



China Retail & E-commerce

Weekly Updates

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Retail in General

MOFCOM: 83.3% of total online retail sales of goods and services are from Eastern China

At a regular press conference of the Ministry of Commerce (MOFCOM) on 19 July, the MOFCOM spokesman Gao Feng revealed that according to the National Bureau of Statistics (NBS), total online retail sales of goods and services amounted to 4.08 trillion yuan in 1H18, up 30.1% yoy. Of which, 83.3%, 8.6% and 6.7% and 1.4% of the total online retail sales of goods and services were generated from Eastern China, Central China, Western China and Northern China respectively. By category, apparel, home electronics, daily necessities were the most popular categories in terms of sales, accounting for 28.3%, 14% and 9% of total sales respectively. In 1H18, online retail sales of goods and services from rural areas reached 632.28 billion yuan, up 34.4% yoy, 4.3 pts higher than the national growth and accounted for 15.5% of the total online retail sales of goods and services¹.

E-commerce

Alibaba rolls out European roadshows to attract beauty and skincare brands to Tmall Global

Alibaba has recently rolled out a series of roadshows in Europe to attract beauty and skincare brands to enter Tmall Global. On 20 July, Alibaba hosted a conference named “The Colors of Italian Beauty” in Milan, over 300 brands participated in the event².

JD.com plans to expand into Europe; to set up German office by end of 2018

Richard Liu, CEO of JD.com said that the company plans to expand into Europe and aims to have its strategy for entering the market finalized by the end of this year. JD.com also plans to open an office in Germany by the end of 2018. Liu also said it's not only about selling products from Germany in China, but also selling products in Europe. In addition, Liu would also consider entering the European market through acquisition³.

JD.com and Walmart to integrate inventory management and launch 1-hour delivery service by end of 2018

On 16 July, JD.com and Walmart announced that both parties will accelerate the integration of their stores & platforms, inventory and customers. The two companies plan to achieve full inventory integration and roll out a pilot one-hour delivery service before the end of this year. JD.com said that the company will make sell-out forecast in Walmart stores, adjust inventory according to consumer behavior and needs, reduce invalid inventory, improve the efficiency of supply chain operation, and reduce costs. It is expected that by the end of this year, the two sides will achieve full integration of inventory across the nation and launch pilot one-hour delivery service in selected cities⁴.

Facebook to set up an innovation center in Zhejiang, aiming to support local developers

According to media reports, Facebook Technology (Hangzhou) Co., Ltd. completed its business registration on 18 July, 2018. A Facebook spokesperson later confirmed that Facebook is registering a company in China to establish an “Innovation Center” in Zhejiang in order to support local science and technology talents. It is reported that Facebook has been

interested in entering the China market. It registered the facebook.cn domain name in 2007, and released an app called "Color Balloons" in China in December last year⁵.

Meili Inc. submits IPO filings to SEC

Meili Inc., a leading fashion e-commerce platform in China, has reportedly submitted confidential filings to the U.S. Securities and Exchange Commission (SEC) for an initial public offering (IPO) that could raise up to US\$500 million. Created through a merger between Meilishuo, Mogujie and Taoshijie in 2016, Meili Inc. was valued at around US\$3 billion at the time of the merger. Meili Inc. has integrated the resources of the three companies including e-commerce, social network, KOLs and contents. Currently, Meili Inc. has over 230 million registered users and over 10 million daily active users; over 98% of the registered users are female⁶.

Department stores and shopping malls

Beijing Hopson One launches pop-up shopping street

Recently, Hopson One shopping mall in Chaoyang District, Beijing launched its first pop-up street "Hopson One Lianwu Street" with the theme in science and technology. "Lianwu Street" is located in the atrium area of the fifth floor of Hopson One. It houses more than 20 tenants and over 100 brands, and the pop-up street will be launched for two months. The first phase of the project covers an area of over 1,000 sqm. With the positioning of trendy affordable luxury, the pop-up street features the multi-label store Elle Shop, local designer brand N+1 and the Italian fashion

bag theme store O bag, etc. Apparel & accessories accounted for 47% of the products sold in "Lianwu Street", followed by lifestyle products (21%), beauty & skin care (12%), snacks & drinks (9%), "Lianwu Street"-themed products (8%) and technology products (3%)⁷.

Wumart Holdings plans to acquire no more than 6% shares of Xinhua Department Store

On 22 July, Xinhua Department Store announced that the company has received a letter from Wumart Holdings on 19 July regarding the intention to buy partial stakes of the company. Wumart Holdings decided to make an offer to acquire shares of no more than 6% of the total number of shares issued by Xinhua Department Store. The maximum funds required for the acquisition will not exceed 252 million yuan⁸.

Supermarkets and hypermarkets

AEON's Max Valu Supermarket to quit Qingdao market

On 20 July, Aeon's supermarket brand, Max Valu, closed its last store at Hai'an Jincheng in Qingdao, which marked its official withdrawal from the Qingdao market. It is reported that the store started to operate on 6 August, 2016. Nonetheless, its operation lasted for less than 2 years. Max Valu entered the Qingdao market in 2013, and the first store was opened in August 2013 at HNA Wanbang Center⁹.

Convenience stores

First unmanned Suning Xiaodian starts operation, using robotic arm to enhance service

On 23 July, Suning opened its first unmanned Suning Xiaodian convenience store in Nanjing. The new store mainly sells daily necessities and provides simple catering services. Suning Xiaodian said the products are tagged with RFID codes; customers can scan all the goods chosen at the self-check-out counter and the device can calculate the total bill for the customers in return. In addition to self-check-out counter and mobile payment, Suning Xiaodian has added a robotic arm at the catering area. Customers can place their orders through the interactive screen, then the robotic arm will prepare the food accordingly. It is reported that Suning plans to open 5,800 new Suning Xiaodian this year. As of today, the number of Suning Xiaodian has reached nearly 1,100¹⁰.

Apparel and footwear

Guess brings Alipay into U.S. stores for the convenience of Chinese tourists

U.S. apparel brand Guess has partnered with Alibaba's Alipay to bring the payment option into the brick-and-mortar stores across Guess' brands. Guess said in the statement that through this partnership, consumers can use Alipay to pay in more than 50 places such as New York and Las Vegas. The partnership also provides a marketing channel for Guess, which allows Chinese visitors to use the location-based discovery feature of Alipay to find nearby Guess stores. Consumers can

also receive promotional information through the app. In recent years, Alipay has expanded globally, and this new electronic payment method has been promoted and applied in more than 70 countries, supporting transactions of 14 major currencies¹¹.

MJstyle opens 36 new stores in China in 1H18; enters the Japan market for the first time

In 1H18, domestic fast fashion brand MJstyle maintained robust expansion in China; it opened 36 new stores in the country, excluding upgraded stores. During the period, MJstyle also entered the Japan market for the first time, taking an important step in its global expansion plan. To expand further in Japan, MJstyle will leverage its long-term relationship with Japan's leading conglomerate and retail giant AEON to expand its store network nationwide. It is also reported that MJstyle plans to open stores in the Philippines, Japan, Malaysia, Singapore and other places over the next few years¹².

HLA connects with Meituan Waimai

On 23 July, Chinese apparel brand HLA announced that it has connected with Meituan Waimai and that Meituan Waimai has officially started to offer delivery services for HLA. According to HLA, selected services provided by Meituan include one-hour delivery service and personal styling assistant. Users can use Meituan Waimai's app to search for HLA and make purchase; the ordered products will be delivered by Meituan's couriers to the designated address in an hour¹³.

Belle and AI platform Horizon Robotics reach a cooperation agreement

On 19 July, shoe retailer Belle International

signed a strategic cooperation agreement with AI platform Horizon Robotics. The two companies will jointly explore the integration of AI technology into offline retail scenes, and look into the relationship between “customer, merchandize and physical setting” to jointly create a new smart retail model¹⁴.

ST&SAT and Huijie Group form JV to sell shoes

On 17 July, domestic footwear brand ST&SAT announced that the company signed a strategic cooperation agreement with Shenzhen Huijie Group Co. Ltd. The two companies will deepen integration in brand development, channel distribution and customer management, etc., and set up a joint venture (JV) in 2018. The JV will specialize in the development and design of footwear products, sales and marketing of the business. ST&SAT will gradually transfer some of its brands and assets to the JV. In terms of company shares, ST&SAT will own 49% of the stake and Huijie Group own 51%; with 100 million yuan as the initial capital from both companies. It is estimated that the JV will have a working capital of about 1 billion yuan in the next two years. Headquartered in Foshan, Guangdong, ST&SAT operates various footwear brands including ST&SAT, FOND&BERYL and safiya, MOOFFY and so on¹⁵.

Li-Ning makes foray into Russia market

According to Russia’s media report, sportswear retailer Li-Ning plans to open 15-20 retail stores in Moscow and St. Petersburg. The sportswear brand plans to build its own retail chain and also partner with sporting goods stores in Russia. To raise its brand awareness in Russia, Li-Ning will sponsor sports clubs and schools in the country¹⁶.

Luxury sector

Balenciaga opens flagship store on JD.com’s Toplife

On 24 July, Balenciaga announced their online debut on JD.com’s luxury goods platform Toplife. Through this partnership, Balenciaga will provide a 24/7 service support for customers, and accept domestic payment methods such as JD Pay, which will bring more convenient luxury shopping experience to Chinese consumers. Meanwhile, Toplife will present Chinese consumers with comprehensive creative content from Balenciaga, including promotional advertising and the latest social media interactions. Customers who purchase through the Toplife platform will enjoy the exclusive “JD Luxury Express” service. All Balenciaga products will be delivered to customers by a courier who wears a suit and white gloves¹⁷.

Michael Kors launches WeChat Mini Program for its full product range

On 24 July, Michael Kors officially announced the launch of its WeChat Mini Program. Different from other luxury brands which only offer limited products or personalized products on their Mini Program, Michael Kors offers its full product range on its Mini Program, including handbags, apparel, footwear, watches and accessories. Previously in August 2017, Michael Kors launched a Mini Program to serve its VIP members by offering after-sale services and other consulting services¹⁸.

Farfetch acquires digital marketing agency CuriosityChina

To boost its presence in the China market, Farfetch acquired digital marketing agency CuriosityChina. CuriosityChina mainly helps its clients to reach out to WeChat users for product marketing and sales. Currently, CurisoityChina works with multiple brands that are also Farfetch's partners; the digital agency helps them connect with their target customers on WeChat platform and provides customer relationship management (CRM) and other services. The move follows a 2017 deal between Farfetch and JD.com, which invested US\$397 million into the platform¹⁹.

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