China Retail & E-commerce

Weekly Updates

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Retail in general 

NBS: Total retail sales of consumer goods up by 10.9% yoy in March 2017

Total retail sales of consumer goods reached 2,786.4 billion yuan in March 2017, up nominally by 10.9% yoy. Of which, retail sales of enterprises above a designated size amounted to 1,287.3 billion yuan, up by 10.0% yoy. By types of consumption, in March 2017, catering sales amounted to 294.5 billion yuan, increased by 11.1% yoy. Retail sales of commodities amounted to 2,491.9 billion yuan, up by 10.9% yoy. In 1Q17, online retail sales grew 32.1% yoy to 1,404.5 billion yuan. Online retail sales of physical goods increased 25.8% yoy to 1,067.4 billion yuan, accounting for 12.4% of total retail sales. In 1Q17, retail sales growth of enterprises above a designated size for supermarkets, department stores, professional stores and speciality stores were 5.2%, 4.5%, 9.6% and 5.7% yoy respectively[1].

MOFCOM: Consumption market in China remains stable

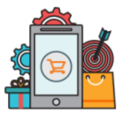
According to the Ministry of Commerce (MOFCOM), China's consumption market remained stable in 1Q17. Final consumption contributed a larger share of China's economic growth in 1Q17 to reach 77.2%, up 2.2 ppts from 1Q16. Major highlights of China's consumption market included: online retail sales continued to grow fast; rural consumption accelerated; service consumption market became more active; consumer demanded for upgraded products such as smart products and environmental-friendly products; and consumer price index increased slightly[2].

MOFCOM: Sales growth of 5,000 major retail enterprises up 4.5% yoy in March 2017

According to the Ministry of Commerce (MOFCOM), sales growth of 5,000 major retail enterprises increased by 4.5% yoy in March 2017, up 0.6 ppt compared with January to February 2017. Sales growth in 1Q17 increased by 4.1% yoy, up 0.7 ppts from 1Q16. In 1Q17, retail sales growth of online retail enterprises increased by 21.8% yoy, 17.7 ppts higher than the average growth rate. Sales growth of department stores was 0.9% yoy, up 1.6 ppts from 1Q16; sales growth for professional store was 5.2% yoy, up 3.1 ppts from 1Q16. Sales growth of convenience stores and supermarkets were 6.8% yoy and 3.8% yoy respectively[3].

CNCIC: Retail sales of 100 key large scale retailers in China up by 2.7% yoy in 1Q17

According to the China National Commercial Information Center (CNCIC), retail sales of 100 key large-scale retail enterprises increased by 2.7% yoy in 1Q17, up 7.5 ppts from 1Q16. By category, sales growth of cosmetics was the most significant at 7.8% yoy, up 8.3 ppts from 1Q16[4].

E-commerce 

Nielsen: China remains the world's e-commerce powerhouse

According to Nielsen's Global Connected Commerce Survey, China is the world's e-commerce powerhouse. Consumable categories purchased online are growing fast in China. The report found that 72% of Chinese respondents said they have bought fashion items online, 68% had booked travel service online, and almost half of the surveyed respondents had bought packaged grocery food online, far exceeding the number of consumers in other regions[5].

Tencent invests US$200 million in used goods platform Zhuan Zhuan

Tencent has injected US$200 million of funding in Zhuan Zhuan, a used goods trading platform of 58.com, a domestic classified advertisements platform. Launched in November 2015, Zhuan Zhuan is an online marketplace where users run their own stores to sell unwanted goods as well as make purchase from other sellers. More than 30 million users have posted a combined 100 million second-hand items on the platform with an average monthly trading volume of nearly 2 billion yuan. Alibaba-backed Xianyu is currently the major competitor of Zhuan Zhuan[6].

CAICT: WeChat generated social consumption amounted to 447.5 billion yuan in 2016

According to the “Report on WeChat’s Influence to the Society” published by the Planning and Design Research Institute of the China Academy of Information and Communications Technology (CAICT), WeChat generated social consumption of 447.5 billion yuan in 2016, up by 37.6% yoy. Of the total amount, 174.3 billion yuan was generated from information consumption, while 273.2 billion yuan was generated from traditional consumption. WeChat also created 18.81 million jobs, up by 7.7% yoy. Of the total WeChat-related employment, 4.66 million were direct employment and 14.15 were indirect employment[7].

WeChat Mini program expands its application to allow for third-party management

WeChat announced that its Mini Program can now be managed by third-parties. Administrator of Mini Program can authorize third-party platforms to help in coding and account management. Furthermore, Mini Program opened up new data collection point for its developers, allowing them to collect more data from Mini Program and be able to conduct more user data analytics. The data collected include visitors’ browsing trends, visitors distribution, bounce rate, etc. To enhance the flexibility of developing and enriching contents of Mini Program, the application package size of each Mini Program is raised from 1MB to 2MB. Previously, WeChat created another entry point for users of Mini Program, whereby users can access Mini Program by pressing on the QR code[8].

Alibaba opens China’s first “Core Production Warehouse” in Jilin

To further the “Internet plus” development strategy for its rural business, Alibaba opened China’s first “Core Production Warehouse” of Cun Taobao in the Yanbian Prefecture of Jilin province and planned to turn it into Northeastern China’s largest product warehouse for rural products. According to the partnership agreement between Alibaba and the government of Yanbian, the two parties will work together to turn Yanbian into Alibaba’s first agricultural supply-side reform demonstration area in China to integrate processes such as production, quality control, sales, distribution and finance[9].

Tmall Global serves a cumulative total of 40 million customers

According to Tmall Global, it has served a cumulative total of 40 million customers as of March 2017, and it expects the number to reach 100 million in three years. Currently, most of the customers on Tmall Global are young middle-class aged 24-32, with annual income exceeding 100,000 yuan; they are interested in fashion and trending things; they live in tier-1 and 2 cities including Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou; and 70% of them are female. In 2017, Tmall Global plans to expand its product categories and increase the number of products that are launched simultaneously with overseas market; offer products with traceable origins; and offer next-day delivery service for goods that are delivered from bonded warehouse in Jiangsu, Zhejiang and Shanghai. As of 2016, over 14,500 international brands from 63 countries and regions sold their products on Tmall Global, while 80% of them were introduced to the China market for the first time[10].

Ant Financial merges with Lazada's HelloPay

Last year, Alibaba announced its US$1 billion purchase of a controlling stake in Lazada, the largest online shopping and selling marketplace in Southeast Asia. Alibaba is moving its plans one step forward. Ant Financial, Alibaba's financial affiliate, announced that it has merged with HelloPay Group, the company behind HelloPay, Lazada's online payment platform. Following the merger, HelloPay will be rebranded as Alipay, Ant Financial's online and mobile payment solution. In its respective markets, it will be known as Alipay Singapore, Alipay Malaysia, Alipay Philippines, and Alipay Indonesia. All of HelloPay's features and services will remain unchanged. The rebranded HelloPay will stay separate from Alipay and continue to provide payment services on Lazada's platform[11].

Alipay goes live in Italy and aims to serve 120,000 local businesses in future

Alipay entered Italy and launched payment services in the world's biggest restaurant Eataly and multi-brand store Antonia. In the future, Alipay will provide payment services to around 120,000 Italian local businesses. Alipay has been expanding its global footprint and it currently has operations in over 70 countries including Japan, South Korea, India and the U.K[12].

JD.com introduces AR and AI functions in its mobile app 6.0

JD.com announced the launch of its latest mobile app 6.0. Selected newly added functions include: AR Red Envelope function; video shopping function which enables users to purchase the products when watching videos; and 3D display function for selected products. JD.com has also introduced AI shopping assistant to offer customer support via voice recognition for logistics enquiries, product recommendation, and after-sale services. In the future, AI shopping assistant will cover other lifestyle services such as air ticket and hotel booking, top-up service and payment service[13].

Supermarkets and hypermarkets

Wumart stores in Eastern China install electronic shelf labels

Wumart Group installed electronic shelf labels to replace traditional paper labels in 48 of its hypermarkets in the Eastern China region. Products information will be displayed electronically for goods of all categories to allow for integrated online and offline inventory management. The average floor area of the hypermarkets was 6,000 sqm and each hypermarket deployed an average of 20,000 units of electronic shelf labels. The major benefits of using electronic shelf labels include: saving manpower and increasing efficiency of store operation; improving the accuracy of pricing; allowing for real-time price adjustment so that online and offline price and discount information can be synchronized; ensuring the inventory data online and offline are in sync. According to media, Wumart's Dmall.com app also plans to launch electronic shelf labels (in QR code format) so as to further implement the group's O2O integration strategy[14].

Carrefour China to further expand its convenience stores business in 2017

Carrefour China said that it will continue its strategy of "multi-business-formats and multi-distribution-channels" in 2017 and plans to open more "Easy Carrefour" convenience stores in Shanghai and other cities. In terms of e-commerce, Carrefour's online shopping platform (www.carrefour.cn) has been launched in 12 cities in China and it will continue to integrate the platform's operation with the group's cross-border e-commerce business and its shopping app. Currently, Carrefour China has six logistics distribution centres in operation in Kunshan, Chengdu, Wuhan, Dongguan, Tianjin and Shenyang. Carrefour China said it will continue to invest more in hypermarket retail format, open new stores in provinces in Central or Western China, as well as upgrade the current stores[15].

Wal-mart China to open over 40 new stores in Guangdong province

Wal-mart China and the government of Guangdong province signed a strategic partnership agreement which stated that Wal-mart will further expand its store network in the province. It will open more than 40 new stores, including Sam's Club, and one fresh produce cold chain distribution centre. Also, the agreement stated that Wal-mart China will work with Guangdong provincial government in areas such as sourcing, development of retail and innovation industries, opening up of the economy to foreign investments, as well as green supply chain development. For example, Wal-mart China plans to promote business model innovation of cross-border e-commerce in the Guangdong Free Trade Zone and comment on the drafting of related policies. Furthermore, Wal-mart China will also work with the government to set up a business credit system, as well as to facilitate the construction of a modern distribution system for Guangdong[16].

Department stores and shopping malls

Intime's multi-brand store Xi You opens in Golden Eagle International in Nanjing

Intime's multi-brand store Xi You opens in Golden Eagle International in Nanjing Xinjiekou, offering mainly apparel, bags, shoes and accessories. With a store size of 240 sqm, this is the first Xi You store opening in retail channel outside Intime Retail Group. The store is expected to enlarge to 400 sqm in F/W 2017 and offer more menswear brands including MSGM, Valentino, Neil Barrett, etc. The store recorded sales of over 500,000 yuan in just one month after its opening.

Intime will launch 8-10 more Xi You stores in Shanghai, Wenzhou, Taiyuan, Changsha and Wuhan by the end of 2017[17].

SCCBA: Number of commercial complex in Chengdu reaches 151; 45 new shopping malls to open in 2017

Sichuan Chain Business Association (SCCBA) released the "2016-2017 Commercial Retail Development Report". According to the report, the number of commercial complex in Chengdu reached 151 as of April 2017. It is expected that 45 more new shopping malls will be opened in Chengdu by the end of 2017. In 2016, total retail sales of consumer goods in Chengdu reached 564.74 billion yuan, up 10.4% yoy in real terms and ranked the second among all provinces nationally[18].

Cosmetics

WDD: Four Chinese enterprises enter the WWD Beauty Inc. Top 100 in 2016

U.S- based fashion industry trade journal WDD released the WWD Beauty Inc Top 100 list. The list shows the annual ranking of the world's biggest beauty companies by retail sales. Topping the list in 2016 was L'Oréal from France again, with US$28.6 billion retail sales (up 2.3%), followed by Unilever and Proctor & Gamble Co. with retail sales of US$20.5 billion and US$15.4 billion respectively. Four Chinese companies entered the list in 2016, including Shanghai Jahwa United Co., Ltd. (47th), Jala Group Co., Ltd. (57th), Li & Fung Limited (72th), and Jiangsu Longliqi Bioscience Co., Ltd. (75th)[19].

Kids products

iResearch: Families with children aged 0-6 to reach 286 million by 2018

According to a report by iResearch, the number of families in China with children aged 0-6 (including parents and grandparents) will reach 286 million by 2018, up from 236 million in 2010. Growth potential for the baby and maternity market is huge. Baby and maternity mobile apps are becoming increasingly popular. The number of monthly unique users for these apps increased 70% yoy from 43.845 million in February 2016 to 74.685 million in February 2017. 70.1% of the users launched the apps several times a day[20].

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