

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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# Retail in General

## MOFCOM's Research Centre and the DRC: Consumers in Shanghai, Beijing, Hangzhou and Shenzhen lead the consumption in 11.11 Global Shopping Festival

On 1 November, the China Consumer Data Research Center of Ministry of Commerce, together with the Expert Committee of the Development Research Center of the State Council, jointly released the "China Urban Consumption Upgrade Report 2018 – an analysis of the ten years data of the Singles' Day Festival". The report uses the historical data generated from the Singles' Day Festival in the past years to study the trend of consumption upgrading in urban cities in China. According to the report, consumption upgrading in Wuhan, Hangzhou, Chengdu and Chongqing was the most significant; while per capita consumption was higher in Yangtze River Delta region than in the Pearl River Delta region. The report also highlighted that the four cities with the highest spending in 2017 were Shanghai, Beijing, Hangzhou and Shenzhen, compared to Shanghai, Beijing, Shenzhen and Guangzhou in 2009. This indicates that development of Hangzhou has been very rapid<sup>1</sup>.

# E-commerce

## E-commerce players seal over 1.6 trillion yuan purchase contracts at CIIE

According to China Electronic Commerce Research Center (CECRC), as of 6 November, China International Import Expo (CIIE) has recorded more than 1.6 trillion yuan worth of purchase contracts signed by e-commerce companies, of which Alibaba pledges to import US\$200 billion of foreign

goods over the next five years, followed by nearly 100 billion yuan purchase contracts signed by JD.com, 15 billion euro contracts by Suning, nearly 20 billion yuan by Kaola.com, US\$100 million by Secoo, 10 billion yuan by Vip.com and around 100 million yuan by Ymatou.com. Deloitte expressed that a large number of international medium-and small-sized brands are optimistic about the Chinese market. In the past, they had to bear relatively high investment costs in production and marketing when entering China; but now, since the Chinese government has put in place policies to support imports, these brands are able to explore new business opportunities through tying up with e-commerce players<sup>2</sup>.

## JD.com expects to splurge 100 billion yuan on foreign goods at CIIE

On 5 November, the first China International Import Expo (CIIE) officially kicked off in Shanghai. JD.com announced that it expects to sign purchase contracts and buy nearly 100 billion yuan worth of foreign goods directly at the Expo, ordering in bulk from well-known international brands including Miji, Bosch Home Appliances, Tiger, Delonghi, Dell and Marantz.

On 6 November, the Academy of China Council for the Promotion of International Trade (CCPIT) and Communication University of China (CUC) – JD.com Big Data Joint Laboratory jointly released "2018 China Import Guidebook", which provides a comprehensive marketing strategy on the Chinese market through thorough analysis of the market from various perspectives – consumption trends, characteristics of distribution channel, marketing techniques and supply chain planning, etc<sup>3</sup>.

### Alibaba's revenue up 54% yoy in 2Q19

Alibaba Group Holding Ltd. announced its financial results for 2Q19, the quarter ended 30 September, 2018. In the quarter, Alibaba's revenue maintained at a high growth rate, with revenue up 54% yoy to 85.148 billion yuan; while revenue of core e-commerce business recorded a 56% annual growth. Tmall's quarterly physical goods GMV increased by 30% yoy, which was driven by the higher traffic and conversion rate in fast moving consumer goods, home furniture and home products, and apparel and accessories. In addition, as of the end of September, annual active consumers on Alibaba's China retail marketplaces reached 601 million, an increase of 23% yoy, which was mainly attributed to the increase in number of customer in lower-tier cities<sup>4</sup>.

### Alibaba pledges to import US\$200 billion international goods to China

On 6 November, Alibaba Group's CEO Daniel Zhang announced at the first Global Import Leadership Summit its plan to import US\$200 billion worth of goods from more than 120 countries over the next five years to meet the rising demand of Chinese consumers for high-quality international products. Alibaba revealed that various business units in the Group will participate in the plan, including Tmall, Tmall Global, Alibaba B2B business, Hema Xiansheng, Yunphant, Intime Retail, RT-Mart and Ling Shou Tong<sup>5</sup>.

### Fung Retailing forms strategic partnership with Alibaba; to help international lifestyle brands to enter China

On 6 November, Fung Retailing Group and Alibaba Group announced their strategic partnership at a signing ceremony at the first China International Import Expo. To meet increasing Chinese consumers' demand for

lifestyle products, the two companies will help more international lifestyle brands in the world to enter China by leveraging each other's strengths in both online and offline arena. The two companies will team up in global brand recruitment and offer brands merchandising, marketing and omnichannel distribution services<sup>6</sup>.

### Tmall launches new entrance "Tmall Guangguang" on mobile Taobao app and mobile Tmall app in 12 cities

Tmall has reportedly launched a new entrance "Tmall Guangguang" on mobile Taobao app and mobile Tmall app for the 11.11 Global Shopping Festival. It is an online directory where customers can see all retailers in the commercial districts with all promotion events and operating details; customers can also collect coupons from participating retailers. "Tmall Guangguang" is available in 12 cities including Hangzhou, Shanghai, Chongqing, Guangzhou, Chengdu, Beijing, Shenzhen, Nanjing, Wuhan, Xian, Suzhou, Tianjin, covering 100 key business districts, 200,000 smart stores and 500,000 smart shopping guides<sup>7</sup>.

### Xiaomi Youpin and JD.com sign strategic cooperation agreement; Xiaomi Youpin launches online flagship store on JD.com

On 6 November, Xiaomi Youpin, an e-commerce marketplace under Xiaomi, signed a strategic cooperation agreement with JD.com. The two companies will cooperate in areas such as selling Xiaomi Youpin's products on JD.com, incubating third-party brands, C2B customization of products, as well as logistics. It is reported that Xiaomi Youpin has already opened an online flagship store on JD.com, offering home products, daily necessities, kitchen products, home electronics, smart products, audio and video products, and apparel. This is also the first

time for Xiaomi Youpin to cooperate with another platform<sup>8</sup>.

### Mogujie launches offline experiential store “Mogu Studio” in Hangzhou Xixi Intime

On 7 November, Mogujie launched an offline experiential store “Mogu Studio” in Hangzhou Xixi Intime. The studio has hundreds of SKUs from fashion brands and designer brands including Sakkas, Aoso, Peace of Rice, Moi.LeRoi, Ussed, etc. Fashion KOLs and customers can film and take professional product pictures and styling pictures in the studio, as well as do live streaming events. Mogu Studio brings together new products, professional styling team and photographers to act as an incubator for fashion brands and designer brands to test the market with less time and costs<sup>9</sup>.

## Department stores and shopping malls

### Swire Properties to use Tmall’s new retail technologies

On 3 November, Swire Properties and Tmall signed cooperation agreement to bring Tmall’s “New Retail” features to five of Swire Properties’ shopping malls in mainland China, including two Swire malls in Beijing, one in Shanghai, one in Guangzhou and one in Chengdu, aiming to create seamless and tailored retail experiences for Chinese consumers. New experiences such as Tmall smart stores, pop-up store, “interactive idol engagement photo booth,” smart nursery rooms and smart parking services will be introduced to the shopping malls. The cooperation started at the same time as Alibaba’s 11.11 Global Shopping Festival<sup>10</sup>.

### AliExpress opens “shop-in-shop” in Spanish Department Store El Corte Inglés

To celebrate the 11.11 Global Shopping Festival, AliExpress opened its first temporary “shop-in-shop” in Spanish Department Store El Corte Inglés’ store in Sanchinarro, Madrid. Last until 18 November, the store offers a selection of products including home products, technology and mobile products. This is the first time for AliExpress to open a store in a local retail store in Spain, and also the first time that Alibaba to extend the duration of the Shopping Festival for one more day, from 11 November to 12 November<sup>11</sup>.

## Supermarkets and hypermarkets

### Tmall Supermarket offers one-hour delivery service for Ele.me

On 5 November, Tmall announced the launch of one-hour delivery service for Ele.me. Initially, the service is available in eight major cities – Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Wuhan, Fuzhou and Chengdu; it will gradually extend to other cities. According to Tmall Supermarket’s data, the volume of one-hour delivery service orders has increased threefold compared with the same period of last year, of which orders for fresh food take up 70%. Tmall Supermarket’s one-hour delivery service is currently available in 21 cities including Beijing, Shanghai, Chengdu and Hangzhou, backed by nearly 400 warehouses in proximity to delivery destinations and 45 partnered convenience stores in Beijing and Hangzhou<sup>12</sup>.

### Yonghui Superstores launches blockchain food safety traceability system

Recently, Yonghui Superstores launched a blockchain food safety traceability system, which can track and trace the fresh produce's existence in the entire supply chain system. At present, the supermarket uses the system mainly on fish items, and will gradually pilot the system in other fresh food items including meat products, fruits and vegetables. According to Yonghui Superstores, customers can immediately obtain product information including product description, transportation process, quarantine results, and sales information by scanning the QR code available on seafood items<sup>13</sup>.

## FMCG

### Watsons launches on Meituan Flash Shopping

Following the launch on Ele.me in October, Watsons recently announced its partnership with Meituan Flash Shopping, a move to allow 2,500 Watsons stores to go online by the end of 2018. It is reportedly that nearly 1,500 Watsons stores have already entered Meituan Flash Shopping platform, offering skincare, personal care, healthcare and food products, which are all entitled to one-hour ultra-fast delivery service, with some orders even taking only 30 minutes to deliver<sup>14</sup>.

### Watsons launches on WeChat Mini Program to trial social commerce

Watsons has recently launched its WeChat Mini Program store "Watsons Mini Store". Serving as the company's new social selling platform, Watsons Mini Store allows customers to recommend and sell Watsons products to their social media followers, as well as to share instore experiences. Featuring beauty and personal care products, Watsons Mini Store has over 10,000

registered users. Customers can directly purchase products via WeChat. Their orders will be shipped from the warehouse closest to the shipping address. Packages can be delivered in 2-7 days, 1-3 days for delivery within the same city and 3-7 days for other provinces, while delivery to remote areas requires 10-20 days<sup>15</sup>.

## Apparel

### Uniqlo upgrades Uniqlo Mini Program store; supports "buy online and exchange offline"

On 3 November, Uniqlo upgraded its store on WeChat Mini Program. In the past, customers would be directed to Uniqlo's Tmall website if they are interested to buy the products they saw in the WeChat Mini Program store; now they can directly place order in the WeChat Mini Program store. The upgraded Mini Program store has added a "scan and order" function where customers can scan the code on the tag to see product details and order via the app; customers can also use the "VR"360° function to view product with virtual reality technology. Meanwhile, Uniqlo also announced that during the 11.11 Global Shopping Festival, customers can exchange products in selected physical stores after ordering from the Uniqlo WeChat Mini Program store, in addition to the original exchange method by sending back via couriers<sup>16</sup>.

### GXG opens first new retail experiential store before 11.11 Global Shopping Festival

Menswear brand GXG opened its first new retail experiential store in Nanjing before the 11.11 Global Shopping Festival on 4 November. The store adopts a lot of Tmall's

new retail technologies, including virtual fitting service and red envelopes collection and interactive games. GXG's cooperation with Tmall involves membership, data, marketing, product planning, and supply chain, etc. In 2017, GXG's total sales revenue (include both online and offline channels) reached 3.5 billion yuan; of which 34% of total sales came were generated from online channel – mostly from Tmall. The company estimated that e-commerce will account for half of the total sales in the next three years<sup>17</sup>.

On 1 November, IKEA launched its first experiential center in China in Beijing – the latest move by IKEA to implement its multi-channel retail strategy. With a sales area of about 1,900 sqm, the Experiential Center offers more product categories and home solutions; it also has some new areas such as dining areas, and children's playground. In addition, the center has added a home design center which can provide consulting services for its customers<sup>19</sup>.

## Toys

**Lego steps up both online and offline expansion in China, targets 140 stores by the end of 2019**

Lego Group's CEO expressed that the company will accelerate both online and offline expansion in China by adding 60 new stores in late 2018, aiming to have 140 stores by the end of 2019. It also plans to unveil its third local flagship store in Beijing in 1Q19. At the China International Import Expo (CIIE), Lego announced that it will roll out two sets of new toys inspired by Chinese Lunar New Year in China and the Asia-Pacific region on 1 September 2019 and will also join hands with local partners to introduce its first STEAM tutorial designed for Chinese teachers and students in 2019. Currently, Lego has opened 47 Lego branded retail store across 16 cities in China and 157 authorized Lego Education Learning Centres nationwide<sup>18</sup>.

## Home products

**IKEA launches China's first experiential center in Beijing; accelerates multi-channel retail strategy**

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## Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

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