopping Festival” on 15 March 2017, the date of the “World Consumer Rights Day”. The shopping festival featured brands in CCTV’s “National Brands Campaign” and aimed to provide consumers with quality products, as well as facilitate the interaction and communication between brands and consumers. During the period of the shopping

festival, JD.com and over ten featured brands in CCTV’s campaign, such as Huawei, Gree Electrical Appliances, Haier, Midea, and Yili Group, appeared on billboards of New York’s Time Square to advertise for the shopping festival<sup>10</sup>.

## ANA Holdings to launch CBEC platform

ANA Holdings, the parent company of All Nippon Airways, the largest airline in Japan, is beta-testing the Chinese version of its cross-border e-commerce (CBEC) website ANA Cargo Direct. Goods available on ANA Cargo Direct are from around 300 Japanese companies and range between 1,500 – 2,000 SKUs, including product categories such as daily necessities and cosmetics. Aside from the self-operated warehousing and logistics services, the platform also features its partnership with Tencent’s WeChat. Users can use WeChat Pay in ANA’s duty-free stores and hotels, as well as on ANA Cargo Direct<sup>11</sup>.

## E-commerce logistics



## JD.com offers direct deliveries to Hong Kong and Macau

JD.com can now directly deliver orders to Hong Kong and Macau. JD.com said the service extension allows shoppers in mainland China to order products and deliver to an address in Hong Kong or Macau. Delivery cost ranges from 27 to 429 yuan depending on the weight of the parcel. Currently, the product categories that can be delivered to the two regions include apparel, home electronics, digital products, shoes and bags, cosmetics, maternity and baby products etc. JD.com said the service will be rolled out to more countries

and regions in the future<sup>12</sup>.

## Supermarkets and hypermarkets



### South Korean supermarket emart closes two stores in China

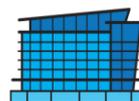
Following Lotte Marts consecutive store-closures in China, emart, a South Korean supermarket retail chain owned by the ShinsegaeCo.Ltd, announced that it is closing two of its stores in China. Shinsegae's emart first entered China in 1997 and at its peak had a total of 27 stores in the China market. However, after several rounds of store-closures, only seven emart stores remained by November 2016. After the two stores in Shanghai mentioned in the announcement are closed, emart will only have five stores in China<sup>13</sup>.

### Yonghui Superstore and South Korea CJ to change JV plan in the establishment of fresh produce company

As fresh produce processing business is not allowed in the business scope of JV involving foreign investors, Yonghui announced a change in its partnership plan with South Korean company CJ Freshway Corporation. Yonghui will now invest 100 million yuan to the Beijing fresh produce processing business as its sole investor. Yonghui Superstore and South Korean company CJ Freshway Corporation originally planned to invest 100 million yuan each to set up two JVs in Beijing, whose business scopes were global sourcing of fresh produce and the fresh produce processing respectively. According to the original plan, Yonghui Superstore would hold 30% and 70% stakes in the two JVs respectively. The JV plan for the global fresh produce sourcing company remains

unaffected<sup>14</sup>.

## Department stores and shopping malls



### Lifestyle China scales down business in Northeastern China

Lifestyle China Group announced its annual results for the year ended 31 December 2016. Net profit of the year increased by 5.8% yoy to HK\$324 million. Sales turnover amounted to HK\$1,318 million, decreased by 4.6% yoy. Gross profit amounted to HK\$960 million, down by 5.8% yoy. In the period. Shanghai Jiuguang delivered a turnaround from previous fall, with sales revenue saw a growth of 6.5% yoy in RMB terms. Suzhou Jiuguang reported 2.8% growth in sales revenue in RMB terms. Dalian Jiuguang in the Northeastern China continued to struggle against the backdrop of sluggish local market conditions. Sales revenue dropped 60.8% yoy. The Group decided to scale down local operation gradually. Shenyang Jiuguang ceased operation in December 2015 and Management is working to reposition this retail premise<sup>15</sup>.

## Apparel and shoes



### Brand Finance: Anta named one of the world's 50 most valuable apparel brands

Brand Finance, a renowned U.K. brand valuation company, announced the "Apparel 50 2017" list of the world's 50 most valuable apparel brands in the year. Chinese sportswear brand Anta ranked 35th, up from 46th in the previous year. It has the second

fastest growth rate in brand value, which was increased by 67% to US\$2 billion. To expand into foreign market, the brand signed a deal with NBA player Klay Thompson and established a self-operated e-commerce retail store for the U.S. market. Another Chinese retailer Chow Tai Fook, a Hong-Kong based jewellery brand, was also on the list and ranked 14th.

Nike retained its position as the world's most valuable apparel brand and its brand was valued at US\$32 billion. Swedish fast-fashion retailer H&M ranked 2nd and its brand was valued at US\$19 billion. Spanish fast-fashion retailer overtook the French Louis Vuitton to rank 3rd and its brand was valued US\$14.4 billion. Louis Vuitton ranked 4th and its brand was valued at US\$13.2 billion<sup>16</sup>.

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