



China Retail & E-commerce

Weekly Updates

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E-commerce

Analysys: Alipay's market share continues to expand in 4Q18

Recently, research agency Analysys released the quarterly monitoring report "China's third-party payment mobile payment market in 4Q18". According to the report, in 4Q18, the transaction volume of China's third-party payment mobile payment market reached 47.2 trillion yuan, up 7.78% qoq. Of which, Alipay continued to dominate the mobile payment market with a market share of 53.78%, up 8 ppts compared with 3Q18, while Tencent Financial (including WeChat Pay) came second. The market shares of the two mobile payment tools together accounted for 92.65% of the total market, showing an increase of 12 ppts compared to 3Q18¹.

iiMedia Research: NetEase Kaola ranks the top among China's CBEC players in 2018

On 22 March, iiMedia Research released "Report for China's cross-border e-commerce (CBEC) market, 2018-2019". According to the report, in 2018, NetEase Kaola ranked the top for the seventh times in terms of market share (27.1%), followed by Tmall Global and JD.hk with 24% and 13.2% market share, respectively².

Alibaba to launch new marketing platform under Taobao brand

On 21 March, Alibaba's marketing platform general manager Liu Bo said Alibaba will combine the businesses of its Ju.taobao.com, Jupage.taobao.com and Qiang.taobao.com to form a new marketing platform under its Taobao brand. The new integrated platform will serve 200 key cities and 1,000 incubation bases, and carry 30,000 brands³.

Tmall launches "Tmall Shanjiang" for consumers to compare prices

Recently, Tmall released a new service "Tmall Shanjiang" in its app for consumers to compare prices. Powered by AI technologies, Tmall Shanjiang allows consumers to track the highest price and the lowest price of the products listed on Tmall within 30 days. The prices are updated on a daily basis. Tmall Shanjiang recommends the lowest priced items to consumers; it also guarantees that the price it shows is the lowest within the period. Currently, the service covers home products, apparel, cosmetics and personal care products, maternity wear and childrenswear, home electronics, sports products, digital products and automobile-related products⁴.

Tmall to incubate online multi-brand stores for heritage brands

On 22 March, Tmall launched its first online multi-brand store for heritage brands. Officially certified by the Association for China Time-honored Brand, the multi-brand store houses famous heritage brands such as pharmaceutical company Huqing Yutang and confectionery brand Caizhizhai. Tmall stated that they hope the online multi-brand store model can help the heritage brands to significantly reduce operating and marketing costs, improve operational efficiency, and better serve young consumers. Tmall plans to further roll out this model in 2019 – it will work with the China Time-honored Brands Associations of various cities including Zhejiang, Xiamen, Shanxi, Guangzhou and other provinces to identify 10 small and medium-sized traditional brands with potential and help them achieve sales of 10 billion yuan and become industry benchmarks⁵.

Tmall Global unveils three major initiatives for 2019

On 21 March, Tmall Global announced its three major initiatives for 2019, which include boosting its direct import services - helping brands open flagship stores on its platform and providing direct import services which enable international companies of all sizes to sell into the China market; setting up overseas warehouses and fulfillment network which enables international brands to place their products at Tmall Overseas Fulfillment centers to be sold on the Tmall Global platform; strengthening connections with popular KOLs and pairing up with various content-generating tools including Taobao Livestream, Weibo and Xiaohongshu (aka Red), enabling international brands to market their products through multiple touchpoints⁶.

Alibaba Cloud launches “Mini Program Cloud” service

On 31 March, Alibaba Cloud officially released its new product “Mini Program Cloud”, which provides a unified back-end cloud computing services for developers to manage resources, data, operation and business. It also announced to launch a 2 billion-yuan reward scheme for developers and companies to use its Mini Program platforms – including Alipay, Taobao, Dingtalk, and AutoNavi. It is expected that Mini Program Cloud can create synergies with other services on Alibaba’s ecosystem, and can assist developers to provide better services and have wider coverage of various enterprises⁷.

Tencent’s 2018 total revenues reach 312,694 million yuan, up 32% yoy

On 21 March, Tencent announced its results for full year 2018. In 2018, the total revenues were 312,694 million yuan, up 32% yoy; operating profit was 97,648 million yuan, up

8% yoy. Operating margin was 31%, down from 38% in 2017. As of end-2018, the combined monthly active user (MAU) of Weixin and WeChat increased to 1,098 million, with further penetration in lower tier cities. Over 750 million Weixin users read friends’ posts on Moments per day on average. Mini Programs are widely adopted by users, with daily visits per user increased by 54% yoy. Currently, Mini Programs cover more than 200 service sectors⁸.

Department stores and shopping malls

CCAGM, Fung Business Intelligence: Direct sales business becomes the core competency of department store operators

On 28 March, China Commerce Association for General Merchandise (CCAGM) and Fung Business Intelligence jointly released the “China’s Department Stores Report 2018-2019”. The report provides a brief overview of the department store sector in China, and highlights the key innovative and transformation initiatives of department store operators – developing omni-channel strategy, strengthening direct sales business and introducing innovative business models and diversifying retail formats. At the same time, the report also points out some of the problems facing department store operators such as rising cost pressures during the transformation process⁹.

Galleries Lafayette’s Shanghai flagship store in trial operation

On 23 March, French department store Galleries Lafayette announced the soft opening of its flagship store in Shanghai, the second one in China following the launch of its first store in Beijing in 2013. Located at L+Mall

at Lujiazui Area in Pudong, the new store covers 25,000 sqm across five floors. The flagship store is jointly developed by Galeries Lafayette and Hong Kong-based I.T Limited through a 50:50 joint venture partnership and is expected to be in full operation in October this year. Earlier, Galeries Lafayette stated that the company is expanding its footprint globally and China is a key market for future expansion and growth – the company plans to open around 10 stores by 2025 in the China market and will accelerate its development in e-commerce¹⁰.

New World China signs strategic cooperation agreement with Tencent to jointly develop smart real estate and smart communities

On 26 March, New World China Real Estate Co., Ltd., a subsidiary of New World Development, announced the signing of a strategic agreement with Tencent Technology (Shenzhen) Co., Ltd. In the future, New World China and Tencent will leverage on each other's strengths and resources, and rely on technological innovation to integrate "Internet +" into the real estate industry. The two parties will jointly accelerate the development of smart real estate and smart communities¹¹.

Wangfujing's net profit increases 66.95% yoy in 2018

On 22 March, Wangfujing Group released its FY18 financial results. In 2018, the company achieved operating income of 26.711 billion yuan, up 2.38% yoy; total profit was 1.703 billion yuan, up 34.93% yoy; net profit attributable to shareholders of listed companies was 1.201 billion yuan, up 66.95% yoy. Benefiting from the company's transformation, both Wangfujing's outlets and shopping malls showed rapid growth in revenue and profits, and the growth of its outlets even reached 8%. In terms of goods

sold, womenswear, make-up, menswear, jewelry and shoes and hats are the top 5 categories of goods sold in the department store, accounting for 65% of total sales. As of the end of the reporting period, Wangfujing Group operated a total of 51 integrated stores in the nation. The Group stated that in 2019, it will accelerate its capability in direct sales business – by developing its own private labels and multi-brand stores¹².

Supermarkets and hypermarkets

Walmart's private label sales increase nearly threefold in 2018; officially announces private label "Marketside"

Recently, Walmart China announced the official launch of its fresh produce private label "Marketside" and the upgrading of its another private label "Great Value" – this marks an important milestone for Walmart to further its private label business through providing localized and good quality products and adopting omni-channel strategy. It is reported that Marketside entered the China market for the first time in 2016, providing mainly vegetables, fresh meat, cooked food and bakery items with traceable sources of origins. In 2018, Walmart's omni-channel private label sales increased nearly threefold compared to 2017¹³.

Tmall Supermarket to upgrade delivery service to cover 300 million households within two years

On 25 March, Tmall Supermarket announced to upgrade its delivery service to cover 300 million households within two years. To lure frequent customers, Tmall Supermarket will upgrade the delivery service of its fresh food by providing one-hour delivery in early April;

currently, it only provides half-day and second-day delivery service. It is reported that the delivery service of Tmall Supermarket is now provided by the offline supermarkets which connect to Taoxianda, the O2O lifestyle service platform of Alibaba-backed RT-Mart, and the delivery service is provided to customers who live within 3-5 km of the store. In the future, the delivery service will be provided by Cainiao and Fengniao Delivery¹⁴.

Freshippo announces four new retail formats – Hema F2, Hema Market, Hema Mini, and Hema Xiaodian

Freshippo recently announced four new retail formats apart from its major Freshippo store – Hema F2, Hema Market, Hema Mini, and Hema Xiaodian. Hema F2 operates like a convenience store and locates in office areas in business districts. Hema Market locates in community areas of cities as well as suburban districts; there is no catering areas in the store. Hema Mini locates in suburban districts and lower-tier cities. The size of Hema Mini store is around 500 sqm. Currently, there is only one Hema Mini in China in Shanghai; it is expected to open more Hema Mini in tier-3 and tier-4 cities in the future. Last but not least, Hema Xiaodian opens in areas without Freshippo stores. It acts as “store-front warehouses” and offers delivery services only. Currently there are two Hema Xiaodian in Shanghai¹⁵.

Chengdu Hongqi records net profit increase of 95.66% yoy in 2018

On 26 March, Chengdu Hongqi Chain Co., Ltd. announced its annual results for 2018. The total revenue of Chengdu Hongqi achieved 7.22 billion yuan in 2018, up 4.05% yoy; net profit attributable to shareholders was 322 million yuan, up 95.66% yoy. The profit increase is mainly due to optimization of product mix, improvement of store

management efficiency and strengthening of internal control management. In 2019, Chengdu Hongqi will continue to focus on its supermarket business by expanding its offline store network, as well as developing its online platform. As of end-2018, Chengdu Hongqi operated 2,817 stores across China¹⁶.

Convenience stores

Lawson China and Beijing Capital Agribusiness Group form strategic cooperation to tap fresh food business in community convenience stores

On 28 March, Lawson (China) Holdings Co., Ltd. and Beijing Capital Agribusiness Group Co., Ltd. signed a strategic cooperation agreement to tap fresh food business in community convenience stores. According to the agreement, the two companies will jointly expand Lawson’s store network in Beijing, and leverage the resources of both companies to explore the business model for fresh food business in convenience stores. It is expected to extend the business to other cities in Northern China and across the country after the success in Beijing¹⁷.

Home products

Muji further lowers its prices by up to 36% in China

On 21 March, Muji announced that starting from 29 March, 2019, it will develop a series of products dedicated to the China market. Specifically, the company will modify the size of their products to better fit Chinese customers’ needs and meanwhile, further reduce its product prices in China by up to 36%¹⁸.

Consumer electronics

Vivo opens Vivo Lab concept store in Shenzhen

On 22 March, Vivo opens its concept store Vivo Lab in Shenzhen Sea World. The two-story store has a total size of 890 sqm – vivo products are displayed on the first floor, and the second floor features an immersive experiential area where consumers will be given a new model of Vivo X27 phone for trial. It is reported that Vivo plans to build 100 smart flagship stores in tier-1 and tier-2 cities. It will also launch new sub-brands in six categories of mobile phone peripherals, including game and music, smart home products, sports and health, outdoor products, and daily necessities and stationery¹⁹.

Apparel

La Chapelle's net profit drops over 100% yoy in 2018

On 22 March, La Chapelle announced the financial results for 2018. The company's operating revenue grew 13.08% yoy to 10,176 million yuan in 2018; it recorded a net loss attributable to shareholders of the company of approximately 156 million yuan, down 131.24% yoy. According to the company, the drop in the company's operating revenue was mainly attributable to the decline in operating revenue of its two main womenswear brands La Chapelle and Puella, with operating revenue decreased by 11.94% to 309 million yuan and by 13.35% to 284 million yuan respectively. Meanwhile, the growth in sales of the company's womenswear brand Candie's and that of its childrenswear and menswear brands could not make up for the

decrease in sales of La Chapelle and Puella. The slowdown in consumption growth and the decline in customer flow at physical stores also dragged down the company's operating revenue. As of 31 December 2018, La Chapelle had 9,269 direct-sale stores, representing a net decrease of 179 compared with the beginning of 2018²⁰.

Nike's sales in China exceed 10 billion yuan for the first time

Nike Group released its 3Q18 financial results. In the period, Nike's sales went up 6.6% yoy to US\$9.611 billion. The Group's gross profit margin was 45.1%, and its net profit was US\$1.1 billion. Affected by the U.S. tax reform, Nike recorded a net loss of US\$921 million compared to the same period last year. Nike's overseas business continued to grow, surpassing the growth momentum in the North American market – China's market revenue increased 24% yoy to US\$1.588 billion, equivalent to 10.6 billion yuan²¹.

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Fung Business Intelligence

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