

China Retail & E-commerce

Weekly Updates

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Retail in general



MOFCOM and seven other departments issue the “Notice on the Pilot Project of Supply Chain Innovation and Application”

On 17 April, the Ministry of Commerce (MOFCOM), the Ministry of Industry and Information Technology, the Ministry of Ecology and Environment, the Ministry of Agriculture and Rural Affairs, the People's Bank of China, the State Administration for Market Regulation, China Banking and Insurance Regulatory Commission, and China Federation of Logistics & Purchasing jointly issued the “Notice on the Pilot Project of Supply Chain Innovation and Application” to create pilot cities and pilot enterprises for supply chain innovations and applications. The pilot project will last for two years.

The major tasks of the pilot cities are to launch policies and measures to support supply chain innovations; optimize public services; create a good business environment; promote and enhance the industrial supply chain system; and explore new models for cross-sectoral and cross-regional supply chain management.

The main tasks of the pilot companies are to apply information technologies; push forward supply chain technology and model innovations; optimize industrial collaboration platforms; enhance industrial integration, drive enterprises upstream and downstream to form an efficient and environmental-friendly industrial supply chain; achieve costs reduction and improve efficiency; and promote green development and industrial transformation¹.

Total retail sales of consumer goods increase 10.1% yoy in March 2018

In March 2018, the total retail sales of consumer goods reached 2,919.4 billion yuan, up nominally by 10.1% yoy. Among them, the retail sales of consumer goods above designated size totaled 11,812 billion yuan, up by 9.0% yoy. In terms of types of consumption, in March, the catering services increased 10.6% yoy to 309.9 billion yuan; retail sales of goods were 2,609.5 billion yuan, up by 10.0% yoy. From January to March 2018, the national online retail sales amounted to 1,931.8 billion yuan, increased 35.4% yoy. Among them, the online retail sales of physical goods increased by 34.4% yoy to 1,456.7 billion yuan, accounting for 16.1% of the total retail sales of consumer goods².

E-commerce



VIP.com, iResearch: Post-95s generation dominates the online shopping population

On 17 April, VIP.com and iResearch jointly published the “Post-95 Generation Fashion Spending Report”. The report shows that:

- Post-95s generation dominates the online shopping population – about one-fourth of e-commerce platforms users are post-95s customers; 63.9% of respondents use e-commerce platforms on a daily basis; and 10% of respondents place online orders every day.
- Customers who buy beauty products on VIP.com are relatively young – over 50% of the beauty products customers are post-90s customers.
- Post-95s generation has strong ability to influence others on brand selection – the survey finds that 41.8% of post-95s

customers would recommend good brands to friends and relatives; and more than 30% of post-95s customers would share useful information and teach the elders how to use apps³.

Analysys: Social commerce is an emerging trend

Recently, Analysys released the “Annual Report on China’s B2C Retail Market 2018”, summarizing the current situation and future trends in China’s B2C retail market. “Upgrading product quality”, “changing shopping channels”, and “smart retailing” are the three major buzzwords this year. The growth of number of users on social commerce, luxury e-commerce, reverse e-commerce, and cross-border e-commerce platforms all exceeded 35% yoy in 2017, of which the growth of number of users for social commerce platforms reached 439.2% yoy. Analysys expected that social commerce will become the next significant market driven by higher connectivity of consumers on the Internet and the booming fans economy⁴.

Alibaba and Thailand sign four MOUs; to invest 2.2 billion yuan in Thailand

On 19 April, Alibaba Group Executive Chairman Jack Ma signed four memorandums of understanding (MOUs) on investment, e-commerce and tourism with the Thailand government. Alibaba will invest about 11 billion baht (about 2.2 billion yuan) in Thailand, especially in the Eastern Economic Corridor (EEC). The planned investment is in digital business, digital tourism promotion and e-commerce training for local small- and medium-sized entrepreneurs and personnel in the digital sector. Meanwhile, Alibaba will establish a center for processing logistics data, with the expectation of serving shipments between Thailand and China, as well as border trade with Cambodia, Laos, Myanmar

and Vietnam. Alibaba will also team up with the Thai Customs Department to upgrade and digitize clearance processes to support Alibaba's operations in Thailand⁵.

JD.com launches new AI open platform “NeuHub”

JD.com released an AI open platform “NeuHub” (<http://neuhub.jd.com/>). The newly released platform focuses mainly on the use of natural language processing, voice interaction, and computer vision, etc. and hopes to help build the AI retail infrastructure, and equip industry players with an open, easy-to-use AI infrastructure. JD.com’s AI ecosystem reportedly includes three components, namely AI research institute, the AI Platforms, and the AI+ business-model innovation department⁶.

JD.com and Tencent strengthen cooperation to improve precision marketing

Recently, the cooperation between JD.com and Tencent has been strengthened to improve precision marketing strategies via the “JD.com-Tencent initiative”. It is reported that JD.com's membership system, supply chain and logistics, and financial system have been fully connected and integrated with Tencent's official WeChat account, social advertising, WeChat mini-programs, mobile payments and other tools. Both parties will optimize their data, scene settings and links. In terms of data, consumers’ shopping data of JD.com, Tencent’s social media and brand owner's data will be integrated and stored in a private database called “DataCube”. At present, more than 300 brands have joined the “JD.com-Tencent initiative”⁷.

JD.com to expand into Spanish-speaking markets

On 16 April, Richard Liu, the chairman and CEO of JD.com announced the company's plan to expand into the Spanish-speaking markets which boast 400 million of the world's population. JD.com launched its Spanish website Joybuy.es for beta testing on 12 April to target the Spanish and Latin American markets. JD.com will enter the Spanish market through investments in logistics, goods, and services; it will strengthen and consolidate the company's supply chain capabilities and provide quality products to Spanish customers⁸.

JD Worldwide announces business strategies for 2018

On 13 April, JD Worldwide announced its business strategies for 2018. According to JD Worldwide, there are five major initiatives – (1) JD Worldwide will provide retailers on its platform an all-round solution for product selection, sales and promotion by leveraging advanced technologies such as big data and artificial intelligence; (2) it will help retailers on JD Worldwide platform to sell on JD.com under general import trade if the retailers wish to enter China market after understanding Chinese consumers and the China market; (3) it will allow retailers to sell via JD.com's entrance on WeChat; (4) it will help retailers to sell in physical stores of JD.com including JD's home electronics store, JD Home, baby and maternity experiential store, unmanned store, convenience store, and 7FRESH; (5) it will further expand to tier-3, tier-4 cities as well as the rural market. In terms of logistics, JD Worldwide will be able to deliver 90% of overseas products within 72 hours in tier-1 and tier-2 cities⁹.

JD.com's first unmanned pop-up store opens in Shanghai

Following the opening of the pop-up store in Guangzhou, JD.com opened its first unmanned pop-up store "JOY SPACE" in Shanghai's Nanjing West Road on 14 April for seven days. The store uses JD.com's self-developed "unmanned supermarket" technology and is equipped with numerous interactive devices, including AR make-up mirrors. Different from the pop-up store at Guangzhou earlier, the Shanghai store is a branded custom store, co-owned by JD.com and L'Oréal, whereas the Guangzhou store mainly provided selected products from JD.com's own brand "Jingzao" and another eight brands¹⁰.

Tmall's first campus store opens in Sichuan

Recently, Alibaba has opened its first Tmall campus store in Sichuan Normal University, marking the company's foray into the on-campus retail market. The shop has an area of 500 sqm, with products of "Three squirrels" and "Be & Cherry" and other popular online products being sold. The Tmall campus store features a "Tmall Interactive Bar" screen, a self-service trial makeup screen "Tmall Mirror", self-service QR code scanning and other black technologies. It takes 30 mins for delivery after placing orders online. Tmall plans to open 1,000 campus stores in the coming year, and enter 1,000 colleges and universities in the country within three years to serve 20 million college students¹¹.

Alibaba and China Five Star Holdings sign strategic cooperation agreement

On 17 April, Alibaba and China Five Star Holdings signed a strategic cooperation agreement. Alibaba will strategically invest 4.5 billion yuan into Huitongda, a subsidiary of

Five Star Holdings. The two parties will cooperate in supply chain, distribution channels, warehousing and logistics, and technological systems, to better serve the rural market and provide a range of services including order placement platform, "new retail" systems, Alibaba Cloud, logistics solutions, etc. It is hoped that the cooperation will improve rural commercial infrastructure and build a new ecosystem in the rural market¹².

Department stores and shopping malls

House of Fraser to introduce high-end Chinese brands

Sanpower Group, the major shareholder of UK's department store House of Fraser, recently announced a new plan to introduce a number of high-end brands from China – which were previously not available in the U.K. – in its department stores in the U.K. Sanpower Group wishes to promote China's high quality brands and products to new overseas markets, and support the "Belt and Road" initiative of the Chinese government¹³.

Supermarkets and hypermarkets

Tencent and China Resources Group sign a strategic cooperation agreement

On 12 April, Tencent and China Resources Group signed a strategic cooperation agreement to jointly work on the areas of smart cities and real estate management, medical and health, cloud computing and big data, as well as smart retail. For smart retail,

Tencent will help to equip China Resources' retail stores with technologies including Internet tools, big data and cloud platforms. Tencent will also leverage its social media traffic and work with China Resources' physical stores such as hypermarkets, supermarkets, coffee shops, etc. The two companies stated that they will consider combining Tencent's cutting-edge technologies such as artificial intelligence and blockchain with related businesses of China Resources¹⁴.

China Resources Vanguard's hypermarkets to connect with JD Daojia

On 16 April, China Resources Vanguard and JD.com jointly announced that China Vanguard's hypermarkets in Hangzhou and Nanjing will connect with JD Daojia. The two parties will jointly build their capabilities in online and offline integration and digital service. Previously, China Resources Vanguard and JD Daojia signed a comprehensive cooperation agreement. Under the agreement, all retail brands under China Resources Vanguard will connect with JD Daojia. In addition, the partnership will gradually extend to Vanguard's 2,000 retail stores in more than 30 major cities in China¹⁵.

China Resources Vanguard forms partnership with Meituan Waimai

On 16 April, China Resources Vanguard formed a strategic partnership with Meituan Waimai. All of China Resources Vanguard's self-operated stores in China will be formally launched on the platform of Meituan Waimai. Previously, about 300 supermarkets and convenience stores of Suguo Supermarket and Tesco LeGou owned by China Resources Vanguard Group have already launched on Meituan Waimai. In the near future, China Resources Vanguard's various retail brands will also join the Meituan Waimai platform. In

addition, the partnership will gradually cover more than 2,000 stores in major cities across the country¹⁶.

Better Life's first smart store opens in Changsha

On 12 April, Better Life opened its first smart flagship store at Changsha's Meixi Lake – the 1.0 version of smart retail cooperation between Tencent and Better Life. The store focuses on smart payment, navigation, and precision marketing, etc. Better Life hopes to re-iterate the importance of physical store by using advanced technologies, and algorithms in-store. Furthermore, to re-build the connection with its customers, Better Life will digitalize its membership system – to introduce coupons and recommend products to customers based on customers' profiles¹⁷.



La Chapelle acquires 40% equity stake of French clothing brand Naf Naf

Shanghai-based fashion company La Chapelle & Co. announced that it plans to acquire a 40% stake in Naf Naf SAS, a subsidiary of French fashion apparel group Vivarte SAS, for EUR 20.8 million (about 160 million yuan) from its LaCha Fashion. Apart from the 40% of shares of Naf Naf which are sold to La Chapelle & Co., the remaining 60% of the shares are sold to Star Platinum Fund, LP and East Links International. After the transaction is completed, Naf Naf will enter the Chinese market and La Chapelle will expand its market share in Europe and strengthen its global retail network¹⁸.

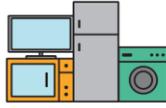
Columbia Sportswear Company to acquire remaining interest in China joint venture from Swire Resources Limited

On 10 April, Columbia Sportswear Company, a U.S. leading outdoor sportswear brand, announced to acquire the remaining 40% interest in Columbia Sportswear Commercial (Shanghai) Company, the joint venture company that it currently operates in China together with Swire Resources Limited, a subsidiary of Swire Pacific Limited. The acquisition is expected to be completed in January 2019. Going forward, the company will continue to invest and expand in China; it also intends to maintain the existing management team, staff, dealers, and distribution networks in China. The joint venture began operations in 2014. As of end-2017, the joint venture operated 86 self-operated retail stores in China¹⁹.

Semir and Tmall jointly launch new retail activities

Recently, local apparel brand Semir has explored new retail model with the technical support of Tmall. Tmall not only helped Semir integrate its online and offline payment, but also provided a traffic interface to assist QR code scanning in Semir's stores. Customers who use Tmall App to scan the QR code in any of the 500 Semir smart stores across the country can experience AR video interactions and receive online coupons. It is reported that, Semir's flagship store at Dragon Dream in Zhongshan Park, Shanghai has turned into a pop-up store. The window display of the store has been decorated as Semir's online store on Tmall, and also incorporated the facial recognition technology²⁰.

Consumer electronics



Gome to open 800 self-operated stores in rural market in 2018

On 12 April, Gome announced to open 800 smaller-sized stores (each store has an area of around 1,000 sqm) in rural areas in 2018. All stores will be self-operated by Gome. Earlier, JD.com and Suning have also announced their plans to expand in the rural market; but the two companies adopt both the self-operated and franchise models²¹.

Home products



Red Star Macalline to introduce intelligent system to Beijing's "New Retail" mall

Red Star Macalline Group Corporation Ltd. will open a "New Retail" shopping centre in the 4th Ring Road of southern Beijing. The mall will not only integrate online and offline data, but also introduce intelligent systems, such as biometric technology for face recognition. After the customer enters the mall, the face recognition system can automatically recognize the customer and show the customers' previous purchase information, visit time, and movement history. Based on big data analytics, the mall can provide more precise services to customers²².

Kids products



JD.com announces its maternity and baby product strategy for 2018

On 16 April, JD Supermarket announced its strategies for maternity and baby products for 2018, with a sales target of over 100 billion yuan in 2020. The strategy covers four key aspects: (1) to enlarge the customer pool and deepen relationship with customers by introducing more brands in its portfolio; (2) to make use of JD.com's big data to analyze market trends and consumer needs; (3) to implement its borderless retail strategy by setting up smart maternity stores which fully integrate both online and offline channels through the support of JD Express, JD supply chain system, and logistics cloud; and (4) to support enterprises in four areas including policy, resources, marketing and data analytics²³.

Cosmetics



YSL Beaute launches on Tmall

On 16 April, YSL Beaute officially opened its online flagship store on Tmall, which means L'Oreal has already had all its high-end beauty brands listed on the platform. Before launching the online flagship store, YSL Beaute held pre-launch flash events at Sanlitun's Taikoo Li, and Shanghai Shipyard 1862. YSL Beaute said that the China market will become the largest and the most important market for the brand this year²⁴.

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