

China Retail & E-commerce

Weekly Updates

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FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in general p2

- MOF reduces import tariffs on selected consumer products, effective from 1 December 2017
- McKinsey: Consumer confidence reaches a ten-year high, but risks remain

E-commerce p2

- CBEC platform fengqu.com launches first unmanned retail stores for CBEC
- Alipay enters Vietnam
- JD.com and Stanford University reach a strategic cooperation to promote AI research
- Black Friday review: Sales performance of major e-commerce

Retail logistics p3

- JD Logistics joins hand with UR to create smart apparel supply chain

Department stores and shopping malls p4

- Joy City Chaoyang launches dedicated section for Chinese designer brands

Supermarkets and hypermarkets p4

- Zhongbai Group joins hand with Dmall to launch “free purchase” service
- YH Super Species opens first branch in Shanghai
- 45 PARKnSHOP stores connect to JD Daojia platform
- Yonghui to launch the first cashierless Bravo YH supermarket in Fuzhou

Convenience stores p5

- Rainbow unveils unmanned convenience store WELLGO 2.0

Apparel p5

- ZARA opens second innovative store in Shanghai

Cosmetics p5

- Kiehl's launches first coffee shop in Beijing

Toys p6

- Hamleys opens in Beijing Wangfujing Department Store

Luxury sector p6

- McKinsey: China's affordable luxury market continues to flourish

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Retail in general



MOF reduces import tariffs on selected consumer products, effective from 1 December 2017

On 24 November, the Ministry of Finance (MOF) announced that the State Council has approved to lower import tariffs on selected consumer products, including food, healthcare products, pharmaceuticals, daily necessities, clothes and footwear, home products, recreational products, and other miscellaneous consumer goods, covering a total of 187 products under the 8-digit HS codes. The tariffs will be lowered from 17.3% to 7.7% on average effective from 1 December 2017. Since 2015, China has lowered the import tariffs for certain consumer goods including clothes and shoes, bags, and selected food and pharmaceuticals¹.

McKinsey: Consumer confidence reaches a ten-year high, but risks remain

McKinsey & Company released its 2017 China Consumer Report “Double-clicking on the Chinese consumer”. The report shows that Chinese consumers are increasingly discerning. They are younger, focused on health, and more brand savvy than ever, and they demand more from the products and services they buy. Both global and local companies must understand these nuances if they hope to craft brand and product messages that appeal to them. The report also highlights four major consumer trends:

- Consumer confidence has reached a ten-year high, but risks remain.
- Consumers are more health-conscious than ever before, but different consumers define health differently.

- The ‘post-90s’ generation is emerging as a new engine of consumption
- Chinese consumers are taking a more nuanced view of brands, both global and local².

E-commerce



CBEC platform fengqu.com launches first unmanned retail stores for CBEC

On 24 November, CBEC platform fengqu.com launched the first unmanned retail store for CBEC – “Wow!” in Chongqing World Financial Centre. Operating around the clock, the store offers more than 1,000 SKUs imported products from eight overseas countries as well as other popular products promoted by Internet celebrities (or “wang hong”). More than 70% of the goods offered are imported goods. Customers can purchase the products by scanning the QR codes to complete the payment; and they can choose to pick up the goods in-store³.

Alipay enters Vietnam

Recently, National Payment Corporation of Vietnam (NAPAS) signed a memorandum of understanding with Ant Financial to support Chinese tourists in Vietnam to use Alipay in the country and also to help Vietnam implement its plan to become a cashless society. The cooperation will allow Chinese tourists to use Alipay payment services through NAPAS member banks, their intermediate payment service member banks and their intermediate payment service networks. Vietnamese users will be able to use the NAPAS branded cards issued by NAPAS member banks for online shopping at Alibaba Group's e-commerce websites, such as AliExpress and Taobao⁴.

JD.com and Stanford University reach a strategic cooperation to promote AI research

On 27 November, JD.com announced that it will launch the SAIL-JD AI Research Initiative with Stanford University's Artificial Intelligence Laboratory (SAIL). The research projects involved will leverage on SAIL's AI knowledge on machine learning, deep learning, robotics, and natural language processing and other cutting-edge technologies, and also JD.com's data collected through various scenarios in running the business⁵.

Black Friday review: Sales performance of major e-commerce players

Tmall Global

- Transaction value on the first day of the sales event exceeded the total value of the 3-day event last year, up over 200% yoy;
- Top 10 cities with the highest sales: Shanghai, Beijing, Guangzhou, Hangzhou, Shenzhen, Wuhan, Chengdu, Nanjing, Tianjin, Suzhou;
- Post-85s, post-80s, and post-90s are the major shoppers; post-90s and post-95s accounted for over 30% of the total sales;
- Over 1,000 brands from 56 countries including Macy's, Costco, Metro, and Aldi joined the event; prices were same as in overseas countries; free shipping was offered.

JD Worldwide

- Transaction value on Black Friday was twice the value last year;
- Top 10 bestselling brands: Kao Merries, Aptamil, A2, AHC, Mediheal, Devondale, Swisse, Brita, Apple, Shell;
- Top countries selling to China: U.S., Japan, and Australia.

Amazon Overseas

- Transaction value was twice the value obtained during Singles' Day;
- Top 10 bestselling categories: footwear, kitchenware, apparel, cosmetics, books, outdoor and sports equipment, baby and maternity products, healthcare products, home products, digital products;
- Top 10 bestselling brands: Clarks, Philips, Foreo, Similac, Samsonite, Champion, Seagate, Skechers, Under Armour, and Aptamil;
- Top 10 cities with the highest sales: Beijing, Shanghai, Guangzhou, Hangzhou, Shenzhen, Chengdu, Nanjing, Suzhou, Wuhan, and Tianjin.

Kaola.com (Overseas)

- Sales on Black Friday this year was 5.5 times that of 2016;
- Top 10 bestselling brands: Kao, Estee Lauder, SK-II, Dyson, Lancome, Kiehl's, Apple;
- Top 10 provinces/municipalities with the highest sales: Guangdong, Shanghai, Beijing, Zhejiang, Jiangsu, Sichuan, Hubei, Fujian, Shandong, and Liaoning⁶.

Retail logistics

JD Logistics joins hand with UR to create smart apparel supply chain

On 29 November, local fast fashion brand Urban Revivo (UR) and JD Logistics jointly signed a strategic cooperation agreement. To assist UR in creating an agile supply chain, JD Logistics will provide UR with a well-established cloud service platform – the WMS warehouse management system, and open up its nationwide warehousing and logistics facilities to the retailer. Additionally, UR can

leverage JD Logistics's vast distribution network and delivery capability to solve its last-mile delivery problem in core business districts⁷.

Department stores and shopping malls

Joy City Chaoyang launches dedicated section for Chinese designer brands

Recently, Joy City Chaoyang launches "Yue Se", a 500-sqm pop-up area for local Chinese designer brands. On one hand, Joy City hopes to help Chinese designers solve the problems of operating physical stores; on the other hand, under a pop-up format with a half year rental cycle, "Yue Se" can adjust brand mix flexibly based on customers feedback. "Yue Se" has selected 11 local designers' mono-brand stores and multi-brand shops in the first phase, with merchandise covering apparel, jewelry and accessories. Among which, four online brands debuted in physical stores for the first time⁸.

Supermarkets and hypermarkets

Zhongbai Group joins hand with Dmall to launch "free purchase" service

Recently, Zhongbai Group announced that it has reached a strategic cooperation agreement with Dmall. It will promote new retail services such as "free purchase" mobile shopping via barcode scanning and fast payment in Zhongbai's warehouses and supermarkets. In addition, the company and Dmall will jointly launch a flagship store, which will be opened in Wuhan by end of this year. According to Zhongbai Group, by cooperating

with Dmall, the chained supermarkets of the group will be able to quickly adapt to new consumer trends and attract more young people to their stores through the integration of merchandise, logistics, warehouse, technology, membership system, and marketing, etc⁹.

YH Super Species opens first branch in Shanghai

Yonghui Superstores's new retail format YH Super Species opened its first branch in Shanghai in Wanda Plaza in Wujiaochang on 25 November. Spanning across two storeys, the store has a floor area of 700 sqm; it operates around the clock. YH Super Species plans to open two more stores in Shanghai during the year, one in Shanghai Zhuanqiao Wanda store, another in Shanghai Longhu Hongqiao Tianjie store. In December, YH Super Species will reportedly open six stores in five cities namely Beijing, Shanghai, Fuzhou, Nanjing and Hangzhou¹⁰.

45 PARKnSHOP stores connect to JD Daojia platform

On 29 November, JD Daojia announced that 45 stores of PARKnSHOP in Guangzhou, Shenzhen, Foshan and Dongguan are connected to JD Daojia platform. The number of stores connected to the platform account for 85% of the total number of stores of PARKnSHOP in China. The two parties will continue to strengthen collaboration, and speed up the connection progress between JD Daojia and the rest of the stores. PARKnSHOP is a Hong Kong-based supermarket chain under the A.S. Watson Group, operating more than 50 stores in Southern China¹¹.

Yonghui to launch the first cashierless Bravo YH supermarket in Fuzhou

Yonghui will launch the first cashierless Bravo YH supermarket in Fuzhou (Baima Vanke branch) on 6 December. In the new store, traditional cashiers will be replaced by self-checking machines. Product QR code and barcode are printed on the product tag of every item. Customers can add the items they want to buy by scanning the product QR code; they can then check out by themselves and complete the payment with WeChat Mini Program or Yonghui Life app¹².

Convenience stores



Rainbow unveils unmanned convenience store WELLGO 2.0

On 27 November, Rainbow Department Store unveiled its unmanned convenience store – WELLGO 2.0. WELLGO 2.0 is reportedly located at Rainbow's headquarters in Shenzhen Bay, which is exactly the same location of Rainbow's first unmanned convenience store. With an area of 18 sqm, the store offers more than 300 types of goods, including snacks, beverages, and daily necessities, etc. Different from its first store, the upgraded store aims at providing an enhanced shopping experience to customers by deploying various types of advanced technologies in-store, such as RFID, smart monitoring, customer service via cloud service, mobile payment, etc. Additionally, customers can access the store via WeChat mini-program, and can settle payment through WeChat Pay. The unmanned store is reportedly only open for members, and is connected to the department store's mobile app¹³.

Apparel



ZARA opens second innovative store in Shanghai

On 25 November, ZARA opened its second innovative store in the world in Longemont Shopping Mall in Shanghai, which occupies a floor space of over 2,200 sqm. The store uses latest furniture for decoration and displays clothing items which blend in well with the store's interior design so as to make the store visually attractive, and at the same time provides more mix-and-match options to shoppers. There stores has three areas, namely, womenswear, menswear and childrenswear. It is equipped with the latest RFID technology, which can track product location quickly and accurately and thus make it more efficient in putting the products on shelves¹⁴.

Cosmetics



Kiehl's launches first coffee shop in Beijing

On 22 November, skincare brand Kiehl's opened its first coffee shop in Beijing's Taikoo Li Sanlitun for pilot run. This is the first coffee shop opened in mainland China following the brand's success in Taipei. The coffee shop launched a series of promotional campaigns during 21-26 November, and it will open to the public in early December¹⁵.



Hamleys opens in Beijing Wangfujing Department Store

On 25 November, Hamleys' Beijing Wangfujing store was opened for trial operation. Located in the southern tower of the Wangfujing Department Store, the store has an operating area of 1.1 million sqm, which is the largest Hamleys store in the world. The store spans across 5 storeys, with sections selling toys and apparel, as well as an experiential area. Currently, the store sells around 200 brands, including the self-own brands of Hamleys¹⁶.



McKinsey: China's affordable luxury market continues to flourish

Recently, McKinsey & Company released a report on global luxury market. Sales growth of the fashion industry is expected to increase from 2.5%-3% in 2016-2017 to 4% in 2018. China will continue to lead the growth of affordable luxury market and unleash huge potential. In 2016, Chinese consumers purchased 640 billion yuan of luxury goods, accounting for 32% of the global consumption. McKinsey & Company predicted that Chinese' consumption on luxury goods will reach 1.4 trillion yuan by 2025 with a growth rate of 8-10%, accounting for 44% of global luxury spending. It is estimated that the sales of affordable luxury products will increase by 11% -13% to reach 620 billion yuan by 2025¹⁷.

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