

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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Retail in general

MOFCOM: Sales growth of 5,000 major retail enterprises up 2.2% yoy in April

According to the Ministry of Commerce of the PRC (MOFCOM), sales growth of 5,000 major retail enterprises increased by 2.2% yoy in April 2019. In terms of retail format, sales of online shopping platforms, shopping malls and convenience stores increased by 17% yoy, 6.1% yoy and 5.1% yoy respectively; sales of supermarkets, department stores and specialty stores increased by 4.7% yoy, 1.2% yoy and 0.1% yoy respectively. In terms of product category, culture and office supplies, communication equipment and cosmetics recorded the highest growth at 7.4% yoy, 6.3% yoy and 6.3% yoy respectively¹.

SPB and six departments jointly promote postal service to rural areas

On 23 May, the State Post Bureau (SPB) held a press conference to interpret the "Opinions on Promoting Postal Service to Rural Areas" jointly issued by the SPB and six other departments recently. It is expected that delivery service for e-commerce can cover the whole nation by 2022. Currently, 74.9% of villages have no postal station to process e-commerce parcels. To solve the problem, the Opinions propose to include postal stations in rural public infrastructure development, strengthen the provision of e-commerce, provide more convenience services such as pick up delivery and self-pick up services. The Opinions also support the construction of take-off and landing areas for drones in selected villages, as well as demonstration areas for drone delivery to villages².

E-commerce

MOFCOM: China's e-commerce transaction exceeds 30 trillion yuan in 2018

On 29 May, the Ministry of Commerce (MOFCOM) released the "China E-Commerce Report (2018)". The report shows that, in 2018, China's e-commerce market continued to expand and maintained high-speed growth. In 2018, the transaction value of China's e-commerce reached 31.63 trillion yuan, up 8.5% yoy; online retail sales of goods and services amounted to 9.01 trillion yuan, up 23.9% yoy; value of cross-border e-commerce including both imports and exports totaled 134.7 billion yuan, up 50% yoy; transaction value of rural e-commerce was 1.37 trillion yuan, up 30.4% yoy. Other than that, the number of parcels delivered through express delivery services in China reached 50.71 billion, increased by 26.6% yoy, and 47 million of the China population worked in the e-commerce industry, showing an increase of 10.6% yoy³.

MOFCOM's "Brand and Quality Online Shopping Festival" generates 77 billion yuan sales

The Ministry of Commerce (MOFCOM), joined force with the National Post Bureau (NPB) and China Consumers' Association organized the "Brand and Quality Online Shopping Festival" during 28 April and 10 May to promote brand consumption and quality consumption. Ten e-commerce platforms including Alibaba, JD.com, Suning.com, NetEase, Gome, VIP.com, Jumei, Red, Womai.com and Fresh Market, together with the logistics companies participated in the event. It is reported that over 100,000 brands joined the event and together achieved total sales of 77 billion yuan, up 32% yoy; and

major logistics companies handled over 2 billion parcels during the period, up 28% yoy⁴.

DCCI: Meituan Waimai takes the lead in online food delivery service market

Internet third-party data agency DCCI published a report on online food delivery service market for 1Q19. According to the report, in 1Q19, Meituan Waimai, Ele.me and Star.ele.me took up 64.6%, 25.5% and 8.4% share respectively in China's online food delivery market. Currently, online food delivery platforms are shifting their focus from increasing order volume to expanding customer base, with service experience becoming their core competence. In addition, the platforms have also started allocating more resources to support their retail partners and enhance their delivery service experience for customers⁵.

Alibaba is said to consider a second listing in Hong Kong to raise US\$20 billion

Reported by Bloomberg, Alibaba Group Holding Ltd. is considering raising US\$20 billion via a second listing in Hong Kong, aiming to file a listing application early as the second half of 2019. A second listing is intended to diversify Alibaba's funding channels and boost liquidity, but the plans are preliminary and could change. Alibaba declined to comment on the matter⁶.

NetEase Kaola signs strategic cooperation agreement with Johnson & Johnson China

On 24 May, NetEase Kaola signed a strategic cooperation agreement with Johnson & Johnson China. Brands under Johnson & Johnson such as Neutrogena, Listerine, Clean & Clear and o.b. will be available on NetEase Kaola. NetEase Kaola said that it will continue to introduce more brands of Johnson & Johnson to its platform in the future; it will also

strengthen its global supply chain, and deepen the cooperation with Johnson & Johnson in both cross-border e-commerce and general import. Since early 2019, NetEase Kaola has signed strategic cooperation agreements or upgraded the partnership with several global brands such as Abbott, Biostime and Nestlé China⁷.

JD.com announces "Direct from factory" program to recruit over 100,000 factories nationwide

On 24 May, JD.com announced its "Direct from factory" program to recruit over 100,000 factories nationwide. JD.com will provide the factories with support in different aspects such as customized marketing, technology, logistics and finance, to facilitate them to sell to end consumers. JD.com will leverage its entry on WeChat to support the "Direct from factory" program and help factories distribute their products to consumers especially in the tier-3 to tier-6 cities via the "group buying" function⁸.

Alibaba signs strategic cooperation agreement with Red Star Macalline

On 24 May, Alibaba signed a strategic cooperation agreement with Red Star Macalline, one of China's biggest furniture retailers, to work closer on building new retail stores and e-commerce platforms, logistic warehousing, installation services vendor management, consumer finance as well as payment services. Red Star Macalline explained that, through this strategic cooperation, it aims to introduce Alibaba's business philosophy and technology to its core businesses, including the sale of furniture and construction materials and shopping mall operation. The company expects that the cooperation will improve its operation efficiency and further facilitate the integration of its online and offline business⁹.

JD.com launches nationwide group-buying event, with 26.2 million items sold

On 24 May, JD.com's group-buying platform "JD Pingou" launched a nationwide group-buying event and sold 26.2 million items in total. Among the sold items, household items are the most popular category among JD Pingou's shoppers. Meanwhile, a number of domestic manufacturing businesses have also participated in the shopping event. Currently, JD Pingou is tied to 50 industrial zones in more than 10 provinces and cities including Guangdong, Fujian, Zhejiang and Hebei, covering textile, apparel, home appliances, cleaning products, toys and other categories¹⁰.

Tmall to distribute product samples before 6.18 shopping festival to boost sales

To attract new customers and improve the re-purchase rate of existing customers during its 6.18 shopping festival, Tmall announced that it will distribute nearly 10 million product samples through both online and offline channels on the eve of the shopping festival. It is reported that a total of 380 local and international brands will participate in the sample distribution exercise, including international brands such as SK-II, MAC, Nestlé, Durex, and also local brands such as skincare brand Winona, liquor brand Luzhou Laojiao, snack brand Be & Cheery, and skincare brand Pechoin¹¹.

Tmall to launch exclusive delivery service for affordable luxury customers

Starting 30 May, Tmall will launch an exclusive delivery service for customers of its affordable luxury products, which refer to larger home electronics products, including TVs, refrigerators, washing machines and massage chairs. Available to selected areas, the new delivery service will provide world-

class service experience – hand-delivering products by couriers dressed in uniform, gloves and shoe covers arriving on a red carpet¹².

Department stores and shopping malls

Nanjing Xinjiekou Department Store launches "Xinbaigou" WeChat store

On 29 May, Nanjing Xinjiekou Department Store launched its "Xinbaigou" WeChat store to explore omni-channel retailing. Customers can order online and have the products delivered to the specified address, or they can pick-up the orders in-store. The company partnered with third-party WeChat e-commerce platform Youzan for technology support. It also explores social-commerce to let consumers share products to their connections. Nanjing Xinjiekou Department Store said that in the future, it will recruit "initiators" especially in communities and school campuses for group purchases and urge them to share deals through their WeChat accounts¹³.

Supermarkets and hypermarkets

2,000 branches of China Resources Vanguard to connect with Ele.me

Domestic O2O delivery platform Ele.me has strengthened cooperation China Resources Vanguard to connect with over 2,000 branches of China Resources Vanguard in 100 cities by end of June. This cooperation will cover all retail formats from China Resources Vanguard including hypermarket, supermarket, boutique supermarket and

convenience store, as well as other retail labels. Previously, China Resources Vanguard has already connected its stores with Meituan Waimai and JD Daojia to provide O2O delivery service¹⁴.

YH Super Species opens first experiential store to integrate with O2O delivery platform Yonghui Life

Currently, YH Super Species opened its first experiential store in the Bund Finance Center (BFC) in Shanghai, which is also its first attempt to integrate with Yonghui's O2O delivery platform Yonghui Life. The store focuses on fresh food, and there is a 400 sqm Yonghui Life Satellite Warehouse nearby. This Yonghui Life Satellite Warehouse can share resources with the YH Super Species in BFC, including merchandise, labor and membership. The YH Super Species store can also bring more customer traffic to Yonghui Life's app. According to Yonghui Yunchang, the parent company of YH Super Species, integrating Yonghui Life with stores is the latest move of the company and it will continue to push the initiative forward in the coming year¹⁵.

JD.com's 7FRESH supermarket upgrades store format

On 30 May, JD.com's 7FRESH supermarket announced for the first time its upgrade to Meal Solution Supermarket (MSSM). The first store undergoing the upgrade is located in Beijing Capital Outlet and has already opened to the public. The new upgraded supermarket will become one of the businesses of 7FRESH and complement JD.com's other fresh food businesses. According to 7FRESH, on average, its stores turn profitable in 1.5 years, and the sales per sqm is three times of traditional physical supermarkets¹⁶.

Convenience stores

First-ever "Lawson & Hello Kitty convenience store" opens in Shanghai

On 30 May, the first-ever "Lawson & Hello Kitty convenience store" was launched on East Nanjing Road, Shanghai. Following the launch of a range of themed convenience stores featuring IP that are well received among young consumers, including "SIPG FC", "Bilibili", "Detective Conan" and "Teddy Bear", the new themed store is the first convenience store in the industry jointly developed with Hello Kitty brand. In addition, the partnership between Lawson and Hello Kitty also achieves a breakthrough in both product mix and in-store experience, enabling customers to enjoy a one-stop shopping experience for Hello Kitty products in Lawson¹⁷.

Apparel

Chinese menswear brand GXG's parent company Mulsanne Group debuts on Hong Kong Stock Exchange

Mulsanne Group Holding Limited, the parent company of Chinese menswear brand GXG, was listed on the main board of the Stock Exchange of Hong Kong on 27 May 2019. The net proceeds from the global offering to be received by the company, was estimated at approximately HK\$805.7 million. Among which, approximately 45% will be used to repay its existing debts and reduce its financial expenses; approximately 15% will be used to expand its brand and product portfolio by pursuing brand acquisitions or strategic alliances; approximately 10% will be used to upgrade its offline retail stores to smart stores; approximately 20% will be used to establish an advanced smart logistics center; and

approximately 10% will be used to provide funding for its working capital and other general corporate purposes¹⁸.

Uniqlo's Shanghai flagship store launches live streaming event with Shanghai Transport Radio Station

On 25 May, Uniqlo and Shanghai Transport Radio Station FM105.7 jointly launched a fashion live streaming event for the first time at Uniqlo's Shanghai flagship store. A famous radio presenter in Shanghai and experts from different fields were invited to the event and shared their summer fashion tips with consumers¹⁹.

I.T Limited records turnover of HK\$8,832 million, up 5.4% yoy

I.T Limited announced its financial results for the year ended 28 February, 2019. During the financial year, I.T Limited recorded a turnover of HK\$8,832 million, up 5.4% yoy; gross profit increased by 5.9% yoy to reach HK\$5,640 million; net profit increased by 2.8% yoy to reach HK\$444 million, much less than the yoy growth of 37% in 2017. In 2018, I.T Limited made extra digital investments such as employing digital talents to enhance competitiveness in the e-commerce segment; as well as developed new in-house brand products²⁰.

Handu Group to launch boutique e-commerce platform "Handu Yanxuan"

According to the spokesperson of Handu Group, Handu Group will launch its own boutique e-commerce platform "Handu Yanxuan". The new platform adopts the "self-operated direct merchandising" model, bringing Korean lifestyle products or popular/niche lifestyle brands to its customers. Meanwhile, to ensure products to be directly supplied from brands, Handu Yanxuan has

formed strategic cooperation with a number of top brands and suppliers in Korea including JM, DPC, ISOMARINE. While in terms of marketing strategy, Handu Yanxuan will gain traffic flow by having KOLs to share their product usage experiences online for product promotion²¹.

Luxury sector

Secoo to offer Prada and Miu Miu products on its platform

China's online luxury platform Secoo recently announced that it has entered into a strategic partnership with Prada Group; under the deal, Secoo will start selling the group's Prada and Miu Miu products on its platform starting this June. It is the first time that Prada forges a deal with Chinese e-commerce platform²².

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Fung Business Intelligence

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