

China Retail & E-commerce

Weekly Updates

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FUNG BUSINESS INTELLIGENCE
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Retail in general



Total retail sales of consumer goods up by 10.0% yoy in October 2017

Total retail sales of consumer goods reached 3,424.1 billion yuan in October 2017, up nominally by 10.0% yoy, and 8.6% yoy in real terms. Of which, retail sales of enterprises above the designated size amounted to 1,437.4 billion yuan, up by 7.2% yoy. By types of consumption, in October 2017, catering sales amounted to 385.2 billion yuan, increased by 10.3% yoy. Retail sales of commodities amounted to 3,038.9 billion yuan, up by 10.0% yoy. In January – October 2017, online retail sales grew 34.0% yoy to 5535.0 billion yuan. Online retail sales of physical goods increased 28.8% yoy to 4,178.2 billion yuan, accounting for 14.0% of total retail sales¹.

E-commerce



NDRC: all online retailers and express delivery companies should operate according to law

Recently, the National Development and Reform Commission (NDRC) held a meeting regarding price regulations and policies reminder for online retail and courier industry. Representatives from major online retailers and courier companies attended the meeting. NDRC cautioned the market practitioners at the meeting that all online retail enterprises and express delivery enterprises should conduct business in good faith according to law, strengthen efforts on price regulation and

standardization, and compete in a fair and orderly manner. For online retailers, the upstream and downstream operators of the online retail business are not allowed to reach a vertical monopoly agreement. For the logistics industry, they are not allowed to take the opportunity of the 11.11 Global Shopping Festival and other large-scale promotional activities to drive up the express delivery price².

iResearch: China's Internet population reaches its peak; new consumer trends evolve

iResearch released a report "The Changing Face of China Online Retailing" recently. The report reveals that China's Internet population is reaching its peak while the costs of drawing Internet traffic are increasing significantly. Key insights of the report include: Consumers now look for high quality that are value-for-money products; e-commerce shifts towards m-commerce; recommendation-based shopping becomes popular; new marketing tools such as Internet KOLs, live-streaming evolve; costs of advertising online increase fast; consumers demand more non-standardized products; offline supermarkets begin to gain stronger foothold online; consumers move towards "lifestyle" consumption³.

JD.com net revenue for 3Q17 surges three times

JD.com, Inc. announced its 3Q17 financial results. Net revenue increased 39.2% yoy to 83.7 billion yuan. According to JD.com, the growth in performance during the reporting period was mainly attributable to the growth of self-operated business driven by smart supply chain and logistics technology, as well as the revenue growth of service businesses that helped brands achieve precision marketing. At

the same time, JD.com said that as of 30 September, the group operated a total of 405 large warehouses nationwide with a total area of about 9 million sqm, which showed that the retail infrastructure of the group continues to consolidate. In the future, as these logistics infrastructures continue to open to third-party merchants, it will also generate considerable marginal revenue for JD.com⁴.

JD.com brings designer fashion brands to China market

Recently, JD.com announced a partnership with the Council of Fashion Designers of America (CFDA) / Vogue Fashion Foundation to work together to help the young American designers to successfully enter the China market. This successful partnership with CFDA shows that JD.com's positive role in facilitating the development of global fashion industry has been generally recognized by the industry. Some industry experts believe that this move allows JD.com to get closer ties with international fashion brands through American Fashion Association, paving the way to introduce more designer brands into its platform⁵.

Baidu releases first smart home speaker raven H

Baidu's Raven Technology officially released its first smart home speaker – raven H. The smart home speaker is available for sell starting 16 November, at the price of 1,699 yuan. As Baidu's first benchmarked artificial intelligence product, raven H positions itself as a new high-end smart speaker that integrates technology and arts. The speaker is small and has colorful design, which is a breakthrough from existing products – usually black and white in color – in the market. Powered by DuerOS 2.0 which will be released soon,

Raven also invented "Ruyi Shuo", a voice interaction system which can help automatically adjust the volume and style of speaking, etc. in the speaker⁶.

Tencent's 3Q17 results: growth in advertising revenue increases while WeChat payment drops

On 15 November, Tencent Holdings Limited announced its finance results for 3Q17. As of 15 November, 2017, Tencent achieved total revenue of 65.21 billion yuan, an increase of 61% yoy. Specifically, the growth in Tencent's revenue was driven primarily by smartphone games and PC games, payment related services, digital content subscriptions and sales, and online advertising. Social and other advertising revenues increased 63% yoy to 6.92 billion yuan, mainly reflecting the growth of advertising revenue from WeChat and other mobile apps. However, it is worth noting that the growth rate of other business segments including WeChat payment business declined significantly⁷.

Kaola.com forms strategic partnership with nine French brands and sets up branch office in France

Recently, Kaola.com signed strategic cooperation agreements with nine French brands, including European children's clothing giant Kidiliz Group, children's clothing group Vertbaudet, cosmetic brand Caudalie, beauty brand Biocyte, drug chain brand Parashop, high-end children's wear and designer brand Jill Group, home textile manufacturer for five-star hotels CTM Group, herbal based skincare brand Arkopharma, and high-end confectionery brand Les Calissons Roy Rene. It is reported that Kaola.com will strengthen the cooperation with fashion retailers, supermarkets chains, middle-to-high-end

department stores, and designer brands in France. At the same time, Kaola.com also announced the establishment of a branch office and warehouse in France, hoping to increase the number of French brands on the platform from 300 to 500 by end of this year or early next year⁸.

E-commerce: Singles' Day

Sales performance of major e-commerce players in 11.11 Global Shopping Festival

Alibaba

- Alibaba reported 168.27 billion yuan (US\$ 25.3 billion) in GMV, sales growth was 39% yoy.
- 90% of the GMV was generated by mobile users, up from 82% in 2016.
- Alibaba Cloud processed 325,000 orders per second at peak.
- Alipay processed 1.48 billion payment transactions in total, up 41% from 2016, and processed 256,000 transactions per second at peak
- 167 merchants each generated over 100 million yuan (US\$ 15.1 million) in sales, 17 merchants surpassed 500 million yuan (US\$ 75.4 million) and 6 merchants surpassed 1 billion yuan (US\$ 150.9 million).
- The number of delivery orders was 812 million compared with 657 million last year, up 23% yoy.
- More than 140,000 participating brands and merchants
- 225 countries and regions with completed transactions
- Top countries selling to China include: Japan, U.S., Australia, Germany, South Korea

JD.com

- According to the statistics from JD.com, transaction volume on the platform recorded 127.1 billion yuan (US\$19.1 billion), during 1 – 11 November, up more than 50% yoy. Total number of products sold was 735 million pieces.
- Consumers from Guangdong, Beijing, Jiangsu, Shanghai and Sichuan made the most orders from JD.com.
- As of 11:15 on 11 November, the delivery volume of JD.com logistics had exceeded that on the whole day of last year, 85% of the orders were delivered on the same day.

VIP.com

- As of 11 November 24:00, the order volume exceeded 8 million, of which orders made via PC accounted for 5.3% and orders made via mobile devices accounted for 94.7%.
- Consumers from Beijing, Chongqing, Chengdu, Shenzhen, Shanghai, Guangzhou, Wuhan, Xian, Kunming and Changsha made the most orders on VIP.com.

Kaola.com

- GMV on 11 November in 2017 were 4 times compared to last year. At 28 minutes into the sale, total GMV surpassed the total for the 24-hour sale last year.
- Consumers from Shanghai, Beijing, Guangdong, Zhejiang, Jiangsu, Sichuan, Hubei, Fujian, Shandong and Chongqing made the most orders on Kaola.com
- Suning
- GMV during 1-11 November increased 163% for all channels.
- Logistics orders increased 480% yoy during 1-11 November.

Amazon China

- Sales reached nearly three times as much as the sales last year.
- During the 11.11 Global Shopping Festival

period, Amazon China connected with four Amazon website overseas including the U.S., the U.K., Japan and Germany and provided discounts especially for Chinese consumers.

- Apparel, baby and maternity products, cosmetics, shoes and home products were the most popular categories.
- Champion, Similac, Clarks, Foreo, Zojirushi, Tiger, Philips, Braun, De'Longhi, Fissler and Medela were the most popular brands with the highest sales⁹.

Kantar: 44% of Chinese consumers spend more during 11.11 Global Shopping Festival

According to Kantar's 11.11 Global Shopping Festival Purchase Intention Survey, 44% of Chinese consumers would spend more during the festival period compared to last year; 30% said they would spend more or less the same as last year, while only 14% of the respondents would spend less. In terms of budget, most of the respondents would spend between 1,001- 2,000 yuan (22%), followed by 501-1,000 yuan (18%) and 2,001- 4,000 yuan (15%). Apparel (71%), shoes (50%) and food (48%) were still the top three most fast-selling physical goods categories¹⁰.

Department stores and shopping malls

Intime records 159% yoy growth in customer traffic and 135% yoy growth in sales in 11.11 Global Shopping Festival

Intime recorded 159% yoy growth in customer traffic on 11 November. 80% of the customers were female. Growth in sales on that day was 135% yoy. 1.39 million pieces of goods were sold, of which 260,000 pieces were cosmetics

products. Over 50% of the sales were made by Intime's members¹¹.

Supermarkets and hypermarkets

Hema Xiansheng plans to open 50 stores in Wuhan in the next two to three years

According to media reports, Hema Xiansheng will open its first store in Wuhan in the spring of 2018. At present, 30 Wuhan stores are under preparation and are expected to open during the same period. Over the next two to three years, Hema Xiansheng plans to open a total of 50 stores in Wuhan, making the city the regional headquarters of Hema Xiansheng in the Central region¹².

Danish premium supermarket chain Irma opens flagship store on Kaola.com exclusively

On 8 November, Danish premium supermarket chain Irma opened its flagship store on Kaola.com exclusively. Irma is a supermarket chain under Coop Danmark A/S. Irma is renowned for its wide range of organic products. Around 25% of Irma's total sales come from organic products, which is the largest share among other supermarket chains worldwide. Products available on Kaola.com include organic food, childrenswear, cosmetics, and bathroom products¹³.

Convenience stores



Unmanned store Bingo Box transforms into pop-up store for sportswear brand Kappa

On 17-19 November, Bingo Box collaborates with sportswear brand Kappa to launch exclusive products at a Bingo Box store in Beijing 798 Art Zone for a flash sales campaign. Kappa and Japanese designer Kazuki Kuraishi worked together to design an exclusive line for apparel and beverages for this particular Bingo Box store & Kappa's pop-up store. Consumers can check-out themselves using mobile devices¹⁴.

Auchan plans to open hundreds of 24-hour unmanned convenience stores in China this year

French retailer Auchan, announced plans to open hundreds of 24-hour unmanned convenience stores in China this year. Each unmanned convenience store covers an area of about 18 sqm and sells mainly instant foods, snacks, drinks and fruits. Similar to other unmanned stores, the whole shopping process is fully digitized – consumers can access the store by scanning QR code at the entrance, and then select what they want to buy and complete the payment process through mobile phones or any other electronic devices. Consumers can contact the store manager at the backend via real-time remote contact system for further assistance if needed¹⁵.

Apparel and shoes



Superdry continues to open new stores in China

British apparel brand Superdry will continue its expansion plan in China, as well as its rejuvenation strategy. The Superdry Group plans to add two more new self-operated stores in Beijing and Shenzhen and another two franchise stores in Quanzhou and Xiamen this December. Founded in 2003, Superdry had a total of 863 stores and counters in 62 countries as of September 2017; and its parent company Super Group was listed on the London Stock Exchange in 2010. At present, Trendy Group, the parent company of Ochirly, is the operating partner of Superdry Group in China. The two companies set up a joint venture in September 2015 with a total investment of 18 million pounds (about 180 million yuan); and each party is holding a 50% stake of the investment. The duration of the joint venture will last for at least ten years. Superdry is reportedly having a net loss of 10 million yuan in the China market last year¹⁶.

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