

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

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## General retail

### Huawei peaks the list of China's top 500 private firms and Suning ranks the third

On 22 August, the All-China Federation of Industry and Commerce released the 2019 list of China's top 500 private enterprises. The ranking is based on the revenue of companies in 2018; all companies needed to have revenues exceeding 18.59 billion yuan. Topping the list is Huawei Investment and Holding with revenues amounting to 721.2 billion yuan in 2018, while HNA Group came in second with 618.3 billion yuan, and Suning third with 602.4 billion yuan. JD.com, Vipshop Holdings and Yonghui Superstores were ranked the 6th, 82th and 93rd respectively. Suning also secured the second place on the list of top 100 private enterprises of corporate services and the title for the top Internet retail company<sup>1</sup>.

## E-commerce

### Alibaba upgrades supply chain platform to create a fully digitalized end-to-end supply chain network

On 16 August, Alibaba announced that it will upgrade its supply chain platform to create a fully digitalized end-to-end supply chain network, which can help retailers and merchants across all industries to optimize supply chain management. At present, Alibaba's supply chain platform is capable of supporting 25 business segments, serving more than 30,000 merchants. In the future, Alibaba will open this platform to merchants across all industries; consumers can enjoy quicker delivery services – goods can be delivered within hours, or even minutes after placing orders<sup>2</sup>.

### JD.com raises stake at Vipshop to 7.6% by investing an addition of US\$55.77 million

According to a filing with the US Securities and Exchange Commission (SEC), JD.com has bought Vipshop's 5,916,178 ADS (American Depositary Shares) from the open market since 13 June 2018 for US\$55.77 million, at the price of US\$9.4264 per share. This has boosted JD.com's stake in Vipshop to 7.6%. Earlier in December 2017, Tencent, JD.com and Vipshop formed a strategic cooperation – Tencent and JD.com invested a total of approximately US\$863 million in Vipshop by cash; Tencent and JD.com held 7% and 5.5% of Vipshop's total issued shares respectively after the deal is completed<sup>3</sup>.

### JD.com spends 9.1 billion on R&D in 1H19

It is reported that JD.com invested more than 9.1 billion yuan in research and development (R&D) in 1H19. The data above suggests that JD.com's R&D spending has already overtaken that of Baidu which spent 8.9 billion on R&D in 1H19, taking it to the top spot in R&D investment among e-commerce enterprises nationwide. JD.com has reportedly increased its R&D investment substantially year by year and hired more than 20,000 employees for its R&D team, including a large number of top leaders from cloud computing, AI and big data fields, such as Zhou Bowen, Shen Yuanqing, Mei Tao and He Xiaodong<sup>4</sup>.

### Pinduoduo's total revenues reach 7,290 million yuan in 2Q19, up 169% yoy

On 21 August, Pinduoduo announced its unaudited financial results for the second quarter ended 30 June, 2019. GMV in the twelve-month period ended 30 June, 2019 was 709.1 billion yuan, up 171% yoy. In 2Q19, total revenues were 7,290 million yuan, up

169% yoy. Active buyers in the twelve-month period ended 30 June, 2019 were 483.2 million, up 41% yoy from 343.6 million in the twelve-month period ended 30 June, 2018. Annual spending per active buyer in the twelve-month ended 30 June, 2019 was 1,467.5 yuan<sup>5</sup>.

## Department stores and shopping malls

**Rainbow Department Store reports nearly 10 billion yuan of operating income in 1H19; profit also improves**

On 15 August, Rainbow Department Store released its 1H19 report. According to the report, Rainbow's operating income in 1H19 reached 9.676 billion yuan, up 1.61% yoy; total profit for this period was 646 million yuan, up 4.09% yoy. Operating income and profit for 2Q19 increased by 4.57% yoy and 5.28% yoy respectively. Rainbow reportedly operated a total of 15 shopping malls, 68 department stores, 82 supermarkets and 152 convenience stores in eight provinces/municipalities and 25 cities in the reporting period, covering Guangdong, Jiangxi, Hunan, Fujian, Jiangsu, Zhejiang, Beijing and Sichuan<sup>6</sup>.

**Suning.com Plaza opens first gold and jewelry self-operated store in Hefei**

Recently, following the disclosure of "Gold and Jewelry Selling Strategy" on 17 July, Suning.com Plaza and China Gold jointly launched the first self-operated gold jewelry in Suning.com Plaza, Baohe, Hefei – which is also Suning.com's first self-operated store after launching its smart retail strategy. China Gold, the only enterprise managed by the Central Government in the gold industry, focuses on gold and jewelry production and is

capable of handling both upstream and downstream processes of the entire supply chain for gold and jewelry<sup>7</sup>.

## Supermarkets and hypermarkets

**Yonghui Superstores plans to form JV company with AI company 4 Paradigm, offering intelligent transformation services**

On 19 August, Yonghui Superstores officially announced that it plans to establish a joint venture (JV) company together with local AI company 4 Paradigm. The new company is temporarily named Paradigm Retail Cloud (Beijing) Technology Co., Ltd., in which Yonghui Superstores and 4 Paradigm will each inject 40 million yuan and hold a 40% stake in the company; management shareholders will invest 20 million yuan for a 20% stake in the company. It is reported that the JV company will mainly operate as a retail technology empowerment platform with AI technology as the core engine, offering products, solutions and services for the digital and intelligent transformation of the retail ecosystem<sup>8</sup>.

**Yonghui Superstores launches national promotion events for its private label "Yonghui Selection"**

Recently, Yonghui Superstores launched various national promotion events for its private label "Yonghui Selection". The events were first launched in Sichuan and Chongqing, and will gradually expand to other regions. Yonghui Selection will implement product bundling strategies for its brands and major categories according to the regional consumption habits. Selected private labels under Yonghui Selection include Tianqu Food, U-Song, Super Foodie, Super Select and

O'fresh. The number of SKUs for Yonghui Selection nearly reaches 300, covering household goods, snacks, daily necessities, etc<sup>9</sup>.

### Walmart China and JD Supermarket team up for "8.8 Shopping Festival", generating sales growth of over 50% yoy

Walmart China and JD Supermarket jointly launched a promotion event "8.8 Shopping Festival" with over 140 brands during 18 July – 14 August. This online to offline promotion event generated sales growth of over 50% yoy; most of the growth was from online sales. During the event, the number of daily active users of Walmart-Daojia WeChat Mini Program increased by 50% yoy. The number of new users of the Walmart-Daojia WeChat Mini Program also increased fast; the total number of registered users nearly reached 50 million<sup>10</sup>.

## Convenience stores

### Suning Xiaodian launches new service brand "Sheng Huo Bang"

On 17 August, Suning Xiaodian announced to launch a new service brand "Sheng Huo Bang" to enhance the services provided in its Suning Xiaodian store. "Sheng Huo Bang" reportedly provides eight major types of services such as repair and cleaning for home appliances, housekeeping services, reducing formaldehyde in houses, home appliance recycling and installation, delivery services, etc<sup>11</sup>.

## Apparel and footwear

### Semir invests in new retail maternal platform "Qibay"

On 18 August, Semir officially announced in Wenzhou that the company has invested in local new retail maternal platform "Qibay"; its major investors include Shanghai Semir Investment Co., Ltd. and South Korea's fund company Ise. It is reportedly that Qibay mainly targets 25- to 35-year-old young mothers with children aged 0-6 in tier-2 to tier-5 cities. Qibay will invite Semir's sales associates to become its business partners, who can introduce their established customers to Qibay and receive commissions from purchase orders placed by their customers. Qibay will also share its new customer data with Semir's retail stores and distribute Semir's store coupon via Qibay app to encourage its app users to shop at nearby Semir stores<sup>12</sup>.

### Canadian lingerie brand La Vie en Rose to open first store in China in Guangzhou

Canadian lingerie brand La Vie en Rose announced that it will enter the China market and opening its first store at Po Park Shopping Center in Guangzhou on 30 August. The brand also plans to open more physical stores in Guangzhou in the future. In addition, La Vie en Rose announced to launch an online store on Tmall as well<sup>13</sup>.

### U.S. sustainable fashion brand Everlane to launch on Tmall

Recently, U.S. sustainable fashion brand Everlane announced to open its online flagship store on Tmall on 26 August. Everlane will offer its full range of men's and women's collections on its flagship store, together with Tread, the footwear collection newly launched this year. In addition, Everlane has also set up an official public account on WeChat and Weibo. Founded in San Francisco in 2011, Everlane focuses on

selling high quality apparel items with basic designs<sup>14</sup>.

## Consumer electronics

**Suning.com launches fourth generation smart store Suning BIU; completes transaction within one second**

Recently, Suning.com opened its fourth-generation unmanned Suning BIU store. According to Suning.com's statistics, customers can save 45 seconds on average shopping in the new smart store, and it only takes the customer one second to finish the transaction of buying a bottle of mineral water. The new store is reportedly Suning.com's first fully digitalized unmanned store with machine vision and is applicable to all consumption scenes; it adopts a wide range of latest technologies including big data analytics, artificial intelligence, the Internet of Things and others, together with Suning Finance's payment services and risk management platform<sup>15</sup>.

## Luxury sector

**British handmade luxury footwear brand John Lobb to launch self-operated e-commerce platform in China**

British handmade luxury footwear brand John Lobb has recently announced that it will launch a self-operated e-commerce platform in China. More than offering John Lobb footwear items, the online store will also allow shoppers to reserve in-store services online, combining its online and offline shopping channels to achieve omni-channel retailing. Since its entry in China in 2010, John Lobb has opened three stores in Beijing, Shanghai

and Hong Kong respectively<sup>16</sup>.

## Retail logistics

**Linkshop Retail Research Center: Post-80s and post-90s generations become major driving force for real-time delivery market**

Linkshop Retail Research Center has recently announced a report "Development of Real-time Delivery Market 2019". Based on a sample size of 1,000 responses, the report includes the following key points:

- Post-80s and post-90s generations become a major driving force for the real-time delivery market, contributing over 80% of total sales in the market;
- Well-developed areas along the central and eastern coasts of China are the major battlefields for real-time delivery service providers, with 86% of the service users living in East, South, Central and North China and most of the orders coming from tier-1 and tier-2 cities;
- Meal/ food delivery remains the major service category, with 47% of users of real-time delivery platforms placing orders for meal delivery from restaurants, while over 42% of users ordering fresh food and grocery products from supermarkets;
- Lunch and dinner times are peak hours for delivery orders;
- Meituan, Ele.me and Dada-JD Daojia are the three most popular platforms, with 85% of users placing orders through these platforms<sup>17</sup>.

**Gome Retail acquires 19.5% stake in Anxun Logistics for 585 million yuan**

On 16 August, Gome Retail announced to purchase 19.5% stake in Beijing Pengrun Times Property Management Co., Ltd. for 585 million yuan from its controlling shareholder

Wong Kwong Yu. Beijing Pengrun Times indirectly owned Anxun Logistics, which engaged in the provision of warehousing and logistics services in China<sup>18</sup>.

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## Fung Business Intelligence

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