

China Retail & E-commerce

Weekly Updates

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Retail in general



Total retail sales of consumer goods up by 10.4% yoy in July 2017

According to the National Bureau of Statistics of the PRC, total retail sales of consumer goods reached 2,961 billion yuan in July 2017, up nominally by 10.4% yoy, and 9.6% yoy in real terms. By type of consumption, in July 2017, catering sales amounted to 320.4 billion yuan, increased by 11.1% yoy. Retail sales of commodities amounted to 2,640.6 billion yuan, up by 10.3% yoy. In January - July 2017, online retail sales grew 33.7% yoy to 3,661.7 billion yuan. Online retail sales of physical goods increased 28.9% yoy to 2,782.0 billion yuan, accounting for 13.8% of total retail sales¹.

CNCIC: Retail sales of 100 key large-scale retailers in China increase 3.1% yoy in 1H17

According to the China National Commercial Information Centre (CNCIC), retail sales of 100 key large-scale retail enterprises increased by 3.7% yoy in July 2017. The growth rate was 2.4 pts higher than that in July 2016. Most of the categories recorded positive growth compared with the same period in 2016. Of which, sales of consumables dropped 0.6% yoy, growing 2.6 pts slower than that in the same period in 2016².

Nielsen: Consumers' confidence index in China reached 112 in 2Q17, highest since 4Q13

According to Nielsen, consumer confidence index in China in 2Q17 was 112, up from 110 from 1Q17. It was the highest index recorded since 4Q13. The rise in consumer confidence was a result of the upward momentum of China's macro economy. Positive personal financial situation, as well as positive employment outlook perceived by the surveyed respondents also attributed to the rise of consumers' confidence³.

iResearch: "Post-80s" and "post-90s" generation is the largest group of mobile Internet users, accounting for 36.4% and 35.9% of the total respectively

According to iResearch, in June 2017, male accounts for 55.4% of total mobile Internet population, while female accounts for 44.6%. "Post-80s" and "post-90s" generation is the largest group of mobile Internet users, accounting for 36.4% and 35.9% of the total respectively, while "Post-00s" generation is increasingly significant, accounting for 8.9% of the total. Over 90% of the mobile Internet users engage in mobile app for instant messaging, mobile video service, as well as other useful tools⁴.

China's first industry standard for vending machines starts trial implementation

China's first "China's Industry Standard for Vending Machines (Trial)" was recently approved on a one year trial basis. Drafted by the Vending Machines Committee of the China Commerce Association for General Merchandise, the standard covers 15 areas, including the operating qualification, equipment requirements, operations management, food safety control, etc. It lists out specific requirements for the various areas⁵.

CCFA: 50% of consumers are willing to spend more on sustainable products

China Chain Store and Franchise Association (CCFA) published the “China’s Sustainable Consumption Report”. The report reveals that 70% of China’s consumers are aware of sustainable consumption, and around half of the consumers are willing to pay 10% more for sustainable products. Currently, sustainable products only account for a small share of the market, and thus brands may not be able to leverage the economies of scale yet⁶.

E-commerce

Alibaba records 58% yoy growth in first-quarter revenue; Alibaba Cloud’s paying customer exceeds one million for the first time

Alibaba Group announced its financial results for the quarter ended June 30, 2017. In the quarter, Alibaba’s revenue was 50,184 million yuan, an increase of 56% yoy; of which revenue from its core e-commerce increased 58% yoy to 43,027 million yuan. Number of annual active consumers on its retail marketplaces reached 466 million, and number of mobile MAUs reached 529 million in June 2017, an increase of 22 million over March 2017. The GMV for Tmall’s physical goods went up by 49% yoy in the quarter ended June 30, 2017. Apparel, consumer electronics and FMCG products were among the key categories that experienced robust and reaccelerating GMV growth during the quarter. The number of paying customers of Alibaba’s cloud computing business exceeded 1 million for the first time, an increase of 137,000 from the previous quarter. This is also the first cloud computing company in Asia

to have more than 1 million users⁷.

Alibaba leads US\$1.1 billion investment in Indonesia’s Tokopedia

Tokopedia, a leading Indonesian e-commerce company, announced that it has received investment from Alibaba Group Holding as the lead investor in a US\$1.1 billion funding round. The partnership with Alibaba will enhance the scale and quality of Tokopedia’s offerings to its customers, and make it easier for merchants and partners to do business in Indonesia. A valuation for the deal was not announced, but the companies said that Alibaba has become a minority shareholder. Alibaba is also the majority owner of Lazada, an e-commerce company with its largest Southeast Asia presence in Indonesia. Founded in 2009, Tokopedia’s marketplace model is similar to Alibaba’s Taobao platform. Its mobile app has been downloaded at least 10 million times⁸.

Alibaba to bring mobile payment service to Japan

Alibaba is reportedly planning to bring a localized version of its Alipay mobile payment platform to Japan as soon as early next year. Ant Financial, Alibaba’s financial arm, will offer a variant of its Alipay tailored for the Japanese market under a new brand, which will be connectable to Japanese bank accounts. Shoppers will be able to load money into or link a bank account with a dedicated app on their smartphone, and scan QR codes issued by merchants to make a payment. The new service will mostly be adopted by electronics sellers, department stores and Lawson convenience stores that already accept Alipay⁹.

Alibaba's first unmanned retail store to open in Hangzhou by year-end

The first Alibaba unmanned retail store will be opened by the end of this year in Hangzhou. The project team has been included in the "Tmall New Retail Strategy Blueprint", and stationed in the "New Retail Technology Laboratory" last month. The team will focus on research and development of unmanned retailing, particularly how to accommodate greater consumer traffic and other more complex business issues¹⁰.

Tmall to invest 10 billion yuan to help 100 brands building their own 11.11 shopping festival

Tmall plans to invest 10 billion yuan in helping 100 brands to build their own 11.11 shopping festival. A team of 100 people from Tmall will help brands to build their own 11.11 shopping festival through data analysis, marketing planning, media exposure planning. To enhance the relationship between brands and consumers, Tmall will cooperate with Weibo to provide a "Tian-V Plan" for brands to reach out more consumers through Weibo; it will also launch a "New Retail Showcase Plan" to help brands push forward their online-and-offline integration, as well as a "Tmall Product Innovation Plan" to help brands collect consumer insights through data analytic¹¹.

Tmall Supermarket launches new retail concept store for fresh produce in Beijing

Tmall Supermarket announced that "Shandian", its new store brand selling fresh produce, has just been put into trial operation. The store offers one hour delivery services within a three-km radius of distance. The new store is a "new retail" project jointly launched by Tmall, Suguo and ExFresh. The first 36 "Shandian" stores are all located within the

Fifth Ring Road in Beijing¹².

Alipay partners with Yelp to serve Chinese tourists traveling in the U.S.

Alipay signed an agreement with Yelp, the largest U.S. commentary website, to allow millions of Chinese travelers to easily search and book local services while traveling in the U.S. Alipay said in a statement that more than 500 million subscribers will be able to use its services in New York City, Los Angeles, Las Vegas and San Francisco. Through their mobile app's Discover tab, Alipay customers can check the locations and user reviews of merchants. They can also make payment in Chinese yuan at retailers that support Alipay¹³.

JD.com falls back to quarterly loss of 287 million yuan despite sales hike in 2Q17

JD.com released the financial results for the quarter ended 30 June. Net revenue soared 43.6% from the previous year to 93.2 billion yuan. Net loss from continuing operations attributable to ordinary shareholders for 2Q17 was 287.0 million yuan. Annual active accounts increased by 37% yoy to 258.3 million as of 30 June. JD.com now operates seven fulfillment centers and 335 warehouses, covering an aggregate gross floor area of approximately 7.1 million sqm in China¹⁴.

Tencent records total revenue growth of 57% yoy in 1H17

Tencent announced the unaudited consolidated results for the second quarter and the first half year of 2017 ended 30 June, 2017. Total revenue was 106,158 million yuan in 1H17, up 57% yoy. Operating profit was 41,832 million yuan, up 51% yoy. Operating margin decreased to 39% from 41% in 1H16. Profit for the period was 32,802 million yuan,

up 63% yoy. Net margin in the period increased to 31% from 30% in 1H16.

In 2Q17, total revenue was 56,606 million yuan, up 59% yoy. Operating profit was 22,560 million yuan, an increase of 57% yoy. Operating margin was 40%, broadly stable from last year. Profit for the period was 18,254 million yuan, up 68% yoy. Net margin increased to 32% from 30% last year. As of 30 June, the monthly active users accounts (MAU) of QQ were 850 million, down 5.4% yoy, while the combined MAU of Weixin and WeChat were 963 million, an increase of 19.5% yoy.¹⁵.

Retail-related WeChat mini programs accounts for 11% of the top 100s; social shopping platforms Pinduoduo and Mogujie enter the top 5

According to Aldwx.com, a domestic market research agency for WeChat mini program, Bike service mini program Mobike, application assistant mini program for Tencent data plan card, Tencent video mini program, social shopping platform Pinduoduo and Mogujie topped the list of the "Top 100 Most Popular Mini Programs (top 100s)" in 2Q17. By category, useful tools, retail-related and daily service-related mini programs were the most popular, accounting for 36%, 11% and 10% of the top 100s respectively¹⁶.

VIPSHOP's net profit increases by 30.3% yoy in 2Q17

VIPSHOP Holdings Ltd reported net revenue of 17.52 billion yuan for the three months ended 30 June 2017, up by 30.3% yoy; net profit attributable to common shareholders was 386.5 million yuan, up by 14.4% yoy. The number of active users reached 28.1 million, up by 22% yoy. VIPSHOP said that it will

continue to enhance consumer-centric shopping experience, and further increase its brand selection and varieties to increase user stickiness¹⁷.

CBEC platform Wandou opens duty free shop in Tokyo

Cross-border e-commerce player (CBEC) Wandou (www.wandougongzhu.cn/) opened its first duty-free shop in Akasaka, Tokyo. It is the first Chinese CBEC platform to set up duty-free shops overseas. Located in 2-14-31 Jinbo Building, Akashi, Tokyo, Japan, Wandou's duty-free shop is around 60 sqm and selling more than 500 SKUs of four categories, including beauty, health care products, food, and daily necessities. The shop mainly serves Chinese tourists in Japan. Visitors can directly purchase tax-free goods in the duty-free shop. Besides, Wandou has also opened an online duty-free shop on its app. Tourists can place orders through the app, and collect the purchased goods at the airport when they leave Japan¹⁸.

E-commerce logistics



JD Logistics upgrades express delivery services; delivery time shortens to 30 minutes in 7 cities

JD Logistics announced to upgrade its express delivery services. The delivery time for advanced booking services can be shortened from 2 hours to 30 minutes. According to JD.com, the express delivery service is available in 246 cities, covering 75% of the total number of cities in China. Of which, 1-hour delivery service is available in 30 cities in China, while 30-minute delivery service is available in 7 cities, including Zhengzhou,

Wuhan, Changsha, Beijing, Jinan, Qingdao, and Taiyuan¹⁹.

Department stores and shopping malls

Galleries Lafayette to open second China store in Shanghai

The French high-end department store Galleries Lafayette has signed an agreement with real estate firm Shanghai Lujiazui Finance & Trade Zone Development Co. Ltd., to launch its second store in China in Shanghai. The store has an operating area of around 23,100 sqm and is set to open by end of 2018. The company has emphasized its international expansion with two openings in Istanbul and Dubai earlier this year²⁰.

Convenience stores

Bingo Box to partner with community service operator in Beijing and jointly set up a 5-year-plan

Recently, unmanned convenience store operator Bingo Box signed a strategic partnership agreement with the local O2O community service provider “bjyjiequ”, which is owned by Sino-Ocean Group. Based on the agreement, both parties will strengthen the cooperation on developing big data analytics for building an intelligence community, Internet of Things, and on the operation and management aspects. They also jointly set up a 5-year-plan to establish more than 1,000 Bingo Box in cities including Beijing and Xuzhou. According to the official website of bjyjiequ, their service network now covers 68

real estate projects across 20 major cities in China, serving more than 600,000 customers, with registered users exceeding 150,000. Previously, Bingo Box has already formed partnerships with other property groups such as Agile Group and Dantin Share, and targeted to open more than 3,000 Bingo Boxes in the coming three years²¹.

Apparel

Uniqlo targets to have 1000 stores in China by 2020, exceeding the store number in Japan

Uniqlo, Japan’s largest fast fashion brand, is set to operate more stores in China than in Japan. It plans to have 1,000 stores in China by 2020, which almost doubles the number of stores now. The retailer has reportedly introduced a fast-track training scheme to bring enough store managers up to speed within the short time frame. As of the end of May, Uniqlo had 540 outlets in roughly 120 Chinese cities, and 840 stores in Japan²².

Anta Sports’ net profit reaches 1.451 billion yuan in 1H17; becoming the largest apparel company in China in terms of market capitalization

Anta Sports released its financial results for the six months ended 30 June, 2017. Net profit rose 28.53% yoy to 1.451 billion yuan, and sales rose 19.2% yoy to 7.323 billion yuan. Gross profit reached 3.704 billion yuan, up by 25.92% yoy, while gross margin increased by 2.7 ppt to 50.6%. The increase in gross margin is attributable to tightened cost control, and the growth in retail and e-commerce sales. Sales from e-commerce accounted for around 10% of the total sales,

and it is expected to increase to 20% soon. As of 16 Aug, Anta Sports has a market capitalization of 66.8 billion yuan, the highest among all apparel retailers in China. Currently, Anta Sports has 9,041 retail stores under the Anta brand, 869 stores under the Fila brand, and 21 stores under the Descente brand²³.

HLA to inject 100 million capital in fast fashion brand UR

Chinese apparel company Heilan Home Co. Ltd (HLA) announced that its wholly-owned subsidiary Jiangyin Hailan Investment Management Co., Ltd. will increase investment in Kuaishang Fashion Limited, brand operator of fast fashion brand Urban Revivo (UR), by injecting advance capital of 100 million yuan into the company; HLA will obtain no more than 10% equity interest in return. UR sells a range of products, including women's wear, men's wear, children's wear and accessories. At present, UR has over 160 stores across 60 cities in China and overseas²⁴.

Swiss luxury watch and jewellery brand Chopard launches flagship store on JD.com

Swiss luxury watch and jewellery brand Chopard launched online flagship store on JD.com. This is the first attempt of Chopard to enter China's e-commerce market. Chopard brings out its representative products on JD.com, including the exclusive Happy Hearts Bangle and watches from the Happy Ocean collection. On the logistic side, JD provides high-end exclusive logistics service "Jing Zun Da", which pledges to provide 24-hour delivery service for customers. The service is available in five cities, including Beijing, Shanghai, Guangzhou, Shenzhen, and Chengdu. JD.com also provides "click and collect" and in-shop returning services for Chopard customers²⁶.

Luxury products

Furla launches flagship store on Tmall

Italian affordable luxury brand Furla officially opened an online flagship store on Tmall. It is reported that Furla will launch intensive promotions in the first month of their Tmall flagship opening, including the pre-order of its 2017 early autumn series and its classic Metropolis handbags. In addition, Furla will launch special events for Qixi Festival on 19 August. It will also release two Tmall-exclusive items on 21 September²⁵.

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