

# China Retail & E-commerce

## Weekly Updates

14 December – 20 December 2018

 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

**Teresa Lam**

Vice President

E: [teresalam@fung1937.com](mailto:teresalam@fung1937.com)

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)



### Retail in General *p2*

- NBS: Total retail sales of consumer goods up by 8.1% yoy in November 2018

### E-commerce *p2*

- Starbucks joins hands with Alibaba to launch new virtual store in China
- IOC opens first-ever online flagship store on Tmall
- Alipay launches new facial recognition payment tool "Dragonfly"
- WeChat allows users to post up to 100 web store links within one thread in WeChat Moments
- JD.com forges partnership with Thai government agencies
- JD.com to expand AIoT ecosystem by launching smart home products
- JD Daojia halts its unmanned shelf project
- NetEase Yanxuan opens first store in Hangzhou

### E-commerce logistics *p3*

- JD Logistics to upgrade premium delivery service "JD Luxury Express"

### Supermarkets and hypermarkets *p4*

- Walmart's "Next Generation Store" debuts in Chengdu
- Suning Jiwu's first lifestyle bookstore to open in Nanjing

### Convenience stores *p4*

- FamilyMart to open first Par Café in Shanghai next year
- 7-ELEVEN grants franchising rights to Saiwen Tick Mart to enter Shaanxi market

### FMCG *p4*

- Watsons to shut down online flagship store on Tmall Global and JD Worldwide
- Watsons and JD Daojia to deepen cooperation

### Apparel *p5*

- Semir to sell 20% of South Korean e-commerce platform ISE Commerce for 122 billion yuan

### Cosmetics *p5*

- Shiseido to set up "China Business Innovation and Investment Representative Office"

### Luxury Goods *p5*

- YSL's pop-up beauty hotel arrives in Shanghai
- Bottega Veneta officially launches on Tmall's Luxury Pavilion

# Retail in General

## NBS: Total retail sales of consumer goods up by 8.1% yoy in November 2018

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,526.0 billion yuan in November 2018, up nominally by 8.1% yoy, and 5.8% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,367.9 billion yuan, up 2.1% yoy. By type of consumption, in November 2018, catering sales amounted to 452.5 billion yuan, increased by 8.6% yoy. Retail sales of commodities amounted to 3,073.5 billion yuan, up by 8.0% yoy. In January – November 2018, online retail sales grew 24.1% yoy to 8,068.9 billion yuan. Of which, online retail sales of physical goods increased 25.4% yoy to 6,271.0 billion yuan, accounting for 18.2% of total retail sales<sup>1</sup>.

# E-commerce

## Starbucks joins hands with Alibaba to launch new virtual store in China

On 14 December, Starbucks and Alibaba announced the launch of a new virtual store in China. The virtual store, at the same time, also unifies Starbucks Rewards Program with Alibaba Group's mobile apps, including Taobao, Alipay and soon, Tmall, allowing customers to have their coffee delivered, earn reward points, buy a gift for someone else, etc. By searching with "Starbucks" or "Say It with Starbucks" on Taobao or Alipay, customers can get directed to Starbucks' flagship store on Tmall. Customers can also place orders through Ele.me, Taobao and Alipay. Alibaba expressed that there are so far 2,000 stores across 30 cities in China offering Starbucks coffee delivery service<sup>2</sup>.

## IOC opens first-ever online flagship store on Tmall

On 14 December, the International Olympic Committee (IOC) launched its first-ever online flagship store on Tmall. Consumers can choose from an array of around 300 SKUs of Olympic products from three Olympic core licensing collections, including the Olympic Games Collection, the Olympic Heritage Collection, and the Olympic Collection, ranging from pins, postcards, mugs, to fashion apparel and other memorabilia<sup>3</sup>.

## Alipay launches new facial recognition payment tool "Dragonfly"

Recently, Alipay announced the launch of a new facial recognition payment tool "Dragonfly". The new tool is equipped with a Structured Light 3D scanning with machine vision camera, which can connect to merchants' ERP system without any modification and can reduce the set-up cost of facial recognition technology by 80%. According to Alipay's introduction, the new tool looks like a desk lamp; merchants can simply place the tool at the checkout counter after connecting to the manual cash register. Thereafter, customers can complete their payment by looking at the machine vision camera. CP Lotus is the first supermarket chain that connects with Alipay's facial recognition payment system – the effectiveness of its payment handling process increased by 50% after switching to the new system<sup>4</sup>.

## WeChat allows users to post up to 100 web store links within one thread in WeChat Moments

On 14 December, WeChat announced to allow users to post multiple links within one thread in WeChat Moments with an upper limit

of 100 web store links. It is reported that its smart advertising system of WeChat will use location-based technology to display advertisements which are close to users, and thus attract more WeChat users to store. Prior to the launch of the new service, merchants wishing to promote multiple stores were required to set up store link for each individual store for promotion<sup>5</sup>.

### JD.com forges partnership with Thai government agencies

On 17 December, JD.com and Thailand's Central Group signed memorandums of understanding (MoUs) with three Thai government agencies – the International Trade Promotion Department (ITPD), the Ministry of Digital Economy Promotion Agency, and the University of the Thai Chamber of Commerce (UTCC). Through this strategic cooperation, small and medium-sized Thai enterprises can enter the China market through JD.com and enjoy the support from JD.com in cross-border e-commerce, big data analysis on consumers, digital payment, and logistics. Meanwhile, JD.com will provide local logistics infrastructure and supply chain management solutions, as well as technical support in the field of warehousing automation and robotics to improve local production and logistics efficiency<sup>6</sup>.

### JD.com to expand AIoT ecosystem by launching smart home products

On 19 December, JD.com launched a new campaign on AIoT, after releasing the new AIoT ecosystem earlier this month. JD.com hopes to bring an enhanced smart living experience to customers by collaborating with more third-party manufacturers; the e-commerce player will launch smart speakers this time. It is reported that JD.com will collaborate with brand owners in four areas, including products, consumption scenes,

marketing strategies and services. At present, JD.com has more than 2 million smart products with more than 500 brands<sup>7</sup>.

### JD Daojia halts its unmanned shelf project

On 19 December, JD Daojia halted its unmanned shelf project “JD Daojia Go”; reasons being the shrinking market size of the unmanned shelf industry; and that the unmanned shelf project itself was only a pilot test, which was being tried out in cities including Beijing, Shanghai and Chengdu. JD Daojia said that the company will focus on its main businesses, i.e. on-demand delivery and last-mile delivery<sup>8</sup>.

### NetEase Yanxuan opens first store in Hangzhou

On 18 December, NetEase Yanxuan opened its first offline store in Hangzhou Jiebai Shopping Center. It is reported that product price, membership database, inventory database, after-sales services are integrated online and offline to create a seamless shopping experience for consumers, together with digitalized store management and interactive marketing campaigns. There are over 1,000 SKUs in the store, and half of the store area is dedicated for experiential zones<sup>9</sup>.

## E-commerce logistics

### JD Logistics to upgrade premium delivery service “JD Luxury Express”

On 18 December, JD Logistics further upgraded its premium delivery service “Jingzunda” or “JD Luxury Express”. Consumers and merchants in nine cities including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Xian, Shenyang, Hangzhou and Chengdu can subscribe to this service – a specialized delivery service with

dedicated delivery fleet. JD Logistics pointed out that consumers and merchants can enjoy this service as long as both the shipping and delivery addresses are in these nine cities<sup>10</sup>.

## Supermarkets and hypermarkets

### Walmart's "Next Generation Store" debuts in Chengdu

On 13 December, Walmart China opened another new retail format store "Next Generation Store" in Chengdu. The store size of this newly opened store is around 5,000 sqm, which is just half the size of its regular hypermarkets in China, while its leasing area is extended to about 4,000 sqm, featuring nearly 80 brands of catering and community-oriented services. To address evolving consumption trends and changes brought about by retail digitalization, the Next Generation Store featuring "fresh, value and easy" will give customers an even easier shopping experience through considerate design and carefully selected products. The store offers over 10,000 SKUs, covering multiple categories including fresh, deli, baby products, apparel, and personal care and kitchen supplies, aiming to meet families' everyday needs. Focused on providing a wide variety of high quality fresh, the store reduces the proportion general merchandise by half. Walmart China reveals that the Next Generation Store is one of its future strategic focuses; it will replicate the learnings across the country once the pilot is successful<sup>11</sup>.

### Suning Jiwu's first lifestyle bookstore to open in Nanjing

Suning Jiwu's first lifestyle bookstore will officially launch in Nanjing on 22 December. It is reported that this is the first time for Suning

to cooperate with Popular Bookmall to launch such a new bookstore with a focus on "lifestyle" and "book". With a store size of around 1,200 sqm, the bookstore features books, café and different lifestyle elements such as e-sports to create a youthful and joyful atmosphere for consumers<sup>12</sup>.

## Convenience Stores

### FamilyMart to open first Par Café in Shanghai next year

FamilyMart has recently launched a 3-day pop-up store for its café brand Par Café in Shanghai's Huashi Plaza, a move to create buzz before the opening of the first Par Café store in China next year. The first Par Café will be opened in Shanghai in 1H19<sup>13</sup>.

### 7-ELEVEN grants franchising rights to Saiwen Tick Mart to enter Shaanxi market

On 18 December, 7-ELEVEN signed an agreement with Shaanxi Saiwen Tick Mart Convenience Store Chain. Under the agreement, 7-ELEVEN granted the franchising rights of Shaanxi district to Tick Mart, which marks the official entry of 7-ELEVEN into Shaanxi. According to the agreement, 7-ELEVEN will authorize Saiwen Tick Mart as the exclusive franchisee in the province<sup>14</sup>.

## FMCG

### Watsons to shut down online flagship store on Tmall Global and JD Worldwide

Watsons announced to shut down its online flagship store on Tmall Global and JD Worldwide on 27 December; while consumer can still purchase on its online store on Tmall

and JD.com. Amid the contraction of its overseas business, Watsons strives to strengthen its cooperation with other e-commerce platforms in China. Earlier, it has lined up with Meituan Waimai, Ele.me and JD Daojia to provide rapid delivery services to Chinese consumers<sup>15</sup>.

### Watsons and JD Daojia to deepen cooperation

On 14 December, JD Daojia announced that it has reached a cooperation agreement with Watsons. Under the agreement, more than 1,600 of Watsons' SKUs from over 230 brands will connect with the JD Daojia platform. In the near future, the two entities will deepen their cooperation by stimulating instant consumption for beauty products. Watsons was reportedly connected to the platform on 20 September this year for the first time. As of to date, more than 1,200 of Watsons' stores in 48 key cities across the country are connected to the platform<sup>16</sup>.

## Apparel

### Semir to sell 20% of South Korean e-commerce platform ISE Commerce for 122 billion yuan

On 17 December, Chinese apparel firm Semir Garment announced to transfer its 20% stake in South Korean e-commerce platform ISE Commerce to ISE Network for 122 billion yuan. Semir said this deal is made in accordance with the company's development needs. Semir acquired 17.67% of ISE Commerce for 115 million yuan in April 2015 to become its second-largest shareholder, which marks an important step in the company's internationalization strategy<sup>17</sup>.

## Cosmetics

### Shiseido to set up "China Business Innovation and Investment Representative Office"

Shiseido will reportedly establish a "China Business Innovation and Investment Representative Office" in Shanghai on 1 January 2019. Under direct control of the group's headquarters, the new office will serve as an operational hub to promote innovations in existing businesses and new business development in response to the market trends in China. As a business innovation COE (Center of Excellence), the office will support the Group's existing businesses in China, while creating create a new beauty business – based on China-driven innovation. The new business is set to become the next growth driver for the Shiseido Group at a global level<sup>18</sup>.

## Luxury Goods

### YSL's pop-up beauty hotel arrives in Shanghai

Luxury beauty brand YSL has recently launched its pop-up beauty hotel #YSLBEAUTYHOTEL# in Shanghai. Running until 20 December, the pop-up beauty hotel comprises two floors, housing YSL's beauty library, en suites showing the brand's latest products, spas, etc.; the second floor also has vending machines selling the brand's color cosmetics products. According to introduction, this pop-up hotel is a cross-sector marketing campaign initiative of YSL; the beauty brand did not enter the hotel business<sup>19</sup>.

### Bottega Veneta officially launches on Tmall's Luxury Pavilion

On 18 December, Italian luxury brand Bottega Veneta announced its official launch on Tmall's luxury platform Luxury Pavilion, offering its full range of products including handbag, leather goods, clothing, footwear, jewelry, perfume, accessories and home products. Bottega Veneta is the second brand under luxury group Kering to launch on Tmall's Luxury Pavilion, following Qeelin. Currently, more than 80 luxury brands have joined Luxury Pavilion<sup>20</sup>.

# References

- <sup>1</sup> "NBS: Total retail sales of consumer goods up by 8.1% yoy in November 2018", 14 December 2018. National Bureau of Statistics. [http://www.stats.gov.cn/tjsj/zxfb/201812/t20181214\\_1639480.html](http://www.stats.gov.cn/tjsj/zxfb/201812/t20181214_1639480.html) (in Chinese only)
- <sup>2</sup> "Starbucks joins hands with Alibaba to launch new virtual store in China", 14 December 2018. Ebrun. <http://www.ebrun.com/20181214/312000.shtml> (in Chinese only)
- <sup>3</sup> "IOC opens first-ever online flagship store on Tmall", 17 December 2018. Ebrun. <http://www.ebrun.com/20181217/312288.shtml> (in Chinese only) <https://www.alizila.com/ioc-opens-first-ever-online-store-on-tmall/>
- <sup>4</sup> "Alipay launches new facial recognition payment tool "Dragonfly"", 14 December 2018. Ebrun. <http://www.ebrun.com/20181214/311995.shtml> (in Chinese only)
- <sup>5</sup> "WeChat allows users to post up to 100 web store links within one thread in WeChat Moments", 14 December 2018. Ebrun. <http://www.ebrun.com/20181214/311947.shtml> (in Chinese only)
- <sup>6</sup> "JD.com forges partnership with Thai government agencies", 18 December 2018. Longsok. <https://www.longsok.com/dt/2018/1218/48767.html> (in Chinese only)
- <sup>7</sup> "JD.com to expand AIoT ecosystem with smart home products", 19 December 2018. Ebrun. [http://www.ebrun.com/20181219/312706.shtml?eb=hp\\_home\\_lcol\\_tt6](http://www.ebrun.com/20181219/312706.shtml?eb=hp_home_lcol_tt6)
- <sup>8</sup> "JD Daojia halts the unmanned shelf project", 20 December 2018. Linkshop. <http://www.linkshop.com.cn/web/archives/2018/415932.shtml> (in Chinese only)
- <sup>9</sup> "NetEase Yanxuan opens first store in Hangzhou", 18 December 2018. Ebrun. <http://www.ebrun.com/20181218/312599.shtml> (in Chinese only)
- <sup>10</sup> "JD Logistics to upgrade premium delivery service "JD Luxury Express"", 18 December 2018. Ebrun. [http://www.ebrun.com/20181218/312468.shtml?eb=hp\\_home\\_lcol\\_tt6](http://www.ebrun.com/20181218/312468.shtml?eb=hp_home_lcol_tt6) (in Chinese only)
- <sup>11</sup> "Walmart's "Next Generation Store" debuts in Chengdu", 13 December 2018. Walmart China. <http://www.wal-martchina.com/english/news/2018/20181213.htm> (in Chinese only)
- <sup>12</sup> "Suning Jiwu's first lifestyle bookstore to open in Nanjing", 18 December 2018. Longsok. <https://www.longsok.com/dt/2018/1218/48768.html> (in Chinese only)
- <sup>13</sup> "FamilyMart to open first Par Café in Shanghai next year", 14 December 2018. Longsok. <https://www.longsok.com/dt/2018/1214/48741.html> (in Chinese only)
- <sup>14</sup> "7-ELEVEN grants franchising rights to Saiwen Tick Mart to enter Shaanxi market", 19 December 2018. Linkshop. <https://cn.fashionnetwork.com/news/zi-sheng-tang-she-li---zhong-guo-shi-ye-chuang-xin-tou-zi-shi--,1046075.html#.XBjz7mqzaUI> (in Chinese only)
- <sup>15</sup> "Watsons to shut down online flagship store on Tmall Global and JD Worldwide", 20 December 2018. Linkshop. <http://www.linkshop.com.cn/web/archives/2018/415909.shtml> (in Chinese only)
- <sup>16</sup> "Watsons and JD Daojia to deepen cooperation", 14 December 2018. Longsok. <https://www.longsok.com/dt/2018/1217/48745.html> (in Chinese only)
- <sup>17</sup> "Semir to sell 20% of South Korean e-commerce platform ISE Commerce for 122 billion yuan", 19 December 2018. Sina. <https://news.sina.com.cn/c/2018-12-19/doc-ihghqcir8368053.shtml> (in Chinese only) <https://yicaiqlobal.com/news/elusive-e-profits-push-china-semir-to-sell-20-of-sk-firm-for-usd178-million>
- <sup>18</sup> "Shiseido to set up "China Business Innovation and investment Representative Office"", 17 December 2018. Fashion Network. <https://cn.fashionnetwork.com/news/zi-sheng-tang-she-li---zhong-guo-shi-ye-chuang-xin-tou-zi-shi--,1046075.html#.XBjz7mqzaUI> (in Chinese only)
- <sup>19</sup> "YSL's pop-up beauty hotel arrives in Shanghai", 14 December 2018. Winshang. <http://news.winshang.com/html/065/0874.html> (in Chinese only)
- <sup>20</sup> "Bottega Veneta officially launches on Tmall's Luxury Pavilion", 19 December 2018. Linkshop. <http://www.linkshop.com.cn/web/archives/2018/415873.shtml> (in Chinese only)

## Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

