

China Retail & E-commerce

Weekly Updates

20 Oct – 26 Oct 2017



 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in general *p2*

- NBS: Consumer spending contributes 64.5% to China's economic growth in 1-3Q17
- CNCIC: Retail sales of 100 key large-scale retailers in China increase 2.8% yoy in 1-3Q17
- Kantar Worldpanel, Bain & Company: Chinese consumers have become more loyal to brands

E-commerce *p2*

- Alibaba offers glimpse of the 11.11 Global Shopping Festival in 2017
- Alipay mobile payment launches in Denmark
- JD.com forms strategic partnership with Hewlett-Packard

Convenience stores *p4*

- MOFCOM: Convenience store prosperity index reaches 69.25 in 3Q17; indicates a healthy growth of the sector
- CCAGM seeks public comments on the "Guidance on the Operation of Unmanned Stores (Draft)"
- Bingo Box closes its first batch of unmanned convenience stores in Shanghai
- Lawson's first teddy bear flagship store to open in Nanjing

Department stores and shopping malls *p5*

- Alibaba and Intime to share stakes in Oriental Group Quzhou Zhejiang

FMCG *p5*

- Kantar: FMCG market enjoys stronger growth in 3Q17

Apparel and shoes *p5*

- HLA's lifestyle and home products brand opens flagship store on Tmall
- SMCP Group of Shangdong Ruyi successfully lists on Euronext Paris
- Skechers to open 2,000 new stores in China by end of 2018

Cosmetics *p6*

- Sales performance of L'Occitane in 1H17 remains strong in China

Luxury sector *p6*

- Hermès launches first online pop up store on WeChat

Retail logistics *p6*

- Suning plans to build a smart logistics hub with 5,000 delivery drones

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Retail in general



NBS: Consumer spending contributes 64.5% to China's economic growth in 1-3Q17

According to the National Bureau of Statistics of PRC, the final consumption expenditure contributed 64.5% to China's economic growth in 1-3Q17. The consumption-driven economic growth model is further consolidated. Together with the strong sales growth in e-commerce, the economy has been stabilized and the market demand was active, the growth of physical retail sales also showed a good momentum since the beginning of this year. The retail sales growth rate of physical retail increased by 1.5 ppts over the same period of last year¹.

CNCIC: Retail sales of 100 key large-scale retailers in China increase 2.8% yoy in 1-3Q17

According to the China National Commercial Information Centre (CNCIC), retail sales of 100 key large-scale retail enterprises increased by 2.8% yoy in 1-3Q17. The growth rate was 4.8 ppts higher than that in the same period last year and 0.3 ppt lower than that in 1H17. Retail sales of 100 key large-scale retail enterprises in September 2017 increased by 0.2% yoy, the growth is smaller than in September last year².

Kantar Worldpanel, Bain & Company: Chinese consumers have become more loyal to brands

On 25 October, Kantar Worldpanel and Bain & Company released the "2017 China Shopper

Report (Volume two) - Keeping up with China's Shoppers at Two Speeds". The report reveals that:

- The sluggish growth of the fast-moving consumer goods (FMCG) sector in China has forced FMCG brands to innovate and spur household penetration, growth and market share in 1H17.
- Though China's e-commerce market continues to evolve, shoppers are purchasing less frequently – a trend that has been on the rise for three years.
- In repertoire categories, customers that shop more frequently tend to try more brands. In loyalist categories, shoppers repeatedly buy the same brands regardless of the increase in frequency³.

E-commerce



Alibaba offers glimpse of the 11.11 Global Shopping Festival in 2017

Alibaba unveiled pre-sales activities for its 11.11 Global Shopping Festival in 2017.

Highlights of this year's 11.11 Global Shopping Festival:

- Over 140,000 brands will participate in this year's 11.11, offering promotions on 15 million-plus product listings.
- The integration of the online and offline shopping experiences will be further showcased this year.
 - Over one million merchants will use various online and offline integrations to enhance operations and create innovative consumer experiences.
 - Over 1,000 brands will convert more than 100,000 physical locations into "smart stores"

- featuring a range of “New Retail” experiences, from browsing, shopping tours, virtual fitting rooms, payments and deliveries.
- 600,000 local neighborhood convenience stores and 30,000 Rural Taobao Service Centers will participate in 11.11, using Alibaba’s one-stop solution to digitize their businesses and assist in merchandising and inventory management. Using the LBS technologies, Alibaba can push coupons to consumers via mobile and recommend near-by stores to them.
- A number of pop-up stores will be set up in major cities such as Beijing, Shanghai, Hangzhou, Guangzhou and Nanjing to demonstrate the latest retail technologies. Nike and Uniqlo are some international brands launching the pop-up stores.
- Together with the brands, Tmall will distribute over 10 billion yuan coupons to consumers online and offline globally in the event.

“See Now, Buy Now” fashion show

- Tmall will launch its second “See Now, Buy Now” fashion show on 31 October at 9pm, three weeks ahead of 11.11.
- The show will be broadcast across seven media platforms including Beijing TV, the CIBN smart TV platform, online video site Youku, the Weibo social-media platform, news aggregator, Toutiao and the Taobao and Tmall shopping apps.
- A number of the world’s iconic fashion and apparel brands, including Guerlain, Adidas, Pandora, Ray-Ban, Estee Lauder, Victoria’s Secret, Rimowa, Ralph Lauren, French fashion group

SMCP, Italian leather goods brand Furla will join the fashion show. Opening Ceremony, Robert Geller and Jason Wu will bring the New York Fashion Week spirit to China in their debut show.

- “Retail as entertainment” is the theme this year. The fashion show creates a seamless experience for viewers and consumers - viewers can buy directly when they watch the show on all platforms. Pre-order links will be showed during the fashion show.

11.11 Countdown Celebration Gala

- This year’s 11.11 Countdown Celebration Gala will be held on 10 November in Shanghai. The gala will be directed by Hollywood producer David Hill for the second year and will be livestreamed by Zhejiang TV, Beijing TV and Shenzhen TV⁴.

Alipay mobile payment launches in Denmark

Alipay was launched in Denmark on 23 October 2017, enabling its Chinese users to enjoy fast and convenient payment service when they travel to the Nordic country. Alipay was launched in Denmark by APay Nordic AS, the marketing partner of Alipay, in cooperation with 2paynow, the technology platform provider of Alipay in Europe. Illum, a high-end department store in Denmark, is one of the first local firms to introduce Alipay as one of their payment options. Currently, Alipay’s in-store payment service covers more than 30 countries across the world. Denmark is the fourth Northern European country for Alipay to set foot in after Norway, Finland and Sweden⁵.

JD.com forms strategic partnership with Hewlett-Packard

On 23 October, JD.com and Hewlett-Packard (HP) officially signed the "JD.com – HP strategic cooperation agreement on retail development". Through the co-operation, JD.com will work closely with HP in a few areas, including providing Big Data to HP for manufacturing customized products, setting up dedicated zones for HP's products in JD Home and JD.com's 3C specialty stores, and providing full logistics support to HP via JD Logistics⁶.

Convenience stores



MOFCOM: Convenience store prosperity index reaches 69.25 in 3Q17; indicates a healthy growth of the sector

The Ministry of Commerce (MOFCOM) released the "China's convenience store prosperity index report" for 3Q17 on 26 October. The report shows that the overall prosperity index reached 69.25 in 3Q17, slightly lower than the previous two quarters due to seasonal factors. Convenience store practitioners still maintained a strong confidence in the market, but they are also getting more rational. The report shows that the growth of China's convenience store sector remains healthy⁷.

CCAGM seeks public comments on the "Guidance on the Operation of Unmanned Stores (Draft)"

Recently, China Commerce Association for General Merchandise (CCAGM) is seeking public comments on the "Guidance on the Operation of Unmanned Stores (Draft)",

particularly from major unmanned store operators in China. The Draft requests that operators of unmanned stores should strictly follow China's laws and regulations including Food Safety Law of the PRC, and Law of the PRC on the Protection of Consumer Rights and Interests, etc. The Draft also proposes specific requirements on the set up, operation, warehousing, and the logistics of unmanned stores, showing that the unmanned store sector would be more regulated in the future⁸.

Bingo Box closes its first batch of unmanned convenience stores in Shanghai

Bingo Box closed its first batch of unmanned convenience stores – Changyanglu branch under the Auchan brand and Zhabei branch under the RT-Mart brand in Shanghai on 27 September. Bingo Box said that it faced great difficulties as the government has not launched policies regarding such unmanned stores. Started operation in Shanghai in June 2017, Bingo Box was the first sizable unmanned convenience store operator in China market⁹.

Lawson's first teddy bear flagship store to open in Nanjing

On 28 October, Lawson will open its first Lawson & Teddy-themed flagship store in Nanjing. The store is Lawson's first Teddy bear-themed flagship store in Jiangsu, which occupies a floor space of 145 sqm and operates around the clock. The store features a 1.2 m giant teddy bear, and is decorated with teddy bears in almost every corner, including cashier, entrance, freezer, etc¹⁰.

Department stores and shopping malls

Alibaba and Intime to share stakes in Oriental Group Quzhou Zhejiang

Oriental Group Quzhou Zhejiang Co. Ltd. announced to issue 27.53 million shares at 5.14 yuan per share to raise 141 million yuan for the repayment of corporate bank loans. According to the announcement, the objects of this issue were Alibaba and Intime Department Store. Among them, Alibaba will subscribe 16.518 million shares, Intime Department Store will subscribe for the remaining 11.012 million shares. The shares will not be transferred within three years. According to the half year report of 2017, Alibaba and Intime Department Store will be among the top five shareholders after such shares subscription. Listed on the National Equities Exchange and Quotation (NEEQ) in August 2015, Oriental Group Quzhou Zhejiang' core businesses include department stores, hotel chains, etc¹¹.

FMCG

Kantar: FMCG market enjoys stronger growth in 3Q17

Kantar Worldpanel's latest report showed that China's fast moving consumer goods (FMCG) market grew by 3.6% yoy in 3Q17, indicating a clear recovery for the industry. More and more physical retailers are trying to adapt new business models to better meet shoppers' needs. Offline channel grew by 2.2% yoy, which was slower than the total trade.

However, through active retail innovation and the use of new technologies to enhance online and offline integration and improved shoppers' experience, modern trade (including hypermarkets, supermarkets, and convenience stores) enjoyed higher growth at 2.9% yoy¹².

Apparel and shoes

HLA's lifestyle and home products brand opens flagship store on Tmall

Recently, Heilan Home (HLA)'s new lifestyle and home products brand "Heilan Preferred Lifestyle" launched a flagship store on Tmall for trial operation. Its official transactional website is also planned to roll out soon. HLA said that this new lifestyle brand is positioned as a one-stop shop for home-related products, with 6,000 SKU covering three major categories, namely apparel, lifestyle products and stylish homewares. It is reported that "Heilan Preferred Lifestyle" has already opened four retail shops in Jiangsu Province. The company plans to open up to 20 shops by the end of next year¹³.

SMCP Group of Shangdong Ruyi successfully lists on Euronext Paris

French affordable apparel brand SMCP was successfully listed on Euronext Paris on 20 October 2017. It is reported that based on an offering price set at 22 euros per share, SMCP's market capitalization amounted to approximately 2 billion euros. Headquartered in Paris and acquired by Shandong Ruyi Technology Group Co in 2016, SMCP Group operates three French apparel brands, namely Sandro, Maje and Claudie Pierlot¹⁴.

Skechers to open 2,000 new stores in China by end of 2018

U.S. sports and casual shoes brand Skechers is experiencing rapid expansion in China. 90% of Skechers stores in China recorded profits in 3Q17. Currently, the brand has about 2,260 stores in China. It targets to open 2,000 new stores in the coming year, with total store number reaching 4,000 stores by the end of 2018¹⁵.

Cosmetics



Sales performance of L'Occitane in 1H17 remains strong in China

French skincare brand L'Occitane announced interim results for the first half of the financial year ending 30 September. With losses in the U.S., U.K. and Japan, the company's sales dropped 0.6% yoy. Meanwhile, sales of China market increased by 18.2% yoy to 60.04 million euros. The company believes that the recovering China retail market and choosing the right brand ambassador contributed to both the offline and online sales growth in China market. Sales on Tmall had even shown a triple-digit increase¹⁶.

Luxury sector



Hermès launches first online pop up store on WeChat

On 23 October, French luxury brand Hermès launched its first WeChat pop up store, selling Apple Watch Hermès Series 3, the crossover product between Hermès and Apple. There are six models in the series, with prices

ranging from 8,988 yuan to 10,988 yuan. The pop-up store will last for two weeks, till 5 November¹⁷.

Retail logistics



Suning plans to build a smart logistics hub with 5,000 delivery drones

Suning Logistics announced that it will connect the towns and villages in Jiangsu and Zhejiang province by opening up a number of aviation routes for drones. Suning also revealed that it plans to build a smart logistics hub with 5,000 delivery drones, covering the country's unmanned aviation, research and development, production and after-sales ground service network¹⁸.

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