

China Retail & E-commerce

Weekly Updates

25 October 2019 – 31 October 2019

 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

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 *p2*

- MOFCOM: Growth of CBEC (import) value increases by over 30% yoy in 1-3Q19

E-commerce *p2*

- Pinduoduo exceeds JD.com on market cap to become the fourth largest Internet company in China
- Meituan launches its own Mini Program

Retail logistics *p2*

- JD Logistics and international logistics giant Agility sign cooperation pact to speed up internationalization process
- Cainiao Courier Stations' facial recognition-empowered smart lockers enable instant pick-up in over 100 cities in China

Department stores and shopping malls *p3*

- Galeries Lafayette opens flagship store in Shanghai; expects to open a total of 10 stores in China by 2025
- Wangfujing reports operating revenue of 19.4 billion yuan in 1-3Q19, up 1.06% yoy
- Suning.com Plaza version 3.0 opens in Shanghai

Supermarkets and hypermarkets *p4*

- Carrefour China to launch fulfillment centers in China to upgrade store-front warehousing service
- Walmart China: Over 30% of total sales of "Smart Choice" community store in 3Q19 are generated from O2O channels
- Trustdata: Miss Fresh App hits over 10 million monthly active users for the first time, leading the way in online fresh food market
- Tmall Supermarket, Tao Xianda, RT-Mart join forces to unlock seamless omnichannel shopping experience for 11.11 Global Shopping Festival

Convenience stores *p4*

- FamilyMart launches in-house IP themed stores in Shanghai and Chengdu

Apparel *p5*

- Fast fashion retailers open 54 stores in 3Q19; Zara closes stores in Beijing CBD while Uniqlo, H&M, MJstyle accelerate expansion in lower-tier cities
- Peacebird records 207 million yuan in net profit and over 5 billion yuan in operating income during 1-3Q19

Cosmetics *p5*

- China Renaissance: Younger generations contribute the most to cosmetics consumption

Consumer electronics *p5*

- JD.com's first-ever home electronic appliance super experiential store to open in Chongqing on 11 November
- Suning.com's total revenue amounts to 200 billion yuan in 1-3Q19

Luxury sector *p6*

- Secoo to launch on Suning Pingou

Retail in general

MOFCOM: Growth of CBEC (import) value increases by over 30% yoy in 1-3Q19

On 29 October, spokesman from the Department of E-commerce and Information of the Ministry of Commerce (MOFCOM) revealed the development of China's online retail market in 1-3Q19. Some trends are highlighted as below:

1. Consumption upgrading in terms of products and retail channels – B2C accounted for 78% of the total online retail transactions. Sales of smart products, creative and cultural products were growing fast. Smart stores and experiential consumption scenes were popular.
2. Rural e-commerce maintained fast growth momentum – Rural online retail sales reached 1.2 trillion yuan, up 19.7% yoy in 1-3Q19.
3. Cross-border e-commerce (CBEC) promoted the upgrading of foreign trade – Growth of CBEC (import) value increased by over 30% yoy in 1-3Q19. Products from Japan, the U.S., and South Korea were the most popular among consumers, accounting for 20.5%, 14.9%, and 10.8% of the total respectively. By category, cosmetics (34.6%), grain, oil and food (27.6%), and daily use products (13.8%) were the best-selling categories.
4. E-commerce and content converged – New business models such as social-commerce, livestreaming e-commerce, and UGC-based e-commerce evolved quickly. The integration of e-commerce and content has become a significant driver of consumption especially in lower-tier cities and rural market¹.

E-commerce

Pinduoduo exceeds JD.com on market cap to become the fourth largest Internet company in China

On 24 October, Pinduoduo closed at US\$39.96, up 12.56%, bringing its market capitalization to US\$46.4 billion, a new high since it went public last year; while JD.com closed at US\$30.72, down 0.13%, dragging its market capitalization down to US\$44.8 billion. Pinduoduo exceeded JD.com to become the fourth largest Internet company in China in terms of market capitalization, lagging behind Alibaba (US\$449.239 billion), Tencent (US\$388.819 billion), and Meituan (US\$65.572 billion)².

Meituan launches its own Mini Program

Recently, Meituan became the 10th Internet player who launched its own Mini Program, after WeChat, Alipay, Baidu, Toutiao, etc. Currently, Meituan only offers Mini Programs on weather and mini games. It is expected that this would be influential to the market as Meituan has over 400 million users and 5.8 million merchants using its platform³.

Retail logistics

JD Logistics and international logistics giant Agility sign cooperation pact to speed up internationalization process

On 29 October, JD Logistics and international logistics giant Agility signed a Memorandum of Cooperation (MOC). Both parties will leverage their strengths and actively cooperate with each other on cross-border e-commerce, construction of international logistics systems, exchange of logistics know-how and other areas. According to the MOC, JD Logistics

and Agility will carry out e-commerce and logistics cooperation in four international markets with huge e-commerce growth potential, including Southeast Asia, the Middle East, Europe and Africa. Meanwhile, JD Logistics will also help Agility and its business partners to expand their e-commerce businesses in China so as to enhance their supply chain efficiency⁴.

Cainiao Courier Stations' facial recognition-empowered smart lockers enable instant pick-up in over 100 cities in China

Cainiao Smart Logistics Network announced that smart lockers at Cainiao Courier Stations have been launched in over 100 cities in China. Equipped with facial recognition and QR code scanning technologies, the lockers enable instant parcel pick-up and delivery. The efficiency is said to be increased by 50%. Cainiao also installed high-resolution cameras and cloud-based monitoring system in courier stations for better parcel management and speedy pick-up. This facial recognition-empowered parcel service is now used widely in Shanghai, Shenzhen, Hangzhou, Beijing and Guangzhou⁵.

Department stores and shopping malls

Galleries Lafayette opens flagship store in Shanghai; expects to open a total of 10 stores in China by 2025

High-end French department store Galleries Lafayette recently opened a flagship store in L+Mall in Lujiazui, Shanghai. It is the second Galleries Lafayette store in China. Covering 25,000sqm over five floors, including four for retail and one for catering in the basement, the flagship store has attracted over 215

brands. Galleries Lafayette's CEO revealed that the company plans to open up to 10 stores in China by 2025 and generate one billion euros of operating revenue per year⁶.

Wangfujing reports operating revenue of 19.4 billion yuan in 1-3Q19, up 1.06% yoy

On 29 October, Wangfujing Group Co., Ltd. released its 3Q19 financial report, which shows that the group made an operating revenue of 19.4 billion yuan in 1-3Q19, up 1.06% yoy; net profit attributable to shareholders of listed companies was 847 million yuan, down 14.33% yoy. In terms of business formats, department stores and shopping malls made a combined operating revenue of 14.96 billion yuan in 1-3Q19, down 3.04% yoy; outlets recorded 3.21 billion in operating revenue during the same period, up 24.03% yoy⁷.

Suning.com Plaza version 3.0 opens in Shanghai

Shanghai Wujiaochang Suning.com Plaza opened on 1 November. This is the first project launched by Suning.com after acquiring Wanda Department Store and Carrefour China. According to Suning, this Suning.com Plaza is a version 3.0 model of its shopping mall – version 1.0 is a home electronics specialty store; version 2.0 is a specialty store couples with various O2O services; and version 3.0 is an integrated store format that features various consumption scenes that cater to the needs of different consumer segments⁸.

Supermarkets and hypermarkets

Carrefour China to launch fulfillment centers in China to upgrade store-front warehousing service

Recently, Carrefour China announced to launch in-store fulfillment centers in selected stores in Nanjing and Shanghai to upgrade its store-front warehousing service. The fulfillment centers will also be connected to Carrefour's WeChat Mini Program, Suning Xiaodian's app as well as other third-party platforms. It is expected that 210 fulfillment centers in the country will be in operation by end-2019⁹.

Walmart China: Over 30% of total sales of "Smart Choice" community store in 3Q19 are generated from O2O channels

Recently, Walmart China announced the performance of its community store "Smart Choice". In 3Q19, the growth of both sales revenue and customer traffic increased by over 20% compared with 1Q19; over 30% of total sales revenue are generated from O2O sales channels; transaction value via Scan-and-Go also increased by over 40%. Launched in April 2018, Smart Choice currently has eight stores in Guangdong region, with an average area of 600-1,000 sqm and offering around 6,000 SKUs of products¹⁰.

Trustdata: Miss Fresh App hits over 10 million monthly active users for the first time, leading the way in online fresh food market

China's mobile Internet big data monitoring platform Trustdata has recently released its "3Q19 Mobile Internet Industry Analysis Report". According to the report, fresh food e-

commerce players deliver steady growth, with Miss Fresh taking the top spot with over 10 million monthly active users, followed by Fresh Hema, Dingdong Maicai and RT-Fresh at the 2nd to 4th places. The report also reveals that 70% of Miss Fresh users are female, while over 80% of the users are aged between 18 and 40; these users, who are accustomed to mobile shopping and place more emphasis on quality of family life, have become a major force in online grocery shopping¹¹.

Tmall Supermarket, Tao Xianda, RT-Mart join forces to unlock seamless omnichannel shopping experience for 11.11 Global Shopping Festival

Tmall Supermarket has recently announced that Tmall Supermarket, Taobao's online grocery portal Tao Xianda and all RT-Mart stores nationwide will join forces this year to offer top new products and special deals on different brands through seamless integration of their sales channels, aiming to create new shopping experience for customers. This also makes grocery shopping no longer limited to traditional retail channels and subject to geographical constraints. Over the past six months, Tmall Supermarket has been seeking to seamlessly integrate the sales channels of Tmall Supermarket, Tao Xianda and offline supermarket chains in response to changing consumer needs. It is expected that more advanced online and offline integration will take place during the 11.11 Global Shopping Festival this year¹².

Convenience stores

FamilyMart launches in-house IP themed stores in Shanghai and Chengdu

FamilyMart has recently launched in-house IP character "Biang!Biang! Meow" themed stores

in Shanghai and Chengdu. Biang!Biang! Meow is also the mascot of FamilyMart, which was created last year. FamilyMart has also launched a series of Biang!Biang! Meow-themed products including stationery, snacks, USB memory sticks, portable chargers and toy bricks. Earlier, both FamilyMart and Lawson had launched different types of themed stores previously to attract young consumers¹³.

Apparel

Fast fashion retailers open 54 stores in 3Q19; Zara closes stores in Beijing CBD while Uniqlo, H&M, MJstyle accelerate expansion in lower-tier cities

It is reported that eight major fast fashion brands including H&A, Zara, Uniqlo, MJstyle, Muji, UR, C&A and GAP, together opened 54 new stores (excluding upgraded and reopened stores) in China in 3Q19, with the new store opening growth rate down by around 36% yoy. In September, Zara reportedly shut down two stores in Beijing Central Business District (Beijing CBD), namely the branches in Raffles City and Xindong'an Plaza. Meanwhile, some fast fashion retailers, especially Uniqlo, H&M and MJstyle, sped up their expansion in lower-tier cities during 3Q19¹⁴.

Peacebird records 207 million yuan in net profit and over 5 billion yuan in operating income during 1-3Q19

Peacebird recently released the financial results for 3Q19. According to the report, Peacebird's net profit attributable to shareholders of listed companies and operating income for 1-3Q19 were 207 million yuan and 5 billion yuan respectively. Its online business performed remarkably well, with operating income grew by 14.28% yoy for 1-

3Q19 and by over 30% yoy for 3Q19. Its overall sales also improved, with operating income increased by 4.46%, 1.99% and 9.55% yoy for 1Q19, 2Q19 and 3Q19 respectively. The uptrend is expected to sustain for the time being¹⁵.

Cosmetics

China Renaissance: Younger generations contribute the most to cosmetics consumption

Recently, investment bank China Renaissance released a report on the cosmetics industry. The report revealed that China is currently the second-largest cosmetics market in the world. Over 70% of the online transactions are made by post-80s and post-90s generations. The major customer group is shifting from the post-70s generations to the post-80/90s generations. The growth of cosmetics industry is mainly fueled by the transaction in tier 2 and 3 cities, as well as other lower-tier cities. Post-90s generation usually acquires new product and new brand knowledge via social media platforms and e-commerce platforms¹⁶.

Consumer electronics

JD.com's first-ever home electronic appliance super experiential store to open in Chongqing on 11 November

On 24 October, JD.com announced that the company will launch its first-ever JD Home Electronic Appliance Super Experiential Store in Chongqing on 11 November. It is reported that the store is the first technology experiential store with full 5G network coverage. According to the plan of JD's home

appliance unit JD Jiadian, the company will set up an offline business unit to take charge of the super experiential store project and promote steady growth of the store through expert team support, professional site selection, and independent offline supply chain and operations. In addition, JD.com will open super experiential stores of different sizes in megacities, extra-large cities and large cities across the country and adopt “one store for one city” approach in tier-3 cities¹⁷.

Suning.com’s total revenue amounts to 200 billion yuan in 1-3Q19

On 30 October, Suning.com released its financial results for 3Q19. The report shows that Suning.com’s total revenue was 201 billion yuan in 1-3Q19; net profit attributable to the parent company was 11.9 billion yuan. It achieved product sales of 275.9 billion yuan during the reporting period, of which 171.44 was made online, up 24.27% yoy. As of 30 September, Suning.com operated 8,407 self-operated and franchise stores in total. The number of registered members on Suning.com reached 470 million, up 63 million from early 2019. During the reporting period, Suning.com’s annual active members and online sales orders (excluding those from Suning.com’s flagship store on Tmall) increased by 48.29% yoy and 61.83% yoy respectively¹⁸.

capabilities to create new luxury shopping experience for customers. Secoo has already completed all the procedures for the launch. On 1 November, Secoo will participate in Suning’s shopping event “Super Group-Buying Day” for the first time and offer luxury products at “group-buying prices” for Suning’s users¹⁹.

Luxury sector

Secoo to launch on Suning Pingou

On 28 October, Suning’s group-buying platform Suning Pingou and luxury e-commerce platform Secoo officially reached a partnership agreement. Under the deal, Secoo will officially launch on Suning Pingou and leverage Suning Pingou’s social commerce

References

- ¹ “MOFCOM: Growth of CBEC (import) value increases by over 30% yoy in 1-3Q19”, 30 October 2019. MOFCOM. <http://www.mofcom.gov.cn/article/ae/sj/d/201910/20191002908682.shtml> (in Chinese only)
- ² “Pinduoduo exceeds JD.com on market cap to become the fourth largest Internet company in China”, 25 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434218.shtml> (in Chinese only)
- ³ “Meituan launches its own Mini Program”, 29 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434604.shtml> (in Chinese only)
- ⁴ “JD Logistics and international logistics giant Agility sign cooperation pact to speed up internationalization process”, 30 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434720.shtml> (in Chinese only)
- ⁵ “Cainiao Courier Stations’ facial recognition-empowered smart lockers enable instant pick-up in over 100 cities in China”, 26 October 2019. Ebrun. <http://www.ebrun.com/20191026/356165.shtml> (in Chinese only)
- ⁶ “Galleries Lafayette opens flagship store in Shanghai; expects to open a total of 10 stores in China by 2025”, 28 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434561.shtml> (in Chinese only)
- ⁷ “Wangfujing reports operating revenue of 19.4 billion yuan in 1-3Q19, up 1.06% yoy”, 30 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434726.shtml> (in Chinese only)
- ⁸ “Suning.com Plaza version 3.0 opens in Shanghai”, 31 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434836.shtml> (in Chinese only)
- ⁹ “Carrefour China to launch fulfillment centers in China to upgrade store-front warehousing service”, 25 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434218.shtml> (in Chinese only)
- ¹⁰ “Walmart China: Over 30% of total sales of “Smart Choice” community store in 3Q19 are generated from O2O channels”, 30 October 2019. Ebrun. <http://www.ebrun.com/20191030/356677.shtml> (in Chinese only)
- ¹¹ “Miss Fresh App hits over 10 million monthly active users for the first time, leading the way in online fresh food market”, 29 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434563.shtml> (in Chinese only)
- ¹² “Tmall Supermarket, Tao Xianda, RT-Mart join forces to unlock seamless omnichannel shopping experience for 11.11 Global Shopping Festival”, 30 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434760.shtml> (in Chinese only)
- ¹³ “FamilyMart launches in-house IP themed stores in Shanghai and Chengdu”, 25 October 2019. Winshang. <http://news.winshang.com/html/066/4878.html> (in Chinese only)
- ¹⁴ “Fast fashion retailers open 54 stores in 3Q19; Zara closes stores in Beijing CBD while Uniqlo, H&M, MJstyle accelerate expansion in lower-tier cities”, 28 October 2019. Winshang. <http://news.winshang.com/html/066/4970.html> (in Chinese only)
- ¹⁵ “Peacebird records 207 million yuan in net profit and over 5 billion yuan in operating income during 1-3Q19”, 26 October 2019. Winshang. <http://news.winshang.com/html/066/4948.html> (in Chinese only)
- ¹⁶ “China Renaissance: Younger generations contribute the most to cosmetics consumption”, 26 October 2019. Winshang. <http://news.winshang.com/html/066/4940.html> (in Chinese only)
- ¹⁷ “JD.com’s first-ever home electronic appliance super experiential store to open in Chongqing on 11 November”, 25 October 2019. Winshang. <http://news.winshang.com/html/066/4874.html> (in Chinese only)
- ¹⁸ “Suning.com’s total revenue amounts to 200 billion yuan in 1-3Q19”, 30 October 2019. Linkshop. <http://www.linkshop.com.cn/web/archives/2019/434774.shtml> (in Chinese only)
- ¹⁹ “Secoo to launch on Suning Pingou”, 29 October 2019. Dsb.cn. <http://www.dsb.cn/108613.html> (in Chinese only)

Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

