

China Retail & E-commerce

Weekly Updates

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Retail in general



Xi Jinping: To focus on the development of real economy

The 19th National Congress of the Communist Party of China was officially opened on 18 October. Chinese President and head of the Chinese Communist Party Xi Jinping made remarks in the report to deepen the supply-side structural reform. He stressed that in order to construct a modern economic system, China should focus on the development of the real economy, improve the quality of the supply system, and significantly enhance China's economic advantages; he also called for more efforts to develop advanced manufacturing, promote further integration of the Internet, big data, and artificial intelligence with the real economy, and foster new growth areas in medium-high end consumption, innovation-driven development, the green and low-carbon economy, the sharing economy, modern supply chains, and human capital services; and to support the upgrade of traditional industries, accelerate the development of modern service industry, and improve quality to match international standards¹.

State Council releases the “Guiding Opinions on Promoting Supply Chain Innovation and Application”

On 13 October, 2017, the State Council released the “Guiding Opinions on Promoting Supply Chain Innovation and Application”. The Opinions aims at establishing a smart supply chain system that covers major industries in China by 2020, with the introduction of a batch of new supply chain technologies and models, and the cultivation of about 100 leading

Chinese enterprises in the global supply chain sector.

Major tasks include:

- To promote the integrated development of the primary, secondary and tertiary industries in rural areas.
- To speed up the modernization and digitalization of the supply chain.
- To raise the standard of the distribution sector and the service level along the supply chain and to speed up innovation and transformation of the supply chain.
- To promote the development of supply chain finance.
- To promote the development of green supply chain.
- To encourage the establishment of global supply chain and to participate in drafting the global standard of supply chain systems.

Meanwhile, the government will also seek to promote a healthy policy environment and launch supportive policies for the innovation and transformation of supply chain; urge the setup of demonstration enterprises with innovative applications along the supply chain; strengthen the supply chain credit systems; accelerate the training of supply chain talents; and set up more industry associations in the supply chain industry².

Total retail sales of consumer goods up by 10.3% yoy in September 2017

Total retail sales of consumer goods reached 3,087.0 billion yuan in September 2017, up nominally by 10.3% yoy, and 9.3% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,463.0 billion yuan, up by 7.8% yoy. By types of consumption, in September 2017, catering sales amounted to 331.7 billion yuan, increased by 10.2% yoy. Retail sales of commodities amounted to 2,755.3 billion yuan,

up by 10.4% yoy. In January - September 2017, online retail sales grew 34.2% yoy to 4,878.7 billion yuan. Online retail sales of physical goods increased 29.1% yoy to 3,682.6 billion yuan, accounting for 14.0% of total retail sales³.

E-commerce

Retail sales of rural e-commerce up 28.1% yoy to reach 537.62 billion yuan in 1H17

The China International Electronic Commerce Center (CIECC) recently released the "China Rural E-commerce Development Report (2016-2017)". The report shows that retail sales of rural e-commerce reached 537.62 billion yuan in 1H17, an increase of 38.1% yoy, 4.9 ppt higher than e-commerce sales in urban area, and accounted for 17.3% of the national total retail sales of e-commerce. The report also shows that retail sales of rural e-commerce have maintained fast growth momentum. In 1H17, the retail sales of rural e-commerce for physical goods reached 328.64 billion yuan, up 34.3% yoy⁴.

Tmall opens first unmanned apparel store in Hangzhou

On 12 October, Tmall opened its first unmanned apparel store in Hangzhou's Zhongda Intime mall. "Tmall's Jeans Carnival", the theme of the store in the first week of operation, featured four selected brands, namely GAP, Levi's, Lee and Calvin Klein; and these four brands launched their 2017 autumn collections at the same time. It is reported that the theme as well as the featured brands of the store will change on a weekly basis. Consumers can download discount coupons by scanning the QR code via Taobao mobile app at the entrance of the

store. All items in the store are equipped with RFID tags, so customers can read the corresponding product information on the smart monitor and purchase the items by scanning the QR code. At present, the unmanned stores are located mainly in Hangzhou; Tmall said it will roll out the store concept in other China cities. Most of such unmanned stores are expected to open in major cities during the 11.11 Global Shopping Festival period⁵.

Alibaba's 11.11 Shopping Festival Global Carnival Night to be held in Shanghai; partners with global brands to launch charter flights delivery services

Alibaba announced that the Global Carnival Night of this year's 11.11 Shopping Festival will be held in Shanghai. This year, Tmall will form partnerships with a number of global brands and launch charter flights delivery services in 10 countries in the European, American and Asian regions. Global retail giants including Macy's, Costco, Metro, etc. are reportedly in preparation for the shopping festival. Tmall will for the first time bring over 100 Chinese brands overseas, targeting 100 million-plus overseas Chinese consumers in Asia and the rest of the world⁶.

Chinese time-honored brands sell to Hong Kong via Tmall Supermarket Hong Kong platform

On 14-17 October, Tmall Supermarket launched an event for over 100 SKUs of Chinese time-honored brands to sell to Hong Kong; sales revenue was 30% higher than that before the event. It is reported that Tmall Supermarket will continue to provide better services to Hong Kong consumers during this year's 11.11 Global Shopping Festival⁷.

Alibaba launches Tmall in Russia via AliExpress

Recently, Alibaba launched Tmall in Russia within the AliExpress platform, which marks the Tmall's debut outside China. Goods are delivered from the warehouses of Alibaba's partners in Russia. Products offered on the platform range from smartphones, home electronics, household appliances, cosmetics, apparel and maternity and baby products⁸.

Suning.com brings in new business formats for 11.11 Global Shopping Festival

During Suning.com's O2O Shopping Festival Press Conference on 16 October, Suning.com announced to add new business formats including unmanned stores, "Hi shopping market" and "Smart Hotel" to its 11.11 Shopping Festival sales event. It is reported that Suning.com's unmanned store – "Suning Sports BIU" will also participate in this year's 11.11 Shopping Festival. During 11.11, four new "Suning Sports BIU" will be opened in China. Besides, Suning.com will also open "Hi shopping market" in different cities; five image shops with special themes and 15 "super brand" shops which are adapted to the local culture and customs will be opened in five cities, including Beijing, Shanghai, Chongqing and Shenzhen.

Meanwhile, 100 "Hi" vehicles will be introduced throughout the country. The vehicles contain both physical goods and also virtual goods; consumers can purchase directly or by scanning the QR code.

In addition, Suning.com will introduce smart retail robot "Wang Bao" to its physical stores to provide shopping service and data management support. By leverage artificial intelligence, autonomous planning and big data, the robot can recognize consumer's identity; recommend products that match consumer's preference and synchronize the data from offline to online⁹.

JD.com and Sinopec to jointly build 30,000 smart petrol stations

On 16 October, JD.com and Sinopec officially signed a strategic cooperation agreement. The two companies announced that they will jointly build 30,000 smart petrol stations. Sinopec will leverage on JD.com's existing e-commerce resources to enhance the operations of its 25,000 Easy Joy convenience stores¹⁰.

eBay: Five emerging technological products see highest cross-border e-commerce export sales

On 12 October, eBay released a report on emerging technological products for retail exports in e-commerce. According to the report, the following five product categories saw the highest sales in cross-border export e-commerce platforms: smart home products, drones, 3D printing machines, virtual reality devices and smart wearables¹¹.

E-commerce logistics



Nielsen, Ali Research: 74% of users use parcel collection services provided by express delivery companies

Nielsen and Ali Research jointly released a report on "Last-mile delivery services in China". It is expected that during this year's 11.11 Global Shopping Festival, China's logistics industry will process over 1 billion pieces of express delivery parcels. Currently, 74% of users use parcel collection services provided by express delivery companies. Of which, the post-90s generation and white-collar workers, especially women in first-tier cities, use the services most frequently. They prefer such service mainly because they are

not always at home; they do not need to wait for couriers at home. Using the parcel collection services, they can have more flexibility in time allocation as they can use the time to collect the parcels¹².

Cainiao Logistics rolls out robotic warehouse for 11.11 Global Shopping Festival

On 17 October, Cainiao Logistics released its robotic flagship warehouse to prepare for the 11.11 Global Shopping Festival. In the warehouse, hundreds of robots can be found and the robots can help deliver more than one million parcels on one single day. The warehouse mainly provides logistics services for consumers in the South China region and Hong Kong. According to Cainiao Logistics, there will be a lot of new features for its logistics services for the 11.11 Global Shopping Festival, and the key change will be the large-scale application of robotic warehouse¹³.

Supermarkets and hypermarkets



Yonghui's CBEC platform to open first global flagship store on JD.com

Yonghui Superstores's cross-border-e-commerce (CBEC) flagship store opened on JD.com on 19 October. The online shop will offer beauty, mother-and-infant, home, health and other product categories. This is the first online store of Yonghui's CBEC business after launching its APP. It is also the first and only CBEC platform of Yonghui Superstores. Yonghui's CBEC platform was established by Yonghui Superstores in 2017. It contains more than 500 SKU covering 40 product categories¹⁴.

Wal-mart's GMV on JD Daojia increase by 30 times in one-year's time after connecting to JD Daojia

Wal-mart revealed that its GMV on JD Daojia, JD.com's O2O service platform, increased by 30 times in September 2017 compared to October 2016, making one of the fastest-growing retailers on JD Daojia. By 24 October, 2017, the partnership between Wal-mart China and JD Daojia will cover 146 stores in 20 major cities across the country¹⁵.

Convenience stores



JD convenience store first store in YRD region opens in Suzhou

On 13 October, the first store of JD convenience store in the Yangtze River Delta (YRD) region officially opened in Suzhou. Located at the intersection of the main road of Suzhou Industrial Park, the store has an operating area of about 300 sqm. Its product categories include food, beverages, daily necessities, groceries, etc. At present, JD convenience stores reportedly have a widespread store network throughout China¹⁶.

JD.com debuts first unmanned supermarket and unmanned convenience store in Beijing

Recently, JD.com's unmanned supermarket and unmanned convenience store started its trial operation in its Beijing headquarters. The operation of the unmanned supermarket is totally digitalized, and customers can simply grab what they want and complete the transaction via self-check-out. While for the convenience store, it uses the D-MART concept which is the world's first low-cost smart store solution, and is expected to

completely solve the current problem of operating unmanned stores – high operation cost and unrealistic execution. JD.com mentioned its smart supply chain and the latest smart store technology will not only transform the traditional way of shopping in 11.11 Global Shopping Festival this year, but also solve many challenges encountered by retailers and consumers¹⁷.

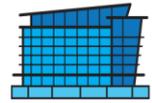
JD.com, Jiufu Commercial to open 300 convenience stores in Shandong

In the investment briefing session organized by JD.com and Weihai's Jiufu Commercial, the two parties announced that they will jointly open 300 JD.com's convenience store in Weihai. Each store targets to serve 1,000 families, covering a total of 30 million families. It is reported that JD.com chose to partner with Jiufu because the two companies share the same principle of doing retail business, i.e. providing services to customers. Moreover, Jiufu has strong experience in retail operations and access to a wide range of local products. The first jointly operated convenience store started operation on 1 October¹⁸.

RT-Mart's Feiniu.com opens first unmanned convenience store in Hefei

RT-Mart's Feiniu.com opened its first unmanned convenience store "Fa Daojia" at Hefei's Greenfield Center. It is reported that this is the first unmanned convenience store in Anhui Province. "Fa Daojia" mentioned that the first batch of the convenience stores will be opened at high-end residential areas, office buildings and commercial areas, selected organizations, etc. At present, "Fa Daojia" has signed agreements with a large number of business partners, and will soon have large-scale roll out¹⁹.

Department stores and shopping malls



Wanda Department Store rolls out first "Wanda Select" shop in China

Recently, the first "Wanda Select" shop of Wanda Department Store opened on the third floor in Tongzhou branch in Beijing. As a buyer shop, "Wanda Select" operates in "shop-in-shop" and "pop-up shop" models. "Wanda Select" hopes to leverage Wanda Department Store's massive product categories, brands and commodity resources on Wanda's unique and standardized commercial platform. The company hopes to shorten the lead time between upstream and downstream players in the supply chain, reduce the operating cost, and ultimately provide a better shopping experience for consumers²⁰.

Apparel



Uniqlo records strong growth in Greater China; Fast Retailing Co. Ltd. net profit surges 148%

Uniqlo's mother company Fast Retailing Co. Ltd. announced results for fiscal year 2017. The Group's profit attributable to owners of the parents for Greater China and other overseas regions surged 148% yoy to a record high of 119.2 billion yen (about 6.96 billion yuan). Revenue of Uniqlo international which includes the Greater China market rose 8.1% yoy to 708.1 billion yen, while operating margins rose 95.4% yoy to 73.1 billion yen. Uniqlo has introduced high-tech unmanned machines and LED interactive digital screen

"smart buyer" to its physical stores so as to enhance consumer's shopping experience. At present, "smart buyer" is introduced in 100 stores in China, covering Beijing, Shanghai, Guangdong, Tianjin, Fujian and other provinces and cities. Uniqlo said that in the next one to two years, it will be extended to all of China's Uniqlo stores²¹.

Salvatore Ferragamo, Roberto Cavalli, Versace, Sergio Rossi, Trussardi, Diesel have also set up online flagship stores on VIPLUX²³.

Muji's same-store sales in China increased by 1.8% yoy in 2Q17; price adjustment strategy has little effect

Ryohin Keikaku Co. Ltd., the owner of Muji brand, recently published its financial results for 2Q17. Same-store sales in the China market grew 1.8% yoy, lower than the previous two quarters at 5.8% and 7.6% respectively. Since June, the company has repeatedly launched the "new pricing" and "limited time discount" promotions. However, the price adjustment strategy has shown little effect on attracting Chinese consumers. Muji currently has more than 200 stores in China, and the company announced in April that at least 40 stores will be opened in China each year over the next four years²².

Luxury sector



LVMH's Marc Jacobs opens first online flagship store in China

LVMH Group's high-end fashion brand Marc Jacobs announced to launch its first online flagship store on VIPLUX, the flagship luxury channel for international luxury and premium brands on vip.com. From now on, the 300 million members of VIP.com will have the exclusive opportunity to buy Marc Jacobs' new 2017 autumn collection, synchronously released around the world on the VIPLUX channel. Prior to this, Armani Group,

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