

# China Retail & E-commerce

## Weekly Updates

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**Teresa Lam**

Vice President

E: 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



## Retail in general



**NBS: 1H17 total retail sales of consumer goods up by 10.4% yoy to over 17 trillion yuan; total online retail sales up by 33.4% to 3.1 trillion yuan**

According to China's National Bureau of Statistics (NBS), total retail sales of consumer goods for 1H17 were up by 10.4% yoy to 17,236.9 billion yuan, growth rate increased by 0.4 ppt comparing with that in 1Q17 and increased by 0.1 ppt comparing with the same period last year. Retail sales of consumer goods in urban area amounted to 14,778.6 billion yuan, up by 10.1% yoy; while that in rural area amounted to 2,458.3 billion yuan, up by 12.3% yoy. By types of consumption, in 1H17, catering sales amounted to 1,854.6 billion yuan, increased by 11.2% yoy. Retail sales of commodities amounted to 15,382.2 billion yuan, up by 10.3% yoy. In 1H17, online retail sales grew 33.4% yoy to 3,107.3 billion yuan. Online retail sales of physical goods increased 28.6% yoy to 2,374.7 billion yuan, accounting for 13.8% of total retail sales, up by 2.2 ppt yoy<sup>1</sup>.

**MOFCOM: Consumer market in China reflects five major characteristics in 1H17**

According to the Ministry of Commerce (MOFCOM), in 1H17, total retail sales of consumer goods in China went up by 10.4% yoy to 17.2 trillion yuan, growth was 0.4ppt higher than that of 1Q17 and 0.1 ppt higher than that in the same period last year. The consumer market reflected five major characteristics in 1H17, including: physical retail sector showed signs of recovery; online sales continued its high speed growth; service consumption continued its growth momentum;

green and sharing consumption became a market hotspot; and consumption price level showed mild upward trend<sup>2</sup>.

**CNCIC: Retail sales of 100 key large-scale retailers in China increase 3.1% yoy in 1H17**

According to the China National Commercial Information Centre (CNCIC), retail sales of 100 key large-scale retail enterprises increased by 3.1% yoy in 1H17. The growth rate was 6.3 pts higher than that in 2016. Retail sales of 100 key large-scale retail enterprises in June 2017 dropped by 0.2% yoy. The negative growth rate was 0.9 pts smaller than that in 2016. Most of the categories recorded positive growth compared with the same period in 2016. Of which, sales of cosmetics increased by 8.3% yoy, growing 7.9 pts faster than that in 2016<sup>3</sup>.

## E-commerce



**China Post: Transaction value of export e-commerce in China amounts to 5.5 trillion yuan in 2016**

China Post released two sets of data related to China's export e-commerce. Firstly, transaction value of export e-commerce in China increased by 22% yoy to 5.5 trillion yuan in 2016, of which the B2C segment showed fast growth momentum and accounted for 11.3% of the share. Secondly, the volume of direct mail parcels using the postal channel increased by more than 30%, and the amount of direct-mail e-packet with full traceability increased by over 50%. Regions such as Asia-pacific, Latin America and the Middle East accounted for a growing share of the total parcel volume<sup>4</sup>.

### JD Finance partners with UnionPay to introduce new NFC payment solution

JD Finance and UnionPay QuickPass jointly introduced a new NFC payment solution, the JD QuickPass. Users can access this service by opening a JD Pay account through logging into the mobile app of JD.com with their Apple device. Comparing with the payment solutions that require users to scan QR codes, NFC payment solution is more secure and convenient. JD QuickPass is now available as a payment option online on JD.com, as well as in offline payment scenarios at around 1,000 QuickPass-enabled POS machines powered by UnionPay at retail locations such as Carrefour, McDonald's, KFC and 7-ELEVEN<sup>5</sup>.

### Lenovo and JD.com form strategic partnership to develop AI and big data capabilities

Lenovo and JD.com announced their strategic partnership in areas of AI and big data development. The companies will work together on applications such as consumer insights analytics. Also, JD.com said that it has started the construction of an automated warehouse in Beijing, which is expected to finish construction before the 11.11 Global Shopping Festival in 2018. By that time, JD.com will be able to use AI and robots to fully achieve warehouse automation<sup>6</sup>.

### Microsoft provides its Azure cloud service to Baidu's Apollo open platform

Microsoft and Baidu formed partnership to jointly promote the development and application of self-driving car technology. Microsoft will provide its Azure cloud service to the open source autonomous driving platform Apollo in area outside of China,

allowing foreign companies joining the platform to use the Azure infrastructure. As part of the partnership agreement, both companies also agreed to further explore collaboration opportunities in the area of connected vehicles solutions. Also, both companies will jointly promote the digital transformation in the car industry towards self-driving cars<sup>7</sup>.

### Gross profit of Beibei.com amounts to over 100 million yuan in half-a-year

Maternity-and-baby products e-commerce platform Beibei.com said that its gross profit amounted to over 100 million yuan in half-a-year, making the company the first in its product sector to have reached this scale in China. According to Beibei.com, its rapid growth can be attributed to its social media marketing efforts. Since earlier this year, Beibei.com has launched a number of related services, including social media tools, local services, education and health advisory, etc. to complement its maternity-and-baby products business. In particular, its social platform yuerbao.com has already become one of the industry's leading social communities in China in just one year after its launch<sup>8</sup>.

### CAG partners with Lijia Baby to bring fresh produce into maternity-and-baby e-commerce platform

Beijing Capital Agribusiness Group (CAG)'s e-commerce business formed partnership with maternity-and-baby e-commerce platform Lijia Baby (lijiababy.com.cn). CAG will set up a fresh produce channel on Lijia Baby's platform to sell food products and provide delivery services to customers, and offer rural farm expedition experience as well as customized parental and kids activities to customers of the platform. According to media report, fresh produce offered by CAG on the platform

include high-end milk, Berkshire pork, chicken, baby congee, etc<sup>9</sup>.

## E-commerce logistics



### Suning Logistics to partner with the world's largest direct selling company Amway

According to media report, Suning Logistics is about to make an announcement about its strategic partnership with the world's largest direct selling company Amway. The two companies will reportedly collaborate in areas such as supply chain solution, last-mile delivery, as well as user experience design. The partnership will focus on the Eastern China region, which is the largest market for Amway in China in terms of sales volume, and on the Southwestern China region, where Amway is the weakest in terms of logistics capability. Suning Logistics will provide to Amway a plethora of logistics services, including warehousing, transportation, last-mile delivery, as well as reverse logistics. Headquartered in the U.S., Amway is a direct selling company that mainly sells products such as general merchandise, nutrition supplements, as well as skin care products<sup>10</sup>.

### JD Daojia and Wal-mart China add more than 50 stores to their O2O partnership in half-year's time

JD Daojia and Wal-mart China are extending their partnership to more cities in China in an effort to further expand their O2O services. JD Daojia announced an upgrade of its service pledge of "7-day Unconditional Returns of Goods (including fresh produce category)" to "14-day Unconditional Returns". According to media report, Wal-mart China and JD Daojia have also jointly designed an efficient last-mile

delivery solution tailor-made for fresh produce. JD Daojia's statistics showed that more than 50 Wal-mart China stores in 12 cities across China have newly joined the partnership with JD Daojia since March 2017. Currently, the partnership between Wal-mart China and JD Daojia covers 134 stores in 18 major cities across the country<sup>11</sup>.

## Supermarkets and hypermarkets



### Suning.com launches its first car supermarket in Nanjing, with plan to open up to 100 stores in the next stage

Suning.com launched China's first car supermarket in Xinjiekou of Nanjing. Aside from various models of automobiles from global brands, the car supermarket also sells other related products and services such as electronic bikes, car electronic devices, car interior decoration, car accessories, car seats, car care shampoos, and car rental. According to media report, Suning.com plans to set up over 100 car supermarkets in the central business districts in cities across China<sup>12</sup>.

### Alibaba further develops New Retail business as related company Sanjiang announces incorporation of new subsidiary

Sanjiang, a Zhejiang-based supermarket group that Alibaba has invested in earlier, announced the incorporation of a new wholly-owned subsidiary, Hangzhou Zhehai Huadi Network Technology Co. Ltd., with a 30-million-yuan equity investment made by one of its subsidiaries, Zhejiang Zhehai Huadi Network Technology Co. Ltd. According to Sanjiang, the new subsidiary will work on improving user's shopping experience, resources consolidation, as well as plan to

facilitate the company's e-commerce and O2O businesses. Zhejiang Zhehai Huadi Network Technology Co. Ltd. of Sanjiang operates Hemaxiansheng membership stores as well as e-commerce business in the region. The set up of the new subsidiary indicates the company's plan to further advance its New Retail business<sup>13</sup>.

### Meituan opens first store of Zhangyushengxian in Beijing

Zhangyushengxian, an omni-channel New Retail format store under Meituan, opened its first store in Beijing. The store has a floor space of 2,000 sqm. Zhangyushengxian is positioned as an O2O fresh produce supermarket, linking online and offline channels and its mobile app. It also provides delivery services. According to market analysis, Meituan will be able to create synergy between its physical store network and food delivery O2O platform. It is estimated that Meituan may develop its own catering service by setting up centralized kitchen operation to leverage its food delivery capability and become an incubator for food businesses<sup>14</sup>.

### Hemaxiansheng plans to add over 2,000 physical stores in the future

Fresh produce O2O retailer Hemaxiansheng announced the simultaneous opening of three new directly-operated stores in Beijing and Shanghai. As Hemaxiansheng's first ever branch in Jinqiao of Shanghai turns profitable, the retailer speeds up its pace of expansion. It is currently planning to open more than 2,000 directly-operated or joint venture stores in China's tier 1 cities, such as province-level municipalities and provincial capitals<sup>15</sup>.

### YH Life accelerates pace of store opening; first Shenzhen store to open on 22 July

YH Life, the fresh produce retail store of Yonghui Superstore, is accelerating its store expansion pace. Its first store in Shenzhen will be opened on 22 July in Haichang Street. The store will be YH Life's 57th store in China. Currently, YH Life has branches in Shanghai, Beijing, Fuzhou and Chongqing<sup>16</sup>.

## Apparel and accessories



### Massimo Dutti records 100% annual growth rate for its sales on Tmall for three consecutive years

Spanish fast-fashion and affordable luxury brand Massimo Dutti kicked off a joint marketing campaign, featuring the fashion brand's Fall Winter Fashion Show held in Shanghai. The show was also broadcasted on Tmall platform and consumers were able to place order on items appearing in the show. Aside from the brand's own e-commerce site, Tmall is currently the brand's only e-commerce channel in China. Massimo Dutti is an affordable luxury brand owned by Spanish fast-fashion retail group Inditex. It opened its first physical store in mainland China in Beijing in 2009. Since it joined the Tmall platform in 2014, the brand has recorded 100% annual sales growth for three consecutive years<sup>17</sup>.

### Asia's largest Jordan Brand store opens in Beijing

Jordan 9 Guanghua, Asia's largest store of Jordan Brand under Nike, recently opened in Beijing. In this flagship store featuring Beijing-related elements, consumers can shop for products related to basketball, fitness training, as well as lifestyle fashion. The store also includes a "Customization Studio" where

customized T-shirt can be ordered, as well as a “Jordan Flight Lab”, a court where customers can test new sneakers in basketball games<sup>18</sup>.

### First ATSUG store in China opens in Shanghai

Japanese sock brand ATSUG opened a specialty store in MetroCity in Shanghai, its first store in China, to sell short socks, pantyhose, tights and lingerie. ATSUG sells over 150 million pairs of socks in Japan every year and is well-known to consumers in China. Established in 1947, ATSUGI is one of the most popular sock brands in Japan<sup>19</sup>.

### Swatch launches second-generation contactless payment watch “SWATCH PAY!” in China

Swiss watch maker Swatch Group partnered with German security technology company G+D Group, China UnionPay, as well as 11 major banks in China to launch its second-generation contactless payment watch “SWATCH PAY!”. Consumers can download the related mobile app to activate the payment function of the wristwatch. China UnionPay’s QuickPass payment function is built-in to “SWATCH PAY!” watches and consumers can use them for payment at QuickPass-enabled POS at various retail locations<sup>20</sup>.

was first made available in Shanghai and Beijing. The products are expected to be available in its Guangzhou branches in August. Louis Vuitton’s perfume products target the high-end market and are only sold in the brand’s physical stores<sup>21</sup>.

## Luxury products

### Louis Vuitton launches perfume products in China on 13 July

French luxury brand Louis Vuitton has launched its perfume product series on 13 July in some of its physical stores in China. The series has seven different fragrances and

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