

China Retail & E-commerce

Weekly Updates

15 November 2019 – 21 November 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*

- RET Property Consultancy: 212 retailers opened their first store in Beijing in 3Q19

E-commerce *p2*

- MOFCOM: Online retail sales exceed 870 billion yuan during 11.11 Global Shopping Festival
- QuestMobile: Taobao and Pinduoduo top the DAU list for 11.11 Global Shopping Festival, with 460 million and 220 million respectively
- JD.com recorded better-than-expected 3Q19 results; net revenues increased by 28.7% yoy
- Pinduoduo's total revenues reach 7.51 billion yuan and its active buyers hit 536.3 million in 3Q19
- Alibaba closes US\$13.4 billion share sale early due to over-subscription
- Koubei-Ele.me announces new services strategy, helping merchants to digitalize operations
- Alibaba Group to invest 150 million yuan in Mengniu-backed milk delivery startup Tianxianpei

Department stores and shopping malls *p3*

- Freshippo's to open first shopping mall in Shenzhen in end-November
- Wumei Technology Group confirms to acquire 210,000 shares of Xinhua Department Store for 3.07 million yuan

Supermarkets and hypermarkets *p4*

- China Resources Vanguard launches first new retail format store "CR Vanguard Mart" in Suzhou
- 32 retailers pool funds to set up the first national supply chain platform for fresh produce
- Walmart China records 6.3% yoy increase in sales in 3Q19; the best performance in five years
- Walmart China plans to open 500 new stores and "depots" in next five to seven years
- Unilever and Carrefour sign a strategic cooperation agreement
- Yonghui's plan to acquire Zhongbai meets obstacle
- Meituan Maicai launches in Shenzhen to pave the way for expansion in southern China

Luxury sector *p5*

- Burberry joins hands with Tencent to launch first new retail store at The MixC, Shenzhen in 2020

Retail in general

RET Property Consultancy: 212 retailers opened their first store in Beijing in 3Q19

According to a report by RET Property Consultancy, a total of 212 retailers opened their first store in Beijing in 3Q19, of which 46 were international brands from 12 countries, accounting for 21.7% of the total. Sanlitun Taikooli, China World Mall and SKP top the list in terms of opening of new stores – 25 retailers opened their first store there in 3Q19¹.

E-commerce

MOFCOM: Online retail sales exceed 870 billion yuan during 11.11 Global Shopping Festival

According to Ministry of Commerce (MOFCOM), online retail sales exceeded 870 billion yuan during 1-11 November, up 26.7% yoy. New brands, upgraded products captured new demand; online sales of services increased rapidly; lower-tier cities and rural markets became the growth driver; online and offline integration further stimulated consumption; customized products promoted the upgrading of supply chain of brands².

QuestMobile: Taobao and Pinduoduo top the DAU list for 11.11 Global Shopping Festival, with 460 million and 220 million respectively

On 20 November, third-party data company QuestMobile released the “2019 Report on 11.11 Global Shopping Festival”. It found that 660 million people used mobile phones to shop at the 11.11 Global Shopping Festival this year. Major e-commerce platforms recorded significant increases in the number

of daily active users (DAU) of their mobile apps and Mini Programs. Taobao and Pinduoduo topped the list of mobile app with 460 million and 220 million DAU respectively. The three most popular Mini Programs were Pinduoduo’s WeChat Mini Program, Alipay’s “Daily Must Buy” Mini Program and JD.com’s WeChat Mini Program, with the number of DAU reaching 29.3 million, 23.6 million and 18.05 million respectively³.

JD.com recorded better-than-expected 3Q19 results; net revenues increased by 28.7% yoy

On 15 November, JD.com announced the financials results for the quarter ended 30 September 2019. Net revenues for 3Q19 were 134.8 billion yuan (US\$18.9 billion), an increase of 28.7% yoy, the highest growth in five quarters. Net service revenues for 3Q19 were 16.0 billion yuan (US\$2.2 billion), up 47.0% yoy from 3Q18. Income from operations for the quarter was 4,973.2 million yuan (US\$695.8 million), compared to loss from operations of 650.7 million yuan for 3Q18. Annual active customer accounts increased to 334.4 million in the twelve months ended 30 September 2019, up from 321.3 million in the twelve months ended 30 June 2019. Mobile monthly active users in September 2019 increased by 36% as compared to September 2018. In 3Q19, over 70% of new customers were from lower-tier cities⁴.

Pinduoduo’s total revenues reach 7.51 billion yuan and its active buyers hit 536.3 million in 3Q19

On 20 November, Pinduoduo announced its financial results for 3Q19. Its total revenues amounted to 7.514 billion yuan in 3Q19, up by 123% from 3.372 billion yuan in 3Q18. Adopting the American accounting standard (Non-GAAP), the company made an operating

loss of 2.124 billion yuan in 3Q19. The number of active buyers in the twelve-month period ended 30 September 2019 were 536 million. 53.1 million new active buyers were added compared to the previous quarter, the largest increment since the company's public offering. Annual spending per active buyer in the twelve-month ended 30 September 2019 was 1,566.7 yuan, up 75% yoy⁵.

Alibaba closes US\$13.4 billion share sale early due to over-subscription

It is reported that Alibaba decided to close its order books to institutional investors early for its upcoming secondary listing in Hong Kong. The company planned to raise US\$13.4 billion through the listing. It stopped taking orders from institutional investors by noon Tuesday 19 November Eastern Standard Time, half a day earlier than originally planned. Sources said that the US\$13.4 billion listing in Hong Kong received a multi-fold over-subscription. Spokesperson of Alibaba did not response to media requests for comment⁶.

Koubei-Ele.me announces new services strategy, helping merchants to digitalize operations

Recently, Alibaba's local service business Koubei-Ele.me announced its new services strategy, aiming to help merchants enhance efficiency and reduce costs through digitalizing their services, products and hardware systems. Koubei-Ele.me has set up a system – "Alibaba's local service business operation system" – to provide digitalized solutions to merchants on its platform. The system reportedly integrates the store delivery and home delivery capability of Koubei and Ele.me and establishes a digitalized system that covers the entire value chain, including choosing store locations, supply chain management, pre-order and order products, delivery, payment and reviews. It aims to help

merchants achieve digitalization of services, stores, and sales and marketing⁷.

Alibaba Group to invest 150 million yuan in Mengniu-backed milk delivery startup Tianxianpei

Alibaba Group plans to invest 150 million yuan in Tianxianpei, an online-to-offline (O2O) milk delivery platform owned by Chinese dairy products producer Mengniu Dairy. The investment will be made before 31 December, 2020; Alibaba and Mengniu will hold 50% shares each upon the completion of the transaction. Founded in July 2017, Tianxianpei delivers Mengniu-branded products to community residents in China, allowing customers to directly purchase products by scanning the QR code attached on smart refrigerators it placed in communities⁸.

Department stores and shopping malls

Freshippo's to open first shopping mall in Shenzhen in end-November

Hemali, the first shopping mall of Freshippo, will be opened in Shenzhen by the end of November this year. With an area of around 40,000 sqm, which is more than ten times of the normal Freshippo stores, Hemali will be the largest offline store of Freshippo. Hemali is the 7th retail format launched by Freshippo. The shopping mall will host various retailing and catering brands, offer lifestyle services, and experiential areas for parents and kids and different workshops⁹.

Wumei Technology Group confirms to acquire 210,000 shares of Xinhua Department Store for 3.07 million yuan

Yinchuan Xinhua Department Store Group Co., Ltd. announced that Wumei Technology Group, Inc., its controlling shareholder, had acquired a further 210,000 shares of the company for 3.07 million yuan on 11 November 2019. Following the completion of the transaction, Wumei Technology Group, Inc. and persons acting in concert will hold 90,526,594 shares, or 40.12% stake, of the company¹⁰.

Supermarkets and hypermarkets

China Resources Vanguard launches first new retail format store “CR Vanguard Mart” in Suzhou

On 14 November, China Resources Vanguard opened its first new retail format “CR Vanguard Mart” in Suzhou’s Xihu district. With a store size of around 5,000 sqm, CR Vanguard Mart (Xihu store) focuses on enriching consumption scenes, refining product categories, increasing the spaces dedicated for fresh food and fast-moving consumer goods and establishing more experiential spaces, in a hope to enhance shopping experience and provide convenience services to customers. It also hopes to leverage offline consumption scenes and themed online sales and marketing campaigns to meet the personalized needs of consumers¹¹.

32 retailers pool funds to set up the first national supply chain platform for fresh produce

On 18 November, Beijing Jiuzhou Xiongdilian Supply Chain Management Holding Co., Ltd (Xiongdilian), the so-called China’s first national supply chain platform for fresh

produce, was established in Beijing. Unlike other loosely organized corporate alliance, Xiongdilian is a joint-stock company collectively funded by 32 retailers from 20 provinces. These retailers include major supermarket operators and top regional retailers such as Beijing Wangfujing, Anhui Fresh Legend, Fujian Guanpark and Hebei Huiyou. Xiongdilian will focus on fresh produce and strive to address the pain points of the supply chain¹².

Walmart China records 6.3% yoy increase in sales in 3Q19; the best performance in five years

Recently, Walmart released its financial report for 3Q19. In the quarter, its same-store sales in the U.S. market increased by 3.2% yoy, achieving quarterly growth for four consecutive years; growth of sales via e-commerce channels even reached 41% yoy. Walmart China also achieved the best sales performance in five years, with a net increase of 6.3% yoy. Sales of Sam’s Club reached double digit growth and was mainly driven by fresh food sales and omnichannel retailing¹³.

Walmart China plans to open 500 new stores and “depots” in next five to seven years

On 21 November, Walmart China announced that it plans to open 500 new stores including Walmart hypermarkets, Sam’s club and community-based supermarkets, and “depots” (small warehouses) across China in the next five to seven years. Besides opening new stores, Walmart China will transform and upgrade its 200 existing stores in three years through leveraging its advantage in fresh food and private labels, providing digitalized experiences for all its online and offline channels, and transforming its retail formats to attract customers¹⁴.

Unilever and Carrefour sign a strategic cooperation agreement

On 18 November, Unilever and Carrefour signed a strategic cooperation agreement for 2020. The two companies will cooperate in data-driven supply chain efficiency enhancement, product customization, and omni-channel traffic sharing, etc., aiming to improve supply chain efficiency and digitalization of operations, accelerate home-delivery service, and expand new product lines¹⁵.

Yonghui's plan to acquire Zhongbai meets obstacle

Yonghui Superstores recently announced that it had received a "Notice on Special Review" from the National Development and Reform Commission (NDRC) regarding its proposed acquisition of the Zhongbai Group. It is understood that NDRC's reviews generally target acquisitions by foreign companies and related investment security and regulatory issues. Yonghui Superstores is 19.99% owned by Dairy Farm, one of the major pan-Asian retailers¹⁶.

Meituan Maicai launches in Shenzhen to pave the way for expansion in southern China

On 20 November, Meituan rolled out its Maicai grocery delivery business "Meituan Maicai" in Shenzhen, covering nine districts including Longgang, Bao'an, Nanshan, Longhua, Lohu, etc. The move signified Meituan Maicai's entry into the Southern China market. Positioned as a mobile food basket, Meituan Maicai allows users living in these districts to place orders via the mobile app and pick up at offline service points. Meituan has set up those integrated service points for storage, sorting and delivery in the community and provides free and 30-minute delivery services for users

living within 3km distance¹⁷.

Luxury sector

Burberry joins hands with Tencent to launch first new retail store at The MixC, Shenzhen in 2020

On 14 November, Burberry unveiled the mid-year financial report for 2019. It showed that the company recorded double digit sales growth in China in 1H19. It also announced that the company had signed an exclusive deal with Tencent to explore the social commerce opportunities and develop social retail. Burberry will set up a physical store powered by Tencent technology. It will blend social media and retail, as well as create digital and physical spaces for engaged communities to interact, share and shop. The store is expected to be opened in The MixC Shenzhen in 1H20¹⁸.

References

- ¹ “RET Property Consultancy: 212 retailers opened their first store in Beijing in 3Q19”, 21 November 2019, Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436307.shtml> (in Chinese only)
- ² “MOFCOM: Online retail sales exceed 870 billion yuan during 11.11 Global Shopping Festival”, 14 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/435983.shtml> (Chinese only)
- ³ “QuestMobile: Taobao and Pinduoduo top the DAU list for 11.11 Global Shopping Festival, with 460 million and 220 million respectively”, 20 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436259.shtml> (in Chinese only)
- ⁴ “JD.com recorded better-than-expected 3Q19 results; net revenues increased by 28.7% yoy”, 15 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436040.shtml> (in Chinese only)
- ⁵ “Pinduoduo’s total revenues reach 7.51 billion yuan and its active buyers hit 536.3 million in 3Q19”, 20 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436264.shtml> (in Chinese only)
- ⁶ “Alibaba closes US\$13.4 billion share sale early due to over-subscription”, 19 November 2019. Winshang.
<http://news.winshang.com/html/066/5907.html> (Chinese only)
- ⁷ “Koubei-Ele.me announces new services strategy, helping merchants to digitalize operations”, 20 November 2019, Longsok.
<https://www.longsok.com/dt/2019/1120/53864.html> (in Chinese only)
- ⁸ “Alibaba Group to invest 150 million yuan in Mengniu-backed milk delivery startup Tianxianpei”, 20 November 2019, Sina.
<https://finance.sina.com.cn/chanjing/gsnews/2019-11-20/doc-iihnzahi2103105.shtml> (in Chinese only)
- ⁹ “Freshippo’s to open first shopping mall in Shenzhen in end-November”, 15 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/435992.shtml> (Chinese only)
- ¹⁰ “Wumei Technology Group confirms to acquire 210,000 shares of Xinhua Department Store for 3.07 million yuan”, 15 November 2019. Winshang.
<http://news.winshang.com/html/066/5752.html> (Chinese only)
- ¹¹ “China Resources Vanguard launches first new retail format store “CR Vanguard Mart” in Suzhou”, 15 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/435994.shtml> (in Chinese only)
- ¹² “32 retailers pool funds to set up the first national supply chain platform for fresh produce”, 15 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436127.shtml> (Chinese only)
- ¹³ “Walmart China records 6.3% yoy increase in sales in 3Q19; the best performance in five years”, 15 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436034.shtml> (in Chinese only)
- ¹⁴ “Walmart China plans to open 500 new stores and “depots” in next five to seven years”, 21 November 2019. Winshang.
<http://news.winshang.com/html/066/5986.html> (in Chinese only)
- ¹⁵ “Unilever and Carrefour sign a strategic cooperation agreement”, 19 November 2019. Longsok.
<https://www.longsok.com/zixun/myself/2019/1119/53836.html> (Chinese only)
- ¹⁶ “Yonghui’s plan to acquire Zhongbai meets obstacle”, 19 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436171.shtml> (Chinese only)
- ¹⁷ “Meituan Maicai launches in Shenzhen to pave the way for expansion in southern China”, 20 November 2019, Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436240.shtml> (in Chinese only)
- ¹⁸ “Burberry joins hands with Tencent to launch first new retail store at The MixC, Shenzhen in 2020”, 15 November 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/436007.shtml> (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.

