

China Retail & E-commerce

Weekly Updates

15 February 2019 – 21 February 2019

 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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 *p2*

- Alibaba Cloud Research: Adoption rate of digital transformation in retail to reach 70-80% in coming three to five years

E-commerce *p2*

- Alibaba takes 8% stake in Bilibili
- Alibaba boosts stake in CICC
- AliExpress and Semir E-commerce sign strategic cooperation agreement; AliExpress assists Semir to go global
- Ant Financial acquires UK payments firm WorldFirst
- JD.com becomes the exclusive Chinese retailer partner of London Fashion Week
- Vip.com's 4Q18 net operating revenue reaches 26.1 billion yuan
- Amazon's China unit reportedly in merger talks with NetEase Kaola
- NetEase's e-commerce net revenues up 43.5% yoy to reach nearly US\$1 billion in 4Q18

Department stores and shopping malls *p3*

- Rainbow Department Store launches group-buying services at physical stores

Supermarkets and hypermarkets *p4*

- Hema Fresh launches environmental-friendly program
- Suguo Supermarket and Suyan Life jointly launch first experience store "Zhenpin Pai Worldwide"
- China Resources Vanguard launches new retail format "CR Vanguard Mart" in Shenzhen

Convenience stores *p4*

- Tianjin Shanhai Lantu Co., Ltd. acquires stores of Our Hours

Consumer electronics *p5*

- Suning's first 24-hour unmanned store "Biu x 24h" store opens in Nanjing
- Suning to launch "Suning Jiwu Biu" smart air conditioner
- Easyhome teams up with Suning to explore new retail opportunities

Apparel *p5*

- Adidas and Tmall enter into comprehensive strategic partnership

Retail in General

Alibaba Cloud Research: Adoption rate of digital transformation in retail to reach 70-80% in coming three to five years

On 20 February, Alibaba Cloud Research released the “Digitalization Trend Report 2019”. According to the report, the use of digital technologies has spread from the Internet sector to the government and other industries including the financial sector, retail sector, agricultural industry, industrial sector, transportation sector, logistics sector, medical and healthcare device industry. Among which, the retail sector is set to be impacted the most advanced technologies such as cloud computing, artificial intelligence and the Internet of Things (IOTs). The adoption rate of digital transformation in the retail sector is expected to reach 70-80% in the coming three to five years. According to Alibaba Cloud Research, in 2019, digitalization will further drive the development of new retail; enterprises will leverage technologies to transform each and every aspect of the retail supply chain in the hope of enhancing production efficiency and increasing enterprise value¹.

E-commerce

Alibaba takes 8% stake in Bilibili

On 14 February, Alibaba Group announced that its e-commerce retail platform Taobao has bought 24 million shares of popular Chinese online video platform Bilibili (commonly known as “B Station”), owning an 8% stake. Earlier in December 2018, the two companies entered into a business collaboration agreement; Bilibili and Taobao would jointly develop a dynamic ecosystem that would better connect creators,

merchandise, and users on both platforms².

Alibaba boosts stake in CICC

On 19 February, Alibaba Group revealed that the company has recently finished its stake acquisition in China International Capital Corporation Limited (CICC). Upon the acquisition, Alibaba holds approximately 203 million shares in CICC, representing 11.74% of CICC’s Hong-Kong-listed shares and 4.48% of CICC’s total equity. Alibaba and CICC have developed business collaborations for many years. The stock investment enables both parties to leverage on each other expertise in financial, technological, data science areas, etc., to provide their customers with more innovative and all-round product and service offerings³.

AliExpress and Semir E-commerce sign strategic cooperation agreement; AliExpress assists Semir to go global

On 19 February, AliExpress, a global e-commerce platform under Alibaba, and Semir E-commerce signed a strategic cooperation agreement; AliExpress will assist Semir to go global. As of today, domestic apparel brands including Semir, Metersbonwe, Giordano, Li-Ning, and Bosideng have all partnered with AliExpress to sell in 220 countries and regions. According to AliExpress, it will help brands replicate their successful business models in overseas markets. Through big data analysis, AliExpress will also help brands better understand overseas consumers’ demographics and demands, and enable them to choose the right products for their target customers. At the same time, AliExpress will line up with other business units of Alibaba including Cainiao and Ant Financial to improve shopping experience for overseas consumers, such as providing better logistics services, payment solutions, and product refund and exchange services⁴.

Ant Financial acquires UK payments firm WorldFirst

According to media reports, Ant Financial Services has acquired UK-based fintech company WorldFirst. The fintech company was founded in 2004 and mainly provides international payment services. Previously, WorldFirst has partnered with Alibaba's Lazada to provide international payment services to merchants in Indonesia, Malaysia, the Philippines, Singapore and Thailand⁵.

JD.com becomes the exclusive Chinese retailer partner of London Fashion Week

JD.com and the British Fashion Council (BFC) have recently sealed a three-year strategic partnership, making JD.com the exclusive Chinese retailer partner (spanning the e-commerce area) of London Fashion Week. JD.com stated that the partnership with the BFC aims to create a mutually beneficial global platform for renowned designers and global brands, while amalgamating resources from the international fashion industry. Under the partnership, JD.com and the BFC will join forces to open up the fashion industry over the next three years⁶.

Vip.com's 4Q18 net operating revenue reaches 26.1 billion yuan

On 21 February, Vip.com announced its fiscal results for 4Q18. According to the results, Vip.com generated 26.1 billion yuan in net operating revenue for 4Q18, up 8.1% from 24.1 billion yuan for the same period last year; net income attributable to shareholders of the company was 688.7 million (approximately US\$100.2 million), up 2.3% yoy. Vip.com has already recorded profit for 25 quarters in a row⁷.

Amazon's China unit reportedly in merger talks with NetEase Kaola

Amazon.com Inc's Chinese joint venture is reportedly in talks to merge its cross-border import business with NetEase Kaola, the cross-border shopping platform run by NetEase. The deal was initiated by NetEase Kaola and lasted for several months. The two companies may engage in a stock swap transaction. If the deal is successful, the business of NetEase Kaola might merge with Amazon Overseas. Both companies declined to comment on the matter⁸.

NetEase's e-commerce net revenues up 43.5% yoy to reach nearly US\$1 billion in 4Q18

On 21 February, NetEase announced its unaudited financial results for 4Q18. The results showed that NetEase's net revenues in 4Q18 amounted to 19,844.3 million yuan (US\$2,886.2 million), an increase of 35.8% compared with 4Q17. Of which, e-commerce net revenues were 6,678.7 million yuan (US\$971.4 million), up 43.5% yoy; online game services net revenues were 11,019.6 million yuan (US\$1,602.7 million), up 37.7% yoy; advertising services net revenues were 760.5 million yuan (US\$110.6 million), up 3.3% yoy ; innovative businesses and other businesses' net revenues were 1,385.5 million yuan (US\$201.5 million), up 14.2% yoy⁹.

Department stores and shopping malls

Rainbow Department Store launches group-buying services at physical stores

Rainbow Department Store has reportedly started providing group-buying services. Consumers can access the group-buying services via the group-buying icon in Rainbow's WeChat mini-program. Consumers will be directed to the group-buying website of

the nearest Rainbow Department Store after clicking the icon. They then need to go through a few steps: (1) Choose the goods they want to buy and either initiate a new group or join any existing groups; (2) invite friends to join the group; and (3) pick up the goods at the store once there are enough number of participants. Only two consumers can form a group; staff of the respective Rainbow Department Store will take charge of the group-buying activities (unlike other group-buying services which are normally managed by the “initiator”). Products available for group-buying include cosmetics products, fresh produce, wine and snacks. Each store will offer 6-8 SKUs and the variety of goods differ from store to store. According to Rainbow Department Store, the group-buying business started its trial run in Southern China on 24 January this year. At present, group-buying services are available in 16 stores in Southern China, Southeast China, Eastern China, Beijing and other regions¹⁰.

Supermarkets and hypermarkets

Hema Fresh launches environmental-friendly program

On 14 February, Hema Fresh (previously known as Hema Xiansheng) announced the launch of its green initiative, which aims to reduce plastic use from farm to table through optimizing supply chain process. The program (literally translated as “Luse Hequ” program) covers three major parts – green consumption, green recycling and green supply chain, targeting to reduce plastic use by 3.8 million kg all year round¹¹.

Suguo Supermarket and Suyan Life jointly launch first experience store “Zhenpin Pai Worldwide”

On 16 February, Suguo Supermarket and Suyan Life, a national e-commerce demonstration enterprise operated by Sunyan Group, jointly launched their first experience store “Zhenpin Pai Worldwide” in Qing Liang Men, Nanjing. As a new retail lifestyle brand of Suyan Life, Zhenpin Pai Worldwide features lifestyle products for kitchen, dining room and bathroom and adopts a new retail business model “O2O+ member”. Zhenpin Pai Worldwide has already set up procurement centers in North America, Australia, Japan, South Korea and Europe and established a professional supply chain management system and overseas direct purchase system, bringing together over 5,000 products from the world’s top 10 lifestyle brands¹².

China Resources Vanguard launches new retail format “CR Vanguard Mart” in Shenzhen

Recently, China Resources Vanguard has launched a new retail format “CR Vanguard Mart” and opened its first store in Shenzhen. The store size is around 8,500 sqm, nearly half of the size of regular supermarkets of China Resources Vanguard. CR Vanguard Mart features a catering section, offering ready-to-eat foods including seafood and noodles. The store also adopts various advanced retail technologies including mobile payment, scan-and-go service, electronic tags, self-service scales and self-ordering machines for catering services¹³.

Convenience Stores

Tianjin Shanhai Lantu Co., Ltd. acquires stores of Our Hours

On 19 February, domestic convenience store operator Our Hours confirmed that its store in Beijing, Tianjin and Chengdu have been acquired by Tianjin Shanhai Lantu Co., Ltd. It is reported that all of its stores, except those in Beijing, Tianjin and Chengdu, will be sold to local convenience store operators. Currently, there is no change in the operation of Chengdu Our Hours¹⁴.

Consumer Electronics

Suning's first 24-hour unmanned store "Biu x 24h" store opens in Nanjing

Recently, Suning's first 24-hour unmanned store "Biu x 24h" store opened in Novotel Nanjing East Suning. Different from normal unmanned stores, there are staff working in the store during day-time; the store turns into a staffless store from 10pm to 7am where consumers can enter the store by scanning their own membership QR code and pay with the self-checkout system. Suning hopes to trial a model that strikes a balance between normal convenience store and unmanned store – consumers can interact with staff during the day-time, and it can also reduce the staff costs in the night-time. The first batch of 20 such unmanned stores will be launched in Beijing, Shanghai, Guangzhou and Nanjing in the near future¹⁵.

Suning to launch "Suning Jiwu Biu" smart air conditioner

Suning has reportedly launched its 'Suning Jiwu Biu' smart air conditioner; pre-ordering will begin on 25 February, and the selling price has yet to be announced. According to

company introduction, the smart air conditioner features smart control and quite operation; it supports app control via WiFi and thus there is no remote control. Users can use intelligent voice control to switch on/off the air conditioner, adjust temperature and switch operation mode¹⁶.

Easyhome teams up with Suning to explore new retail opportunities

On 20 February, Easyhome announced that it has reached cooperation intentions with Suning. The two companies will cooperate in areas of research and development, exhibition, retail, logistics, finance, B2B business, etc. The two leading companies in the home furniture sector and retail sector will jointly explore opportunities in the new retail era¹⁷.

Apparel

Adidas and Tmall enter into comprehensive strategic partnership

On 19 February, Adidas and Tmall announced their comprehensive strategic partnership. The two companies will deepen collaboration in various areas, including new product launch, new retail, consumer operations and new product innovation. In addition, Adidas will undergo a comprehensive digital upgrade featuring new retail concepts through Alibaba's business operating system, leveraging on Alibaba's new retail scenes, including omni-channel retailing, smart stores, shopping guide and digitalized retail stores. Adidas hopes to synchronize inventory across its online and offline stores and enhance retail operation efficiency¹⁸.

References

- ¹ "Alibaba Cloud Research: Adoption rate of digital transformation in retail to reach 70-80% in coming three to five years", 19 February 2019. Xinhua.
http://www.xinhuanet.com/tech/2019-02/20/c_1124142091.htm (in Chinese only)
- 11 February 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/419131.shtml> (in Chinese only)
- ² "Alibaba takes 8% stake in Bilibili", 14 February 2019. Lanjing TMT.
<http://www.lanjiangtmt.com/news/detail/40549.shtml> (in Chinese only)
<https://www.techinasia.com/alibaba-buys-8-bilibili>
- ³ "Alibaba acquires stake in CICC", 21 February 2019. CCFA.
<http://www.ccfa.org.cn/portal/cn/view.jsp?lt=2&id=437961> (in Chinese only)
- ⁴ "AliExpress and Semir E-commerce sign strategic cooperation agreement; AliExpress assists Semir to go global", 19 February 2019. Iyiou.
<https://www.iyiou.com/p/92897.html> (in Chinese only)
- ⁵ "Ant Financial acquires UK payments firm WorldFirst", 14 February 2019. Beijing Business Today.
<http://www.bbtnews.com.cn/2019/0215/286297.shtml> (in Chinese only)
<https://www.scmp.com/tech/enterprises/article/2186183/ant-financial-acquires-uk-payments-firm-worldfirst-advance-its>
- ⁶ "JD.com becomes the exclusive Chinese retailer partner of London Fashion Week", 18 February 2019. Ebrun.
<http://www.ebrun.com/20190218/320732.shtml> (in Chinese only)
- ⁷ "Vip.com's 4Q18 net operating revenue reaches 26.1 billion yuan ", 21 February 2019. Ebrun.
<http://www.ebrun.com/20190221/321180.shtml> (in Chinese only)
- ⁸ "Amazon's China unit reportedly in merger talks with NetEase Kaola", 19 February 2019. 36Kr.
<https://36kr.com/p/5178347.html> (in Chinese only)
- ⁹ "NetEase's e-commerce net revenues up 43.5% yoy to reach nearly US\$1 billion in 4Q18", 21 February 2019. Ebrun.
<http://www.ebrun.com/20190221/321249.shtml> (in Chinese only)
- ¹⁰ "Rainbow Department Store launches group-buying services at physical stores", 21 February 2019. Iyiou.
<http://www.ebrun.com/20190221/321181.shtml> (in Chinese only)
- ¹¹ "Hema Fresh launches environmental-friendly program", 15 February 2019. Ebrun.
<http://www.ebrun.com/20190215/320389.shtml> (in Chinese only)
- ¹² "Suguo Supermarket and Suyan Life jointly launch first experience store "Zhenpin Pai Worldwide"", 17 February 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/419558.shtml> (in Chinese only)
- ¹³ "China Resources Vanguard launches new retail format "CR Vanguard Mart" in Shenzhen", 19 February 2019. Winshang.
<http://news.winshang.com/html/065/3595.html> (in Chinese only)
- ¹⁴ "Tianjin Shanhai Lantu Co., Ltd. acquires stores of Our Hours", 20 February 2019. Longsok.
<https://www.longsok.com/dt/2019/0220/49216.html> (in Chinese only)
- ¹⁵ "Suning's first 24-hour unmanned store "Biu x 24h" store opens in Nanjing", 17 February 2019. Ebrun.
<http://www.ebrun.com/20190217/320559.shtml> (in Chinese only)
- ¹⁶ "Suning to launch "Suning Jiwu Biu" smart air conditioner", 18 February 2019. Sohu.
http://www.sohu.com/a/295451924_114760?scm=1002.590044.0.0 (in Chinese only)
- ¹⁷ "Easyhome teams up with Suning to explore new retail opportunities", 20 February 2019. Iyiou.
<https://www.iyiou.com/breaking/23262.html> (in Chinese only)
- ¹⁸ "Adidas and Tmall enter into comprehensive strategic partnership", 20 February 2019. Winshang.
<http://news.winshang.com/html/065/3627.html> (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.

