

China Retail & E-commerce

Weekly Updates

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E-commerce

Paypal: Chinese consumers increasingly purchase directly on overseas websites

Paypal and domestic consultancy Dataway released the “Report on Shopping Habits and Payment Preference for Chinese Cross-border E-commerce (CBEC) Consumers, 2017”. The companies conducted surveys in selected tier 1 and 2 cities where CBEC is popular. According to the report, more and more Chinese consumers choose to purchase CBEC products directly on overseas websites. In the past year, 51% of the respondents said they did their shopping on overseas websites, slightly higher than 49% of the respondents that only purchased via domestic CBEC websites. The respondents purchased six times on overseas websites in the past year on average, with an average transaction of 1,197 yuan per order, higher than 694 yuan per order on domestic CBEC websites. According to the survey, 66% and 65% of the respondents cited quality assurance and genuine assurance as the major reasons to buy on overseas websites¹.

E-commerce customers' complaints soar 35.56% with delivery problems being the top issue

China e-Business Research Center released a report on Chinese e-commerce users experience and complaints related to online purchasing. According to the report, the number of e-commerce-related complaints received by the research center was up by 35.56% yoy in 1H17. Among different categories, retail e-commerce took up 76.24%

of the complaints, of which, online shopping, cross-border retail e-commerce and weidian (or micro-store) e-commerce accounted for 61.82%, 13.34% and 1.08% of the complaints respectively. E-commerce users complained mostly about delivery, refund and quality of goods, accounting for 19.92%, 14.45%, and 13.18% of the complaints respectively².

Ali Research: Consumers aged 24 – 28 drive the development of “Wang Hong” consumption

Ali Research released the first “Report on Wang Hong’s impact on consumption”. The report integrated the massive consumption data from Alibaba’s online retail platform to understand the impact of Internet celebrity (aka “Wang Hong”) on consumption. It also identified 50 most popular Wang Hong in China.

Key findings are as follows:

- Among the Top 50 Wang Hong, their online shops sell mainly apparel, maternity and baby, beauty products, etc. Most of them are women, except there is one male Wang Hong on the list.
- The Top 10 Wang Hong have very steady performance in terms of popularity and ability to generate business.
- Consumers are predominantly aged between 24 and 28 and have just started working, and there are a handful of consumers aged 40-48.
- 7% of the Wang Hong fans will repeat purchase within 3 months³.

Tmall Home Electronics and Home Décor to help 100 brands to achieve 100 million yuan in sales in 2017 11.11 Global Shopping Festival

More than 400 brands gathered in a meeting with Tmall Home Electronics and Home Décor

on 23 August. Tmall announced that it will help 100 brands to achieve 100 million yuan in sales in 2017 11.11 Global Shopping Festival. It will support brands in formulating their “New Retail” strategies – including analyzing consumers’ purchasing journey, enhancing interaction with brands and consumers, creating activities for members, and supporting brand marketing, etc. “Tmall Home”, a scenario-based shopping environment such as green home and future kitchen, “global home products” which gathered best-selling products from overseas, as well as “omni-channel” will be the three main themes for home products during the 11.11 Global Shopping Festival this year⁴.

Ant Financial opens unmanned technology to merchants

On 22 August, Alibaba’s financial affiliate Ant Financial announced to open its unmanned technology to merchants. The technologies will enable automated customer ID authentication, risk control, payment, and clearance, allowing customers to enjoy services provided by merchants without the help of their staff. Currently, the technology can only apply to single-user scenarios rather than more complex cases where multiple users can be identified at the same time. But Ant Financial expects the technology to have wider applications in all kinds of scenarios such as unmanned sales stands, mini karaoke kiosks, fitness rooms, working spaces, etc⁵.

Ele.me to buy out Baidu Waimai

Ele.me has completed the buyout of Baidu’s food and beverage delivery service unit, Baidu Waimai on 24 August. After the transaction, Baidu Waimai will become a wholly-owned subsidiary of Ele.me. Baidu Waimai will operate as an independent brand. Its

operating system, including the staff structure and management will remain unchanged. The deal is valued at around US\$500 million, and is funded by a combination of cash and equity⁶.

Amazon China to promote “local innovation of global resources” strategy in China

Amazon China held its first “Innovation Day” event in Beijing on 18 August. During the press conference, Amazon China announced to push forward the “local innovation of global resources” strategy in China – to leverage the advantages of Amazon’s global resources and actively promote local innovation, introduce innovative products and services based on the needs of Chinese customers, and help Chinese enterprises to transform and upgrade⁷.

Suning records online sales growth of 263% yoy and offline sales growth of 107% yoy during its “818 shopping festival”

Suning announced the results of its “818 shopping festival”. This year, its online sales grew 263% yoy and offline sales increased 107% yoy, with same-day delivery service completion rate reaching 96.5%. Around 3,700 stores participated in the shopping festival, providing products and services to shoppers in tier 3 and 4 cities as well as the rural areas⁸.

Department stores and shopping malls

Rainbow’s net profit rises 31.36% in 1H17

Rainbow Department Store released 1H17 annual results. As of June 30 2017, Rainbow’s

total revenue amounted to 8.983 billion yuan, up 5.14%; net profit attributable to shareholders of listed companies reached 375 million yuan, up 31.36%. Comparable store sales increased by 14.04% yoy. In 1H17, Rainbow further strengthened the shopping experience at stores, continued to promote digitalization of its operation, and deepened the transformation of supply chain to promote upgrading of merchandise⁹.

Parkson Retail Group turns profitable in 1H17

On August 17, Parkson Retail Group announced financial results for 1H17. Total operating revenue in the period amounted to 2,369.4 million yuan, up by 1.9% yoy. Operating profit amounted to 70.6 million yuan, with a turnaround from losing 51.406 million yuan over the same period last year. In addition, same store sales registered a 0.1% yoy growth¹⁰.

Supermarkets and hypermarkets



Sam's Club to increase investment in Jiangsu province, aiming to open at least five new stores in the next three years

On 23 August, Wal-mart China signed a memorandum with the Jiangsu Provincial Department of Commerce. According to the memorandum, Wal-mart China will increase investment and open at least five new Sam's Club stores in the province in the next three years. In the end of July, the Club announced that it plans to increase the number of stores from 16 to 40 in China by the end of 2020. Currently, Sam's Club operates 17 stores in 14 cities in China¹¹.

"Post zhi life" Chaoyang Huimin supermarkets open in post office

Recently, the Chaoyang District Post Office in Beijing launched the "Post zhi life" Chaoyang Huimin supermarket in five post offices, including the Gaobeidian Road Post Office, Shuiduizi Post Office, Huizhong North Post Office, Science Park Post Office, and Dashanzi Post Office. The "Post zhi life" Chaoyang Huimin supermarket is jointly set up by Chaoyang District Post Office and Beijing Sihai Guanxin Market Co., Ltd., hoping to introduce daily necessities and products to meet the daily needs of local residents¹².

Convenience stores



Three CSF Market-Lawson partnered CVS stores open in Beijing

The Beijing subsidiary of Japanese convenience store brand Lawson formed a strategic partnership with ChaoShiFa Market (CSF Market), a Beijing-based supermarket chain, in July this year. Three new joint-brand branches of "CSF Market-Lawson" convenience stores were opened in Beijing on 18 August. Operated around the clock, each of the stores provides ready-to-go meal, and over 2,000 SKU including private label products of Lawson. The stores aim to provide good quality, fresh products as well as great services to customers, particularly white-collar customers. The number of CSF Market-Lawson stores is expected to reach 20 by the end of August 2018 and further increase to no less than 40 by 2020¹³.

Apparel

Septwolves acquires Karl Lagerfeld's distribution rights in China for 320.4 million yuan

Chinese menswear company Fujian Septwolves has agreed to buy distribution rights for German fashion designer Karl Lagerfeld's brand for 320.4 million yuan in an effort to upgrade its market and expand globally. The investment plan has two parts. Septwolves will acquire 80% equity for 240.3 million yuan of Karl Lagerfeld Greater China Holdings (KLGHC), which holds the rights to distribute Karl Lagerfeld's products in mainland China, Hong Kong and Taiwan. Septwolves will also invest 80.1 million yuan in Karl Lagerfeld (Shanghai) Ltd., KLGHC's official retailer in mainland China. Currently, Karl Lagerfeld operates six standalone stores and one outlet in greater China¹⁴.

New Balance wins trademark infringement case in China

A Chinese court has ruled that three domestic shoemakers must pay New Balance US\$1.5 million in damages and legal costs for infringing New Balance's signature slanted "N" logo. Lawyers said it was the largest trademark infringement award ever granted to a foreign company in China. This ruling was issued three days after U.S. President Donald Trump ordered an investigation into China's alleged theft of intellectual property¹⁵.

Michael Kors collaborates with Alipay's Huabei Credit

U.S. affordable luxury brand Michael Kors

announced an official collaboration with Alipay's online credit facility Huabei. Consumers can pay by the Huabei installment plan, or place pre-authorization orders for limited edition products on the official website of Michael Kors. To celebrate the collaboration, the brand launched a pre-sale event during the period of 15-18 August; consumers could pre-order the exclusive SELMA city bag through Huabei's pre-order platform; and a total of 150 Selma bags were sold within 300 seconds in the event¹⁶.

Consumer electronics

Flagship store jointly operated by Gome and iKongjian opens in Beijing

On 18 August, the flagship store jointly run by Gome and iKongjian, a Chinese home renovation and furniture e-commerce company started operation. The flagship store, with a floor space of around 1,700 sqm, is located on the second floor of Gome's Madian branch in Beijing; it is an O2O experiential store with family home scenes. Earlier in June this year, Gome Holdings Group led a 216-million-yuan investment in iKongjian in its series C round. iKongjian was established in 2014 and has outlets in 24 cities across China¹⁷.

Home products

Ikea China's sales revenue up 14% yoy

On 17 August, Ikea China hosted its annual financial results press conference. Ikea China's sales revenue for the period 1 September, 2016 to 10 August, 2017

increased by 14% yoy to 13.2 billion yuan. The number of newly registered users on Ikea China's online shopping platform (<http://www.ikea.com/cn/zh/>) reached 25,000. Currently, the online shopping platform only provides delivery services in Shanghai. The number of online orders was five times that of offline orders, but sales generated online accounted for only 3% of the total sales of the three stores in Shanghai. Ikea China is reportedly considering partnering with other third-party platforms¹⁸.

Luxury products

CBNData and Tmall: Young consumers and small cities become the new driving forces for luxury spending in the new retail era

On 21 August, CBN Data and Tmall jointly published a report on "2017 New Retail Luxury Consumption Trends". The study leveraged Alibaba's big data capabilities to fully understand the characteristics of Chinese luxury shoppers in the "new retail" era. The findings showed Chinese luxury shoppers are getting younger and more luxury spending are generated from small cities; and Post-90s and Post-95s generation is the core spenders on luxury goods¹⁹.

Duty-free shops

HNA increases stake in duty free giant Dufry to 20% and becomes the largest shareholder

HNA Group has completed the acquisition of a 16.2% stake in Swiss duty free retailer Dufry

AG from Singaporean investment companies, Temasek Holdings Pte. Ltd. and GIC Pte. Ltd. After the transaction, HNA Group's total stake in Dufry AG increased to 20.92%, making it the largest shareholder of Dufry AG. Dufry AG said it has begun to explore cooperation opportunities with the HNA Group, with special focus on attracting Chinese tourists²⁰.

Retail logistics

MOT calls for accelerating the development of cold chain logistics to guarantee food safety

On 24 August, the Ministry of Transport (MOT) issued the "Implementing Opinions on Accelerating the Development of Cold Chain Logistics to Safeguard Food Safety and Drive the Upgrading of Consumption". The Opinions state that efforts will be made to enhance the facilities and equipment used in cold chain logistics; tighten market entry and exit for refrigerated vehicles and insulated vans, and encourage traditional cold chain logistics enterprises to expand the scope of services, and form an alliance with other industry players for collaboration.

Additionally, the Opinions put forward that cold chain logistics enterprises are encouraged to create new multi-approach transportation models, such as combination of sea transportation and cold chain block trains, combination of highway transportation and Sino-Europe cold chain block trains, highway-waterway joint transportation, and air-land joint transportation, and to innovate ways to organize enterprises' business operations. Furthermore, the Opinions call for the strengthening of regulation on temperature monitoring during transportation, setting up a system for random inspection, formulating the

“Rules for Roadway Cold Chain Logistics Transportation Services”, and assessing the performance and credibility of cold chain logistics enterprises²¹.

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