

China Retail & E-commerce

Weekly Updates

15 Dec – 21 Dec 2017



 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in general *p2*

- CNCIC: Total retail sales of 100 major large-scale Chinese retail enterprises increase by 5.2% yoy in November 2017
- KPMG, Mei.com: China's retail scene is transforming with the rise of the millennials
- The Ministry of Industry and Information Technology issues Circular on "Three-year Action Plan for Promoting the Development of Artificial Intelligence Industry (2018-2020)"

E-commerce *p2*

- Tencent, JD.com to invest US\$863 in Vipshop
- Alibaba joins hand with China Unicom to create smart life experiential store
- Beijing Organizing Committee for the 2022 Olympic and Paralympic Winter Games opens authorized store on Tmall for the first time
- Tmall plans to build 1,000 smart nursery rooms in the next two years
- Suning aims to have 20,000 stores of different formats by 2020
- Baidu and Huawei sign strategic agreement to build an open AI ecosystem

E-commerce logistics *p4*

- JD Logistics to launch car trunk delivery service

Outlets *p4*

- Florentia Village opens in Chengdu; to go online in 2018

Supermarkets and hypermarkets *p4*

- Yonghui Life to add 1,000 stores in 2018
- Carrefour trials new O2O strategy for fresh produce in Shanghai and Beijing
- JD.com partners with China Overseas Property Group to launch hundreds of unmanned supermarkets

Apparel *p5*

- H&M heads to Tmall in the spring of 2018
- JD.com, "Legend of the Demon Cat" movie and Jonathan Riss to launch collaborative collections
- Semir Garment establishes two new subsidiaries for international expansion
- Derek Lam makes China debut on JD.com

Luxury sector *p5*

- Gucci starts selling on third party e-commerce platform for the first time

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



CNCIC: Total retail sales of 100 major large-scale Chinese retail enterprises increase by 5.2% yoy in November 2017

According to the statistics of China National Commercial Information Center (CNCIC), in November 2017, the top 100 large-scale retail enterprises in China witnessed a growth of 5.2% yoy, an increase of 4.6 percentage points (ppt) over the same period of last year and an increase of 1.1 ppt from October this year¹.

KPMG, Mei.com: China's retail scene is transforming with the rise of the millennials

KPMG and Mei.com launched a consumer report "China's Connected Consumers: The rise of the Millennials" on 12 December, which analyses responses from 3,004 consumers in the mainland. The survey finds that online shopping has effectively become a national pastime in China with 77% of respondents identifying it as their favorite leisure activity. Almost nine in ten millennials are shopping online more than once a week, and 80% expect the frequency to increase in the year ahead. With 31% of millennials expecting a significant increase in income over the next five years, young consumers are set to become a key component of China's retail sector².

The Ministry of Industry and Information Technology issues Circular on "Three-year Action Plan for Promoting the Development of Artificial Intelligence Industry (2018-2020)"

On 14 December, the Ministry of Industry and Information Technology (MIIT) issued a circular on "Three-year Action Plan for Promoting the Development of Artificial Intelligence Industry (2018-2020)". The Plan mentions the country will implement four major tasks to achieve breakthroughs in developing artificial intelligence (AI) signature products by 2020, and also to form a competitive edge in a number of key areas in the global scene. The four major tasks, namely, are 1) to encourage the development of key AI products that reaches global standard in a scalable manner; 2) to significantly improve the core capabilities of AI; and to develop an open source development platform that is capable of supporting the rapid development of the industry; 3) to deepen the development of smart manufacturing; and to significantly improve AI application in key industrial fields; 4) to establish the framework which supports and facilitates the development of AI industry³.

E-commerce



Tencent, JD.com to invest US\$863 in Vipshop

On 18 December, Tencent and JD.com have entered into definitive agreements with Vipshop that Tencent and JD.com will invest an aggregate amount of approximately US\$863 million in cash in Vipshop. Pursuant to the share subscription agreement, Tencent and JD.com will subscribe for newly issued Class A ordinary shares of Vipshop in the amount of approximately US\$604 million and approximately US\$259 million, respectively. Upon the closing of the transaction, Tencent and JD.com will beneficially own approximately 7% and 5.5%, respectively, of Vipshop's total issued shares. Tencent and

JD.com have also entered into business cooperation agreements with Vipshop. Under these agreements, Tencent will grant Vipshop's website VIP.com an entry on the interface of WeChat Pay enabling VIP.com to utilize traffic from Tencent's WeChat platform, and JD.com will grant VIP.com entries on both the main page of JD.com's mobile application and the main page of its WeChat Discovery shopping entry, and will assist VIP.com in achieving certain GMV targets through JD.com's platform⁴.

Alibaba joins hand with China Unicom to create smart life experiential store

On 15 December, Alibaba Group and China Unicom jointly established the "China Unicom smart life experiential store" in Shanghai. Customers can experience AR shopping, cloud shelves, Tmall smart speakers and other new retail products and latest technology in the store. Backed by a complete set of "smart store" products and technology through the connection of Ali Retail + and China Unicom's system, China Unicom's smart life experiential store can rejuvenate its brand system, marketing channels and scene services, align the data of offline customer behavior and online multi-dimensional data, and achieve same style, price and inventory among online and offline channels. Customers can choose delivery service or self-pickup from store⁵.

Beijing Organizing Committee for the 2022 Olympic and Paralympic Winter Games opens authorized store on Tmall for the first time

On 15 December, Beijing Organizing Committee for the 2022 Olympic and Paralympic Winter Games opened the only authorized store on Tmall. Consumers can purchase official goods for the event including charms, apparel, and stationery on the

platform. Previously, it is reported that the International Olympic Committee (IOC) and Alibaba Group have jointly announced a long-term partnership in January 2017, Alibaba becomes the official "cloud services" and "e-commerce platform services" partner for the Olympics⁶.

Tmall plans to build 1,000 smart nursery rooms in the next two years

After opening the first Tmall smart nursery room in its Beijing DaHongMen store, Intime Department Store has decided to replicate the same facility in the other 51 stores in the nation. Tmall reportedly plans to cooperate with different maternity brands to build 1,000 smart nursery rooms in the next two years, covering supermarkets, hotels, airports and railroad stations, apart from department stores and shopping malls⁷.

Suning aims to have 20,000 stores of different formats by 2020

Suning announced its smart retail strategy during a press conference in Nanjing on 19 December. Suning revealed that it aims to have more than 20,000 stores of different formats by 2020, up from 4,000 today, and have a total area of commercial properties reaching 20 million sqm. Suning's online development have expanded from solely electronics, to baby and maternity products, home products, fresh produces, and even automobile, covering all categories sold in supermarkets and department stores. In the future, Suning targets to better integrate online and offline, and to open more professional stores including baby and maternity store Redbaby, supermarket Su Fresh, car supermarket, etc.; it also plans to open more shopping malls in major commercial districts and Suning Xiaodian in communities⁸.

Baidu and Huawei sign strategic agreement to build an open AI ecosystem

On 21 December, Baidu and Huawei jointly announced a comprehensive strategic cooperation that spans from internet services and content ecosystems, to artificial intelligence (AI) platforms and technology. The two companies aim to cultivate an open mobile and AI ecosystem, while supporting the development of new AI applications and bringing consumers a smart life experience with AI services⁹.

E-commerce logistics



JD Logistics to launch car trunk delivery service

Recently, JD Logistics and Chinese electric car start-up Nio formed a strategic cooperation to offer car trunk delivery service for users of the Nio ES8 electric car. The service will be available in 1H18. Consumers ordered from JD.com can choose car trunk delivery service in the future. With the help of Vehicle Positioning System, authorized courier can locate consumer's car and delivery packages in the trunk of the car within limited time¹⁰.

Outlets



Florentia Village opens in Chengdu; to go online in 2018

China's sixth Florentia Village Outlets officially opened in Chengdu on 13 December. It has become the first Italian-style large-scale international outlet mall in the southwest

region. With a gross floor area of 35,000 sqm, phase I attracted nearly 120 brands including Brooks Brothers, Furla, CK, Tommy Hilfiger, Nike, Adidas, I.T and Folli Follie. In addition, the Florentia Village will also go online in January next year, hoping to further expand market share. It is reported that the Florentia Village in Chongqing is under preparation and is expected to open in 2019¹¹.

Supermarkets and hypermarkets



Yonghui Life to add 1,000 stores in 2018

Yonghui Superstores' community convenience store brand "Yonghui Life" will open its 200th store on 30 December. In 2017, there were 166 newly opened "Yonghui Life" stores. According to Yonghui Superstores, the expansion pace of "Yonghui Life" will continue to accelerate in 2018, it is expected that 1,000 stores will be added in 2018¹².

Carrefour trials new O2O strategy for fresh produce in Shanghai and Beijing

In December this year, Carrefour's online store tried a new O2O strategy to pre-sell live lobsters and raw oysters in Shanghai and Beijing. Consumers can place their orders via the Carrefour's online store, and the fresh produce will be sent directly from Canada and France by air; the goods will be delivered to customers every weekend. Apart from building their own mobile app, Carrefour's online store also cooperates with O2O platforms such as Meituan, Eleme, Baidu Waimai so that consumers can purchase Carrefour's products online easily¹³.

JD.com partners with China Overseas Property Group to launch hundreds of unmanned supermarkets

On 14 December, JD.com and China Overseas Property Group Co., Ltd. signed strategic cooperation agreement to build hundreds of unmanned supermarkets in major cities across the country. According to the agreement, JD.com will provide services including replenishment, warehousing logistics and technical support for the unmanned supermarkets, and it may leverage the logistic capability of JD Daojia in the future also; China Overseas Property Group will leverage its property resources including residential properties and office properties for unmanned supermarkets to launch¹⁴.

Apparel

H&M heads to Tmall in the spring of 2018

On 15 December, H&M Group announced a strategic cooperation with Alibaba. Its core brands H&M and H&M Home will open on Tmall in the spring of 2018, which is the apparel brand's first official online channel in China aside of its official website¹⁵.

JD.com, "Legend of the Demon Cat" movie and Jonathan Riss to launch collaborative collections

On 18 December, JD.com collaborated with Chen Kaige's movie "Legend of the Demon Cat" and a well-known French artist and designer Jonathan Riss to launch collaborative collections. The collection comprises 6 styles of apparel product; each style has a limited edition of 200 pieces. JD.com formally launched the JDX program in November 2017 and has collaborated with a

series of internationally renowned trendy brands and designer brands to launch cross-industry products. All collections are labeled with JDX's new logo and are exclusively sold on JD.com¹⁶.

Semir Garment establishes two new subsidiaries for international expansion

On 19 December, Zhejiang Semir Garment Co., Ltd. said the company will set up two wholly owned subsidiaries, namely, Hong Kong Semir International Trade Co., Ltd. and Shanghai Semir International Trade Co., Ltd. through investing HK\$100 million (about 85 million yuan) and 500 million yuan respectively. The Hong Kong Semir International Trade Co., Ltd. will be responsible for the expansion of the company's business in Hong Kong, and also in the global market; while the new Shanghai subsidiary will be responsible for the branding and marketing activities for the company in the international market¹⁷.

Derek Lam makes China debut on JD.com

Derek Lam, a New York-based fashion label, made its debut in the China market by opening a flagship store on JD.com's Toplife website. Several international brands have opened their flagship stores on Toplife website, including Emporio Armani, Rimowa and Tod's. Derek Lam's new online store in Toplife will sell the latest collections of womenswear and footwear¹⁸.

Luxury sector

Gucci starts selling on third party e-commerce platform for the first time

Recently, Gucci launched a number of limited

edition products of its Christmas collection exclusively on “Bu Da Jing Xuan”, the online shop operated by fashion blogger gogoboi on WeChat. The limited edition products were sold out over the weekend. It is noteworthy that this is Gucci’s first time to authorize a local e-commerce platform to sell its products¹⁹.

References

- ¹ “CNCIC: Total retail sales of 100 major large-scale Chinese retail enterprises increase by 5.2% yoy in November 2017”, 18 December 2017, CNCIC.
<http://www.cncic.org/?p=1053> (in Chinese only)
- ² “KPMG, Mei.com: China’s retail scene is transforming with the rise of the millennials”, 12 December 2017, KPMG.
<https://home.kpmg.com/cn/en/home/insights/2017/12/china-s-connected-consumers.html> (in Chinese only)
- ³ “The Ministry of Industry and Information Technology issues Circular on “Three-year Action Plan for Promoting the Development of Artificial Intelligence Industry (2018-2020)”, 14 December 2017. the Ministry of Industry and Information Technology.
<http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757016/c5960820/content.html> (in Chinese only)
- ⁴ “Tencent, JD.com to invest US\$863 in Vipshop”, 18 December 2017, GlobalNewswire
<https://globenewswire.com/news-release/2017/12/18/1263028/0/en/Tencent-JD-com-and-Vipshop-Announce-Equity-Investment-and-Business-Cooperation.html> (in Chinese only)
- ⁵ “Alibaba joins hand with China Unicom to create smart life experiential store”, 7 December 2017. Linkshop.
<http://www.linkshop.com.cn/web/archives/2017/393098.shtml> (in Chinese only)
- ⁶ “Beijing Organizing Committee for the 2022 Olympic and Paralympic Winter Games opens authorized store on Tmall for the first time”, 18 December 2017, Fashion Network.
<http://cn.fashionnetwork.com/news/bei-jing-dong-ao-zu-wei-shou-ci-zai-tian-mao-ping-tai-kai-te-xu-shang-dian---tui-guang-bing-xue-yun-dong,903212.html#.WjhxBvmWaUk> (in Chinese only)
- ⁷ “Tmall plans to build 1,000 smart nursery rooms in the next two years”, 18 December 2017, zgswcn.com.
<http://news.zgswcn.com/2017/12/18/811148.shtml> (in Chinese only)
- ⁸ “Suning aims to have 20,000 stores of different formats by 2020”, 20 December 2017, jrj.com.
<http://biz.jrj.com.cn/2017/12/20005023819659.shtml> (in Chinese only)
- ⁹ “Baidu and Huawei sign strategic agreement to build an open AI ecosystem”, 21 December 2017, Sohu.com
http://www.sohu.com/a/211838049_99981833 (in Chinese only)
- ¹⁰ “JD Logistics to launch car trunk delivery service”, 21 December 2017. Linkshop.
<http://www.linkshop.com.cn/web/archives/2017/393436.shtml> (in Chinese only)
- ¹¹ “Florentia Village opens in Chengdu; to go online in 2018”, 15 December 2017, Fashion Network.
<http://cn.fashionnetwork.com/news/--fo-luo-lun-sa-xiao-zhen---ao-te-lai-si-luo-hu-cheng-dou---ming-nian-jiang-da-zao-xian-shang-ping-tai,902450.html#.WjdvVlaWapp> (in Chinese only)
- ¹² “Yonghui Life to add 1,000 stores in 2018”, 18 December 2017, zgswcn.com.
<http://news.zgswcn.com/2017/12/18/811097.shtml> (in Chinese only)
- ¹³ “Carrefour trials new O2O strategy for fresh produce in Shanghai and Beijing”, 20 December 2017, Linkshop.
<http://www.linkshop.com.cn/web/archives/2017/393361.shtml> (in Chinese only)
- ¹⁴ “JD.com partners with China Overseas Property Group to launch hundreds of unmanned supermarkets”, 15 December 2017, Linkshop.
<http://www.linkshop.com.cn/web/archives/2017/393083.shtml> (in Chinese only)
- ¹⁵ “H&M heads to Tmall in the spring of 2018”, 18 December 2017, ladymax.cn.
<http://news.ladymax.cn/201712/18-33013.html> (in Chinese only)
- ¹⁶ “JD.com, “Legend of the Demon Cat” movie and Jonathan Riss to launch collaborative collections”, 20 December 2017, Fashion Network.
<http://cn.fashionnetwork.com/news/jing-dong-shi-shang-lian-he---yao-mao-chuan---ji-jonathan-riss-tui-chu-lian-ming-he-zuo-kuan-shang-pin,903960.html#.WjoTO4aWapp> (in Chinese only)
- ¹⁷ “Semir Garment establishes two new subsidiaries for international expansion”, 20 December 2017, Ef360.
<http://news.ef360.com/Articles/2017-12-20/367881.html> (in Chinese only)
- ¹⁸ “Derek Lam makes China debut on JD.com”, 20 December 2017. Fashion Network.
<http://cn.fashionnetwork.com/news/derek-lam-xie-shou-jing-dong-jin-jun-zhong-guo-shi-chang,904286.html#.WjtqwYaWapp> (in Chinese only)
- ¹⁹ “Gucci starts selling on third party e-commerce platform for the first time”, 19 December 2017, ladymax.cn.
<http://news.ladymax.cn/201712/19-33021.html> (in Chinese only)