

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Teresa Lam

Vice President

E: teresalam@fung1937.com

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com

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Retail in general

CCFA: Operating revenue of top 100 major fashion retailers reaches 651.6 billion yuan in 2018

China Chain Store & Franchise Association (CCFA) has recently announced the top 100 Chinese fashion retailers (including clothing and accessories retailers, and jewelry retailers) in 2018. Operating revenue of the top 100 major fashion retailers amounted to 651.6 billion yuan; among the top 100 retailers, 20 of them generated over 10 billion yuan in operating revenue in 2018, with Chow Tai Fook Jewelry, Chinese heritage jewelry brand Lao Feng Xiang and Anta Sports among the top three retailers on the list. There were four key characteristics commonly seen among top 100 fashion retailers in 2018: embracing multi-brand strategies to capture market share and achieve sizable sales, yet, with huge challenges facing them; adopting both directly-operated business model and franchise model to extend their reach in tier 3 and 4 cities; accelerating expansion into shopping malls and attaching high importance to outlet store distribution channel to promote omnichannel development in physical retailing; integrating online and offline sales channels to create seamless shopping experience¹.

Suning Institute of Finance: Post-90s customers spend more freely; their more liberal spending habits give rise to concern

On 16 October, Suning Institute of Finance released a report “Consumption Trends of Post-90s Generation”, analyzing the consumption profile and consumption trends of post-90s consumers. According to the report, post-90s consumers spend more freely, pay attention to product quality and

services, show curiosity about new things, and look for personalization, diversification and experiential consumption. New consumption trends of the post-90s generation include the growth of niche consumption, lazy economy, brand-driven storytelling and the trend of excessive consumption; yet, there is also increasing concern about their more liberal spending habits².

Meituan establishes Meituan University

Recently, Meituan announced the establishment of its “Meituan University”. There are eight “colleges” to nurture talents in various lifestyle service sector including catering service, take-away service, beauty service, as well as hotel and travel. In the next ten years, Meituan University will cooperate with 1,000 local vocational schools and promote the digitalization of 100 million practitioners in lifestyle service sector³.

E-commerce

Ruhnn faces class action lawsuit in the U.S.

The NASDAQ-listed Internet KOL incubator Ruhnn Holding is facing a class action lawsuit in the U.S. According to the filed complaint, Ruhnn allegedly made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the company in its listing prospectus. Law firm Bernstein Liebhart LLP stated in an announcement that at the time of the IPO, the number of Ruhnn’s online stores had declined by nearly 40% and its full-service KOLs had declined by nearly 44%. As a result, the law firm claimed that Ruhnn’s net revenues derived from its full-service segment had declined by 46% at the time of the IPO. The Ruhnn share price has halved since its listing

in April 2019 to US\$5.79⁴.

JD Digits acquires integrated payment platform Lehui

Lehui (Beijing) Technology Co., Ltd., the main operating entity of Lehui, a mobile payment group, has recently filed a few company registration changes. Following the exit of several investors, the company is now wholly owned by Jingdong Huizheng (Tianjin) Information Technology Co., Ltd., a full subsidiary of Jingdong Digits Technology Holding Co., Ltd (JD Digits). Company filing shows that Lehui provides cloud-based integrated payment services for small offline businesses. Its 150,000 retail and commercial partners come from major cities across China⁵.

Retail logistics

Cainiao Guoguo and Idle Fish launch “private mail” service

On 16 October, Cainiao Guoguo and Idle Fish, Alibaba's marketplace for second-hand goods, launched a new courier service “private mail” for all Idle Fish users. Users (sellers of second-hand goods) can choose to use Cainiao Guoguo's private mail service – when a courier collects parcel(s) from a user, the courier will cover part of the user's address on the parcel delivery slip to ensure the transaction is as secure as possible⁶.

Department stores and shopping malls

Intime Retail becomes the first completely cloud-based department store in China

Chen Xiaodong, Intime Retail's CEO, recently

announced that Intime Retail is now 100% cloud-based, and it is also the first completely cloud-based department store in China. With cloud computing, Intime's peak transaction value is 20-fold higher than in the past, without increasing IT costs. Meanwhile, Intime's self-developed new Mall Operating System (MOS) has now been applied in Intime's branches in Xi'an and Xiamen⁷.

Supermarkets and hypermarkets

Metro sells 80% stake in Metro China to Wumei

On 11 October, German wholesaler Metro AG has agreed to sell a majority stake in its Chinese operations (Metro China) to Wumei Technology Group, Inc. (Wumei), a leading retailer in China. The deal includes the sale of Metro's entire indirect participation in Metro China to a subsidiary of Wumei for an enterprise value of 1.9 billion euros. Metro AG will retain a 20% stake in the Metro China-Wumart joint venture. The deal is subject to approval by regulatory authorities. The transaction is expected to close no later than the second quarter of calendar year 2020. Metro China will be operated independently under its current local brand. Its headquarters will remain in Putuo, Shanghai⁸.

7FRESH and Muji to jointly open new store

7FRESH and Muji reportedly will team up to open a new store with a floor area of 7,000-8,000 sqm. Both companies have already set up teams responsible for the joint store opening and their teams will be stationed in Beijing. The joint store will emphasize simple and eco-friendly design and focus on the target market similar to that of Muji. The first

store will probably be launched in Shanghai⁹.

Dada-JD Daojia announces implementation solutions for omnichannel retailing of supermarkets

On 15 October, Dada-JD Daojia announced its implementation solutions for omnichannel retailing of supermarkets, aiming to provide efficient deliveries for orders from different retail channels of the supermarkets. Dada-JD Daojia has reportedly installed a system that can support omnichannel deliveries in supermarkets including Aeon and Huaguan Supermarket. The system can support efficient pick and pack of products, and meet the fulfilment needs of different retail channels of the supermarkets so that the orders can be delivered to the customers within one hour¹⁰.

Apparel

Uniqlo's financial results for fiscal 2019: Revenue in overseas markets tops 1 trillion yen for the first time

On 10 October, Uniqlo's parent company Fast Retailing announced its annual financial results for the twelve months ended 31 August 2019. According to the announcement, in fiscal 2019, Uniqlo racked up 2.3 trillion yen in operating revenue, up 7.5% yoy; profit attributable to owners of the parent company was 162.5 billion yen, up 5% yoy; revenue from overseas markets reached 1.02 trillion yen, up 14.5% yoy and topping 1 trillion yen for the first time, of which, the Greater China region recorded revenue of 502.5 million yuen, up 14.3% yoy. Meanwhile, Uniqlo's sister brand GU generated 238.7 billion yen in revenue, up 12.7% yoy. The strong revenue growth of both Uniqlo and GU has boosted the overall performance of Fast Retailing¹¹.

Itochu Corporation to cooperate with Chinese apparel startup Tozi

Japanese Itochu Corporation announced to cooperate with Chinese apparel startup Tozi Technology Co., Ltd. in capital investment and business. Leveraging on Tozi's body measure app, Itochu targets to launch 3D virtual fitting service as early as Spring 2020. Located in Shenzhen and founded by a group of researchers from the Institute of Textiles and Clothing of the Hong Kong Polytechnic University, Tozi Technology Co., Ltd. developed a body measure app "1Measure" which can calculate body measurements accurately and quickly by taking two full-body photos via the app with the smartphone¹².

Kids products

Fosun International further invests HK\$45.6 million in BabyTree, making it the largest shareholder

BabyTree Group has recently made an announcement stating that Tenzing Holdings 2011, Ltd. transferred 20 million shares in BabyTree to Fosun International Ltd.'s subsidiary Startree BVI at a consideration of HK\$45.6 million. Upon completion of the transaction, Fosun International will hold a 24.67% stake in BabyTree, making it the largest shareholder of BabyTree. According to market analysts, Fosun International's further investment in BabyTree suggests that the company is optimistic about the development of China's baby and maternal market. Moreover, BabyTree is one of the largest and most popular baby and maternal online portals in China; supporting the development of BabyTree will bring greater synergy and strategic investment value to Fosun International¹³.

Luxury sector

Atelier Swarovski officially launches on JD.com, marking its first online flagship store in China

Swarovski's crystal accessory collection Atelier Swarovski has officially launched on JD.com, marking its first online flagship store in China. Atelier Swarovski chooses to launch on JD.com mainly because it hopes to extend its reach to more Chinese consumers, especially the younger generation¹⁴.

Miu Miu launches its first WeChat Mini Program pop-up store

Italian luxury group Prada is reportedly accelerating its online expansion in China. Following the group's extensive launch on local online luxury platform Secoo and major e-commerce platform JD.com, its subsidiary brand Miu Miu has recently rolled out its WeChat Mini Program pop-up store. Running until 21 October, the store features the brand's signature handbag collection Miu Confidential. It is reportedly that Miu Miu first launched on WeChat platform in 2014, while the pop-up store is the first WeChat Mini Program opened by Miu Miu¹⁵.

LVMH sales jump 11% yoy in 3Q19, driven mainly by fashion and leather goods

For the first three quarters ended on 30 September, total sales of luxury goods conglomerate LVMH surged 16% yoy to EUR 38.4 billion. Sales in 3Q19 increased by 11% yoy to EUR 13.3 billion. Fueled by core brands Louis Vuitton and Dior, the fashion and leather division of LVMH has recorded double digit growth in sales for 12 consecutive quarters. Its latest sales in 3Q19 grew by 19% yoy to EUR 5.45 billion. Despite the downturn of the retail market in Hong Kong, which

contributes to 6% of group revenue, LVMH emphasized that its business performed well in the U.S., Europe and other Asian markets¹⁶.

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