

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in General

2018 China's top 500 private enterprises list releases; Huawei, Suning and Amer are the top three

On 29 August, the All-China Federation of Industry and Commerce released the 2018 China's top 500 private enterprises list. Huawei, Suning, and Amer International rank the top three on the list. Among the top 500 private enterprises, nine companies saw operating revenues exceeding 300 billion yuan in 2017 – Huawei Investment Holdings Co., Ltd., Suning Holding Group Co., Ltd., Amer International Group Co., Ltd., JD Group, Shandong Weiqiao Pioneering Co., Ltd., Legend Holdings Co., Ltd., Evergrande Group Co., Ltd., Gome Holdings Group Co., Ltd., and Hengli Group Co., Ltd. Among them, Huawei Investment Holdings Co., Ltd.'s operating revenue exceeded 600 billion yuan, ranking number one on the list of the top 500 private enterprises; the company also ranked first among the top 500 private enterprises in the manufacturing industry¹.

E-commerce

Alibaba invests in blockchain infrastructure construction

Alibaba Cloud announced that it will start constructing blockchain infrastructure jointly with Ant Financial. It is reported that they will only focus on building blockchain infrastructure for foundation use but not for business applications and commercialization. Indeed, earlier in July, Alibaba released an enterprise-level blockchain service. Recently, Jack Ma said that smart manufacturing, IoT, and blockchain will be the three core technologies of the future².

Tmall launches smart shopping guide "iPromoter" and smart beauty consultant "iBA"

On 29 August, Tmall released a number of new smart retail in-store solutions including smart shopping guide "iPromoter" and smart beauty consultant "iBA". According to Tmall's introduction, iPromoter aims to assist on-site shopping guides to build up a closer relationship with its members, and to get new customers in all sales channels. At present, iPromoter is being trialled in RT-Mart stores in East China with 12 brands participating in the testing; it has reportedly accumulated a customer base of approximately 120,000. Smart beauty consultant iBA, on the other hand, has equipped with a lot of functions including small tools to make the smart shopping guide more humanized. Tmall said it targets to add 10,000 iBA to serve more than 100 brands in this year's 11.11 Global Shopping Festival³.

JD.com and OPPO launch "Jing-O Plan" to create full-scenario intelligent marketing service

On 24 August, JD.com and OPPO officially reached a strategic cooperation agreement and jointly launched the "Jing-O Plan". "Jing-O Plan" is an intelligent marketing platform created based on the advantages and resources of both companies. The two sides have established comprehensive and in-depth strategic partnerships in big data, e-commerce shopping guide, offline stores and other aspects to create a full-scenario intelligent marketing service for mobile users. On the one hand, with JD.com's rich product categories and strong e-commerce capabilities, both parties aimed to offer consumers with information and high-quality online shopping experience that better satisfy consumers preferences and needs through

OPPO mobile phone e-commerce shopping guide platform. On the other hand, the collaboration at the big data level will help the brand partners and merchants on JD.com to achieve precise marketing, and through the cooperation with OPPO offline stores, to achieve seamless connection between consumers and brands⁴.

Department stores and shopping malls

Wangfujing's net profit soars 145.52% yoy in 1H18

On 24 August, Wangfujing Group Co., Ltd. released its 1H18 report. Wangfujing's operating income increased 3.04% yoy to 13.19 billion yuan in 1H18; net profit attributable to shareholders of listed companies soars 145.42% yoy to 756 million yuan. From the perspective of income type and format, department stores and shopping centers are still the dominant businesses of Wangfujing, accounting for more than 80% of the operating income; the proportion of income generated from outlets has increased rapidly and become the new force of the company. As of the end of the reporting period, Wangfujing operated a total of 54 stores nationwide, covering seven economic regions, 20 provinces and 30 cities in Northern China, Central China, Southern China, Eastern China, Southwestern China, Northwestern China and Northeastern China⁵.

Ito Yokado taps CBEC business in China

Ito Yokado launched its cross-border e-commerce (CBEC) platform on 28 August, mainly offering products from Japan including cosmetics, skincare products, healthcare products, daily necessities and baby and

maternity products. Products can be shipped from bonded warehouse or directly from Japan. Ito Yokado said that 80% of the products would be shipped from bonded warehouse considering the delivery time and logistics costs, while 20% of the products would be directly shipped from Japan. Currently, Ito Yokado operates one store in Beijing and seven stores in Sichuan. Besides CBEC platform, it also operates its own WeChat store and its own platform for O2O delivery service mainly serving consumers in Chengdu⁶.

Supermarkets and hypermarkets

Carrefour WeChat Mini Program users exceed 8 million

On 28 August, Carrefour China revealed that the number of Carrefour WeChat Mini Program users has exceeded 8 million, and is set to continue to grow rapidly. The new version of the Mini Program is launching in different cities in phases. Its main function includes the "scan code to purchase". "Scan code to purchase" users have accounted for 20% of the total number of Carrefour China Mini Program users, and is expected to grow to 30% in the future⁷.

Renrenle's revenue reaches 4.269 billion yuan in 1H18; net profit up 118.15% yoy

Chinese hypermarket/supermarket chain operator Renrenle announced its financial results in 1H18 recently. In 1H18, its revenue reached 4.269 billion yuan, down 10.54% yoy from 4.773 billion yuan in 1H17; net profit attributable to shareholders was 24.46 million, up 118.15% yoy. Revenue generated from online channels – both self-operated online

platform and third-party online delivery platforms – was 37.88 million yuan, accounting for 0.89% of the total revenue. As of 30 June, 2018, Renrenle has 131 self-operated stores; it opened six stores without closing a store in 1H18⁸.

Apparel and footwear

Meters/bonwe's net profit increases 218.69% yoy in 1H18

On 28 August, Meters/bonwe published its 1H18 financial report. During the reporting period, the company's operating income reached 3.938 billion yuan, up 35.96% yoy. The net profit attributable to shareholders of listed companies was 53.114 million yuan, up 218.69% yoy, and its operating cash flow increased by 116.7% yoy. According to Meters/bonwe, the performance growth was mainly driven by the fast development of key sales channels compared to the same time last year as well as the newly opened stores during the reporting period⁹.

La Chapelle's net profit drops 16.3% yoy in 1H18

On 28 August, La Chapelle announced its 1H18 financial report. During 1H18, La Chapelle's total revenue was 4.379 billion yuan, up 2.26 ppts yoy; net profit attributable to shareholders of listed companies fell 16.3% yoy to 236 million yuan. The slight increase in total revenue was due mainly to the sales increase of specialty stores and online channel; while the drop in net profit attributable to shareholders of listed companies was due mainly to the decline in sales profit and the loss incurred by new brands¹⁰.

Xtep launches "XX" crossover project; partners with A.FOUR LABS to roll out crossover collections

Xtep Group has recently launched a "XX" project – the company will cooperate with top international fashion designers to introduce high-quality fashion products to young Chinese fashion lovers at an affordable price. "XX" consists of two Xs, with the first X representing the first letter from Xtep's English name, and the second X representing crossover cooperation. For the first "XX" project, Xtep Group invited A.FOUR LABS to design crossover collections for A/W 2018 and S/S 2019, and will roll out the first collection of "XX x A.FOUR LABS" this autumn¹¹.

FMCG

CTR: Sales of FMCG in China increase by 4.5% yoy

According to a report by CTR Market Research, in July 2017 to June 2018, sales of fast-moving consumer goods (FMCG) in China increased by 4.5% yoy. Of which, growth of online sales increased by 30.3% yoy; 57% of the consumers made their transactions online and offline simultaneously, indicating the growing trend of omni-channel retailing. CTR said that Chinese consumers with lower-income focus mainly on price when buying products, while those with high-income focus on product quality and other value-added elements, showing that China's consumption structure becomes more diverse¹².

A.S.Watson partners with Unilever to launch TRESemmé haircare products in China

A.S.Watson and Unilever have rolled out a

large-scale cooperation program around the world. A.S.Watson helped Unilever launch TRESemmé haircare products in China with its data analytics capabilities and extensive retail experience. At the same time, the two companies also co-launched a number of digital promotion programs, during which the average weekly sales increased by 128% (compared to daily average weekly sales)¹³.

Home products

IKEA China launches WeChat Mini Program

On 24 August, IKEA China launched its "IKEA pop-up shop" Mini Program on WeChat. Currently, it offers limited products in sets for five themes, each set will have four to six items. Customers can purchase for themselves, or purchase for friends. Customers can send the link to their friends via WeChat and their friends can enter the delivery address themselves. IKEA China will sell limited number of different packages in the form of a pop-up shop in the next nine months via this WeChat Mini Program¹⁴.

Cosmetics

Kose's skincare brand Cosme Decorte launches on Tmall; pre-sales exceed 10 million yuan

Japan's cosmetics group Kose's top skincare brand Cosme Decorte launched its official flagship store on Tmall on 13 August and started its pre-sale round. As of the afternoon of 23 August, it has accumulated 133,000 fans, and more than 10 million yuan of pre-sales. It is reported that the brand currently only has 12 offline counters in China, targeting some of China's tier-1 and new-tier cities,

except Guangzhou and Shenzhen¹⁵.

Luxury sector

Shang Xia of Hermès group launches on JD.com

The Hermès-backed luxury lifestyle brand Shang Xia announced to launch on JD.com's luxury goods platform Toplife and JD.com simultaneously, and will launch home products exclusively on these platforms. It is reported that Shang Xia was created by designer Zhang Jiye and the French Hermès Group, covering home products, household items, clothing, leather goods, jewelry, accessories and tea-related items. At present, there are more than 30 brands on TOPLIFE, including luxury brands such as Balenciaga, Saint Laurent, Tod's, Canali, Mulberry, Kiton and Rimowa¹⁶.

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