

China Retail & E-commerce

Weekly Updates

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Retail in general *p2*

- The State Council issues guidelines on artificial intelligence
- 44 global retailers enter the 2017 Fortune 500 list, JD.com Alibaba and Suning.com make it to the list
- Kantar Worldpanel: 2Q17 sees stronger growth in China's FMCG market

E-commerce *p2*

- KKguan.com to expand physical store network and improve new product development with its series A funding
- JD.com and Wal-mart China jointly launch "Double 8 Shopping Festival"
- 14 SOEs join hands to form an e-commerce platform
- WeChat taps the apparel market and partners with GAP to introduce joint-label fashion products
- Baidu's 2Q17 net profit up 82.9% yoy to 4.415 billion yuan
- Baidu and Paypal announce strategic partnership; 17 million businesses around the world to support Baidu Wallet
- Suning.com to advance smart retail strategy and open over 100 Suning.com community stores by end of 2017

Department stores and shopping malls *p4*

- Carrefour China develops shopping mall retail format; targets to have 65% of retail floor space of each store to serve "experiential functions"

Supermarkets and hypermarkets *p4*

- Yonghui opens first retail store in Nanjing that combines YH Super Species and Bravo YH
- AEON opens new food products supermarket in Tianjin
- RT Mart to launch new private label across China in August

Convenience stores *p5*

- Beijing's 7-Eleven sells vegetables and pre-packaged food products
- First unmanned convenience store Eatbox opens in Beijing

Apparel *p5*

- Abercrombie & Fitch opens flagship store on Tmall

Kids products *p5*

- Balabala kidswear advances experiential shopping strategy; opens first fashion experiential centre in Wenzhou

Cosmetics *p6*

- Chinese capital to acquire Valeant Pharmaceuticals' skincare product brand Obagi

FMCG *p6*

- U.S. FMCG brand Reckitt Benckiser opens flagship store on JD Worldwide

Home products *p6*

- Japanese home products retail chain Nitori plans to have 100 physical stores in mainland China by 2020

Luxury goods *p7*

- Louis Vuitton launches online shopping service on its own website in China
- Hermès sales in Asia up by 16.6% yoy in 1H17, mainland China sees strong performance

Retail in general



The State Council issues guidelines on artificial intelligence

The State Council has recently issued the “Guideline on Developing Artificial Intelligence” (the Guideline). According to the Guideline, China is set to become a global innovation center in the field of artificial intelligence (AI) by 2030, and that the total output of the AI industry would surpass 1 trillion yuan by then. The Guideline also sets out the major tasks of China’s AI industry, which include: to further develop with reference to the global trends as well as in accordance to the national development needs; to comprehensively improve the fundamental abilities in scientific innovation; to explore the various applications of AI technology; as well as to fully utilize AI technology in facilitating socio-economic development and national defense¹.

44 global retailers enter the 2017 Fortune 500 list, JD.com Alibaba and Suning.com make it to the list

Fortune Magazine announced the 2017 Fortune 500 list. 44 retail companies from around the world made it into the list, 21 of which are based in the U.S., 5 in France and 3 in China. In terms of sales, Wal-mart ranked number one among the retailers on the list with sales revenue amounted to 485.873 billion yuan, while Amazon ranked the fourth. Three Chinese companies, namely JD.com, Alibaba and Suning.com made it into the list. Together, they had a total sales revenue of US\$85.039 billion and a total net profit of US\$6.023 billion, which accounted for 2.8% and 4.6% of the 44 retailers’ revenue and profit respectively².

Kantar Worldpanel: 2Q17 sees stronger growth in China’s FMCG market

According to a report released by research firm Kantar Worldpanel, sales of fast moving consumer goods (FMCG) in China grew 3.2% yoy in 2Q17, showing obvious improvement comparing with previous quarters. More retailers strived to transform their business models to meet shopper needs. In 2Q17, sales at modern retail channels (hypermarkets, supermarkets and convenience stores) rose 3.5% yoy. Key cities and provincial capitals grew slightly faster, up 3.4%, with e-commerce remaining a key engine behind the performance. Across all regions, the West and North markets showed a more upbeat trend, up by 5.8% and 3.4% respectively³.

E-commerce



KKguan.com to expand physical store network and improve new product development with its series A funding

KKguan.com, a retailer selling imported goods and providing experiential shopping experience, recently announced the series A funding of over 100 million yuan from Bright Venture Capital and Shenzhen Capital Group. The funding marked yet another large-scale investment in companies under the “New Retail” regime. According to media information, KKguan.com started its physical retail business in 2014 and has been expanding rapidly ever since with the long-time support from Shenzhen Capital Group. KKguan.com currently has over 20 physical stores in cities such as Guangzhou, Shenzhen, Dongguan and Foshan. KKguan.com said that the capital raised recently will mainly be used to build the company’s overseas supply chain, expand

physical store network, as well as improve new product development⁴.

JD.com and Wal-mart China jointly launch “Double 8 Shopping Festival”

JD.com and Wal-mart China jointly launched the “Double 8 Shopping Festival”, their first omni-channel joint sales event. The two companies also announced plans to further their omni-channel synergy by sharing resources in areas of membership data, physical store network, as well as inventory. In terms of membership data sharing, JD.com and Wal-mart China will launch joint promotional campaign to allow consumers to redeem JD.com’s shopping coupons by scanning QR code when they shop in over 400 retail branches of Wal-mart in China. In terms of physical store network integration, both parties have also work to include 134 Wal-mart stores on the platform of JD Daojia. JD.com is also planning to open self-pick-up stations at Wal-mart China’s retail stores⁵.

14 SOEs join hands to form an e-commerce platform

14 State-owned Enterprises (SOEs) jointly announced in Beijing on 26 July the formation of an e-commerce alliance for SOEs, whose missions include providing cross-industry collaboration opportunities, as well as facilitating the joint development of e-commerce among SOEs. The 14 SOEs are all leaders in their respective industry, including the State Grid Corporate of China, the Aviation Industry Corporation of China, China North Industries Group Corporation, China Southern Power Grid, China Huadian Corporation, China Unicom, China Baowu Steel Group Corporation Limited, China National Cereals, Oils and Foodstuffs Corporation, China Minmetals Corporation and China State Construction International Holdings. The State-owned Assets

Supervision and Administration Commission of the State Council said that the set-up of the e-commerce alliance is positively contributing to the implementation of the “Internet +” action plan of SOEs and carries great significance to the transformation of SOEs towards the age of e-commerce⁶.

WeChat taps the apparel market and partners with GAP to introduce joint-label fashion products

WeChat crossovered into the apparel industry and partnered with U.S. fashion retail brand Gap to introduce a series of joint-label fashion products. The products incorporate the brand images of both companies in the featured design themes such as cross-over, authenticity and lifestyle. The joint-label products are available to market starting from 28 July through both online and offline channels. From 28 to 30 July, the products will be showcased in the atrium of the Grandview Mall of Guangzhou and will be open for the public⁷.

Baidu’s 2Q17 net profit up 82.9% yoy to 4.415 billion yuan

Baidu announced its unaudited financial results for 2Q17. Total revenues in the quarter were 20.874 billion yuan, increased 14.3% yoy; net profit rose 82.9% yoy to 4.415 billion yuan. Mobile revenue represented 72% of total revenues for 2Q17, compared to 62% in 2016. In terms of outlook for 3Q17, Baidu expects to generate total revenues in an amount ranging from 23.33 billion yuan to 23.75 billion yuan, an increase of 26.7% to 30.1% yoy⁸.

Baidu and Paypal announce strategic partnership; 17 million businesses around the world to support Baidu Wallet

In a bid to appeal to merchants around the

world, Baidu formed strategic partnership in payment services with Paypal, a U.S. payment company. Baidu revealed in a statement that the partnership will allow Baidu to offer its payment platform solution Baidu Wallet to around 17 million merchants around the world. Also, Baidu's Financial Service Group will partner with Paypal in providing cross-border payment solution to Chinese consumers and between corporations outside of China⁹.

Suning.com to advance smart retail strategy and open over 100 Suning.com community stores by end of 2017

Suning.com announced in a press conference for the 818 Shopping Festival that 2017 will be the starting year of the era of smart retail. In this year, Suning.com will further expand its development of around ten new retail formats, one of which being community store. According to media report, Suning.com targets to open 100 community stores across China by end of 2017 to increase its offline presence and customer flow. The retailer will expand its physical network in cities such as Beijing, Shanghai, Wuhan, Chongqing and Xi'an in the second half of the year¹⁰.

Department stores and shopping malls

Carrefour China develops shopping mall retail format; targets to have 65% of retail floor space of each store to serve "experiential functions"

French hypermarket retailer Carrefour China said that its newly renovated stores and new branches will mainly be operated in the shopping mall format. Carrefour China targets to have 65% of retail floor space of each of its store dedicated to "experiential functions" –

services and amenities such as catering and entertainment, in three years' time. The retailer hopes that this arrangement can increase customer footfall and sales¹¹.

Supermarkets and hypermarkets



Yonghui opens first retail store in Nanjing that combines YH Super Species and Bravo YH

YH Super Species, a specialized retailer selling premium grocery products of Yonghui Superstore, entered Nanjing by opening its first branch in Qinhuai district. Located in Yonghui's premium retail brand Bravo YH in Maoye Plaza on Jiankang Road in Qinhuai district of Nanjing, the YH Super Species store has a floor space of around 800 sqm and it is Yonghui's first retail store in the country with joint retail format of YH Super Species and Bravo YH¹².

AEON opens new food products supermarket in Tianjin

Japanese retailer AEON Group opened a new supermarket in Tianjin focusing on food products. According to media report, it is also the first AEON branch in China to adopt a new food supermarket store design. Different from its traditional store selling all kinds of general merchandise, AEON's new food products supermarket has a "compact" store design and adopts clearer departmentalization in its store layout. Product categories available in the store include fresh product, convenience food products, health and beauty care products, as well as other general merchandise¹³.

RT Mart to launch new private label across China in August

After the successful roll-out of RT Mart's private label Bescarol earlier, the company will launch a new private label called JESS@TONY. According to media report, products of JESS@TONY will be available in all RT Mart stores in China in August. JESS@TONY is positioned as quality leisure wear that is comfortable to wear, value-for-money and trendy. The brand will take reference from the most popular fast-fashion brands in the U.S. while keeping a China-touch as it tries to bring the American leisure style to Chinese audience¹⁴.

Convenience stores



Beijing's 7-Eleven sells vegetables and pre-packaged food products

Convenience store 7-Eleven started a pilot program to sell fresh produce and food products in its Dongzhimen branch in Beijing. Fresh produce available currently include pre-packaged vegetables, fruits, as well as pre-packaged ingredients for home-cooked meals. According to the staff at this 7-Eleven branch, Dongzhimen is the first 7-Eleven branch to pilot the selling of fresh produce in China. If the sales are satisfactory, the pilot will be expanded to other 7-Eleven branches¹⁵.

First unmanned convenience store Eatbox opens in Beijing

Eatbox, an unmanned convenience store of Eatown Supermarket, is now open in the GR Shopping Mall branch of Easyhome retail store in Beijing. It is the first unmanned convenience store to go into operation in the city. Floor space of each Eatbox ranges from

20 to 40 sqm. Over 600 SKU of products are available and over 400 of which are imported goods. Categories of products available include snacks, alcohol and beverages, household chemical products and other hot items. The whole buying process, from choosing product, placing order to payment, is completely automated and can be done according to the shoppers' desired pace. In the future, more Eatbox stores will be open in other locations such as high-end community areas, university areas, central business districts, as well as technology parks¹⁶.

Apparel



Abercrombie & Fitch opens flagship store on Tmall

U.S. fashion retailer Abercrombie & Fitch (A&F) opened a Tmall flagship store on 26 July. All of the brand's product categories, including Abercrombie Kids, are available in the online store. According to market analysis, the 454 million active users on the Tmall is the major reason behind A&F 's platform selection. Hollister, a sister brand of A&F, joined Tmall in 2014. Currently, A&F is ramping up its business on e-commerce platforms. Earlier this year, the brand has joined Zalora, Asia's leading fashion e-commerce platform with around 600 million users¹⁷.

Kids products



Balabala kidswear advances experiential shopping strategy; opens first fashion experiential centre in Wenzhou

Balabala, a kidswear brand of Chinese fashion retailer Semir, opened its first fashion experiential centre in the Mondodo Town in Wenzhou. Activities such as cutting, sewing and design class, graffiti workshop, as well as model runway show, are provided to customers to enhance their shopping experience. Having a floor space of 50,000 sqm, the Mondodo Town is a commercial complex developed also by the Semir Group. Balabala was founded in 2002 and has since developed into one of the leading kidswear brands in China that provides kidswear, shoes and accessories to children age between 0 to 16 years old¹⁸.

Cosmetics

Chinese capital to acquire Valeant Pharmaceuticals' skincare product brand Obagi

Canada-based Valeant Pharmaceuticals (Valeant) announced the sale of its anti-ageing skincare brand Obagi Medical Products to Chinese capital Haitong International Zhonghua Finance Acquisition Fund I, LP at a consideration amounted to US\$ 190 million. The deal will be completed by 2H17. According to media report, Obagi is a global specialty pharmaceutical company founded by leading skin care experts in 1988, while Haitong International Zhonghua Finance Acquisition Fund is a US\$600-million fund that is closely linked to China's cosmetics industry¹⁹.

FMCG

U.S. FMCG brand Reckitt Benckiser opens flagship store on JD Worldwide

Reckitt Benckiser opened an official flagship store on JD Worldwide. The first batch of products made available in the store include Schiff, a leading supplements and healthcare product brand in the U.S., as well as a host of its sub-brands, including Move Free, Airborne, Megared, etc. Founded in 1823, Reckitt Benckiser Group is an international FMCG brand selling products from three major categories, including healthcare, hygiene and personal care, as well as household chemicals. The group has offices and factories in over 60 countries worldwide and sells its products to markets in over 200 countries around the world. Currently, the group's product brands in China include Durex, Scholl, Dettol and Veet²⁰.

Home products

Japanese home products retail chain Nitori plans to have 100 physical stores in mainland China by 2020

Nitori, a Japanese retail chain that sells home products, opened a new Shanghai branch, its 491th in the world and 14th in China, in Xujiahui on 11 July. Founded in Hokkaido, Japan, in 1967, Nitori has since developed into Japan's largest retail chain of furniture and home accessories. According to media report, Nitori plans to have 100 branches in mainland China by 2020²¹.

Luxury products

Louis Vuitton launches online shopping service on its own website in China

Louis Vuitton (LV) of the International luxury and cosmetics group LVMH officially launched online shopping service on its own website in China, allowing customers to buy a range of products in the current season's collection, such as bags, shoes, apparel, jewellery and perfume. Other products available online include the collection from the collaboration between LV and American artist Jeff Koons. However, the online shopping service is currently only available in 12 cities, including Beijing, Shanghai and Guangzhou. Also, some products are not eligible for mail delivery and need to be picked up at retail stores. Price of goods sold online is the same as in physical retail stores. Consumers can pay with Alipay but not WeChat Pay in the LV online stores²².

Hermès sales in Asia up by 16.6% yoy in 1H17, mainland China sees strong performance

French luxury brand Hermès announced its sales figures for the first two quarters of FY17. Total sales increased by 8.9% yoy as a result of strong growth in the Asian market. In the half year ended 30 July 2017, total sales of Hermès in Asia (excluding Japan) amounted to 999 million Euro, up by 16.6% yoy in real terms and 14.3% yoy at constant exchange rates. According to Hermès, strong sales performance in mainland China was the main driver of the strong growth in Asia²³.

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