

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general *p2*

- CNCIC: Sales of top 100 major retailers up 0.2% yoy in 1Q19

E-commerce *p2*

- MOFCOM to organize "Brand and Quality Online Shopping Festival"
- Douyin taps e-commerce with Mini Programs
- Douyin allows all users to upload one-minute long videos
- Juhuasuan to invest in brand development in five aspects
- Xin.JD.com introduces six Nestlé's brands to enrich product mix
- JD.hk establishes Global Traceability Alliance

Retail logistics *p3*

- JD Express achieves next day delivery in nearly 300 cities

Supermarkets and hypermarkets *p3*

- Sun Art's fresh produce online platform Fields China ceases operations
- Sam's Club accelerates expansion in China; to have 40 stores by end-2020
- Carrefour opens a small-scale concept store in WF Central
- Pagoda launches independent fresh produce platform "Baiguoxinxiang"
- Hualian Hypermarket's total revenue shows a slight drop in 2018; plans to open 10-20 stores in 2019

Convenience stores *p4*

- Suning Xiaodian "Biu×24h" opens four more stores

Apparel and shoes *p4*

- Xtep acquires K-Swiss from South Korea's fashion group E-Land

Luxury sector *p4*

- SMCP partners with JD.com to further expand online reach in China
- JD.com's luxury platform Toplife officially merges with Farfetch

Retail in general

CNCIC: Sales of top 100 major retailers up 0.2% yoy in 1Q19

According to China National Commercial Information Center (CNCIC), sales growth of the top 100 major retailers in China increased by 0.2% yoy in 1Q19, down 3.1 ppts yoy. By category, retail sales of grocery items rose 3.6% yoy, followed by cosmetics (up 10.9% yoy), while sales of apparel and home electronic appliances fell 6.7% yoy, and 5.8% yoy respectively¹.

E-commerce

MOFCOM to organize “Brand and Quality Online Shopping Festival”

The Ministry of Commerce (MOFCOM) announced to organize a “Brand and Quality Online Shopping Festival” with National Post Bureau (NPB) and China Consumers’ Association during 28 April and 10 May to promote brand consumption and quality consumption. E-commerce platforms including Alibaba, JD.com, Suning.com, NetEase, Gome, VIP.com, Jumei, Red, Womai.com and Fresh Market will reportedly participate in the event. This is an event organized under the government’s guidance and supported by enterprises including e-commerce platforms and express delivery companies. All participants will make concerted efforts to run marketing campaigns during the event period².

Douyin taps e-commerce with Mini Programs

Recently, short video platform Douyin launched “Mini Program feature” on its app, allowing users to access retailers’ Mini Programs

directly via the app. Recently, Xiaomi has rolled out its Mini Program on Douyin, enabling the short video app’s users to access Xiaomi’s e-commerce website without having to exit the app. Now Douyin supports content browsing, transaction and payment on its platform; users can settle payment by Alipay³.

Douyin allows all users to upload one-minute long videos

On 23 April, short video platform Douyin announced to allow all users to upload longer videos of up to one minute; previously, videos were limited to 15 seconds. Meanwhile, Douyin also encourages users to create “Vlog” (video blog). It has launched a reward campaign; outstanding Vloggers (Vlog creators) will be rewarded with “Douyin Vlogger” certification and get support in generating traffic⁴.

Juhasuan to invest in brand development in five aspects

Juhasuan, Alibaba’s e-commerce platform for flash sales, announced on 23 April its plan to invest in brand development which covers five aspects: assisting brands to acquire new customers, increase sales of super popular products, expand wholesale business, develop sub-brands, and clear inventory. It plans to nurture 200 products with over 100 million yuan of sales and 1,000 products with over 1 million yuan of sales. It also targets to cooperate with over 1,000 brands in expanding their wholesale business⁵.

Xin.JD.com introduces six Nestlé’s brands to enrich product mix

On 23 April, Xin.JD.com, a B2B e-commerce platform operated by JD.com, reached a strategic partnership agreement with Nestlé Group. Leveraging Xin.JD.com’s strengths in warehousing, big data and seamless

marketing experience, along with Nestlé Group's strong brand identity, both parties will work together on brand incubation, distribution network setup and brand building, among others. Nestlé Group will introduce six of its major brands – Nescafé, Nestlé Cui Cui Sha, Nestlé Milk Powder, Totole, Yinlu and Hsufuchi on Xin.JD.com. Based on consumer needs, both companies will deliver more personalized product experience to consumers; Nestlé Group will also help Xin.JD.com open up further opportunities for customized products⁶.

JD.hk establishes Global Traceability Alliance

JD.hk, JD.com's cross-border e-commerce platform, announced recently to establish the "2019 JD.hk Global Traceability Alliance" together with eight international brands including Biostime, Abbott, Centrum, GNC, Puritan's Pride, Vitamin World, Maxi-Cosi and Naris Up. Product traceability inspection is one of the key projects JD.hk is promoting. In April 2018, JD.hk launched 35 "shopping with trust" initiatives to satisfy consumers' demand for genuine products; supervisions on product traceability is one of the major areas of focus⁷.

Retail logistics

JD Express achieves next day delivery in nearly 300 cities

On 22 April, JD Logistics said that, in view of merchants and consumers' needs for fast delivery services, JD Express has joined forces with airlines including China Southern Airlines, Hainan Airlines, Air China, and China Eastern Airlines to launch "ultra-fast delivery services". At present, JD Express has already opened hundreds of air routes in 26 cities covering Beijing, Guangzhou, Shanghai,

Shenzhen, Hangzhou and Tianjin; parcels can be delivered the next day or every other day in nearly 300 cities⁸.

Supermarkets and hypermarkets

Sun Art's fresh produce online platform Fields China ceases operations

On 19 April, according to fresh produce online platform Fields China's official WeChat public account, Sun Art Retail Group, its parent company, has decided to stop Field China's operations starting from 19 April, 2019. The company will continue to provide after-sales services until 30 May, 2019. It is reported that Sun Art acquired a 54.5% stake in Fields China in May 2015⁹.

Sam's Club accelerates expansion in China; to have 40 stores by end-2020

Sam's Club opens its 24th store in Beijing Shunyi District on 25 April. With the addition of Sam's Kitchen and Sam's Cafe, the store can provide regular cooking courses and on-site food services to consumers. Dining tables are also available in the store. Currently, Sam's Club runs 24 stores in China, and it targets to have 40 stores in China by end-2020¹⁰.

Carrefour opens a small-scale concept store in WF Central

On 23 April, Carrefour officially opened a new concept store at WF Central Store. According to introduction, the new concept store has a business area of approximately 720 sqm and offers more than 7,000 items including imported foods, organic foods and private label products. Carrefour said that the new concept store is a new retail format with integrated functions of supermarkets and

convenience stores. In the initial set-up stage, Carrefour did a lot of research on customer segmentation; products are designed based on their customers' needs. The concept store is highly digitized – equipped with scan and go facilities, mobile payment, etc. together with traditional checkout registers¹¹.

Pagoda launches independent fresh produce platform “Baiguoxinxiang”

On 16 April, fresh fruits company Pagoda (Baiguoyuan) announced the launch of an independent fresh produce platform (“Baiguoxinxiang”), covering two businesses – online marketplace (“Xinxiang Mall”) and membership services (“Heart-Friendly Member”), implying that Pagoda has extended beyond the fruits sector. Leveraging Pagoda’s existing operating system, the new platform will reach out to its customers through its WeChat Mini Programs and offline stores. Customers can pick up the goods at any of Pagoda’s outlets after placing orders online. At present, Pagoda has more than 3,700 stores and 23 warehouses, covering more than 70 cities across the country¹².

Hualian Hypermarket’s total revenue shows a slight drop in 2018; plans to open 10-20 stores in 2019

On 24 April, Hualian Hypermarket released its FY18 annual report. In 2018, Hualian Hypermarket achieved total revenue of 11.595 billion yuan, down 1.47% yoy; net profit attributable to shareholders of the parent company was 83.39 million yuan, up 6.18% yoy. During the reporting period, the company opened six new stores; it plans to open 10 – 20 new stores in 2019. According to the report, Hualian Hypermarket will implement fresh produce strategies, private label strategies and regional marketing strategies in 2019¹³.

Convenience stores

Suning Xiaodian “Biu×24h” opens four more stores

On 22 April, Suning opened four new Suning Xiaodian “Biu×24h” stores in CBD area and commercial areas. Each of these stores will adjust its product portfolio and operation times based on the consumption habits of customers nearby and also the consumption needs of the surrounding communities. Suning Xiaodian “Biu×24h” is a 7/24 digitalized store which can be replicated at relatively low cost. The store will be operated like a normal convenience store, with a staff standby during day time; while at night (from 10 pm till 7 am), it will turn into an unmanned store supported by technologies such as AI and the IoT. It is reported that Suning will open its first “Biu×24h” store at a train station in May¹⁴.

Apparel and shoes

Xtep acquires K-Swiss from South Korea’s fashion group E-Land

On 17 April, China’s sportswear brand Xtep announced that it has sealed an agreement to acquire American athletic shoe brand K-Swiss from South Korea’s fashion group E-Land for 1.77 billion yuan. Headquartered in Los Angeles and established in 1966, K-Swiss was fully acquired by E-Land for US\$170 million in 2013¹⁵.

Luxury sector

SMCP partners with JD.com to further expand online reach in China

On 23 April, France’s SMCP Group

announced a new partnership with JD.com to expand its online presence in China's luxury market. The partnership will complement the growing digital presence of SMCP Group in China and serve as an important building block in the execution of the group's omnichannel strategy, bringing together the best of online and offline shopping. Taken over by China's Shandong Ruyi Group three years ago, SMCP Group currently operates 137 stores across 23 cities in China¹⁶.

JD.com's luxury platform Toplife officially merges with Farfetch

JD.com recently delivered text messages to its customers to promote the products of Farfetch. It is reported that Toplife has officially merged with Farfetch; upon the merge, Farfetch is expected to provide brand-new luxury fashion shopping experience to consumers. On 28 February, JD.com announced to merge its independent luxury portal Toplife into Farfetch China and pledged to provide Farfetch level one access on the JD app. The merge is considered a move by JD.com to offload Toplife to relieve pressure on its luxury business. Following the offload, JD.com will get back to its fashion business on its JD.com platform¹⁷.

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