

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
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# General retail

## State Council releases measures to boost consumption

On 27 August, the General Office of the State Council announced the “Opinions on Accelerating the Development of the Circulation Industry to Boost Consumption”. The Opinions outlined 20 measures to promote innovation in the consumer market, optimize the consumption environment and promote the healthy development of China’s economy. The key initiatives include:

1. Encouraging innovations – to promote the development of new business models; to promote the transformation and upgrading of traditional commercial enterprises and old shopping streets; to promote convenience consumption in communities; to accelerate the development of rural distribution system; to extend the distribution scope of agricultural products; to adjust and expand the positive list for cross-border e-commerce (import).
2. Creating new consumption growth drivers – to unleash the potential of automobile consumption; to support the purchase of new-energy vehicles; to promote the used-vehicle market; to support the old-for-new policy for smart products and green products; to promote night-time economy and holiday consumption; to promote the development of China’s time-honored brands.
3. Deepening reforms on delegating power, streamlining administration and optimizing government services – to accelerate the development of chained convenience stores.

4. Strengthening fiscal, tax and financial support – to reduce the costs of commercial enterprises, to promote the implementation of the same-price policy of electricity consumption for industrial and commercial enterprises; to encourage R&D for commercial enterprises; to increase financial supports to enterprises.
5. Optimizing consumption environment – to strengthen the construction of consumption credit system; to accelerate the construction of a product traceability system for online and offline businesses; to crack down on the selling of counterfeit products online and offline as well as false advertising<sup>1</sup>.

## Savills: Shanghai and Beijing lead way ahead in retail index while Shenzhen follows

Recently property management company Savills released the “2019 China 20 Retail Cities Report”. According to the report, Shanghai and Beijing are the two largest and most important prime retail markets in China and lead by a wide margin in index. After these two, the cities of Shenzhen, Chengdu, Hangzhou and Guangzhou are the pre-eminent markets. While most international retailers still prefer Beijing and Shanghai for their first location, they often have plans to expand to Chengdu, Hangzhou or Shenzhen within a year. The report also points out that international brands are allocating more resources to the development of online platforms to reach a wider range of consumers<sup>2</sup>.

# E-commerce

## iResearch: WeChat Mini Programs show high penetration and strong stickiness among Chinese consumers

On 27 August, iResearch published the “WeChat Mini Programs Market Research Report 1H19”. The report points out that WeChat Mini Programs showed high penetration and strong stickiness among Chinese consumers. According to the i-Click research conducted in August 2018, among the 1,416 respondents, 90.4% have used WeChat Mini Programs; nearly half (48.7%) used Mini Programs for at least five times a day. Among the monthly top 100 most popular WeChat Mini Program, e-commerce, food delivery, traveling, portable goods and gaming services took up 71 seats; of which e-commerce Mini Programs dominated and accounted for 20% of the total<sup>3</sup>.

## Alipay streamlines payment process with global payment firm Adyen

On 28 August, Adyen, one of the world’s leading payment platforms, announced to forge an official cooperation with Alipay. Through this cooperation, the Alibaba Group aims to upgrade and streamline its current payment management model, and provide more overseas payment options for AliExpress, Taobao, Tmall and Alibaba.com<sup>4</sup>.

## Yunji’s GMV reaches 8.2 billion yuan in 2H19, up 46.4% yoy

On 23 August, Yunji released its unaudited financial report for the second quarter ended 30 June, 2019. The financial report shows that Yunji’s GMV in 2Q19 increased by 46.4% yoy to 8.2 billion yuan, of which, GMV related to the marketplace in 2Q19 was 2.2 billion yuan; number of cumulative paid members reached 10.77 million, an increase of 19.5% from 9.01

million as of 31 March, 2019. In the past 12 months ended June 30, 2019, the number of transacting members, i.e. members who have successfully promoted Yunji’s products to generate sales or placed at least one order on Yunji’s platform, increased from 3.66 million to 8.23 million, an increase of 125.1%<sup>5</sup>.

# Department stores and shopping malls

## Intime opens second generation new retail store in Anhui

Recently, Intime Retail opened the second generation of its new retail store “Yundian”, in Intime City, Bangbu, Anhui. Covering a floor space of 82 sqm, the new store features a total of six cloud-based digital touchscreens, supported with shopping guide services. Customers can complete their purchases via the touchscreens after trying out the products in-store; goods ordered will be sent to the customers through the two-hour regular delivery service or the normal express delivery service. With an aim to provide better services for its customers, the new store is reportedly fully digitalized and is capable of integrating both offline and online consumption scenes for customers, which allows Intime to provide location-based product assortment with higher degree of precision<sup>6</sup>.

## Japanese department store Takashimaya drops plan to close its store in Shanghai

On 23 August, Japanese department store Takashimaya announced on its website that it has dropped its plan to close its store in Shanghai. Takashimaya said that with the support extended by the landlord, as well as assistance from the Shanghai municipal governments, it retains the confidence in operating the store in China. Earlier on 25

June, Takashimaya announced that it would terminate the operation of its only store in Shanghai on 25 August due to fierce competition and rapid changes in China's consumption patterns<sup>7</sup>.

### Parkson Group's same store sales fall 2.2% yoy in 1H19

Recently, Parkson Group released its interim results for the six months ended 30 June, 2019. The report shows that, in 1H19, Parkson's gross sales proceeds reached 7.495 billion yuan (including VAT), down 3.3% yoy; same store sales in 1H19 decreased by 2.2% yoy. Parkson believes that the main reason for the decline was due to the continued slowdown of the Chinese economy and that customer traffic was diverted to some other shopping channels. In 1H19, Parkson closed a total of two stores; the retailer expects to open three new department stores this year<sup>8</sup>.

## Supermarkets and hypermarkets

### Costco's first China store opens in Shanghai; massive crowds force the store to shut down early on the first day of operation

On 27 August, American membership-only warehouse chain store Costco opened its first store for China in Shanghai's Minhang District. Crowded with thousands of shoppers, the new store was forced to suspend operation in the afternoon on the first day due to heavy traffic and customer flows. Covering nearly 14,000 sqm, the store offers a wide range of products including electronics, automobiles, home textile items, sporting goods, toys, food and alcoholic beverages, coupled with a hearing aid center, a tire service center and a food

court offering western cuisine. It carries less than 4,000 SKUs, with imported goods accounting for 40% of its total product offerings. Running on a membership business model, Costco requires a membership card for all purchases. It currently offers two types of memberships – gold star membership and business membership at the same fee of 299 yuan per year; the membership card can be used at any Costco warehouse store worldwide<sup>9</sup>.

### Yonghui Superstores reports net revenue of 41.176 billion yuan in 1H19, up 19.71% yoy; operates around 400 "Yonghui Superstores Mini" during the period

On 28 August, Yonghui Superstores announced its financial performance report for 1H19. Yonghui Superstores reported a net revenue of 41.176 billion yuan in 1H19, up 19.71% yoy. Net profit attributable to shareholders of company was 1.369 billion yuan, up 46.69% yoy. As of June 2019, Yonghui Superstores operated 791 stores in China in 24 provinces and municipalities in China. In 1H19, Yonghui Superstores launched a number of small-sized stores "Yonghui Superstores Mini"; each store has an average operating area of 488 sqm. Yonghui Superstores operated 398 such mini-stores in 19 provinces during the period, generating a total revenue of 550 million yuan<sup>10</sup>.

## Convenience stores

### FamilyMart launches new self-checkout machines

Recently, FamilyMart has launched new self-checkout machines in its stores. As of August, it has installed new self-checkout machines in around 100 branches in Shanghai as of August. These self-checkout machines are

also available in branches in Beijing, Guangzhou, Shenzhen, Hangzhou, Suzhou, Wuxi, Chengdu and Dongguan. According to FamilyMart, in those branches with self-checkout machines, over half of the customers chose to use these self-checkout machines, of which, customers aged under 30 were the most frequent users<sup>11</sup>.

## Apparel and footwear

### JNBY launches first Australia store in Melbourne, marking its 15th overseas market

JNBY Group's womenswear designer brand JNBY recently announced that the brand has officially launched its first store for Australia on the second floor of Melbourne Central. It is reported that JNBY has already opened 38 stores abroad, with the new launch in Australia marking its 15th overseas market<sup>12</sup>.

### South Korea's eyewear brand Gentle Monster and Huawei jointly launch smart eyeglasses collection

South Korea's eyewear brand Gentle Monster and Huawei have jointly launched a new smart eyeglasses collection. The new collection features Huawei's smart technologies on information acquisition and interaction, enabling users to answer phone calls, listen to music and use voice assistant by simply touching the lenses of the smart eyeglasses. Users can also stop playing the music by taking off the eyeglasses and resume it by putting them on. In addition, the collection also supports contactless wireless charging technology, allowing users to charge their eyeglasses with a contactless charging case<sup>13</sup>.

## Home products

### Ikea opens new store in Guangzhou; introduces a café in-store for the first time

On 28 August, Ikea opened a new store – Ikea Xintianhe Shopping Mall – in Mayland M.LIVE Plaza in Guangzhou. With an operating area of 21,000 sqm, the store has 45 showrooms and offers the entire Ikea's collections with nearly 9,000 types of furniture and home products. The new store also features the Ikea Café, which is Ikea's first attempt to open a café in China. Ikea states that it hopes to provide a cozy and relaxing area for its customers to take a break after shopping in their store for 1-2 hours. Going forward, Ikea will consider to introduce the café to other stores if the feedback is good<sup>14</sup>.

### Ikea to offer interior design service in September and invest 10 billion yuan in China by 2020

Recently, the head of Ikea China announced in a "Future+"-themed press conference that the company will launch home design service in China in September. Catering to the specific needs and preferences of customers, Ikea China will co-design products with families and offer virtual home solutions. China will become the only country with Ikea home design center outside Sweden. Ikea China also announced to invest 10 billion yuan in the local market in the coming year. The investment will be used to recruit 3,000 talents and set up a digital innovation center<sup>15</sup>.

## Cosmetics

### South Korean cosmetics brand Primera taps the China market

Primera, a South Korean high-end cosmetics

brand under Amorepacific Corporation, recently held a media event in Shanghai to announce its entry into China and the official opening of its online Tmall flagship store. Primera plans to open the first offline store in China by the end of this year<sup>16</sup>.

work closely on other projects including cold chain logistics<sup>18</sup>.

## Retail logistics

### Alibaba's customer service unit and Cainiao Guoguo jointly launch "Ultra-fast Return and Refund Service"

Cainiao's express delivery app Cainiao Guoguo recently announced that the company and Alibaba's customer service unit have jointly launched a new service "Ultra-fast Return and Refund Service". Starting from 23 August, by simply choosing the officially designated shipping service, users of Taobao and Tmall can enjoy the ultra-fast return and refund service from home – Cainiao Guoguo's couriers will pick up the return item from their home and at the same time arrange the refund for them. Moreover, customers returning Taobao's items that are under 1 kg and come with shipping insurance are entitled to free return shipping services provided by Cainiao Guoguo<sup>17</sup>.

### JD Logistics and Today Convenience Store jointly works on ambient temperature warehouses and other projects

On 28 August, JD Logistics and Today Convenience Store formed strategic cooperation in Wuhan. On the basis of maintaining the normal operation of Today's existing ambient temperature distribution centers and warehouses, the two companies will improve Today's supply chain service level leveraging JD Logistics' supply chain ecosystem. In addition, the two companies will

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## Fung Business Intelligence

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