

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
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# E-commerce

## Global.jd.com and Google Shopping launch a new e-commerce project to focus on North American market

Recently, JD.com's cross-border e-commerce arm selling to overseas market Global.jd.com reached a cooperation with Google Shopping to launch a new e-commerce project which focuses on selling to North America. The business is operating under three models: 1. Leverages the direct-sourcing capability of JD.com to select products and brands which suit the North American market; 2. Helps Google to recruit merchants in China to enter its platform and help Chinese merchants to sell on Google platform; 3. Develops a suitable SaaS platform for Chinese merchants to do business on JD.com platform easily. If they can fulfill certain conditions, JD.com will also assist them to sell on Google platform with just one-click. In June 2018, Google agreed to invest US\$550 million in JD.com, and the two companies formed a strategic partnership<sup>1</sup>.

## JD.com becomes the largest shareholder of Vietnam's e-commerce platform Tiki

According to the latest interim financial report of Vietnam's e-commerce and gaming company VNG, as of 30 June, VNG's ownership in local e-commerce platform Tiki decreased from 28.8% early this year to 24.4%, losing its position as Tiki's largest shareholder to JD.com, which currently holds a 25.65% stake in Tiki. Founded in Ho Chi Minh City in 2010, Tiki started out as an online store and soon expanded its business to cover various product categories. In 1H19, Tiki had 33.7 million monthly users on average, making it the second largest online shopping platform in Vietnam in terms of the number of monthly users<sup>2</sup>.

## NetEase records 18.769 billion yuan in net revenue for 2Q19; 28% is contributed by e-commerce business

On 8 August, NetEase released its unaudited financial report for 2Q19 ended 30 June 2019. During the quarter, NetEase's net revenue was 18.769 billion yuan, up 15.3% yoy. Net income attributable to the company's shareholders was 3.071 billion, up 45.8% yoy. Net revenue generated from e-commerce business was 5.247 billion yuan, up 20.2% yoy<sup>3</sup>.

## NetEase Kaola launches live streaming function

On 1 August, NetEase Kaola, NetEase's cross-border e-commerce arm, launched a live streaming function. In the preliminary phase, beauty KOLs and millennial mums (or so-called "spicy mums" in China) will host live streaming sessions to promote cosmetics products and baby and maternity products. In the next stage, NetEase Kaola will leverage live streaming to promote overseas products, while tracing the origins of the products; it will also invite celebrities and KOLs to host live streaming events overseas<sup>4</sup>.

## Secoo's social e-commerce platform Coostore opens first physical store in Hangzhou

On 4 August, Secoo's social e-commerce platform Coostore launched its first physical store in Hangzhou Jiebai Shopping Center's Block A. Covering 148 sqm, the store carries around 700-800 SKUs, offering cosmetics, apparel, footwear, jewellery, leather goods, watches and accessories items, with cosmetics making up most of the SKUs. Unlike many e-tailers' offline stores which tend to create consumption scenes, Coostore displays products in a traditional way –

showing products on shelves by category<sup>5</sup>.

### Taobao's content-based platform Weitao upgrades to provide more functions for merchants and KOLs

To prepare for the upcoming 11.11 global shopping festival, Taobao's content-based platform Weitao (we.taobao.com) is upgrading its platform to build a content-based community for merchants to share and interact with consumers. Starting from August, merchants and KOLs can hold product launch activities, recommend products, post videos, organize catwalk shows and host live streaming events with the new version of Weitao. Merchants can also host fans activities such as lucky draw events, pre-order events for new products with Weitao starting from September<sup>6</sup>.

### WeChat's ad server links to Youzan's WeChat Mini Program to lower the threshold for posting ads on WeChat Mini Program

Recently, WeChat advertising server has reportedly linked to Youzan's WeChat Mini Program, allowing WeChat's merchants to customize their own ads on the advertising server through the landing page designed by Youzan. This can hopefully lower the threshold for posting ads on WeChat Mini Program. Additionally, Youzan provides real-time monitoring service to track the advertising performance such as number of page views, number of clicks and purchase conversion rate for WeChat's merchants<sup>7</sup>.

### Suning.com announces to have access from Kuaishou store

Suning.com recently announced that users of Kuaishou store can now access Suning.com and shop while viewing live-streaming videos on the Kuaishou app. The open access is

aimed to promote Suning.com's "818 shopping festival". According to third party statistics, 54% of Kuaishou users come from tier-3 or lower cities. Having direct access from Kuaishou will assist Suning.com in penetrating into lower-tier cities and reach potential consumers<sup>8</sup>.

### Xiaomi Youpin launches cross-border e-commerce channel "Youpin Haigou"

On 8 August, Xiaomi Youpin launched a cross-border e-commerce channel "Youpin Haigou" to tap the cross-border e-commerce market. Currently, users can access the channel via Xiaomi Youpin app. There are four sections available – cosmetics and skincare products, health care products, festive products, and recommended products by Youpin Haigou – offering trendy products from overseas. At present, Youpin Haigou adopts the marketplace model where merchants and suppliers can use the "direct mail model" or "bonded warehouse model" to deliver cross-border imported goods to Chinese consumers<sup>9</sup>.

### Youzan receives US\$30 million strategic investment from Baidu

Recently, Youzan China announced that it has received an investment from Baidu, amounting to about US\$30 million. Through this investment, Youzan will become an important strategic partner of Baidu's smart WeChat Mini Program. Both companies hope to strengthen cooperation in WeChat Mini Program e-commerce. Under this partnership, Youzan will offer one-stop solution to help merchants and brands that have stores on Baidu's smart Mini Program to develop "new official websites" with trading function. Youzan is a SaaS and Mini Program service provider in China with more than 4.42 million merchants. Earlier in April, Youzan received a HK\$1 billion worth of investment from

Tencent<sup>10</sup>.

## Retail logistics

**Cainiao starts using the largest bonded deployment network for imported commodities in the country**

Cainiao Smart Logistics Network recently announced that it has started using the largest bonded deployment network for imported commodities in the country. The network covers 37 bonded import cities (zones) and shipping ports in Chinese mainland and Hong Kong. Once merchants confirm the order, bonded import commodities can flow freely and seamlessly from ports to bonded zones, between different bonded zones and within the zones. Also, the whole process is visualized<sup>11</sup>.

## Supermarkets and hypermarkets

**Integration of Yonghui Superstores and ParknShop accelerates; 38 stores of ParknShop and TASTE upgrade to "ParknShop-Yonghui"**

Recently, Yonghui Superstores has updated its official website, adding an additional of 38 "ParknShop-Yonghui" stores located in Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Zhongshan and Dongguan. To date, Yonghui Superstores has opened 64 stores in Guangdong, among which 38 are the newly upgraded and transformed "ParknShop-Yonghui" stores, accounting for nearly 60% of the total number of stores in the province. This implies that Yonghui has doubled its number of stores in Guangdong in a short period of time by renovating the stores of ParknShop and TASTE<sup>12</sup>.

## Convenience stores

**Suning Xiaodian buys all Circle K stores in Guangzhou from Fung Retailing**

On 5 August, Suning Xiaodian signed a share transfer agreement with Fung Retailing such that it will acquire all Fung Retailing's shares in subsidiary Convenience Retail Southern China Limited and become the owner of 61 Circle K outlets in Guangzhou. Upon completion of the deal, Suning Xiaodian will become the sole franchisor of all Circle K outlets in Guangzhou. Suning explained that, Circle K's resources and experience in merchandising, supply chain, store management and regional coverage will supplement Suning Xiaodian's existing operations in Guangzhou and future expansion in Southern China<sup>13</sup>.

**Suning.com opens first Suning Xiaodian 3.0 in Nanjing**

On 2 August, Suning.com opened its first Suning Xiaodian 3.0 in Nanjing's Zijin Jiayue district. The store reportedly covers an area of 300 sqm, with four core sections – product display area, dining area, kitchen and bars. The store also features an area dedicated to providing various value-added services such as Suning Food Market (fresh produce), Shenhuobang (community service), Community Finance and fang.suning.com (real estate), aiming to integrate the consumption scenes of dining, shopping, leisure and convenience services<sup>14</sup>.

**7-Eleven taps Hebei market by setting up subsidiary company in Tangshan**

On 2 August, 7-Eleven, Tangshan Jingshi Group and Beijing Zhuangdian Group jointly set up a new subsidiary company 7-Eleven

(Tangshan) Co., Ltd. This is the first time 7-Eleven set up a subsidiary affiliate company in non-provincial capital city. Leveraging 7-Eleven's management concept, logistics and distribution network, and payment systems, and also the advantages of Tangshan Jingshi Group and Beijing Zhuangdian Group in domestic markets, the new company will open stores in popular areas in Tangshan in the future, and will gradually expand to other nearby regions<sup>15</sup>.

## Apparel and shoes

### Levi's further scales down its supply chain in China

U.S. denim brand Levi's has revealed that merely 1%-2% of the brand's products currently sold in the U.S. are imported from China, compared with 16% two years ago; most of its supply chain operations have been relocated from China to Vietnam, Bangladesh and other countries. It is reported that fashion brands like Gap and Steve Madden as well as major retailers such as Macy's are taking similar steps to avoid potential risks. Nevertheless, according to the American Apparel & Footwear Association, China remains a major apparel supplier for the U.S., where 42% of its clothing products and 69% of its footwear products are made in China<sup>16</sup>.

### BIGOFFS to open new store in Shanghai in late August

Tianjin-based BIGOFFS discount store will open its new store in Lujiazui Square, Shanghai in late August. Officially launched in January 2019, BIGOFFS is a platform developed during the new retail era that integrates both online and offline channels. Currently, the discount store has formed partnerships with international sports brands

such as Nike, Adidas, Puma, Li Ning and Asics, as well as some European niche brands to provide sportswear products including shoes, outdoor gear, lifestyle luggage accessories and other goods. To ensure smooth shopping experience in both its online and offline channels, BIGOFFS sells its goods in various retail formats including hypermarkets, pop-up stores and boutiques, and adopts a one-stop "smart system" with functions such as sourcing, goods and inventory management, delivery and distribution on its online store<sup>17</sup>.

## Cosmetics

### Alipay officially launches Mini Program for cosmetics products

Alipay has recently launched a new Mini Program "Cosmetics\_Orchard" (化妆品\_果园), offering a new O2O distribution channel for cosmetics brands and introducing a new e-commerce model for cosmetics products. Since its trial operation in September 2017, Alipay Mini Program platform has already launched a wide range of Mini Programs covering nine areas including retail, lifestyle, travel, transport, charity, finance, education, medical and transport services. The platform has so far developed over 20,000 Mini Programs and the user base of its Mini Programs has reached 300 million, with the top three Mini Programs dedicated to travel, retail and lifestyle services<sup>18</sup>.

### U.S. skincare brand Drunk Elephant to launch on Tmall Global in September

U.S. skincare brand Drunk Elephant is set to launch its online flagship store on Tmall Global in September, and it will also be available in the two Sephora stores in Hong Kong soon. According to Drunk Elephant,

tapping the China market is one of its major global expansion strategies given the huge potential of the China market and the high demand for skincare products from Chinese consumers<sup>19</sup>.

## Home products

### China's lifestyle home products brand NōME shuts down its debut store in Shanghai

China's lifestyle brand NōME has recently shut down its debut store in Shanghai's Wanda Plaza. Meanwhile, the brand has also closed a slew of its stores in Shenzhen, Chengdu, Chongqing and Jiangmen, among others. Following the closure of its debut store in Shanghai, NōME will continue to shutter its branches in Beijing, Xi'an, Guangzhou and other cities<sup>20</sup>.

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## Fung Business Intelligence

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