

China Retail & E-commerce

Weekly Updates

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E-commerce

China's rural e-commerce sales amount to 1.37 trillion yuan in 2018

According to the Ministry of Commerce (MOFCOM), total rural e-commerce sales amounted to 1.37 trillion yuan in 2018, up 30.4% yoy. China's total retail sales of agricultural products reached 230.5 billion yuan, up 33.8% yoy. It is reported that the Ministry of Commerce has strengthened the role of e-commerce in poverty alleviation – a total of 238 national-level impoverished counties were added to the rural e-commerce development plan in 2018, with a coverage rate of 88.6%¹.

Beijing Customs shortens custom clearance process to 58 seconds

Recently, Beijing Customs launched a new supervision mode to streamline custom clearance process. Consumer ordering from flash sales activities on cross-border e-commerce platforms can now receive the products in shorter time as the custom clearance process can be shortened to 58 seconds. Under the new supervision mode, logistics can be proceeded simultaneously with the flash sales activities; companies can complete declaration before the landing of the aircraft according to order information. After the arrival of the products in China, companies can immediately pack and deliver the parcels².

Tmall Global to increase the number of SKUs of CBEC products to over 1 million

On 27 February, Tmall Global announced to increase the number of SKUs for cross-border e-commerce (import) goods to over 1 million in 2019. It will focus on improving product quality assurance and logistics services to enhance consumer experience. According to

Tmall data, consumers now demand more diversified imported goods. Younger generation, especially those post-95 generation, has become the key driver of cross-border consumption³.

Taobao Global announces to upgrade its brand incubation program

On 28 February, Taobao Global announced to upgrade its brand incubation program. It will launch a mechanism to ensure products listed on the platform are genuine and authentic, and introduce more user generated content (UGC) to the platform. Taobao Global will continue to help incubate brands of small and medium-sized enterprises (SMEs), and will work together with Tmall Global to connect with other overseas brands. Taobao Global aims to incubate more than one thousand brands in 2019, and to nurture more than 100 brands with revenue of over 10 million yuan⁴.

Douyin launches new marketing tool “Doudian” to facilitate regional marketing campaigns

On 28 February, short video platform Douyin launched a new marketing tool named “Doudian” to facilitate brands to launch regional marketing campaigns. Viewers will be directed to the dedicated landing page of a particular brand when they click it while watching related short videos. They can then see further information of the brand, including stores location, operating hours, coupons, WeChat accounts and photos. Douyin can push videos to viewers according to their location and recommend them to the offline stores nearby⁵.

Xiaohongshu denies rumors to spin off its e-commerce business

On 21 February, it was reported that Xiaohongshu would spin off its e-commerce

section, reducing the size of its e-commerce business. Shortly after the news were revealed, Xiaohongshu issued a statement clarifying that the company will expand its community-based e-commerce business, instead of downsizing it. Xiaohongshu will upgrade its community-based e-commerce business as “Brand Hub” division. The Brand Hub division will integrate the resources from community marketing to closed-loop transaction parts to offer full supply chain services for brands and help them constantly enhance their business value. In addition, Xiaohongshu will also upgrade its “Welfare Club” division to integrate its merchandising, warehousing and customer support systems⁶.

Ymatou launches social commerce platform

Recently, Ymatou launched its social commerce platform, literally translated as “Global Select”. Consumers can register as members to enjoy discounts and join offline activities; they can also share deals through their social network and earn commission. “Global Select” have formed partnerships with thousands of global brands. All products on the platform are authorized products. The platform now houses a few hundreds of SKUs including home products, cosmetics, bags and luggage, apparel, and watches and accessories. The beta version of “Global Select” has launched just before the Lunar New Year holidays, and it is expected to launch officially in March 2019⁷.

Suning.com announces new campaigns to focus on new product listing, trade-in campaigns and improving services

On 26 February, Suning.com announced new campaigns to focus on new product listing, trade-in campaigns and improving services. It also announced to provide around 1 trillion yuan subsidies for the trade-in programs.

Besides, Suning.com has also launched new service solutions on consumer tracking analysis and omni-channel product listing⁸.

Suning.com’s annual net profit amounts to 13.32 billion yuan in 2018, up 216.2% yoy

On 28 February, Suning.com released its FY18 financial report. In 2018, Suning.com’s annual revenue reached 245.31 billion yuan, up 30.53% yoy, and annual net profit amounted to 13.32 billion yuan, an increase of 216.2% yoy. Sales of commodities totaled 337.135 billion yuan, up 38.54% yoy, of which the online GMV was 208.354 billion yuan, showing an increase of 64.45% yoy⁹.

JD.com’s net profit amounts to 462 billion yuan in 2018; GMV reaches nearly 1.7 trillion yuan

On 28 February, JD.com announced its unaudited financial results for 4Q18 and FY18. JD.com’s net profit of continuing operations in non-GAAP for FY18 was 3.5 billion yuan; net profit of continuing operations in non-GAAP for 4Q18 was 749.9 million yuan. GMV for FY18 was nearly 1.7 trillion yuan; net revenues for 4Q18 were 134.8 billion yuan, up 22.4% yoy, exceeding the 1 trillion yuan mark for five consecutive years; net revenues for FY18 were 462.0 billion yuan, up 27.5% yoy. Net service revenues for FY18 were 45.9 billion yuan, an increase of 50.5% yoy. As of 31 December, 2018, the annual number of active users of JD.com reached 305.5 million¹⁰.

JD.com and Farfetch expand strategic partnership; Toplife to merge into Farfetch China

On 28 February, JD.com and Farfetch, a global luxury e-commerce platform announced the expansion of their strategic partnership.

JD.com's luxury e-commerce platform Toplife will merge into Farfetch China. In addition, Farfetch will gain a Level 1 entry point on JD.com's app, providing JD.com 300 million customers with instant access to more than 3,000 brands via Farfetch. The partnership builds on the existing successful relationship between Farfetch and JD.com, which started in July 2017. Farfetch has strengthened its China business through its agreement to acquire Curiosity China, a leading integrated marketing and social commerce company¹¹.

E-commerce logistics

Meituan and CAWD forge strategic partnership

On 21 February, Meituan and China Association of Warehousing and Distribution (CAWD) sealed a strategic partnership in Beijing. Under the partnership, CAWD will assist Meituan's B2B catering sourcing platform (literally translated as "Kuai Lu Jinhua") in warehouse management and technology innovation, with a view to turning Kuai Lu Jinhua into one of the leading businesses in China's logistic industry. Through the collaboration, Kuai Lu Jinhua will become a member of CAWD, while CAWD will organize meetings with logistic industry experts to assess the business model and direction of Kuai Lu Jinhua and establish closer cooperation with Kuai Lu Jinhua through large-scale exchange activities in the industry¹².

Suning Logistics holds strategic meeting for service enhancement on the World Consumer Rights Day on 15 March

Recently, Suning held a townhall meeting for the World Consumer Rights Day (15 March).

Suning Logistics Group pointed out that it is necessary to strengthen service standards and enhance service image. In addition, Suning also put forward requirements for the control of logistics orders, the response time of customer service, and after-sales services. During the 3.15 period, Suning will conduct an all-round monitoring for product orders, and will have its after-sales services including product recycling, repair and maintenance, home appliance cleaning, and housekeeping launched in communities¹³.

Department stores and shopping malls

Shanghai New World City to close for renovation

According to media report, New World City, a wholly-owned subsidiary of Shanghai New World Co. Ltd. will be closed for nine months starting 11 March to kickstart its renovation project; this is the largest renovation project since the opening of New World City. It is reported that New World will add more catering, culture, experience and interactive elements into the revamped New World City. It will also open the world's first Naruto ninja indoor theme park as well as the world's largest indoor rock climbing center¹⁴.

New World Department Store China's interim revenue decreases by 3.36% yoy, same store sales growth drops 8.3% yoy

On 26 February, New World Department Store China released its FY2019 interim results. During the period, the New World Department Store's revenue reached HK\$1,809.9 million, compared with HK\$1,873.3 million in the same period of the previous year, a decrease of 3.36% yoy; operating profit for the period increased to

HK\$192.5 million from HK\$174.4 million in the same period of the previous year ; same-store sales growth during the period decreased by 8.3% yoy, as compared to an increase of 2.0% during the same period last year. New World Department Store China stated that Northern China continued to contribute the most to the Group's revenue, accounting for 51.2% of revenue; followed by Eastern China and Central and Western China, accounting for 32.8% and 16.0% of revenue respectively¹⁵.

Rainbow Department Store achieves annual revenue of 19.1 billion in 2018

On 27 February, Rainbow Department Store Company Ltd. released its FY18 financial results. Rainbow's operating income was 19.138 billion yuan in 2018, up 3.25% yoy; total profit reached 1.169 billion yuan, an increase of 25.51% yoy; net profit attributable to shareholders of listed companies was 904 million yuan, an increase of 25.92% yoy¹⁶.

Supermarkets and hypermarkets

Beijing Wumei takes over five hypermarkets of China Resources Vanguard in Beijing

Recently, the operation of China Resources Vanguard's five hypermarkets in Beijing are reportedly taken over by Beijing Wumei Commercial Group. It is expected that China Resources Vanguard may gradually abandon its operations of hypermarkets in Beijing and turn its focus to blt boutique supermarkets. With the takeover of CR Vanguard's hypermarkets, Wumei can further strengthen its leading position in Beijing; this can also facilitate the digitalization of Wumei's

hypermarkets¹⁷.

Better Life Group reports total operating revenue of 18.66 billion yuan in 2018, up 7.79% yoy

On 28 February, Better Life Group announced its FY18 financial results. Total operating revenue in 2018 was 18.66 billion yuan, up 7.79% yoy; net profit attributable to shareholders of listed companies was 162 million yuan, up 8.39% yoy. Better Life opened 38 supermarkets and 2 department stores during the financial year¹⁸.

FMCG

Nestlé is the first to use Cainiao's smart system "Supply Chain Brain"

On 21 February, Nestlé will be the first to use Cainiao's newly launched smart system "Supply Chain Brain". The smart system can reportedly make operational data more transparent, and more useful during the decision making process. It can integrate brand's data from various sales channels and conduct real-time monitoring and analysis, facilitating the building of a transparent supply chain¹⁹.

Cosmetics

Nielsen: China's cosmetics specialty stores show strong growth momentum

Market research company Nielsen has recently released a report on "Personal Care and Cosmetics Stores Shopping Trend in China". According to the report, hypermarket/supermarket had the highest penetration rate for beauty products (36%) over the past 12 months. The penetration rate

of cosmetics specialty stores reached 15%, showing a strong growth momentum. Against the backdrop of the consumption upgrading trend, consumers now demand more diversified personal care and cosmetics products; consumers can shop from different channels. The report also pointed out that consumers are now less price-conscious and focus more on the quality of products²⁰.

Consumer Electronics

China's online home electronics sales hit 576.5 billion yuan in 2018

On 25 February, China's Center for Information and Industry Development, operated by China's Ministry Industry and Information Technology, and China Electronics News jointly published a report on China's online home electronics sales in 2018. The report showed that China's online home electronics market grew steadily in 2018; B2C online home electronics sales (including mobile-commerce sales) hit 576.5 billion yuan, up 17.5% yoy, suggesting the market is shifting from speed of growth to quality of growth. In 2018, online home electronics sales took up 35.5% of the overall home electronics sales in China, indicating that online retailing has become a major channel for home electronics shopping in the country²¹.

Apparel

Wolford looks to tap China market via tie-up with Fosun Group

Austria's hosiery and lingerie brand Wolford has recently announced that it has allied with Fosun Fashion Brand Management (FFBM)

since early February 2019; under the partnership, FFBM will take charge of Wolford's operation in China. Wolford expressed that FFBM will share its business operation experience in China with Wolford, develop retail strategies for the brand to tap the China market, and manage the brand's wholesales, retailing and e-commerce operations in China²².

JNBY launches new menswear brand "A Personal Note 73"

Recently, JNBY has rolled out a new menswear designer brand named "A Personal Note 73", as a way to expand its product offering and achieve horizontal growth. According to JNBY, the new launch marks an important initiative of the group to reinforce its multi-brand strategy and achieve horizontal growth in more menswear categories, which will bring vitality and synergy to the group's diversified brand portfolio and overall business, and enable the group to increase its market share in the designer clothing market and exert more influence in the industry²³.

Zadig & Voltaire plans to accelerate pace of store openings in Greater China

French apparel brand Zadig & Voltaire plans to expand its presence in Asia, especially Greater China. The brand will partner with local retailer IT Group to open two new stores in Beijing and Shanghai in March 2019. Currently, Zadig & Voltaire has 378 stores worldwide, 118 of which are located in France. The Asia market, mainly Japan and South Korea, now accounts for 5% of Zadig & Voltaire's total sales²⁴.

Semir records net profit of 1.69 billion in 2018, up 49% yoy

On 27 February, Semir released its FY18 financial results. In 2018, Semir achieved

annual operating income of 15.716 billion yuan, up 30.68% yoy; net profit attributable to shareholders of listed companies was 1.69 billion yuan, up 48.74% yoy. The recovery of the casual wear business, steady growth of kidswear business and rapid development of online sales are reportedly the key reasons contributing to Semir's increase in operating income²⁵.

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