

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general

CNCIC: Sales of top 100 major retailers down 0.7% yoy in January to April

According to China National Commercial Information Center (CNCIC), sales of the top 100 major retailers in China decreased by 0.7% yoy during January – April 2019, with the growth rate slowing down by 0.9 percentage point compared to 1Q19. By category, retail sales of cosmetics rose 8.7% yoy, followed by grocery items (up 3.3% yoy) and daily necessities (up 0.5% yoy), while sales of apparel, home electronic appliances and jewelry items fell 0.5% yoy, 7.3% yoy and 6.6% yoy respectively¹.

E-commerce

Taobao partners with Chinese museums and heritage sites on designing and selling merchandise

On 21 May, Taobao announced to partner with Chinese museums and heritage sites on designing merchandise, branding and sales to help them reach China's young millennials. It will match cultural institutions with designers and manufacturers to create custom products. Taobao will also provide consumer insights and consultation, as well as marketing support, such as exposure at the Taobao Maker Festival. Taobao plans to expand the program to over 100 partners in the next three years, as well as explore new product areas such as food, electronics and home accessories².

JD.com launches new flash sales channel for low-priced products

JD.com will launch a new flash sales channel which focuses on low-priced products. The

channel will be officially launched on 7 June; merchants can apply to join the channel from 23 May. It is hoped that merchants can gain website traffic and increase sales conversion rate by selling these low-priced hot products. To join the channel, JD.com requested that the products should receive over 90% positive feedback, priced 99 yuan and below, and the sales price of the products should be the lowest in 30 days, etc³.

Mogujie establishes merchandising department

On 21 May, Mogujie announced an internal restructuring and established a merchandising department to nurture buyers of fashion items. Items recommended by fashion buyers will be marked with buyer's name, reasons for recommendation, etc. Mogujie hopes to nurture more "Fashion Buyer KOLs" in the future. It is reported that Mogujie will build a larger merchandising team in Guangzhou and Hangzhou⁴.

Pinduoduo records revenue of 4,545 million yuan in 1Q19, up 228% yoy

On 20 May, Pinduoduo announced its unaudited financial results for the quarter ended 31 March, 2019. GMV in 1Q19 was 557.4 billion yuan, up 181% yoy. Total revenues were 4,545.2 million yuan, up 228% yoy. The number of active buyers amounted to 443.3 million, up 50% yoy. Annual spending per active buyer was 1,257.3 yuan, up 87% yoy. Operating loss reduced to 2,120.5 million yuan in 1Q19 from a loss of 2,640.9 million yuan in 4Q18⁵.

NetEase turns profitable in 1Q19; net revenue up 29.5% yoy

On 16 May, NetEase released its financial report for 1Q19. During the quarter, NetEase's net revenue was 18.356 billion yuan, up

29.5% yoy; net profit was 2.3821 billion yuan, up 217% yoy, which is much higher than -81% recorded in the same period last year. Net revenue generated from its e-commerce business was 4.7893 billion yuan, up 21% yoy, with its gross profit margin showing a 10% rebound⁶.

Vipshop's net revenue reaches 21.3 billion yuan in 1Q19

Vipshop Holdings disclosed its unaudited financial report for 1Q19. The financial report shows that, in the first quarter, total net revenue was 21.3 billion yuan, up 7.3% yoy; GMV increased to 33.8 billion yuan, up 11% yoy. The number of total orders increased by 29% yoy to 116.5 million, up from 90.2 million in same period last year. The total number of active users reached 29.7 million, up 14% yoy⁷.

Meituan Dianping records better-than-projected revenue growth of 70.1% yoy in 1Q19

On 23 May, Meituan Dianping announced the unaudited consolidated results for the three months ended 31 March, 2019. In 1Q19, total revenues increased by 70.1% yoy to a better-than-projected 19.2 billion yuan. Total gross transaction volume (GTV) on the platform up by 27.9% yoy to 138.4 billion. Its two major businesses – food delivery and in-store, hotel & travel – sustained strong growth momentum. Meituan Dianping's saw better overall financial performance in 1Q19; adjusted EBITDA turned positive for the first time. The number of annual transacting users on Meituan Dianping's platform reached 411.8 million, and the number of annual active merchants grew by 27.3% yoy to 5.8 million⁸.

Department stores and shopping malls

Fosun partners with Kyoto Prefecture to open the world's first "Kyoto House" in Shanghai

On 17 May, Fosun and Kyoto Prefecture reached a strategic cooperation, and commenced their first project "Kyoto House", the world's first Kyoto-themed store which will be opened in Bund Financial Center. Presenting mainly Kyoto's famous products, the Kyoto House offers hand-made cultural and creative products in the fields of fashion, beauty and lifestyle to Chinese and global consumers⁹.

Beijing Tourism Group becomes controlling shareholder of Wangfujing Group Co., Ltd.

On 22 May, Wangfujing Group Co., Ltd. confirmed that 26.67% shares held by Beijing Wangfujing Dongan Group Co., Ltd. have successfully been transferred to Beijing Tourism Group under gratuitous transfer. Beijing Tourism Group now directly holds 207 million shares of Wangfujing and becomes its controlling shareholder. In early 2018, Beijing Wangfujing Dongan Group Co., Ltd. (Wangfujing Group Co., Ltd.'s previous controlling shareholder) announced to merge with Beijing Tourism Group to explore the new developments in retail and tourism industries¹⁰.

Supermarkets and hypermarkets

Yonghui Yunchuang plans to raise 1 billion yuan new capital

On 16 May, Yonghui Superstores announced that its joint venture company Yonghui Yunchuang Technology Co. Ltd. plans to raise 1 billion yuan additional capital, which will be used for store expansion, supply chain consolidation, Yonghui Life (S2C) upgrading, etc. Yonghui Yunchuang's existing shareholders will increase their capital in the company on a pro rata basis, among which Yonghui Superstores will invest 266 million yuan in the company, while its ownership in Yonghui Yunchuang will remain unchanged at 26.6% upon the capital injection. Yonghui Superstores expressed that it will continue to support the penetration of Yonghui Yunchuang into its businesses including Yonghui Life stores and YH Super Species¹¹.

Cosmetics

Reuters: Chinese beauty product consumers are willing to pay more for organic products

On 15 May, Reuters released a new survey report, "2019, China's New Faces for Beauty". In the report, Reuters interviewed hundreds of beauty product consumers in tier-1 cities across the country. According to the report, 86% of beauty product consumers prefer an immersive personal shopping experience; 85% of respondents are more willing to spend more on organic products or products using organic materials; 92% of male beauty product consumers prefer niche brands to international big brands; Xiaohongshu is the most popular social platform for beauty product consumers in China, and "beauty veterans" or KOLs are using creative content to consolidate their influence in the market despite the rapid market changes¹².

Secoo: Over 70% of beauty shoppers spend on makeup and skincare products

On 21 May, Secoo published a white paper on high-end cosmetics market. According to the data from Secoo's platform, both makeup and skincare products register high penetration rates on its platform; around 74% of beauty shoppers on the platform purchase makeup and perfume products, while 79% of them shop for skincare products and are willing to accept a higher unit price for the products. Thus, sales generated from skincare products account for a larger proportion of total sales. Post-90s consumers are spending more on makeup and perfume products than post-80s consumers, of which male shoppers favor perfume and lipstick products while female shoppers prefer face and eye makeup products. Secoo stated that consumers on its Weibo account tend to follow premium skincare brands such as LA MER and La Prairie, rather than mass cosmetics brands¹³.

NMPA develops mobile app for cosmetics regulation

On 20 May, China's National Medical Products Administration (NMPA) launched a mobile app to improve the regulation of local cosmetics market. The app has four major functions – 1) data enquiry service, which enables users to check product details, manufacturing information and regulatory approvals; 2) providing cosmetics regulatory guideline and popular science information; 3) conducting case studies and researches on cosmetics and explaining major policies and their development to facilitate understanding and compliance of the policies; 4) complaint reporting system – consumer can report product complaints and unlawful sales of cosmetics on the go with the app¹⁴.

Erno Laszlo partners with Yifei to accelerate its expansion in China

On 21 May, U.S.-based skincare brand Erno Laszlo announced that it has reached a strategic cooperation with Yifei Brand Management to accelerate its expansion in China. To better seize the China market, Erno Laszlo had laid down its strategies as follows:

1. Launch the brand's direct sales function; which is the brand's most important strategy;
2. Build brand reputation via product efficacy;
3. Invest abundant resources in social media;
4. Continue to invest in the five strategic channels including Tmall, Taobao, social e-commerce platforms, counters at offline stores, and key strategic customers.

Over the next five years, Erno Laszlo targets to build one store with an annual sales of 10 million yuan, five stores with 5 million yuan and eight stores with 2 million yuan annual sales, and finally reaching its target of achieving more than 1 billion yuan of annual sales in five years¹⁵.

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Fung Business Intelligence

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