

China Retail & E-commerce

Weekly Updates

25 Aug – 31 Aug 2017



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Teresa Lam

Vice President

E: teresalam@fung1937.com

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com



Retail in general



Top 500 private enterprises in China releases; Suning, JD.com and Wanda enter Top 10

On 24 August, the All-China Federation of Industry and Commerce (ACFIC) released the list of “Top 500 private enterprises in China, 2017”. Huawei, Suning, and Shandong Weiqiao topped the list. A total of 22 retail companies were on the list, covering different retail formats such as e-commerce, department store, supermarket, apparel, and home electronics, etc. Among them, Suning achieved the highest ranking with 412.951 billion yuan in revenue, followed by JD.com and Wanda, which ranked No. 8 and 9 with revenue amounted to 261.022 billion yuan and 25.498 billion yuan respectively. Among traditional retailers, Sanguo Group, Wumart Holdings and BBG Group ranked No. 21, 132, and 171 respectively. In addition, Liqun Group, Five Star Holdings, Jiangsu Wenfeng, Changchun Eurasia, Xinglong Happy Family also made it to the list¹.

E-commerce



Tmall to launch thousands of offline stores “Tmall Xiaodian” through franchises

Alibaba Group announced that Tmall will launch offline stores “Tmall Xiaodian” through franchises. It is expected that the number of Tmall Xiaodian will exceed 10,000 in China during this fiscal year. Tmall Xiaodian is

reportedly an intelligent shop that is an upgraded version of traditional offline store through Alibaba’s 1688 platform. Each Tmall Xiaodian will be different from one another. The size of store, owner’s age, financial situation, and consumers’ profile within 1 km’s service radius will determine the types of goods to be sold in the store².

Wechat’s first physical store opens in Guangzhou

Wechat’s first official brand image store – WeStore opened in T.I.T. Creative Industry Zone in Guangzhou on 28 August. The shop consists of three parts, including a retail store, a cultural exhibition hall and a café. The overall design style is simple and artistic. WeChat also launched customized products with third-party companies, such as the collaboration with home products brand ZENS to launch customized cups. It is reported that customers can use WeChat Mini-program to order, pay and arrange product pick up in-store³.

Baby-and-maternity e-commerce platform Mia.com launches “city partnership” program

Mia.com recently launched a “city partnership” program to help establish an offline presence. Mia.com invited “partners” from more than 300 cities in tier-2 to 4 cities to join the program and successfully recruited “partners” from 85 cities within 7 days. Through the program, Mia.com hopes to expand its business to tier-3 and 4 cities by setting up physical stores⁴.

Alipay, CCPay ink partnership to offer cashless payment service in Singapore

Alipay signed a partnership agreement with a Singapore-based digital payment provider CCPay to offer cashless payment services to retailers in Singapore. According to the

agreement, CCPay will help Alipay expand the use of the cashless payment platforms in Singapore so as to give convenience to Chinese tourists here⁵.

Department stores and shopping malls

Xidan Joy City launches its first themed shopping street "Young Street"

Xidan Joy City, Beijing recently launched its first themed shopping street "Young Street" in order to celebrate its 10th anniversary. "Young Street" is a themed area dedicated to young people. "Young Street" has an area of nearly 3,000 sqm with multiple retail formats. At present, "Young Street" houses a total of 29 brands, with shops covering innovative retail, hand-craft, experience, digital 3C, light food categories⁶.

Liqun Department Store launches e-procurement platform

Qingdao Liqun Department Store announced that it has established an e-procurement platform and become the second large chained retail enterprise (after RT-MART) to have entered the B2B business market in China. The online platform aims to meet purchasing demand from convenience stores, specialty stores, hotels, restaurants, government entities, etc. by providing one-stop procurement service. Currently, the platform owns about 40,000 SKUs, covering fresh food, daily necessities, digital products, etc⁷.

Convenience stores

Suguo Supermarket launches China's first Thomas & Friends-themed convenience store

Suguo Supermarket launched the first Thomas & Friends-themed convenience store in China. Located in Nanjing's Mochao Road, the store is decorated with Thomas & Friends theme. Apart from selling Thomas & Friends toys, the store also features an exhibition area. In the near future, Suguo will continue setting up more themed convenience stores to meet customers' cultural and entertainment needs⁸.

Apparel and shoes

GAP China's largest flagship store opens in Shanghai with focus on family and digitalization

On 25 August, GAP China's largest flagship store opened in 863 Nanjing West Road, Shanghai. The 2-storey store has an area of 1,908 sqm, selling the full collection of menswear, womenswear, childrenswear, GapBody and Gapfit. Among them, GapBody and Gapfit are introduced to China for the first time. The products sold in this store are reportedly the most comprehensive and the newest among all stores in China. There are also special edition products exclusively sold in this store. At the same time, the store has also introduced a lot of family-related elements, such as a children's play area and a special area for taking photos⁹.

Guess targets to open 50 stores in China by year-end

U.S. apparel brand Guess Inc. released its quarterly results ended 29 July, 2017. The company reported that the quarterly sales grew 5.3% yoy to US\$573 million; yet its net profit showed a significant drop of 52.8% yoy to US\$15.2 million. Total sales in Asia, including China, recorded an increase of 17% yoy to 62.733 billion in the quarter. The brand plans to add 40 - 50 stores in China by end of this year¹⁰.

Suning's first unmanned store "Suning Sports Biu" officially opens

Suning's first unmanned store "Suning Sports Biu" officially opened in Suning Life Plaza, Xuanwu District, Nanjing on 28 August. Taking "Biu" as its store name, Suning intends to show an image of "youth, speed, energetic". This store has an operating area of 40 sq. m. and mainly sells sportswear and sporting goods. It has an SKU of 90-100 and is equipped with RFID and facial recognition systems. It is reported that Suning plans to open around 10-20 unmanned stores in other cities, including Beijing, Shanghai and Chengdu in the second half of the year¹¹.

Daphne records operating loss of HK\$205 million in 1H17; closing 330 sales outlets

Women's footwear retailer Daphne International Holdings Limited released half-year results for the period ended 30 June, 2017. During the reporting period, the Group's turnover reached HK\$2.733 billion, dropped 19.6% yoy, resulting in a loss of HK\$205 million. Attributable to the difficult market conditions, Daphne has continued its store rationalization and reorganization strategy. The company closed 330 sales outlets in 1H17¹².

Cole Haan enters long term distribution agreement with Sitoy Group; to open 20 new stores next year

U.S. apparel brand Cole Haan has signed a long-term distribution agreement with Sitoy Retailing Limited, a subsidiary of Sitoy Group. According the agreement, Sitoy Group will obtain the distribution rights of Cole Haan's products in Great China, including apparel, footwear and accessories. The Group plans to open 20 Cole Haan stores in 2018 and roll out an e-commerce platform for Greater China¹³.

Tmall forms partnership with HLA on "New Retail"; HLA's 5,000 offline stores to become intelligence outlets

Tmall official signed a strategic partnership agreement with Chinese apparel company Heilan Home Co. Ltd (HLA) on 30 August, 2017. 5,000 offline stores of HLA will be fully upgraded to "intelligence store" with new retail concepts. Based on the new retail solution provided by Tmall, the two parties will cooperate in areas including new product development, brand building, channel management, product innovation, big data analytics, consumer operation, and online and offline integration, etc¹⁴.

Kids products

Suning Red Baby to accelerate physical stores' opening; expects to reach 2,345 stores by 2020

Suning Red Baby signed a strategic cooperation agreement with more than 10 renowned baby-and-mother brands from both local and overseas on 30 August 2017. All these brands will be sold in Suning Red Baby's stores. It is reportedly that Suning Red

Baby will launch its new second-generation store. The size of the upgraded store will be over 5,000 sqm, which is five times of a traditional store. The store design, merchandise service, shop experience will have a substantial innovation and upgrading. Suning Red Baby planned to launch more than 2,345 stores by 2020¹⁵.

Consumer electronics



Gree Electric partners with Tmall to launch customized products; targets to achieve 10 billion yuan sales in 2018

Gree Electric announced that it has formed a strategic partnership with Tmall. The two companies target to achieve 10 billion yuan sales in 2018. A new laboratory will be set up, leveraging Gree's advanced technology and Tmall's Big Data to better understand customers' needs and create more personalized and customized products. To kick-start the strategic cooperation, the two companies will launch the "Gree and Tmall Super Brand Day" on August 29¹⁶.

GOME Retail announces 2017 half-year results; push forward the development of new retail

GOME Retail released half-year results for the period ended 30 June, 2017. During the reporting period, the Group's overall gross merchandise volume ("GMV") grew 23% yoy to 61.7 billion yuan, with offline GMV reaching 41.2 billion yuan and online GMV reaching 20.5 billion yuan. Among which mobile GMV increased by 75% yoy, representing 74% of total online GMV. Besides, during the period, GOME achieved sales revenue of 38.07 billion yuan, an increase of 7.8% yoy, far more than

the retail sales growth of 3.1% yoy of China's top 100 key retail enterprises in 1H17. In the future, GOME will continue to leverage the strong support of "new scenario, supply chain and after-sale service" to upgrade its new retail strategy¹⁷.

Better Life's net profit rises 20.86% yoy in 1H17; focuses on multi-formats in the "New Retail" era

Better Life released half-year results for the period ended 30 June, 2017. The company achieved operating income of 8.687 billion yuan, up 9.75% yoy. Net profit attributable to shareholders of the listed company was 208 million yuan, up 20.86% yoy. Better Life opened 22 new supermarkets in 1H17. Currently, it operates 304 stores, including department stores and supermarkets. Better Life has also launched a new retail format "Yunhou Select" which focuses on high-end supermarket with catering and home-delivery services to lure consumers in the "New Retail" era¹⁸.

JD Home Electronics announces new "open platform" strategy from 1 October

JD Home Electronics announces new policies for its "open platform" strategy. Official online flagship store must be run by brand owners or manufacturers, and products offered on the JD flagship store must cover all its online and offline product offerings. Brand owners can have full control in pricing and marketing. Meanwhile, JD Home Electronics will promote the development of regional stores. Delivery must be completed within 3 days after consumers placed their orders on the regional stores. In addition, for valid complaints about the sellers, JD Home Electronics will pay the compensation in advance to protect consumers. These new policies will be effective from 1 October¹⁹.

Luxury products

Luxury e-commerce retailer Secoo.com files for IPO in the U.S.

Recently, Chinese luxury brand e-commerce site Secoo.com (Secoo), has submitted an IPO application (with stock code “SECO”) to the U.S. Securities and Exchange Commission (SEC). According to the IPO prospectus, Secoo is Asia’s largest platform for luxury products and services in terms of gross merchandise volume (GMV) in 2016, amounted to 3.4702 billion yuan, an increase of 34.9% yoy. Secoo currently offers more than 300,000 SKUs, covering 3,000 global and domestic brands, and has expanded into the field of high-end lifestyle services²⁰.

Michael Kors launches the first WeChat Mini Program in the luxury industry

Michael Kors officially launched the first WeChat Mini Program in the luxury industry to embrace digital marketing. Serving the brands’ VIP members in the Greater China, the Mini Program offers services such as information on new product offerings, after-sale services, and other consulting services. Members can check out their membership information, transaction history, and enjoy after-sales service via the Mini Program²¹.

On 29 August, JD.com announced the launch of “drone industry development plan” in Xian. The company has signed cooperation agreement with Shaanxi Hancheng government, Linyou county government, Longhao Aviation Group, China West Airport Group, and Northwestern Polytechnical University. According to the agreement, the parties will work together on key demonstration projects, talent training, research and development, and application of technologies in the drone industry. Previously, JD.com has signed cooperation agreement with Sichuan government to build 185 drone airports in Sichuan²².

Retail logistics

JD.com announces the launch of “drone industry development plan” in Xian

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