



China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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Retail in general

NBS: Total retail sales of consumer goods up by 7.5% yoy in August 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,389.6 billion yuan in August 2019, up nominally by 7.5% yoy (5.6% yoy in real terms). Of which, retail sales of enterprises above a designated size amounted to 1,177.2 billion yuan, up 2.0% yoy; retail sales excluding automobiles amounted to 3,084.5 billion, up 9.3% yoy. By type of consumption, in August 2019, catering sales amounted to 385.7 billion yuan, increased by 9.7% yoy. Retail sales of commodities amounted to 3,003.9 billion yuan, up 7.2% yoy. In January – August 2019, online retail sales grew 16.8% yoy to 6,439.3 billion yuan. Of which, online retail sales of physical goods increased by 20.8% yoy to 5,074.5 billion yuan, accounting for 19.4% of total retail sales¹.

Nielsen: Top 100 cities contribute half of total FMCG sales in China

On 17 September, Nielsen released a report “Unveiling High-Potential Market: Nielsen IntelliGEO Big Data Report (2019)”. According to the report, China’s FMCG market is highly polarized. Top 100 cities contribute approximately 50% of total FMCG sales in China. The report also shows that Chinese consumers have obvious double standards in terms of “services” and “products”. In terms of services, consumers have no patience to wait for daily necessities and require immediate results. Instead, they can wait for a few hours for their favorites. In terms of products, consumers, savvier than ever, will rationally choose cost-effective products. But they will purchase products that match their styles and interests, regardless of cost².

E-commerce

CAITEC’s report: Juhuasuan is changing the competitive landscape in lower-tier cities

On 17 September, the Chinese Academy of International Trade and Economic Cooperation (CAITEC) released a research report “The Development of Lower-tier Cities and the Value of E-commerce Platforms”. According to the report, China’s e-commerce companies have entered a new development phase focusing on “product quality” and “value for money” after undergoing an era filled with counterfeits during earlier periods. As one of the world’s largest e-commerce platforms for flash sales, Juhuasuan can accurately identify the demand for brands and products of the mass consumer market in lower-tier cities; it is changing the competitive landscape in those cities. Additionally, supply-side structural upgrading is considered a core competence in lower-tier markets to promote new supply and demand to satisfy new needs in the market; it enables seamless matching between consumption and production and better accommodate e-commerce platforms that are striving to meet consumers’ demand for individualization, branding, quality and experiential consumption³.

Tongzhen 58: Over 60% of small town residents favor online shopping, making online purchases 5.8 times per month on average

On 17 September, China’s information platform Tongzhen 58 released the “Research Report on Users in Lower-tier cities, 2019”. According to the report, users in lower-tier cities prefer doing online browsing on their mobile phones and shopping online as opposed to watching TV, doing physical exercises, networking with others and reading

books and newspapers; 63.4% of polled users favor online shopping, with each of them making online purchases 5.8 times per month on average. In addition, users in lower-tier cities place great emphasis on word of mouth when shopping online, followed by prices and brands, while offline consumers focus more on prices, followed by brands and word of mouth⁴.

Alipay Mini Program fully integrates with Tmall and Weibo

On 17 September, Alipay Mini Program introduced its first product, “Pinpai Qing Dian” (literally translated as Brand Light Shop) after its integration with Tmall. It allows brands to automatically develop their Mini Programs in Alipay with few simple steps in the Tmall new retail work station. Using this “Pinpai Qing Dian” function, a brand’s offline store can serve as the storefront warehouse of its Tmall flagship shop by providing fixed time delivery and self-pickup services. On the same day, Alipay Mini Program also announced to fully integrate with Sina Weibo, a Chinese microblogging website. Weibo will leverage its vast social network and high-quality content diffusion capabilities to help Alipay merchants to better serve users. Alipay Mini Program’s rich ecosystem of services, on the other hand, will help merchants on Weibo convert content into services and products⁵.

Alipay launches “light membership”, allowing customers to enjoy discounts before paying membership fees

On 17 September, Alipay launched a new product “light membership” – customers can register as members of specific merchants without paying any membership fees in advance. After the membership expires, if the discounts enjoyed by a consumer during the period is less than the membership fee, the consumer only needed to pay the amount

which is same as the discount enjoyed; if the consumer never enjoyed any discount during the period, he/she does not need to pay anything for the membership fee. According to the data from merchants during the beta-testing period of launching the “light membership” program, the transaction amount per customer was up by 55%, and the frequency of purchasing increased by 60%⁶.

JD Pingou rebrands to “Jingxi”

On 19 September, JD Pingou rebranded to “Jingxi” and launched its app officially. JD Pingou app was originally launched in June 2019 and has been the major group buying business of JD.com. Thanks to the rapid growth of its group buying business, the number of annual active customer accounts of JD.com increased by 10.8 million to 321.3 million in the twelve months ended 30 June, 2019 from the twelve months ended 31 March, 2019. It is estimated that the number of monthly average active customers of Jingxi will increase by 265% yoy in 2019⁷.

Starbucks enables live streaming shopping

Recently, Starbucks has partnered with Taobao livestreamer Viya Huang to host a 30-minute show on Taobao. During the program, Taobao sold e-gift vouchers worth of 160,000 drinks, 6,000 classic stainless-steel tumblers, 3,000 plastic cups, 3,000 Starbucks-themed Tmall Genie (a smart speaker) and many more. Analysts believed that Starbucks’ purpose of hosting a livestreaming show was not about boosting sales. Its intention was mainly to create buzz and bring attention to its Tmall shop as well as to facilitate interaction between online and offline customers⁸.

Zhihu joins hand with JD.com for product recommendation

Recently, China's largest question-and-answer platform Zhihu launched a beta-testing for its new function on product recommendation. Users can post answers in threads with product links and get reward if others click the link and purchase the product. Zhihu has integrated with JD.com, allowing its users/ viewers to have direct access to JD.com's product purchasing pages when they click the links⁹.

Logistics

First batch of 23 national logistics hubs approves; expecting a reduction in operating costs

On 11 September, the National Development and Reform Commission (NDRC) and the Ministry of Transport (MOT) jointly published the "Notice on Doing a Good Job in Constructing National Logistics Hubs in 2019". In total, 23 logistics hubs were selected – 10 from the eastern region (Tianjin, Shanghai, Nanjing, Jinhua/ Yiwu, Linyi, Guangzhou, Ningbo-Zhoushan, Xiamen, Qingdao and Shenzhen); 5 in the central region (Taiyuan, Zhangzhou, Zhengzhou, Yichang, Changsha); 7 in the western region (Wulanchabu-Erlianhot, Nanning, Chongqing, Chengdu, Xi'an, Lanzhou, Urumqi) and 1 in the Northeast region (Yingkou). These 23 hubs are of 6 different types, namely dry port, airport, seaport, production and services, commercial services and border crossing terminals. They are built to boost the domestic market and support some strategic development plans, including the Belt and Road Initiative, the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze River Economic

Belt and the Greater Bay Area, the integrated development of Yangtze River Delta region and the Western China Land-sea Transport Corridor¹⁰.

SPB: China's express delivery sector handles 50.7 billion pieces in 2018, higher than combined volume of the U.S., Japan and European economies

On 17 September, the Director-General of the State Post Bureau (SPB) announced at a press conference of the State Council Information Office that China's express delivery sector handled 50.7 billion parcels in 2018, up from 15.3 billion in 1988, growing at an average rate of 41.5% over the past 30 years. China has the world's largest express delivery market for five consecutive years. China's express delivery business exceeded that of the U.S., Japan and European economies combined in 2018, accounting for more than 50% of the global express delivery market¹¹.

Supermarkets and hypermarkets

Walmart to launch in-house fast fashion label "George" across its online and offline channels in China

On 16 September, Walmart announced that it will launch its private fast fashion brand "George" across its online and offline channels in China, allowing local customers to purchase the brand's products from Walmart's e-commerce platform and 400-plus offline stores in the country. Founded in the U.K., George has around 30 years of history. Walmart hopes that the new launch will meet Chinese consumers' changing fashion and lifestyle needs; it will offer George's products online and offline simultaneously in the

country¹².

Rainbow Supermarket launches “Shenzhen Standard Food” safety scheme

The Market Supervision and Regulation Bureau of Shenzhen recently instructed the Shenzhen Association for the Promotion of Standards to draw up a list of “Shenzhen Standard Food”. There are 15 types of food on the list and they are sold in all 32 Rainbow Supermarkets in Shenzhen. To win such a label for food safety, the product must meet multiple quality standards and pass a series of tests. Rainbow Supermarket is among the first batch of companies participating in this food safety scheme. So far 18 food products have passed the safety assessment and Rainbow Supermarket is selling 15 of them¹³.

Convenience Stores

Sinopec’s Easy Joy Convenience Store joins hands with Dmall to roll out digitalized retail business

Recently, Sinopec’s Easy Joy Convenience Store and Dmall reached a cooperation agreement; selected outlets of Easy Joy Convenience Store in Tianjin have transformed into “Easy Joy + Dmall” stores. In this cooperation, Dmall, through its information systems, will support Easy Joy Convenience Store to adopt digital technologies, with an aim to improve store operational efficiency. In addition to the changing product display, the proportion of snacks and beverages sold in these stores has increased. The stores also sell a greater variety of goods. Moreover, the stores also feature self-checkout counters. Easy Joy and Dmall will review the performance of these stores before rolling out to Easy Joy’s 30,000 stores nationally¹⁴.

Consumer electronics

Gome forms strategic partnership with China Resources Vanguard; operates as “stores-in-stores” in 19 China Resources Vanguard shops

Recently, Gome and China Resources Vanguard signed a strategic partnership agreement in which the former will operate as “stores-in-stores” in 19 China Resources Vanguard shops in Jiangxi province, selling home appliances, 3C products and selected smart products. Additionally, the two companies will form deep cooperation in areas such as marketing, sourcing, data sharing, store front cooperation and membership management, in a bid to improve conversions and generate more sales. Gome has reportedly operated in Jiangxi province for 15 years. With over 100 stores in the province, Gome provides home appliances services for more than 40 million customers in Jiangxi¹⁵.

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