

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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Retail in general

China to adjust import tariffs for some products from 1 January, 2020

On 23 December, the Customs Tariff Commission of the State Council released a circular on the adjustments of import tariffs. From 1 January, 2020, China will implement provisional import tax rates that are lower than the most-favored-nation (MFN) tariff rates for over 850 commodities. Of which, China will introduce or reduce the provisional import tax rates on products including frozen pork, frozen avocados and non-frozen orange juice, and increase the import of daily consumer goods that are relatively scarce in the country. Meanwhile, from 1 July, 2020, China will implement the fifth MFN tariff concession on 176 information technology products and adjust the provisional import tariff rates of some information technology products¹.

iResearch: Post-95s generation spends over 3,000 yuan per month; online shopping becomes a routine

iResearch recently published the "Report on Post-95s Generation in China, 2019". The report found that post-95s consumers spent an average of 3,017 yuan per month and the spending by male was higher. Compared to 2018, the post-95s spent more on online shopping, traveling and paid knowledge. Online shopping became a routine and Taobao was the most popular e-commerce platform with a coverage of 96%².

E-commerce

State Council approves 24 CBEC comprehensive pilot zones, making up a total of 59

On 24 December, the State Council approved the establishment of cross-border e-commerce (CBEC) comprehensive pilot zones in 24 cities, including Shijiazhuang, Taiyuan, Chifeng, Fushun, Hunchun, Suifenhe, Xuzhou, Nantong, Wenzhou, Shaoxing, Wuhu, Fuzhou, Quanzhou, Ganzhou, Jinan, Yantai, Luoyang, Huangshi, Yueyang, Shantou, Foshan, Luzhou, Haidong, and Yinchuan. As of today, there are 59 CBEC comprehensive pilot zones in China. The government will encourage innovation in CBEC business, promote industrial transformation and upgrading, strengthen brand building, support international trade liberalization and facilitation, and accelerate retail format innovation in these CBEC comprehensive pilot zones³.

International digital money transfer platform PayPal enters China market

International digital money transfer platform PayPal will officially enter China's digital payments market. The company has already obtained approval to acquire 70% stake in Gopay Information Technology (also known as Guofubao), a domestic payments firm, via a Shanghai subsidiary and become the controlling shareholder. Gopay is a fintech platform operator offering comprehensive B2B and B2C third-party payment solution and other value-added services for corporates. Details of this transaction have yet to be disclosed⁴.

Beibei Group launches one-stop rebate platform Beisheng

On 24 December, vertical e-commerce operator Beibei Group launched a one-stop rebate platform Beisheng, which integrates various e-commerce platforms including Taobao, JD.com, Beidian, Pinduoduo, Ele.me, and Meituan. Users of the Beisheng App can get coupons for their shopping. Meanwhile,

Beisheng can recommend products to users based on big data intelligence as well as professional advice from its buyers⁵.

Retail logistics

JD Logistics reportedly eyes overseas IPO, planning to raise over US\$8 billion

On 23 December, Reuters reported that JD Logistics is in early discussions with banks about raising US\$8 billion to US\$10 billion through an overseas initial public offering (IPO). JD Logistics reportedly will target a valuation of at least US\$30 billion in a Hong Kong or New York IPO in 2H20 and will use the funds for warehouse expansion and potential acquisition purposes⁶.

Supermarkets and hypermarkets

Alibaba withdraws from the joint venture company with RT Mart; Hema Shanghai becomes the second largest shareholder

Recently, Alibaba withdrew from Shanghai Runhe, the joint venture company between Alibaba and RT Mart. Shanghai Hema replaced Alibaba to become the second largest shareholder of Shanghai Runhe holding 49% of the total shares, while RT Mart remained the largest shareholder holding 51% of the total shares. Meanwhile, the registered capital of Shanghai Runhe increased to 300 million from the original 100 million yuan⁷.

Community fresh grocery chain Qiandama completes Series D round funding, taking its valuation up to 10 billion yuan

On 23 December, community fresh grocery chain Qiandama completed a Series D round

funding, taking its valuation to 8.5 to 10 billion yuan. Meanwhile, Qiandama has accelerated its store expansion nationwide. It is reported that the company has invited merchants across nine cities, including Shanghai, Suzhou, Wuxi, Changzhou, Hangzhou, Wuhan, Changsha, Chengdu and Chongqing to join its fresh grocery stores and has planned to open at least 100 stores in the above cities in 1H20⁸.

Apparel

Taobao's top livestreamer Viya builds a "super supply chain base"

Hangzhou Qianxun Electronic Commerce Co., Ltd. ("Qianxun"), the e-commerce livestream content agency for Taobao's top livestreamer Viya, is reportedly setting up a "super supply chain base". The company is renovating its two-storey office into a 10,000 sqm product display site. Similar to a shopping mall, the site will be divided into different product category zones. Livestreamers can choose products freely from the site and feature the products in their shows. Interested merchants can pay a fee for displaying their products in the site. The fee is believed to be lower than the usual listing fees charged by shopping malls and supermarkets. The site is expected to be launched in January 2020 and will showcase over 1,000 brands with tens of thousands of SKUs and a zone for apparel customization⁹.

Alibaba: 80% of well-known apparel enterprises in China pair up with Alibaba Cloud for new retail transformation

Alibaba has recently revealed at a business conference that 80% of well-known apparel enterprises in China have paired up with Alibaba Cloud for new retail transformation;

for example, domestic brands Red Dragonfly and Youngor have collaborated with Alibaba Cloud in setting up data centers and smart stores. Open data sources showed that for 1H19, domestic brands in tie-up with Alibaba Cloud delivered revenue growth of 24% yoy on average, of which revenue growth of Anta even surged 40.3% yoy, followed by 32.7% yoy growth by Li Ning and 27.8% yoy growth by Youngor, while Zara's parent company Inditex and Uniqlo registered average revenue growth of around 7% yoy respectively¹⁰.

Skechers and Youngor jointly explore adoption of new retail model in offline store openings

American sneaker brand Skechers and Chinese apparel brand Youngor have recently entered into partnership to explore adoption of new retail model in offline store openings with a view to reducing their offline distribution and operation expenses. The partnership with Youngor will enable Skechers to expand its product category and reinforce its marketing concept to offer products for the whole family. On the other hand, Youngor's operation team can learn more about fast fashion style and the operation model of a world-class brand under the deal with Skechers¹¹.

Kids products

Alibaba Cloud joins hands with Beingmate to establish "new retail" benchmark for baby and maternity industry

On 25 December, Alibaba Cloud reached a cooperation agreement with milk powder brand Beingmate. The two parties will leverage Alibaba Cloud's technology and Alibaba Group's retail eco-system to push forward digital transformation in "new retail". Alibaba will assist Beingmate in establishing smart stores, digital middle office and a

"business brain" that can adapt to the development of the company so that Beingmate would become the benchmark of "new retail" in the baby and maternity industry¹².

Home products

Easyhome lists on A share market; market capitalization hits 66.2 billion yuan

On 26 December, furniture chain operator Beijing Easyhome Investment Holding Group Co., Ltd. got listed on the Shenzhen Stock Exchange with stock code 000785.SZ. Its opening price rose 1.48% to 11 yuan and the company had a market capitalization of 66.22 billion yuan. According to the company's 1H19 financial statement, as of 31 March 2019, it operated 290 furniture stores across tier-1 to tier-5 cities in China, of which 86 were self-operated and 204 were franchise stores. Easyhome reported an operating revenue of 4.23 billion yuan and a net profit of 959 million yuan for 1H19, up 8.92% yoy and 13.49% yoy respectively¹³.

Luxury sector

Italian menswear brand ISAIA goes online in China with JD.com

Recently, Italian luxury tailor-made menswear brand ISAIA has launched its official online flagship store on JD.com, marking the brand's first online store in China and new stage of e-commerce development in the market. It is reported that nearly 200 luxury brands have launched on JD.com so far. During the 11.11 Global Shopping Festival in 2019, 78 luxury brands on JD.com more than doubled their sales growth from last year. There was also an increase in the number of luxury brands

with sales growth surging twofold to fivefold yoy¹⁴.

Harrods to open first store outside the U.K. in Shanghai in 2020

Recently, high-end department store Harrods announced to open the first standalone site outside the U.K. in Pudong, Shanghai in 2020, to serve China's surging middle class. It is reported that 20% of Harrod's revenue came from Chinese tourists. With the rise of Chinese millennials' purchasing power, there are vast business opportunities in the Chinese luxury market¹⁵.

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Fung Business Intelligence

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