

# China Retail & E-commerce

## Weekly Updates

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### Retail in general *p2*

- CNCIC: Retail sales of 100 key large-scale retailers in China increase 4.1% yoy in October 2017
- Nielsen: China's consumer confidence index hit an all-time high in 3Q17

### E-commerce *p2*

- Alibaba acquires stake in Sun Art Retail Group
- Alibaba's B2B2C unit 1st.1688.com and Bain & Co. announce strategic cooperation framework agreement
- Tencent confirms plans to launch WeChat Pay in Malaysia
- Secoo.com launches "5 +2 +1" strategy for offline push
- Koala.com drives NetEase's e-commerce sales up by 80%
- VIP.com reports net revenue of 15.3 billion yuan in 3Q17
- JD Daojia launches 24-hour delivery service for medicine

### Retail logistics *p3*

- SF Express to launch unmanned shelves for office workers

### Department stores and shopping malls *p4*

- Macy's China launches pop-up store in Shanghai

### Supermarkets and hypermarkets *p4*

- Yonghui opens Shanghai's first YH Super Species store
- Carrefour joins hand with Meituan to provide 1-hour express delivery service in Shenzhen

### Convenience stores *p4*

- Winmart Go smart convenience store opens first store in Shanghai; and plans to open 100,000 POS
- New World Department Store's N+ Convenience Store opens in Beijing

### Cosmetics *p5*

- Jala Group and JD.com strengthen partnerships to promote borderless retail

### Luxury sector *p5*

- Deutsche Bank: Global luxury market sets to recover in 2017
- Salvatore Ferragamo launches new official website

### Home products *p6*

- Shanghai Shuixing Home Textile lists on Shanghai Stock Exchange

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## Retail in general



**CNCIC: Retail sales of 100 key large-scale retailers in China increase 4.1% yoy in October 2017**

According to the China National Commercial Information Centre (CNCIC), retail sales of 100 key large-scale retail enterprises increased by 4.1% yoy in October 2017. The growth rate was 4.3 ppts higher than that in October 2016, and 3.9 ppt higher than that in September 2017<sup>1</sup>.

**Nielsen: China's consumer confidence index hit an all-time high in 3Q17**

On 22 November, Nielsen released its “China’s Consumer Confidence Index Report” for 3Q17. The report shows that China's consumer sentiment index soared to a historical high of 114 points in 3Q17, up two points from the previous quarter. The index has shown positive growth for four consecutive quarters, increasing from 106 points in 4Q16 to 114 points in 3Q17. The uptrend indicates that both urban and rural residents enjoyed higher incomes as the country's economy continued to fare well<sup>2</sup>.

## E-commerce



**Alibaba acquires stake in Sun Art Retail Group**

On 20 November, Alibaba Group announced that it will acquire a 36.16% stake in Sun Art Retail Group for HKD\$22.4 billion (US\$2.88 billion) to expand further in the offline retail

market. Alibaba will form a strategic alliance with Auchan Retail and Ruentex Group. The transaction involves Alibaba acquiring Sun Art shares from Ruentex. At the same time, Auchan is also increasing its stake in Sun Art. Upon completion of the transactions, Auchan Retail, Alibaba Group and Ruentex will approximately hold a 36.18%, 36.16%, and 4.67% economic interest in Sun Art, respectively. Auchan Retail will continue to consolidate Sun Art in its financials following the transaction<sup>3</sup>.

**Alibaba’s B2B2C unit Ist.1688.com and Bain & Co. announce strategic cooperation framework agreement**

On 22 November, Alibaba’s B2B2C unit Ist.1688.com and consulting firm Bain & Co. announced a strategic cooperation framework agreement. Under the terms of the agreement, the two parties will jointly explore ways to cooperate with brand owners and other partners through digital technology and other Internet platforms under the “New Retail” era, aiming to increase logistics efficiencies, and to launch more personalized and targeted marketing campaigns for consumers. The cooperation hopes to help foreign and domestic brands transform under the “New Retail” era and tackle problems they face during the transformation<sup>4</sup>.

**Tencent confirms plans to launch WeChat Pay in Malaysia**

According to Tencent, the company plans to launch its WeChat Pay service in Malaysia early next year; Malaysia will be the first overseas market for the company to launch its WeChat Pay mobile payment service overseas. Currently, Malaysia has 2,000 WeChat users, and Malaysian likes to buy Chinese products online, offering great market potential for the company<sup>5</sup>.

### Secoo.com launches "5 +2 +1" strategy for offline push

On 16 November, one-stop comprehensive luxury products e-commerce platform Secoo.com announced the official launch of its "5 + 2 + 1" offline strategy, including five offline experience centers, two high-end customized hotels and a batch of branded flagship stores. It is also the first major strategic move announced by the group since its listing on the Nasdaq in September. It is reported that the five experience centers will be opened in non-first-tier major cities in China, including Xiamen and Qingdao<sup>6</sup>.

### Koala.com drives NetEase's e-commerce sales up by 80%

NetEase announced 3Q17 financial results. In this quarter, net revenue from e-mail and e-commerce business, as well as other businesses amounted to 3.735 billion, up 79.5% yoy. Some analysts believed that in addition to the fundamental factors such as growth in number of users and word-of-mouth advantages, the outstanding performance of NetEase's e-commerce business, driven primarily by the upgrade of global supply chain of Koala.com in 2H17 and the extraordinary results of the e-commerce promotions in 3Q and 4Q will continue to drive the growth of NetEase' e-commerce business<sup>7</sup>.

### VIP.com reports net revenue of 15.3 billion yuan in 3Q17

VIP.com announced its unaudited financial results for the third quarter ended 30 September, 2017. The results show that VIP.com has maintained steady growth with profits for 20 consecutive quarters. With steady growth in the self-operated apparel business, total net revenue for 3Q17 increased by 27.6% yoy to 15.3 billion yuan; total orders for 3Q17 increased by 23% yoy to

74.0 million; and average spending per customer reached 643 yuan. The repeat purchase rate remained high, reaching 84.4%<sup>8</sup>.

### JD Daojia launches 24-hour delivery service for medicine

JD Daojia announced that it has launched a 24-hour drug delivery service in 24 cities in China. With the capacity of nearly 4 million registered delivery staff, JD Daojia's 24-hour drug delivery service can be quickly accomplished. Currently, 80% of the orders can be fulfilled within 30 minutes; this will greatly enhance customer experience. In the future, JD Daojia will continue to expand and deepen the cooperation with major chained pharmaceutical enterprises in China, laying a solid foundation for the Internet-based medicine retailing industry<sup>9</sup>.

## Retail logistics

### SF Express to launch unmanned shelves for office workers

On 20 November, SF Express announced on Weibo its new unmanned shelves. These shelves are mostly located in office area, selling snacks and drinks to office workers. Replenishments will be done regularly by couriers from SF Express. SF Express has started trial operation of the unmanned shelves in Shenzhen, where several hundreds of unmanned shelves have already been installed. The unmanned shelves will be rolled out nationally in the future<sup>10</sup>.

## Department stores and shopping malls

### Macy's China launches pop-up store in Shanghai

From 17 to 26 November, U.S. department store chain Macy's launched its second pop-up store in China in Shanghai following the one in Beijing. The main display area showcases over 100 SKUs from 20 brands selected by Macy's; products displayed include menswear, womenswear, childrenswear, sportswear, accessories, kitchenware and home textile. In addition, Macy's has created a zone named "Feminine Chic" to display trendy products<sup>11</sup>.

## Supermarkets and hypermarkets

### Yonghui opens Shanghai's first YH Super Species store

YH Super Species' Wujiaochang Wanda store will be opened on 25 November. Located at Block B of Wanda Plaza, Yangpu District in Shanghai with an area of about 800 sqm, this will be the first YH Super Species store in Shanghai. As of today, Yonghui has opened 13 YH Super Species stores in Fuzhou, Xiamen, Shenzhen, Nanjing, Beijing and other cities. It plans to open 24 – 50 stores this year; and currently focused on expanding in tier 1 and tier 2 cities. At the end of November, Yonghui will open four more YH Super Species stores in Chengdu, Shanghai, Xiamen and Beijing respectively<sup>12</sup>.

### Carrefour joins hand with Meituan to provide 1-hour express delivery service in Shenzhen

Carrefour joins hand with Meituan recently to launch O2O delivery service in Shenzhen and provide express delivery service to customers who live within 3-km of the store in just one hour. The first batch of products available on Meituan app includes thousands of SKUs ranging from fruits and vegetables, meat, egg, ready-to-eat meals, snacks, to daily necessities. Products and prices are consistent with Carrefour's offline stores. Carrefour has started to offer O2O delivery service since 2016; the service now covers Beijing, Shanghai, Wuhan, Suzhou, Wuxi and Nanjing<sup>13</sup>.

## Convenience stores

### Winmart Go smart convenience store opens first store in Shanghai; and plans to open 100,000 POS

Wendai, a domestic smart retail operator has opened its first unmanned smart convenience store "Winmart Go!" in Shanghai's Watson Pentium Building. It is reported that the convenient store covers an area of around 5 sqm, and targeting office workers in 100 m vicinity of the store. Winmart Go sells over hundreds of SKUs of fresh food products and can meet the dining needs of customers including breakfast, lunch, afternoon tea, and dinner. The smart convenience store is reportedly operated by social e-commerce platform incubator Mengdian. Winmart Go has already set foot in Shanghai, Beijing, Hangzhou, Guangzhou, and Ningbo, and the company plans to set up 100,000 POS across the country<sup>14</sup>.

## New World Department Store's N+ Convenience Store opens in Beijing

New World Department Store (NWDS) opened its first convenience store N+ Convenience Store in Beijing on 23 November. The store is located on level 1 of North Hall, Chongwenmen shop of NWDS. N+ Convenience Store's target customers are working people aged 18- 40 and surrounding office crowds. In terms of merchandise, N+ Convenience Store provides mainly fresh food, as well as beverages, daily necessities from the department store, etc. In addition, N+ Convenience Store also provides other convenient services for consumers such as express delivery, free mobile phone charging, free toolbox, free medicine, free water, etc. N+ Convenience Store is the first convenience store of NWDS. The group will open more convenience stores nationwide in the future<sup>15</sup>.

## Cosmetics



### Jala Group and JD.com strengthen partnerships to promote borderless retail

Chinese cosmetics company Jala Group will work together with JD.com to integrate resources from both parties and deepen cooperation in smart retail, integrated marketing, new brand debut and new product launches. According to the cooperation agreement, JD.com will share its big data with Jala Group, while the latter will conduct in-depth research on portrait of JD.com's users, their shopping preference and purchase behavior, and then customize more new products to meet consumers' needs, and promote the products by targeted marketing<sup>16</sup>.

## Luxury sector



### Deutsche Bank: Global luxury market sets to recover in 2017

According to a report recently released by Deutsche Bank, the global luxury market is set to rebound in 2017 with total sales expected to increase by 6% to 7% to reach around EUR 250 billion. This growth mainly comes from Chinese consumers. The share of Chinese consumers in the overall market demand will increase from 31% in 2017 to 34% in 2020. Over 60% of them shop overseas. In addition, the growth is also attributable to the recovery of the European consumer market, which accounted for 19% of the overall luxury market<sup>17</sup>.

### Salvatore Ferragamo launches new official website

Italian luxury brand Salvatore Ferragamo is rolling out its new revamped official website with new layout ([www.ferragamo.com](http://www.ferragamo.com)). After launching the website in the U.S and Canada earlier, the newly designed website is now available in Italy, other European countries and China. The luxury brand will reportedly roll out the website in other Asian countries, Australia and South America in 2018. After its full launch, the website will cover 28 countries, and accepts payment in 13 different currencies<sup>18</sup>.

## Home products

### Shanghai Shuixing Home Textile lists on Shanghai Stock Exchange

On 20 November, Shanghai Shuixing Home Textile Co., Ltd. listed on the Shanghai Stock Exchange. Established in 2000, Shuixing Home Textiles' major businesses include R & D, design, production and sales of home textiles. Under the brand names of "Mercury" and "Bliss", the company sells over 300 types of home textile products including bedspreads, quilts and pillows. Shuixing Home Textile set foot mainly in the tier 2 and tier 3 cities in China<sup>19</sup>.

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