

China Retail & E-commerce

Weekly Updates

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Retail in general

NBS: Total retail sales of consumer goods up by 8.0% yoy in November 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,809.4 billion yuan in November 2019, up nominally by 8.0% yoy (4.9% yoy in real terms). Of which, retail sales of enterprises above a designated size amounted to 1,396.5 billion yuan, up 4.4% yoy. By type of consumption, in November 2019, catering sales amounted to 496.4 billion yuan, increased by 9.7% yoy. Retail sales of commodities amounted to 3,313.0 billion yuan, up 7.8% yoy. In January–November 2019, online retail sales grew 16.6% yoy to 9,495.8 billion yuan. Of which, online retail sales of physical goods increased by 19.7% yoy to 7,603.2 billion yuan, accounting for 20.4% of total retail sales¹.

JD Digital Technology Research Institute: China's consumption market weakens further but growth in tier-4 and 5 cities is remarkable

On 17 December, JD Digital Technology Research Institute released the “2019 China Consumption Market Report Based on JD Big Data”. It found that China's consumer spending weakened further. However, the growth of consumer spending in lower tier cities, including tier-4 and 5 cities, was remarkable. The report highlighted that the growth in lower-tier cities already surpassed that of other cities and showed enormous potential. The report also stated that there was an obvious increase in consumer spending driven by income growth and development of e-commerce in county areas².

Tmall: Sports consumption by elderly customers in lower-tier cities grows by 53.3%

On 16 December, Tmall released the “2019 Sports Consumption Report”, which found that sports consumption on Tmall almost grew by 40% per year. The growth was the highest among mature consumers aged 60 or above (the “post-50s”), also known as the silver market, in tier-2 to tier-4 cities and villages. Their sports consumption increased by 53.3% yoy, which was much higher than that of the “post-90s” generation. These elderly consumers took part in a variety of sports activities, including square dancing, yoga, fishing and running³.

Suning Xiaodian, Suning Retail Cloud to become independent subsidiary groups under Suning Holdings Group's new organization structure

Suning Holdings Group has recently announced that in 2020, the group will step up investments in smart retail infrastructure by spending at least 40 billion yuan on new technologies and logistics infrastructure and to boost its store count to 10,000. In addition, under the group's new organization structure, its convenience store chain Suning Xiaodian and smart retail chain Suning Retail Cloud will become independent subsidiary groups. It is reported that Suning Retail Cloud's store count has already exceeded 4,400, while Suning Xiaodian will gradually integrate with Carrefour's Chinese supply chain network⁴.

E-commerce

JD Daojia records 8.7 times increase in sales from lower-tier cities during 12.12 Shopping Festival comparing with last year

JD Daojia, JD.com's O2O delivery service platform, announced its performance during the 12.12 Shopping Festival. Sales of JD Daojia increased by 1.2 times overall compared with last year; of which, sales of home products, textile products, imported goods, personal care products, baby and maternity goods, and home appliances doubled compared with last year. Sales from tier-3 and below cities went up by 8.7 times, mainly driven by the digital transformation of supermarkets, rapid omni-channel development, as well as the upgraded demands of the "small-town youth"⁵.

Xin.jd.com plans to add 10,000 stores in 2020

On 16 December, Xin.jd.com, the B2B2C platform operated by JD.com to serve small and medium-sized businesses (SME), announced to open 10,000 stores in 2020. These new openings will include convenience stores, mother and child stores, alcohol and tobacco shops, restaurants, unmanned stores, etc. To provide better consumption experience, Xin.jd.com will ensure standardization in six aspects: store image, operation and management, facilities, services, procurement as well as logistics and distribution⁶.

Suning Pingou openly recruits C2M enterprises

Recently, Suning's group-buying platform "Suning Pingou" made a public tender to call for C2M contractors in 2020. It plans to recruit a group of quality manufacturers by end of December 2019 that can satisfy its users' crave for customized and diversified products. At the same time, Suning will provide assistance in finance, logistics and development of industry clusters so that small and medium-sized manufacturers can upgrade and boost their brand value⁷.

Tencent further increases stake in Vip.com for US\$84.2 million

It is reported that during 25 November to 13 December, Tencent further raised its stake in Vip.com for approximately US\$84.2 million. According to the documents published by the U.S. Securities and Exchange Commission, Tencent also spent US\$43.4 million to increase its stake in Vip.com in March 2019. It is believed that Tencent's further investment in Vip.com was driven by the sound growth momentum delivered by Vip.com this year⁸.

Tencent expands live-streaming services; aims to achieve 10 million yuan sales through live-streamed shopping in 2020

Recently, Tencent's Kandian Livestream announced to launch a campaign which aims at helping over 100,000 merchants on WeChat platform acquire new customers and supporting over 1,000 merchants to achieve 10 million yuan sales with its live-streamed shopping tool in 2020. Kandian Livestream is a Mini Program which provides live-streaming services and solutions related to live-streaming for content-creators and merchants on WeChat⁹.

Koubei-Ele.me to install "smart middle office" for 500,000 stores in 2020

On 18 December, Alibaba's local lifestyle service platform Koubei-Ele.me announced to install independent "smart middle office" for 500,000 stores, including international catering giants, regionally renowned brands and a vast number of small and medium-sized merchants, in 2020. Local lifestyle business is facing slow growth in foot traffic, high operation costs and difficulties in making digital transformation. Alibaba intends to address these pain points by offering smart business operating system and other

technological solutions¹⁰.

Retail logistics

JD Logistics starts to use Dongguan “Asia No. 1” logistics center

JD.com’s “Asia No. 1” smart logistic center in Dongguan officially started operation on 18 December. It is reported that this is the largest one-stop smart logistic center in Asia. With a construction area of nearly 500,000 sqm, Dongguan “Asia No. 1” can process around 1.6 million orders; its automatic storage and retrieval system has a storage capacity of over 20 million items. JD Logistics will further leverage around 20 “Asia No. 1” logistic centers in the next two years to serve all core cities across China¹¹.

Supermarkets and hypermarkets

JD.com’s 7Fresh to launch two new retail formats “Chifaner” and “7Fresh Mini”

JD.com’s 7Fresh will launch two new retail formats “Chifaner” and “7Fresh Mini” in December. Chifaner will be opened on 24 December. Targeting white-collar consumers, Chifaner will offer food and beverages, wine, dessert, fruits, snacks, flowers, cosmetics and daily necessities. It will also provide other daily life services such as laundry services and mobile phone charging services; furthermore, it has large space for party and seminars. On the other hand, 7Fresh Mini, which targets the community areas, will be launched on 20 December. It will operate 24 hours a day and provide food to nearby residents. Online orders will be delivered to customers who live within 1.5 km of the store

as fast as 30 minutes¹².

CP Lotus launches first community-based shopping center in Wuxi

On 19 December, CP Lotus opens its new retail format “Lotus Plaza” in Wuxi, which is a community-based shopping center integrating retailing, leisure, culture, entertainment and fitness elements. With an operating area of nearly 40,000 sqm, Lotus Plaza houses over 80 well-known brands including its own CP Lotus supermarket. It also leverages various digital technologies such as artificial intelligence system and membership management system. The opening of Lotus Plaza signifies a major shift of CP Lotus’ business strategies in the Yangtze River Delta region¹³.

Lianhua Supermarket agrees to invest 3 million yuan in new JV to explore cooperation and synergy between retail and home improvement businesses

Lianhua Supermarket Holdings Co., Ltd. has recently announced that its subsidiary Lianhua Huashang has entered into a joint venture (JV) agreement with Homemart and Jinnian Jiayuan in relation to the proposed formation of a JV company. According to the agreement, Lianhua Huashang agreed to contribute 3 million yuan in cash, representing 60% of the total capital contribution of the JV company, while Homemart and Jinnian Jiayuan agreed to contribute 1.5 million yuan and 0.5 million yuan in cash respectively, representing 30% and 10% of the total capital contribution of the JV company. The JV company will facilitate the building of a brand new retail mode of “Service + Retail + Consumption scene” and explore the cooperation and synergy between retail and home improvement businesses, while enhancing retail back-end consumption through home improvement business¹⁴.

Outlets

Win Data: More and more commercial projects turn into urban outlet stores

According to Win Data, in China, 15 commercial projects – covering a total commercial space of 940,000 sqm – were converted into urban outlet stores in 2015-2018. Such urban outlet projects increased sequentially yoy in terms of store number and size, which grew from 18% yoy and 14% yoy in 2015 to 52.6% yoy and 50% yoy in 2018 respectively. This indicates that with excess commercial space, heated market competition and growing purchasing power of younger consumers, some department stores and shopping malls, which have become less appealing to shoppers, have converted their stores/ malls into outlet stores in order to survive the increasingly competitive market¹⁵.

Home products

MUJI loses in trademark infringement lawsuit

Recently the Supreme People's Court in Beijing made a final judgement regarding the trademark infringement lawsuit between Japanese retailer MUJI and Beijing Cottonfield Textile Corp. The court ordered Ryohin Keikaku Co., Ltd. (MUJI) and its subsidiaries to stop infringing the trademark of Beijing Cottonfield Textile Corp and Beijing Wuyinliangpin, and to issue a public statement in its retail stores and on its Tmall flagship store, and make 626,000 yuan financial recompense to the plaintiff. However, this ruling only concerns 24 types of trademarks owned by Beijing Cottonfield Textile Corp covering cotton, towels, sheets, pillowcases, quilts, etc. MUJI still holds the "Wuyinliangpin" trademarks of other products¹⁶.

Kids products

BabyTree to set up JV company in Japan

On 16 December, BabyTree Group signed a strategic cooperation agreement with Japan television station Tokyo MX to form a joint venture (JV) company together in Japan. BabyTree will cooperate with Tokyo MX to bring Japanese brands to China, targeting especially female consumers and families¹⁷.

Luxury sector

MCM opens first flagship concept store in China

On 12 December, German luxury brand MCM opened its first concept store for China in the newly opened SKP-S department store in Beijing, following launches in Munich, Los Angeles and Tokyo. Following the simplistic store design of MCM, the store provides an immersive experience to Generation Z and millennial customers, while showcasing the brand's culture, craftsmanship and innovative design. The store sells the entire spring-summer 2020 collection of MCM, and also offers MCM x Bathing Ape cross-over collection¹⁸.

Secoo further upgrades its blockchain technology

On 11 December, luxury e-tailer Secoo Group announced it has further upgraded its blockchain technology and forged a strategic partnership with Ultrain, a world-leading public blockchain optimized for commercial use, to jointly develop the "Global Luxury Consumption Alliance Chain", which focuses

on providing traceability information on the chain with privacy protections built-in for Secoo and other crucial partners from the industry, while the traceability information of the products on the chain is also accessible to users and luxury industry stakeholders. It is reported that Secoo will integrate its authentication data and AI-driven identification technology with Ultrain's blockchain traceability technology to bring luxury goods authentication to the next level – completing the authentication step in just one second¹⁹.

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