China Retail & E-commerce

Weekly Updates

23 Jun – 29 Jun 2017

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Asia Distribution & Retail

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Retail in general

Kantar Worldpanel, Bain & Company: Growth of local FMCG brands outpace that of foreign brands

Research consultancies Kantar Worldpanel and Bain & Company jointly published the "2017 China shopper report, China's Two Speed Growth: In And Out Of The Home". The report showed that annual growth in FMCG value for home consumption remained sluggish across all sectors studied in 2016, hitting a five-year low of 3%. The China online retail market continued to skyrocket, growing by more than 52.6% in value; online channel now represents 7% of all FMCG sales, doubling its share of the FMCG market in the last two years. By retail format, growth of hypermarkets declined by 2%, while growth of supermarkets decelerated to 2%, compared to that of convenience stores which increased by 7.4%. Among the surveyed brands, local brands grew by 8.4%, while foreign brands grew by only 1.5%. Fuelled by O2O catering, growth of food delivery market has reached 40-50% annually over the past three years[1].

Nielsen: China consumers heed the locations of brands

According to Nielsen's recently published "Global Connected Commerce Report", 70% of the survey respondents in China did not agree with the view that their only concern is the price of goods regardless of brand's country of origin. Among correspondents from the 63 countries surveyed in the report, Chinese consumers ranked second in terms of the extent to which they disagree with the statement, showing that Chinese consumers place great emphasis on the brand's country of origin[2].

E-commerce

Analysys: Number of mobile Internet users in China is almost at its peak as it reaches 880 million in 4Q16

Market research company Analysys recently published an ethnographic research report on China's mobile Internet user population. According to the report, the number of mobile Internet users in China is almost at its peak as it reached 880 million in 4Q16, up by 11.39% yoy. Users under 30 years old are the dominant demographic group. Tier-1 cities have the most online consumers, accounting for over 45% of the total Internet population in China. In 2016, mobile Internet users spent as the most on mobile shopping, tourism package, group buying, transportation, as well as catering and food delivery[3].

McKinsey: Omni-channel shopping becomes the dominant way of consumption

McKinsey's "China iConsumer Survey 2017" said that China is now the world's largest online retail market and has a market size that equal to the sum of the other six major e-commerce markets in the world, namely the U.S., the U.K., Japan, Germany, South Korea and Germany. However, the growth of the transaction volume of China's e-commerce market has slowed after six consecutive years of rapid growth. Its annual growth was down from 74% yoy in 2011 to an estimated 19% yoy in 2017. According to the McKinsey report, there are five new trends in the changing behaviour and preferences of consumers in China. Firstly, omni-channel shopping becomes the dominant way of consumption. Also, shoppers embrace scenario-based shopping. Moreover, consumers' social interaction promotes social commerce. Consumers' demand for non-standardized products and services increases. Also, brands and retailers strive to better provide customized products and services through the implementation of retail analytics[4].

Alibaba ups its stake in Lazada to 83% with US$1 billion investment

Alibaba announced a deal to pay close to US$1 billion to raise its stake in Southeast Asia's online retailer Lazada Group from 51% to 83%. Alibaba made an initial US$1 billion investment on Lazada in April 2016 to become the controlling shareholder of the company. Founded in 2012, Lazada based in Singapore and has offices in Malaysia, Indonesia, the Philippines, Thailand and Vietnam. As of the previous financial year ended March 2017, Lazada has around 23 million monthly active users[5].

Alibaba publishes statistics from its anti-counterfeits campaign

The governance team of Alibaba published statistics from its anti-counterfeits campaign revealing the number of merchant accounts and manufacturing companies involved in counterfeit infringement. It also released the first batch of companies blacklisted for selling counterfeits on Alibaba's platform. According to the statistics, 63% of the counterfeiters in China are concentrated in the coastal provinces such as Guangdong, Fujian, Zhejiang, Jiangsu and Shandong. Alibaba said that the group will continue to report its work progress in fighting counterfeits to the public every quarter[6].

E-commerce logistics

JD.com and China Eastern Air Group form strategic partnership to build domestic and international air freight network

JD.com and China Eastern Air Group form strategic partnership, which will see the two collaborate in areas such as air cargo logistics, air passenger operations, brand marketing, procurement, membership schemes, as well as information system setup. Previously, China Eastern Air Group has already become JD.com's designated carrier in more than 10 freight routes including Beijing and Shanghai and it is estimated that the number will increase to over 20 by 2H17. China Eastern Air Group has already opened an official flagship store on JD.com and has named JD.com as its core sales partner. Besides, the two companies will integrate their membership schemes, allowing China Eastern Air Group to optimize its e-commerce site and members of the two companies to enjoy joint promotion benefits[7].

Supermarkets and hypermarkets

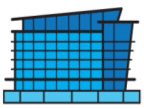
High-end membership supermarket Chia Tai Club joins JD Daojia

Chia Tai Club, a high-end membership supermarket of the Charoen Pokphand Group (CP Group), recently joined JD Daojia. Meanwhile, over 20 branches of CP Group's Lotus Supermarket in Shanghai and Kunshan will follow suit in the near future. According to media report, CP Group's membership stores will step up its partnership with JD Daojia to align its offline expansion and online service coverage. CP Fresh Mart, the community convenience store brand of the CP Group, will partner with JD Daojia in cities such as Shanghai, Chengdu, Wuhan, Zhengzhou and Beijing in 2H17. Currently, JD Daojia has 30 million registered users. It partners with businesses to provide 1-hour express delivery service to satisfy the need for last-mile delivery from stores to consumers[8].

Wal-mart implements cold chain logistics for the entire delivery process of vegetables by end of July

Wal-mart China said that by end of July, all vegetables sold in its over 400 stores nationwide will be distributed by proprietary fresh produce distribution centres and the whole delivery process will use cold chain logistics to ensure the freshness and food safety of vegetables. Currently, Wal-mart China distributes some fresh produce categories such as fruits and meat using its fresh produces distribution centre and end-to-end cold chain logistics service. Wal-mart China has set up 11 fresh produce distribution centres across China to maintain the quality and safety standard of its fresh produce, as well as to ensure timely stock replenishment[9].

Department stores and shopping malls



Rainbow Department Store in Shenzhen launches British-town-themed shopping street "KidsRepublic"

The fifth floor of Bao'an branch of Rainbow Department Store is transformed into a British-town-themed shopping street "KidsRepublic" focusing on kids products and services. Following the "YES!" restaurant street, "KidsRepublic" is the second themed mall project launched by the Rainbow Department Store. Also, it is China's first kids shopping street that incorporates elements such as retail, entertainment, event, training, restaurant, and social interaction. Rainbow Department Store also introduces a series of specialty and unique brands and merchandizes that match the British-town theme, including brands which are introduced to its store for the first time, such as Funny Day, Notting Bear, Bbebaby, Hey!Steam, Angelapig, Locke Teddy, Blukids, Banana Baby, Island Kids & Kids Isle, as well as its private brand RainKids[10].

Convenience stores

Carrefour's convenience store brand "Easy Carrefour" enters Wuxi

Carrefour China opens its first "Easy Carrefour" convenience store in Wuxi on 28 June. Having a floor space of under 200 sqm, the first Wuxi store of Easy Carrefour locates on Zhongshan road of Wuxi. Easy Carrefour was first launched in 2014 in Shanghai and it currently has 29 stores in the city. Wuxi will be the second city in China that Easy Carrefour enters. Carrefour China planned to open three to five convenience stores in Wuxi in 2017, each of them will have a floor space between 160-300 sqm. Easy Carrefour will also enter community areas in Wuxi in the future[11].

Alipay and Japanese convenience store chain Lawson jointly launch cross-border marketing promotion campaign in Japan and China

Alipay and Japanese convenience store chain Lawson jointly launched a cross-border marketing promotion campaign in all Lawson stores in Japan and China. Starting from 11 July, consumers checking out with Alipay in any Lawson store in Japan or China will get cash reward in their Alipay account or electronic coupons in accordance to the campaign arrangements. Lawson is one of the three largest convenience store chains in Japan. It has over 13,000 stores across Japan and around 1,100 stores in China. Earlier this year, Lawson has introduced Alipay as one of the payment solutions in all its branches in Japan[12].

Apparel

Bosideng shuts down 979 stores with plan to further develop its ladieswear business

According to its result announcement for financial year ended 31 March, 2017, Bosideng has increased its revenue by 17.8% to around 6.817 billion yuan. Net profit attributable to equity shareholders of the company increased by 39.5% to approximately 392 million yuan. In 2016, Bosideng discontinued several of its loss-making businesses including Combo, Mogao and its self-operated flagship store overseas. The total number of retail outlets of the Group's down apparel business was reduced by 979 to 4,292. Bosideng planned to further expand its ladieswear business by means of acquisition. Currently, Bosideng's ladieswear portfolio includes brands such as Jessie, Buou Buou, Koreano and Klova[13].

Fast fashion brand A|K to open Tmall flagship store and more physical branches

Chinese fast fashion brand Alexander Karl (A|K) said it planned to open more physical stores following the opening of its branches in Shanghai and Taizhou. Also, its Tmall flagship store will be opened in July to help the brand engage in its omni-channel business. The brand said that it will make use of scenario-based retail to interact with customers and improve their buying experience[14].

Kids products

Baby and maternity products e-commerce retailer Beibei.com launches social media features on its platform

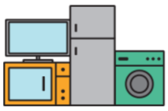
Baby and maternity products e-commerce retailer Beibei.com launched two social interaction features on its platform, namely "What-to-buy" and "Ask-other-buyers". With the "What-to-buy" feature, online shoppers can create their own shopping wish list, read other buyers' product reviews, as well as recommend products to other buyers. With the "Ask-other-buyers" feature, online shoppers can make enquiries or answer questions by fellow shoppers regarding the products or the buying process. Both features are social functions based on online shopping scenarios. Beibei.com said that product recommendations and reviews made by fellow online shoppers can gain more trust from customers[15].

Home products

Japanese home products chain Nitori to open flagship store in Shanghai

Japan's largest home products chain Nitori plans to open a flagship store that has a floor space of around 8,000 sqm in Shanghai. Nitori first entered China in 2014 and currently has over 10 branches in cities such as Shanghai, Hangzhou and Ningbo. Nitori also announced its plan to open 100 stores in China by 2020[16].

Consumer electronics



Gome invests 216 million yuan in Chinese home renovation company iKongjian, targeting to provide integrated services including home renovation, home products, and home electrical appliances

Gome Holdings Group led a 216-million-yuan investment in the Chinese home renovation and furniture e-commerce company iKongjian in its series C round, a move that was viewed as Gome's acceleration in its push to transform into a New Retail business model. Meanwhile, Gome and iKongjian signed strategic partnership agreement to share resources and collaborate in areas of membership schemes, supply chain, as well as marketing, so as to provide consumers with integrated services of home renovation, home products, and home electrical appliances. Gome said that both companies are now working together on the launch of a jointly run physical store in the Madian branch of Gome in Beijing. The store will have a floor space of around 1,200 sqm and will have its trial operation in July[17].

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