

China Retail & E-commerce

Weekly Updates

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Retail in general



Total retail sales of consumer goods up by 10.7% yoy in April 2017

Total retail sales of consumer goods reached 2,727.8 billion yuan in April 2017, up nominally by 10.9% yoy, and 9.7% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,225.3 billion yuan, up by 9.2% yoy. By types of consumption, in April 2017, catering sales amounted to 288.6 billion yuan, increased by 11.1% yoy. Retail sales of commodities amounted to 2,439.3 billion yuan, up by 10.6% yoy. In January – April 2017, online retail sales grew 32.0% yoy to 1,918.0 billion yuan. Online retail sales of physical goods increased 25.8% yoy to 1,461.7 billion yuan, accounting for 12.9% of total retail sales¹.

CCFA: Top 100 retail chain operators in 2016 record total sales of 2.1 trillion yuan, up 3.5% yoy

The China Chain Store and Franchise Association (CCFA) released its annual list of “the Top 100 Retail Chain Operators in China” (the Top 100s). Total sales of the Top 100s in 2016 were 2.1 trillion yuan, up 3.5% (yoy) and accounted for 6.4% of total retail sales of consumer goods. Total number of stores reached 114,000, up 5.9% yoy. By retail format, convenience stores saw the highest yoy sales growth of 16.7% yoy, followed by profession stores and specialty stores (6.5% yoy), shopping malls (1.6% yoy), and supermarkets and hypermarkets (1.5% yoy), while department stores recorded negative sales growth of -2.5% yoy. Convenience chain store operators opened the most new stores as they expanded their retail network, while

department stores and large-scale supermarkets continued to close unprofitable stores².

PwC: China’s retail sector is increasingly content-driven

According to a PwC’s report “eCommerce in China – the future is already here”, retailers in China are emphasizing more on social engagement and content-driven marketing. Meanwhile, data analytics and omni-channel strategies are getting mature. 52% of Chinese consumers do mobile shopping on a weekly or daily basis, compared with just 14% for the global average. 31% of Chinese consumers will click on an advertisement that is relevant to them, doubling the global average of 16%. 29% of Chinese consumer use social media to see what brands or products key opinion leaders and celebrities are endorsing, also higher than the global average of 13%³.

E-commerce



BCG Consulting: China’s e-commerce industry expects to grow by 20% over the next five years

According to a report by BCG Consulting, China’s e-commerce industry is expected to grow by 20% annually over the next five years—twice as fast as in the U.S. and the U.K. This growth will be driven not only by increased individual spending but also by an expected influx of hundreds of millions of new consumers from smaller cities and rural areas, who have yet to go online. China’s online landscape is clearly different from the online marketplaces in the West – Chinese consumers are eager to spend money and they spend a lot of time shopping; intense

brand competition drives constant innovation; seamless, integrated platforms make shopping fun and buying easy⁴.

CECRC: CBEC, baby and maternity market, finance and rural e-commerce are the major focuses of e-commerce players

China E-commerce Research Center released the “China’s online retail market Monitoring Report, 2016”. According to the report, cross-border e-commerce (CBEC), baby and maternity market, Internet finance, and rural e-commerce were the focuses of e-commerce players in 2016. The report also highlighted six major trends of China’s online retail market in 2016, including:

1. Internet brands sought IPO
2. Online fresh food e-commerce players faced dilemmas; low profit margins remained a challenge
3. Rural e-commerce became a new growth engine for many e-commerce players
4. Online and offline integration became vital in the “New Retail” era
5. “Live-streaming and Internet celebrities” became a popular marketing tactic for e-commerce players
6. E-commerce players adopted new technologies to enhance service level⁵

China Customs supports the Belt and Road Initiatives, supports CBEC to build overseas warehouses

China Customs released the **2017 Major Areas of Work for Pursuing the Belt and Road Initiatives**. It outlines 12 major tasks to support the Belt and Road Initiatives, to push forward the “Online Silk Road”, and to support CBEC businesses to build overseas warehouse along the logistics nodes⁶.

Amazon China: Total volume of purchases of CBEC products on Amazon by Chinese consumers via direct mail reaches 17 million

According to Amazon China, since October 2014 when Amazon China started to offer cross-border e-commerce (CBEC) goods, the total volume of purchases of CBEC products by Chinese consumers on Amazon via direct mail have reached 17 million. In 1Q17, total GMV of CBEC shops on Amazon China was 11 times the GMV in 1Q15⁷.

Alibaba records revenue of 158.273 billion yuan for FY17, GMV reaches 3,767 billion yuan

Alibaba Group announced its financial results for the quarter ended 31 March, 2017 and the fiscal year then ended. In FY17, revenue was 158,273 million yuan, an increase of 56% yoy. GMV transacted on China retail marketplaces in FY17 was 3,767 billion yuan, an increase of 22% yoy, with mobile GMV rising to 2,981 billion yuan, or 79% of total GMV, an increase of 49% yoy. Annual active buyers on Alibaba's China retail marketplaces reached 454 million, an increase of 31 million from the 12-month period ended on 31 March, 2016; and mobile MAUs reached 507 million in March 2017, an increase of 97 million over March 2016⁸.

Tencent sees total revenue for 1Q17 up 55% yoy to reach 49.6 billion yuan

Tencent Holdings Limited announced the unaudited consolidated results for the first quarter of 2017 ended 31 March, 2017. According to the financial report, total net revenue for 1Q17 went up by 55% yoy to reach 49.552 billion yuan. Operating profit increased by 44% yoy to reach 19.272 billion yuan. Operating margin decreased to 39% from 42% in the same period last year. The number of monthly active user accounts

(“MAU”) of QQ was 861 million, a decrease of 2% yoy. The combined MAU of Weixin and WeChat were 938 million, an increase of 23% yoy⁹.

Vipshop records total sales of 15.95 billion yuan in 1Q17, up 31.1% yoy

Vipshop Holdings Limited announced its unaudited financial results for the first quarter ended 31 March, 2017. According to the financial report, Vipshop maintained steady growth and achieved continuous profitability for 18 consecutive quarters. Total net revenue for 1Q17 increased by 31.1% yoy to reach 15.95 billion yuan; the number of active customers increased by 32% yoy to 26.0 million; total orders went up by 23% yoy to 72.1 million; and gross profit increased by 25% to 3.69 billion yuan¹⁰.

MAU of Weibo reaches 340 million

Weibo Corporation announced its unaudited financial results for the first quarter ended 31 March, 2017. Net revenues totalled US\$199.2 million, up 67% yoy. The number of monthly active users (MAU) amounted to 340 million in March 2017, up 30% yoy, of which 91% were mobile users. The number of average daily active users in March 2017 increased by 28% yoy to reach 154 million¹¹.

Burt's Bees opens flagship store on Tmall Global

U.S.-based organic cosmetics brand Burt's Bees has forayed into China through opening a flagship store (burtsbees.tmall.hk) on Tmall Global. The store offers six major categories of products, including lip care, lip makeup, facial care, body care, mother-and-infant products, and outdoor protection. Currently, products are delivered to China via two models – direct mail and via Hangzhou bonded warehouse. At the same time, Burt's

Bees also announced to form a strategic partnership with its cross-border operations service provider, Leqee, which will be responsible for its full expansion in China's e-commerce market. Leqee will help distribute Burt's Bees products in China and provide integrated services to the company. Burt's Bees plans to open flagship stores on VIP.com and Koala.com in the near future¹².

E-commerce logistics



JD.com's Cross-border Logistics: 90% of overseas goods can be delivered within 72 hours

JD.com's Cross-border Logistics announced that under the bonded warehouse model, clearance of goods can be completed within 10 minutes; 90% of overseas goods can be delivered to customers within 72 hours, while more than 60% of overseas goods can be delivered to customers the next day; and some core cities can enjoy same-day delivery. Currently, JD.com has eight bonded warehouses in Guangzhou, Shanghai, Ningbo, Hangzhou, Zhengzhou, Chongqing, Tianjin; and three cross-border direct mailing ports in Beijing, Shanghai and Guangzhou¹³.

Supermarkets and hypermarkets



Sam's Club opens flagship store on JD Worldwide

Sam's Club launched its flagship store on JD Worldwide. Currently, it sells around 200 SKUs, primarily personal care products,

maternity and baby products and nutritional supplements that are not available in China. Sam's Club will expand the product offerings to around 700 SKUs before the end of the year. Earlier in October 2016, Sam's Club has begun to sell products on JD.com, offering more than 2,000 SKUs including food and beverage, daily necessities and home electronics¹⁴.

Department stores and shopping malls

Intime and Alibaba jointly launch new private label for snack food

Intime Retail Group Company Limited partnered with Alibaba Group to launch a new private label snack food brand – ONMINE. The first store will be opened in Hangzhou Zhongda Intime City. Previously, Intime Retail has already launched Just In Time, its own private label apparel brand and Choice, the self-operated supermarket that mainly sells imported products¹⁵.

Convenience stores

Lawson opens the first football theme concept convenience store in Shanghai

Lawson, Inc. and Shanghai SIPG Football Club jointly opened the first concept convenience store with football theme at the Lawson's SWFC branch in Lujiazui, Shanghai. Inside the convenience store, there is a designated dining area with a large banner of a football game as background; this makes customers feel like staying inside a football

stadium. The concept convenience store also sells uniquely designed SIPG Football Club souvenirs that are welcomed by fans of the club¹⁶.

Consumer electronics

Gome to change the name of company to "Gome Retail Holdings Limited"

Gome proposed to change the name of the company from "Gome Electrical Appliances Holding Limited" to "Gome Retail Holdings Limited". In view of the trend of the integration of online and offline retailing, along with the consumer structure upgrading and new norm of consumption, Gome is exploring new business models under the "New Retail" era. In the future, Gome will transform from an "appliance retailer" to an integrated provider of products and services with the theme around "home"¹⁷.

Cosmetics

Sun Art Retail to open imported cosmetics store

Recently, Sun Art Retail Group and South Korea-based Shilla Duty Free formed a joint venture to open an imported cosmetics franchise store "LLABEAU" in Ningbo city in Zhejiang province. LLABEAU positioned itself as the "boutique cosmetics store proposed by global beauty experts", the main customer group of LLABEAU is the post-80s and 90s female white-collar workers. Products of LLABEAU are not displayed in accordance with the brand, but are grouped into

categories. It is reported that LLABEAU's merchandise are sourced from two major channels – the brands' distributors in China and directly from the Korean brands¹⁸.

Shiseido continues to see better performance in China; high-end brands tap e-commerce channel

Japanese cosmetics company Shiseido continued to see better performance in the China market, with sales reaching 35.5 billion yen in 1Q17, grew 14.9% yoy; operating income surged 88.6% to 6.6 billion yen. The double-digit growth in the China market was driven by high-end brands including SHISEIDO, clé de peau BEAUTÉ and IPSA. As of 1Q17, Shiseido China has achieved a growth rate of over 30% in its e-commerce business¹⁹.

(rank #36), Zhejiang Ming Jewelry Co., Ltd. (rank #48), Trinity Limited (rank #89). Six companies on the list are jewelers, while Trinity Limited focuses on apparel businesses²⁰.

Brunello Cucinelli records sales growth of 10.1% in 1Q17; sales in Greater China soar 35.2% yoy

Italian luxury brand Brunello Cucinelli released 1Q17 financial results. Its total sales grew 10.1%, the company expected both annual profits and sales would achieve double-digit growth. Sales in Greater China increased by 35.2% yoy, accounting for 8% of total sales. The growth of the Greater China market was mainly driven by the strong sales of single-brand stores; meanwhile, sales in high-end multi-brand stores are also growing rapidly²¹.

LVMH's Swiss watch brand ZENITH to open flagship stores on Tmall and JD.com

ZENITH, Swiss watch brand under LVMH Group will launch flagship stores on Tmall and JD.com on 21 May. The brand will offer 25 world's limited edition watches and one exclusive watch of its Academy Christophe Colomb Hurricane collection on Tmall. Besides, Zenith will launch four watches of its Pilot collection with exclusive customized engrave services on JD.com's flagship store²².

Luxury products



Deloitte publishes the “Global Powers of Luxury Goods 2017”: seven Chinese companies on the list

Audit and corporate consulting firm Deloitte recently published the “Global Powers of Luxury Goods 2017” report. Among the world's top 500 luxury goods companies, French luxury group LVMH once again won the title of the world's number one luxury company, followed by Swiss luxury group Richemont and U.S. beauty giant Estée Lauder Group. There are seven Chinese companies on the list: Chow Tai Fook Jewellery Group Limited (rank #9), Lao Feng Xiang Co., Ltd. (rank #13), Chow Sang Sang Holdings International Limited (rank #25), Luk Fook Holdings (International) Limited (rank #28), Eastern Gold Jade Co., Ltd. Company

Home products



MUJI to open its first MUJI Diner restaurant at China's largest flagship store on 3 June

After the launch of MUJI café & meal, MUJI once again expanded its restaurant portfolio.

Its first MUJI Diner restaurant will be opened on 3 June, 2017 at the Huaihai 755 flagship store in Shanghai. It is reported that MUJI Diner will be decorated in a theme of earth elements – including soil, wood, water and metal. These elements will be appeared on the restaurant's walls, tables and utensils. Its service style will also change from a self-service canteen to a full-service restaurant²³.

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