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CGCC: Chinese retailers lose 181.0 billion yuan in 2016

China General Chamber of Commerce (CGCC) published the “6th Investigation Report on Retail Loss Prevention in China”, which said that in 2016 the retail industry in China lost 181.0 billion yuan. The retail loss rate of the industry was 0.71% in 2016, which has increased for the 5th consecutive year. Internal and external thefts were identified as the major causes of the loss. According to the report, each incident of internal theft resulted in an average loss of 486 yuan, while each external theft cost 298 yuan on average. In the internal theft category, stealing of merchandise was the most common, while other forms of internal theft include embezzlement, fraud and corruption.

CCFA announces “2016 Top 100 Franchise Businesses in China”, over 20,000 new franchised stores open in 2016

China Chain Store & Franchise Association (CCFA) announced the list of “2016 Top 100 Franchise Businesses in China”. The “Development Index of Top 100 Franchise Businesses in China” was also announced for the first time. In 2016, franchised business was one of the most vibrant retail formats in China with the opening of over 20,000 new franchised stores, up by 22% yoy. On average, each franchise business has 200 new franchised stores in the period. The 2016 Top 100 franchise businesses in China had together nearly 140,000 stores, 110,000 of which were operated by their franchisees.

both numbers were up by 17% and 22% yoy respectively. The total sales of the Top 100 franchise businesses amounted to around 360 billion yuan, up by 21% yoy. In the period, nearly half of the franchise businesses surveyed had seen double-digit growth in their total sales or store numbers.

E-commerce

JD.com’s 618 shopping festival sees stronger growth in local brands versus foreign brands

As part of the key events for JD.com’s 618 shopping festival, 6 June was the day where local Chinese brands were featured on JD.com. According to the e-commerce platform, sales of all Chinese brands on JD.com that day were up by more than 100%. The top 100 local Chinese brands on the platform recorded over 200% yoy growth in sales on the day. Moreover, JD.com’s big data showed that local brands had stronger sales growth than foreign brands on the day. JD.com said that more Chinese brands are becoming popular to local consumers with the help from JD.com’s positive brand image and quality supply chain services.

Apparel brands sales up by 200% yoy on the first day of Tmall 618 shopping festival

According to the official sales data released by Tmall, sales of apparel brands have reached new highs on 6 June, the first day of the Tmall 618 festival. Total transaction value of the apparel segment in the first hour equaled the amount collected over 8 hours on the corresponding day last year. Sales of apparel by 2:00pm equaled to the whole-day sales on the same day last year. Sales of apparel brands that were exclusively available
at this festival were up by 200% yoy. Sales of Rimowa, a German vintage brand, were up by over 5,000%, while ten other brands, including Lafuma, an European affordable luxury outdoor brand, recorded growth of over ten times comparing with the corresponding period last year. It was also announced that Tmall and US-based Macy’s Department Store will jointly deliver a fashion sales exhibition in the Mosaic Mall in Shanghai between 15 and 17 June, displaying apparel from numerous fashion brands to create a “New Retail” shopping experience⁴.

E-commerce logistics

JD.com announces full collaboration with SF Express’s HIVE Box to provide last-mile delivery services

On 2 June, JD.com announced that products from its self-operated retail business can be delivered to HIVE Box smart lockers owned by SF Express. JD Logistics said that JD.com and SF Express started to explore partnership opportunities since a year ago and commenced the partnership officially since end of May 2017. Currently the service is available in 13 cities and handles 50,000 orders per day on average. The companies planned to expand the partnership scope to 26 cities across China, adding around 10,000 HIVE Boxes to the last-mile delivery network of JD.com⁵.

JD.com upgrade luxury products delivery, delivery staff now appears in white gloves, black suits and drives electric cars

JD.com introduced specialised delivery service for its luxury products delivery. A specialised logistics team has been set up for the delivery of high-end luxury products. They deliver orders in black suits, white gloves and drive electrical cars. The new service is currently available in Beijing, Shanghai and Guangzhou. JD.com plans to roll it out to other regions in the coming few years. In the initial phase of the service-roll-out, delivery of small-size luxury products such as watches and jewellery will be able to enjoy this new service. In 2H17, the service will apply also to luxury fashion items on JD.com⁶.

Supermarkets and hypermarkets

E-Mart to close all physical stores in China

South Korean retail group Shinsegae Co Ltd. confirmed that the company will shut down all physical stores in China. Currently, there are still six E-Mart stores in operation in China. The stores will be closed down gradually upon the expiration of the current rental contracts of the respective stores. E-Mart will however continue to develop its e-commerce business in China. Its online flagship stores on NetEase’s Koala.com and Tmall will still be in operation⁷.

Better Life Group’s O2O catering retail brand Fresh Ideas starts trial operation

Fresh Ideas of Hunan retail conglomerate Better Life Group started its trial operation on 8 June, as part of the upgrading plan for the group’s premium supermarket in Meixi Xintiandi shopping mall in Changsha. Opening to the public for the first time after its upgrade, Fresh Ideas is regarded as the 3.0 version of the premium supermarket. Floor space of the catering area has been expanded so that customers can find seats easier in peak hours. Also, customers can now place food order through the company’s mobile app (Yunhou
app, yunhou.com). Aside from food ordering, customers can also order over 3,000 SKUs of regular products through the mobile app and have the goods delivered to their doors.

Convenience stores

I Believe and Wangfujing jointly open 107 convenience stores in Beijing on 6 June

Wangfujing Group and Henan-based I Believe Co. Ltd. have formed a joint venture to develop community convenience stores in Beijing. On 6 June, 2017, 107 I Believe convenience stores were opened simultaneously in Beijing. According to media report, I Believe plans to focus on the FMCG and fresh produce product categories. The company believes fresh produce will be a significant profit area going forward. Also, the company aims to become a successful local convenience store chain.

JXYG of Jiaxing Group opens a 24-hour convenience store in Hebei province

JXYG, the convenience store retailer of Hebei Jiaxing Trading Co. Ltd., opened a 24-hour convenience store in Gaobeidian city of Hebei province. According to media report, the store is the first around-the-clock convenience store in the city. Many private label products of Jiaxing Group are available in the store. Also, the store features a wifi-covered resting area, as well as O2O service areas such as laundry service, cooked food area, and bakery service. Hebei Jiaxing Jiaxing Trading Co. Ltd is an integrated commercial enterprise that operates business such as department store, supermarkets, logistics, manufacturing, hotel catering, real estate development, as well as e-commerce business. The company has over 300 operations in the Beijing-Tianjin-Hebei region in China.

Auchan opens first fully-automated 24-hour convenience store Bingo Box in Shanghai

Bingo Box of the French Auchan Group, a fully-automated 24-hour convenience store, was opened in Yangpu district of Shanghai. Aside from being open throughout the day, one of the major innovations of this retail format is that shoppers can complete the whole shopping process from purchase to payment on their own. Having a floor space of around 15 sqm, Bingo Box sells more than 500 SKU of products that include food and other general merchandise. Auchan Group was founded in 1961 in the northern French city of Lille. It is the 2nd largest retail distribution in France, as well as a Fortune 500 companies. Auchan has presence in 15 countries and regions, in which it operates 774 hypermarkets, 817 supermarkets and 362 commercial centres.

Department stores and shopping malls

SMG and Bailian Group form strategic partnership to promote joint development of cultural and retail industry

The Shanghai Media Group (SMG) and Bailian Group formed a strategic partnership to leverage the competitive advantage of both companies for joint development. The collaboration under this partnership includes the design and construction of a comprehensive experiential retail space that features performing arts and culture, as well as an indoor theme park targeting young consumers. The space will focus on content marketing and original content creation. Also, the two groups will work together in various
areas such as television shopping channel, marketing and advertising, and new technology development, so as to promote joint development of the cultural and retail industry under the New Retail Regime.\textsuperscript{12}

New World Development plans to privatize New World Development Store China in a cash offer of around HK$900 million

New World Development Company announced privatization plan of New World Development Store China, in which it currently owns 72.29% of the shares. The offer price of the privatization deal amounted to HK$2 per share, carrying a premium of 50.38% over the closing price of New World Development Store China on the Hong Kong Stock Exchange on its last trading day. The total consideration for the deal reportedly amounted to around HK$935 million and will be paid in cash. According to the announcement by New World Development Company, the privatization deal will consolidate the group’s real estate portfolio, enhance overall operational efficiency and facilitate more advantageous financing and coordinated internal treasury management.\textsuperscript{13}

American brand Steve Madden and Chinese footwear company C.banner form JV and target to set up 150 retail stores in China

Chinese haute couture brand LANYU opens flagship store on Tmall

LANYU, a Chinese designer brand known for its design combining haute couture with traditional Chinese handicrafts such as the Suzhou embroidery, opened a flagship store on Tmall to foray into e-commerce. Aside from designs with Suzhou embroidery, the store also displays in-season fashion items and wedding dresses of styles designed for celebrity clients. Price of the products ranges several hundred thousand to over a million yuan. Currently, LANYU has physical stores in Beijing and Shanghai. It also has showrooms in Paris, New York and Melbourne. LANYU also planned to extend its physical store network to up to five stores in 2017.\textsuperscript{15}

Chinese footwear company C.banner International Holdings Ltd. announced that it will form a joint venture with Madden International Limited, in which both parties will hold an equal share of equity, to operate the sales and distribution business of American footwear and fashion brand Steve Madden in China. According to C.banner, the JV will open 150 retail stores in China by the end of 2020. Also, the JV will sell Steve Madden’s products through online platforms.\textsuperscript{14}

LVMH’s luxury cosmetics brand Cha Ling opens first mainland China store in Shanghai

Cha Ling, a luxury cosmetics brand that features Pu’er tea, opened its first mainland China store in Shanghai. The brand is part of the French luxury goods group LVMH. The brand opened its first store in Asia earlier in Hong Kong. Aside from cosmetic products, Cha Ling sells tea leaves and tea sets to feature Chinese culture and natural elements. The store has an area dedicated to teaching consumers how to make tea and might introduce traditional massage therapy in Chinese medicine as well as meditation.
courses for shoppers in the future. The brand is positioned as a lifestyle and beauty label featuring popular concepts of herbal elements. The team that runs Cha Ling is comprised of 20 staff and the products are manufactured by Guerlain. LVMH Group is a global luxury conglomerate, owning over 60 brands such as Christian Dior, Louis Vuitton, Bulgari and Hennessy.\(^{16}\)

L’Occitane to open its first mainland China café in Nanjing

French cosmetics brand L’Occitane announced that it will open its first mainland China café in Nanjing’s Deji Plaza. Once opened, it will be the brand’s sixth café globally that integrates cosmetics and catering. In fact, L’Occitane has been active in recent years in developing its café business, which provides light meals to shoppers. Currently, the brand has five cafés worldwide, with two of them in Tokyo and one each in Macau, Taipei and Moscow.\(^{17}\)

Chinese kidswear brand Annil goes public and raises 379 million yuan

Shenzhen Annil Kidswear Co. Ltd was successfully listed on the Shenzhen Stock Exchange. In Annil’s IPO, the issue price of each share amounted to 17.07 yuan and 379 million yuan was raised in total. The company said that the capital raised will be used in opening new stores, R&D investment, as well as construction of information technology infrastructure. Founded in the mid-90s, Annil was one of the oldest kidswear brands in China. The brand positions itself in the mid- to high-end market. According to data from market research company Euromonitor, Annil was the third-largest kidswear brand in China in terms of market share in 2016, ranking only after Balabala and Adidas. As of the end of 2016, Annil has 1,458 stores in China and annual total sales of around 920 million yuan, which accounted for 1% of the total market share in China.\(^{18}\)

Philips forms strategic partnership with JD.com

Dutch electronics brand Philips and JD.com signed a memorandum of understanding in JD.com’s headquarter in Beijing to form a strategic partnership. Both sides agreed to collaborate in areas such as omni-channel business development, big data analytics, supply chain coordination, and product R&D. In terms of omni-channel business development, the two companies will pilot new O2O collaborative models. In terms of supply chain coordination, both companies will deep-dive into supply chain optimisation projects around logistics planning and data analytics. In terms of product R&D, the companies will explore innovative ways to creatively upgrade product offerings. Also, Philips will support the rural and county-level e-commerce service station project of JD.com and participate in the exclusive home electronics sales on JD.com. Both companies will also strengthen their strategic partnership globally in the future.\(^{19}\)
L2: More international fashion brands are setting up e-commerce platforms in forms of self-operated sites and WeChat stores

L2, a U.S. digital marketing consultancy released a report titled “Digital IQ Index: Luxury China 2017”, in which L2 said that setting up stores on Tmall and JD.com’s platforms means that brands need to concede the full control of its online consumer search data. According to the report, only 21% of the fashion brands surveyed have set up shop on Tmall, while there was a trend of the establishment of more self-operated e-commerce websites opened by international brands. The number of self-operated e-commerce sites and WeChat stores grew rapidly between 2014 and 2017. Currently, the top ten international fashion and luxury brands in the e-commerce market of China are Burberry, Cartier, Coach, Bulgari, Gucci, Chow Tai Fook, Chow Sang Sang, Piaget, Louis Vuitton and Valentino.
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