

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general



Retail sales of 100 key large-scale retail enterprises drop 1.0% during Spring Festival Golden Week

According to the statistics of China National Commercial Information Center (CNCIC), during the Spring Festival Golden Week in 2018 (15-21 February), the retail sales of the 100 major key retail enterprises dropped by 1.0% yoy, a decrease of 3.8 ppts compared to last year. Of all the surveyed 100 large-scale retail companies, retail sales of 46 companies achieved positive growth while 54 companies recorded negative growth. 11 out of 46 companies who registered positive retail sales growth enjoyed growth rate of more than 10%. From regional perspective, retail sales in tier-1, tier-2 and tier-3 cities all registered lower growth rates as compared to last year, with tier-1 cities down 6.2% yoy, tier-2 cities up 0.3% yoy and tier-3 cities fell 2.7%. In respect of the sales of major commodities, retail sales of all kinds of commodities registered lower growth rates than the same period of last year. Retail sales growth of apparel commodities, cosmetics and household goods were -1.7% yoy, 4.5% yoy; and -5.5% yoy respectively¹.

E-commerce



Total transaction value of e-commerce reaches 29.16 trillion yuan in 2017, up 11.7% yoy

According to National Bureau of Statistics (NBS), the total transaction value of e-

commerce nationally reached 29.16 trillion yuan in 2017, up 11.7% yoy. Of which, transaction value of e-commerce for commodities and services was 21.83 trillion yuan, up 24% yoy, 10.2 percentage points (ppt) higher than that in 2016. Transaction value of e-commerce for commodities accounted for 77.3% to achieve 16.87 trillion yuan, up 21.0% yoy and 8.7 ppts higher than that in 2016; transaction value of e-commerce for services accounted for 22.7% to achieve 4.96 trillion yuan, up 35.1% yoy and 13.2 ppts higher than that in 2016.

By region, growth rate of transaction value of e-commerce for commodities and services in Northeastern China was the highest – transaction in Eastern China, Central China, Western China and Northeastern China accounted for 68.8% (up 24.3% yoy), 12.6% (up 20.3% yoy), 15.2% (up 24.2% yoy) and 3.4% (up 30.6% yoy) of the total transaction value of e-commerce in 2017, reaching 15.02 trillion yuan, 2.76 trillion yuan, 3.31 trillion yuan and 0.74 trillion yuan respectively².

Sales of grocery products on JD.com up nearly 200% yoy during Lunar New Year holidays

JD.com revealed on 23 February that during the Lunar New Year holidays, sales of festive food products, wine, jewelry, accessories, etc. increased over 100% yoy, while sales of grocery products up nearly 200% yoy. JD.com offered delivery service during the holidays to more than 300 cities to satisfy customers' needs. According to data from JD.com, the sales in Qinghai, Jiangxi, Yunnan, Hunan and Anhui ranked the top nationally, while growth rate was the fastest in tier-6 cities³.

JD.com forms partnership with Shenyang government for investment in three Northeastern provinces

Recently, JD.com and the Shenyang Municipal Government signed the “Strategic Cooperation Framework Agreement” to conduct in-depth cooperation in areas including smart logistics, rural e-commerce, "unmanned" black technologies, O2O convenience stores and Internet finance. In the future, the two parties will take Shenyang as the core location and build an International-standard business and trade logistics base that serves the four provinces of Heilongjiang, Jilin, Liaoning, and Inner-Mongolia. This will help the restructuring and optimization of Shenyang's e-commerce industry and explore new growth points for the development of regional economy⁴.

JD.com to expand into Europe in 2019

JD.com plans to expand into the European markets in 2019. It will launch e-commerce platform and delivery service in France first, followed by the U.K. and Germany. JD.com aims to invest at least 1 billion euros in France to build its logistics network. It also targets to open the first research center in Cambridge, the U.K., which will be its second research center outside China. The research center will focus on research on artificial intelligence and big data. Currently, besides China, JD.com operates two e-commerce platforms overseas in Indonesia and Russia⁵.

JD.com launches regional office in Australia

JD.com has announced the opening of a local office in Australia to serve as the Australia and New Zealand regional office to support business expansion and help Australian and

New Zealand retailers to enter the China market. JD.com chose to locate the office in the Victorian capital because of opportunities presented for e-commerce businesses by the State of Victoria, including access to an abundance of local suppliers, Australia's only 24-hour shipping port and a supportive local government. JD.com will offer Australian and New Zealand brands and retailers access to more than 900 million consumers through JD.com's exclusive partnership with Tencent. Australian and New Zealand brands that are sold on JD.com mainly include the categories of food, agriculture, dairy and cosmetics⁶.

JD.com to launch its latest AI accelerator program in March, targeting at blockchain start-ups

To support start-up companies in the fields of artificial intelligence and blockchain technology, JD.com will launch an Artificial Intelligence Accelerator project in Beijing in March. According to JD.com, start-up companies that join the Accelerator Program will have the opportunity to cooperate with JD.com's operational teams and jointly run the last-mile logistics network in China. JD.com hopes to become a global leader in the AI field through its delivery drones and automated warehouses⁷.

Tencent and JD.com buy stake in Better Life

According to a filing to the Shenzhen stock exchange made on 23 February by Better Life, Tencent paid 886.9 million yuan (US\$140 million) for a 6% stake, while JD.com took a 5% stake for 739.1 million yuan (US\$117 million) in Better Life. The three companies plan to team up to pursue smart and borderless retailing, as well as to create a digitized ecosystem to reshape the retail value

chain⁸.

Total sales of mobile phone category on Tmall reaches 67.8 billion yuan in 2017, up 79% yoy

Recently, Beijing Moojing Technology Co., Ltd. released the "Tmall's Best Selling Product Category Report 2017." The report shows that, in 2017, apparel and innerwear, home electronics, personal care & cosmetics, maternity products and mobile phones were the five product categories with the highest yoy growth rate on Tmall. Among them, the total annual sales of mobile phones amounted to 67.8 billion yuan in 2017, representing an increase of 79% yoy and an increase of 108% compared to 2016⁹.

Kaola.com partners with ten leading Korean brands to launch "Beauty campaign for Chinese women"

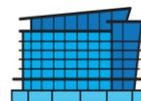
Kaola.com has partnered with ten leading Korean brands to launch the "Beauty campaign for Chinese women" in 1Q18. According to Kaola.com, it will share consumer data with the ten Korean brands, with a hope to help them better understand the needs of Chinese consumers. Meanwhile, it will also launch co-branded products and personalized products for Kaola.com's customers. The ten leading cosmetic brands include LG Group, Mediheal, Janjun, Amore Pacific, SNP, Korea Ginseng Corporation, Leaders, Olive Young, Dr. Jart+ and Papa¹⁰.

Suning launches upgraded version of smart unmanned shelves, allowing customers to complete shopping process within 10 seconds

Recently, Suning has launched new version of smart unmanned shelves with upgraded features including facial recognition, gravity

sensing and smart inventory management and other technologies. With the new technologies, customers can complete the whole shopping process within 10 seconds. Once the customers stand in front of the shelf and look into the camera installed on the door, the shelf can automatically recognize the facial features of the customers and will unlock the door at once; customers can then pick the products they want to buy and the shelf will identify the products being chosen and also the prices based on gravity sensing technology; finally the customers can settle the payment via suning.com¹¹.

Department stores and shopping malls



Parkson reports loss of 136.0 million yuan in FY17, down 192.3% yoy

Parkson released the results for the financial year ended 31 December, 2017. Total operating revenues increased by 1.5% yoy to 4,677 million yuan. Loss attributable to the group was 136.0 million yuan in FY17, down 192.3% yoy; profit from operations was 83.7 million yuan, a turnaround increase compared to the loss from operations of 201 million yuan recorded in FY16. Same store sales increased by 3.2% and 1.3% during 4Q17 and FY17 respectively. As of 31 December, 2017, Parkson operated 44 department stores, two Parkson Newcore City Malls and one Lion Mall in 30 cities in China¹².

Rainbow Department Store posts 7.31% increase in revenue and 37.03% increase in net profit for 2017

On 27 February, Rainbow Department Store released a preliminary report of its 2017 annual results. According to the report, the

total operating revenue of Rainbow Department Store increased 7.31% yoy to 18.536 billion yuan in 2017 and operating profit increased 37.20% yoy to 923 million yuan. Total profit increased 30.19% yoy to 931 million yuan and net profit increased 37.03% yoy to 718 million yuan. According to Rainbow Department Store, against the backdrop of consumption upgrade and technological development, the company has continued to innovate and strengthened its core competitiveness with focus on three major areas, namely “digitalization”, “experiential” and “supply chain”¹³.

Supermarkets and hypermarkets



JD supermarket aims to surpass 500 billion yuan in sales by 2020

On 28 February, the President of JD.com Consumer Product Division, Feng Yi said brand-centricity is the key focus and future strategy of JD supermarket. It will strive to leverage all its brands to achieve omni-channel sales growth. The goal of JD Supermarket is to surpass sales turnover of 500 billion yuan in concerted efforts with brands by 2020¹⁴.

YH Super Species and Yonghui Life app launch private label “Super U Select”

Recently, YH Super Species and Yonghui Life app launched private label “Super U Select”, which covers seafood, frozen food, fresh meat, vegetables and snacks. Yonghui Superstores targets to increase the proportion of private label products to 50% of the total sales in the future¹⁵.

Better Life’s total revenue amounts to 17.36 billion yuan in 2017, up 11.87% yoy

On 27 February, Better Life released its annual results for 2017. In 2017, Better Life achieved total revenue of 17.36 billion yuan, up 11.87% yoy; its operating profit increased by 64.99% yoy in the year. Better Life said that during the reporting period, the substantial increase in operating profit was attributable to the growth in company size, effective cost control and subsidies from the government. It is reported that Better Life opened 40 new stores and three new department stores in 2017¹⁶.

Convenience stores



212 Family Mart stores connect to JD Daojia platform

JD Daojia announced on 27 February that it has formed partnership with Family Mart, 212 stores of Family Mart in Beijing, Shanghai, Shenzhen, Chengdu will connect to JD Daojia platform. Currently, nearly 4,000 convenience stores have connected to JD Daojia platform. JD Daojia will further expand the cooperation with convenience store chains such as Family Mart and 7-Eleven to deliver better O2O shopping experience to consumers. JD Daojia expects 500 more Family Mart stores and 3,000 more 7-Eleven and Lawson convenience stores to connect to its platform in 2018¹⁷.

Apparel



Septwolves's operating income exceeds 3 billion yuan in 2017

According to Septwolves' latest financial report for FY17, the company's operating income rose 16.76% yoy to 3.082 billion yuan, net profit rose 17.78% yoy to 314 million yuan, which is in line with the company's forecasts. The company said the improvement in financial results was attributable to better external environment in the retail sector and the continuous internal transformation in product optimization, supply chain upgrade, and distribution channel strategy. Founded in 1990, Septwolves is one of the leading menswear brands in China and is the first listed apparel company in the nation¹⁸.

JNBY's total revenue amounts to 16.54 billion yuan, up 26.2% yoy for the six months ended December 2017

On 26 February, JNBY Group (3306.HK) announced its interim results for the six months ended 31 December, 2017 (1H18). The company's total revenue amounted to 1.654 billion yuan in the six month period, representing an increase of 26.2% yoy from 1,310.4 million yuan in 2016. Its sales growth was mainly driven by double-digit same-store sales growth and net increase of 177 stores. Growth rates of self-operated stores and franchised stores were both above 20%, and they show similar contribution to the sales growth. Meanwhile, JNBY's revenue from online channel increased 45.1% yoy to 140.2 million yuan, with its proportion of revenue further increased to 8.5%¹⁹.

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