


China Retail & E-commerce

Weekly Updates

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Retail in general



MOFCOM shows support to the development of unmanned stores for the first time

During a regular press conference of the Ministry of Commerce (MOFCOM) on 21 September, 2017, MOFCOM Spokesman Gao Feng revealed that unmanned store is a innovative trial for the transformation of China's retail market to better satisfy the more diverse consumer needs. The MOFCOM will release the "Framework for Retail Technology Innovations" and cases on the application of new technologies as guidance to retailers at some suitable time in future. This is the first time the Chinese government shows support towards unmanned stores¹.

E-commerce



State Council: Replicate and further promote CBEC Comprehensive Pilot Zones; transition period for the implementation of new supervision regulations on CBEC imports to extend to end-2018

In a State Council executive meeting chaired by Premier Li Keqiang on 20 September, 2017, Premier Li stated that total sales of cross-border e-commerce (CBEC) has experienced rapid experience and called for the replication of the CBEC Comprehensive Pilot Zones model nationwide. The government will:

- promote nationwide the experience of the CBEC Comprehensive Pilot Zones,

particularly the services offered to CBEC businesses both on online platforms and in offline facilities. These include information sharing, financial services, smart logistics, risk management, etc.

- develop new CBEC Comprehensive Pilot Zones in other potential cities.
- build new CBEC facilities and overseas warehouses, and strengthen the logistics network in countries that are strategic for the development of the Belt and Road Initiative.
- encourage the integration of CBEC platforms in the pilot zones to provide better services in terms of real time information sharing, regulation and law enforcement. The government will also push forward the development of a credit system to safeguard transactions, better protect consumers and intellectual property rights, and crack down on counterfeits and other illegal activities.

In addition, the transition period for the implementation of new supervision regulations on CBEC imports will further be extended to the end of 2018, from its scheduled ending date of end-2017².

MOFCOM: Retail sales of rural e-commerce reaches 729.0 billion yuan in January – August 2017, up 38.1% yoy

Ministry of Commerce (MOFCOM) revealed that retail sales of rural e-commerce reaches 729.0 billion yuan in January – August 2017, up 38.1% yoy and is 5.6 ppt higher than e-commerce sales in urban area. The retail sales for physical goods such as apparel, home decoration, and home products reached 441.5 billion yuan, up 34.1% yoy; while sales of services such as online travel booking and online catering orders reached 287.5 billion yuan, up 44.5% yoy. The MOFCOM will continue to launch new policies to promote the development of rural e-commerce by exploring new business models and applying

new technologies, so as to increase income of rural residents³.

MOFCOM launches “e-commerce poverty alleviation” information platform

The Ministry of Commerce (MOFCOM) officially launched an “e-commerce poverty alleviation” information platform. The platform comprises the hyperlinks of the “poverty alleviation” websites of key Chinese e-commerce enterprises, as well as the online flagship stores set up by 221 national poor counties on major e-commerce platforms. The information platform aims to show the latest progress of e-commerce companies’ efforts in poverty alleviation. At present, 15 home appliance e-commerce enterprises have linked their poverty alleviation websites with MOFCOM’s homepage and mobile website. These enterprises can connect with the local government, enterprises and farmers of the poor counties, provide online sales supports such as divert traffic flow, subsidize on operating expenses of online stores and offer other preferential treatment to products produced in these poor counties such as agricultural products, handicrafts, tourism products, etc⁴.

JD.Com, Thailand-based Central Group to set up e-commerce and fintech JVs

JD.com, JD Finance, Thailand’s largest retail conglomerate Central Group and Provident Capital announced an investment of up to US\$500 million to establish two joint ventures (JVs) in Thailand covering e-commerce and fintech. Half of the investment will come from the Central Group, with the rest coming from JD.com, JD Finance and Provident Capital. JD.com will provide its expertise in technology, e-commerce and logistics to the e-commerce JV. The new fintech JV will benefit from JD Finance’s knowledge in the financial technology sector. On the other hand, Central

Group will leverage its retail resources, including its physical store network, its relationship with brands and merchants, as well as its loyalty programme “The 1 Card” to provide consumer insights to the JV. The Central Group will open multiple flagship stores for its retail brands on the new e-commerce platform⁵.

Department stores and shopping malls

New World Department Store China annual profit up by 182.6% yoy

New World Department Store China Limited announced the financial results for the financial year ended 30 June, 2017. Annual revenue was HK\$3,484.3 million, down 4.8% yoy; operating profit was HK\$277.8 million, up by 32.5% yoy; and profit for the year increased to HK\$128.3 million, up 182.6% yoy, while merchandise gross margin remained at 18.2%. As of June 30, 2017, the Group has a total of 37 department stores and two shopping centers covering 21 major cities in China, including Beijing, Shanghai, Wuhan and Tianjin. Of these, 35 are self-operated stores and four are franchised stores⁶.

Supermarkets and hypermarkets

E-Mart to sell China stores to Lotus Supermarket

E-Mart Inc., a discount store unit of South Korea’s retail conglomerate Shinsegae Group, is reportedly to sell 5 of its 6 stores in China to Lotus Supermarket under Thailand’s Charoen

Pokphand (CP) Group. After the deal is signed, the E-mart stores are likely to be rebranded as Lotus stores. E-mart entered the China market in 1997 and once operated up to 26 stores in the country⁷.

Apparel

VIP.com opens an apparel pop-up store in Chengdu

On 8 September, VIP.com opened an apparel pop-up store in Chengdu's Intime shopping mall. The pop-up store occupies an area of 300 sqm, and only opened for three days, from 8 to 10 September. The store tried out some retail technologies such as laser body scanner to scan customers' body shape and size, 3D virtual mirror for fitting, Siri-enabled shopping guide, and self-checkout system, etc. The interior design of the pop-up store also changed twice every day, based on the latest fashion trend of autumn 2017. VIP.com said the use of advanced technologies could help solve the pain points of shopping at physical stores⁸.

HOdo Group debuts first unmanned apparel retail store

Local apparel brand HOdo Group debuted a new retail format – unmanned apparel retail store in Wuxi's World Internet of Things Exposition (WIOT). The unmanned retail store uses RFID technology; and it is the first attempt for HOdo Group to try out new retail format under the new retail era. The store displays Hodo's homewear, underwear, menswear, etc. Customers can enter the store after real name verification through scanning the QR codes in WeChat, Alipay or HoDo mobile app⁹.

Peacebird forms strategic partnership with Tmall

On 20 September, local apparel brand Peacebird and Tmall signed a strategic cooperation agreement on new retail. The two companies will carry out in-depth strategic cooperation in areas such as brand building, Big Data analytics, and omni-channel strategy, etc. Peacebird and Tmall will also work together to tap into the international market. Meanwhile, Tmall will assist Peacebird to achieve its sales target of 10 billion yuan in online channel, and also another 10 billion yuan through physical stores in 2020. Peacebird was founded in 1996, and started selling online since 2008; the brand is expected to achieve nearly 30 billion yuan sales through the online channel by the end of 2017¹⁰.

Kids products

Local apparel brand Elegant Prosper's multi-brand kidswear store "Little Space" opens in Shanghai

"Little Space", a multi-brand kidswear store owned by local apparel brand Elegant Prosper Group, made its debut in Shanghai's Hang Lung Plaza. The store not only sells Elegant Prosper's own private label EP KIDS, but also kidswear of international brands including Givenchy, Italian designer brand MSGM, French brand Chloé, and Spanish brand NANOS. After opening the first store in Shanghai, Little Space will open new stores in Beijing, Wuhan, Shenyang, Nanjing, Hangzhou, and Chengdu, etc¹¹.

Toys

World's biggest Hamleys Store opens in Xuzhou

The second Hamleys store in China opened in Sanpower International Plaza in Xuzhou city, Jiangsu province. The three-story toy store holds more than 1,000 SKUs, 80 types of toys from over 50 brand suppliers. There are also several experiential play zones for children. With a store area of 10,000 sqm, the store is the largest Hamleys store in the world. Hamleys launched the first flagship store in China at the Sanpower International Plaza in Xinjiekou district in Nanjing city, with a total floor space of approximately 7,000 sqm¹².

Cosmetics

JD.com forms strategic partnership with L'Oréal

On 18 September, JD.com and French cosmetics brand L'Oréal Group jointly announced their strategic partnership in Beijing. To accelerate the development of L'Oréal's brands in China, JD.com and L'Oréal are working together in the areas of e-commerce distribution, precision marketing, content marketing, and data analytics and sharing. To enrich the shopping experience of online shoppers, L'Oreal plans to have more products selling on the platform, so as to provide a wide range of high quality product for shoppers to choose from. Currently, JD.com has already shared some of the core data with L'Oreal; and in the near future, the

two companies will continue their collaboration through "Super Brand Day" and other precise marketing methods to create high quality shopping experience for beauty products, which can increase penetration and conversion rate of L'Oreal's brands¹³.

Unilever's color cosmetic brand Hourglass to open flagship store on Tmall

Unilever's color cosmetic brand Hourglass will officially open its flagship store on Tmall on 24 September. Currently, there are 21 products available in the flagship store, with price ranging from 292 – 962 yuan. Launched by beauty industry veteran Carisa Janes in New York in 2004, Hourglass was acquired by Unilever in 2016, which becomes Unilever's first color cosmetic brand¹⁴.

Luxury products

Givenchy opens a pop-up store in Beijing SKP

French luxury brand Givenchy recently launched a pop-up store at the atrium of 1/F in Beijing SKP. Available from 15-26 September, the 50 sqm-store offers the Givency Essentials collection¹⁵.

Consumer electronics

Gome plans to launch new retail stores

According to Sun Jian, Vice President of Gome, Gome is going to launch new retail stores that focus on FMCG products and

catering services. Gome plans to launch 28 new retail stores in Beijing by end of this year. The operation area of each store will be under 500 sqm. All stores will be mainly located in community-based shopping districts and urban CBD area. Gome will reportedly set up its own self-operated supermarkets in the next stage. Gome supermarkets will be similar to boutique supermarkets, targeting young people and office workers aged 25-35. Selection of products will be based on the needs of the target consumer groups¹⁶.

apparel. Merchants can enjoy one-stop warehousing and logistics services, transshipment services and cloud warehouse management services provided by JD Logistics¹⁸.

Retail logistics

SPB: Over 1 billion pieces of express parcels to be expected in the Singles' Day period; Cainiao Logistics to offer 1.5 billion yuan to subsidize logistics services

According to the preliminary estimation by the State Post Bureau (SPB), during this year's Singles' Day shopping festival between 11-16 November, China's logistics industry will process over 1 billion pieces of express delivery parcels. Meanwhile, Cainiao Logistics will offer 1.5 billion yuan to subsidize merchants and logistic partners on smart logistics services for the Singles' Day shopping festival this year¹⁷.

JD Logistics subsidizes merchants on warehousing and logistics services for the Singles' Day

On 19 September, JD Logistics announced to offer 666 million yuan subsidies for merchants to get prepared for the Singles' Day shopping festival. The subsidies cover warehousing and logistics services for major product categories including home electronics, baby and maternity products, digital products, and

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