

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
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# E-commerce

## NetEase Kaola opens first offline “Global Factory Store” in Hangzhou

NetEase Kaola opened the first offline “Global Factory Store” at Raffles City Shopping Centre in Hangzhou on 27 April. With a store size of 200 sqm, the store offers 1,500 SKU selected from its online “Global Factory Store”, ranging from cosmetics, personal care products, digital products, home electronics, food, home products and outdoor products. The prices of products are the same online and offline; online and offline membership databases are integrated so consumers can enjoy the same member benefits. NetEase Kaola plans to open around 12 offline “Global Factory Store” in 2019 in Shenzhen, Hangzhou, Ningbo, Fuzhou, Wuhan, Chongqing and Chengdu; most of the stores will run under the franchise model except one or two stores will be self-operated<sup>1</sup>.

## Market size of Beijing’s CBEC import market reaches 1.895 billion yuan in 2018

On 28 April, Beijing Municipal Bureau of Commerce revealed that the market size of Beijing’s cross-border e-commerce (CBEC) import market in 2018 amounted to 1.895 billion yuan, up 43.9% yoy. Currently there are over 50 offline CBEC experiential stores in Beijing, and Beijing CBEC enterprises have built over 70 overseas warehouses in more than 30 countries. It is expected in 2019, 10 offline CBEC experiential stores will be added in Beijing to facilitate the development of CBEC market; the Beijing government will also build new CBEC industrial parks<sup>2</sup>.

## Aliresearch: Total sales of products from countries along the “Belt and Road” on Tmall Global up 120% yoy in 2018

On 28 April, Aliresearch announced that over

1,000 brands from 21 countries along the “Belt and Road” have entered the China market via Tmall Global, with total sales increased rapidly by 120% yoy in 2018, driven by the strong sales growth of products from Thailand, Israel and Singapore. As of March 2019, Tmall Global hosts more than 20,000 brands from 77 countries and regions, covering over 4,000 categories; over 80% of the brands entered China for the first time. In the next five years, Tmall Global targets to expand its coverage to over 120 countries and regions, and expand the number of product categories from 4,000 to 8,000<sup>3</sup>.

## TikTok becomes official social media partner of the Indonesian Ministry of Tourism; jointly launch the “TikTok Travel x Wonderful Indonesia” program

Recently, TikTok and the Ministry of Tourism of Indonesia reached a cooperation. TikTok will become the official social media partner of the Indonesian Ministry of Tourism; the two parties will jointly launch the “TikTok Travel x Wonderful Indonesia” program. According to introduction, the program will help Indonesia promote a number of travel destinations. The Indonesian Ministry of Tourism plans to open an official account on TikTok to reach out to a wider range of consumers in the future<sup>4</sup>.

# Retail logistics

## Cainiao sets up first Western Europe self-pickup network in France, offering 5,200-plus self-pick up points

Cainiao, AliExpress and French delivery service provider Relais Colis have recently sealed a partnership agreement. Under the deal, Relais Colis’ 5,200-plus offline delivery service stations will offer relay point delivery services for Cainiao, serving as pick-up points for Cainiao’s orders; such move enables

French customers to pick up their orders from China at their nearest Relais Colis service station. It is the first time that Cainiao set up its self-pickup service network in Western Europe<sup>5</sup>.

### JD Logistics makes its personal delivery service available in 50 Chinese cities

On 28 April, JD Logistics announced that it has made its personal delivery service available in 50 cities across China, extending its service to more local cities including Hangzhou and Ningbo. The company officially opened its courier service to individuals in October last year and gradually extended its personal delivery service to more local cities. Consumers can place personal delivery orders on JD.com app, JD Logistics WeChat Mini Program or JD Xiao Ge's WeChat public account to enjoy one-hour door-to-door delivery service<sup>6</sup>.

## Department stores and shopping malls

### Bailian Shopping Center introduces "Community Manager"; first batch of new concept shopping malls to unveil in 2H19

On 25 April, Bailian Group announced that it will develop a new series of concept shopping malls and accelerate the development of new stores in the next five years. Bailian said that the new concept stores will adopt the operating principles of "Social, Connect, Together". Bailian Nanfang Shopping Mall and Bailian Quyang Shopping Mall, the first batch of new concept malls, will become "multi-dimensional social shopping malls connecting consumers, consumption scenes and products together". Bailian Nanfang Shopping Mall will reportedly open in August, and Bailian Quyang Shopping Mall is

scheduled to open at the end of September this year.

Meanwhile, in order to explore running business in the new retail regime and reshape the operating system of traditional shopping centers, Bailian Shopping Center took the lead in introducing "Community Managers" to interact directly with consumers in different communities. In September 2018, Bailian piloted the community manager model at Bailian Linyi Shopping Mall and Bailian Zhonghuan Shopping Mall. It has reportedly established seven communities with more than 2,280 community members so far<sup>7</sup>.

## Supermarkets and hypermarkets

### YH Super Species opens in Shenzhen airport

Recently, YH Super Species has opened a new store in Shenzhen Bao'an International Airport. This is the second YH Super Species store in an airport after the one opened in Fuzhou Changle International Airport. The store spans over 800 sqm and offers more than 1,000 SKUs. Besides the usual stalls and the newly nurtured stalls, the store also offers special products such as souvenirs from Guangdong, Hong Kong and Macau targeting travelers at the airport<sup>8</sup>.

### Yonghui's revenue exceeds 70 billion yuan for the first time

On 25 April, Yonghui Superstore released its FY18 annual report. The report shows that, in 2018, the company's total revenue was 70.517 billion yuan, up 20.35% yoy – this is the first time for Yonghui to achieve revenue of more than 70 billion yuan. The consolidated net profit attributable to shareholders of listed companies was 1.48 billion yuan, down

18.52% yoy – which is Yonghui’s second time in experiencing a decline in net profit since its listing. The decline in profit was mainly due to the increase in operating expenses – the cost of newly opened stores pushed up the sales-related expenses in 2018 by 36.78% yoy, while employee compensation hiked up the administrative costs by 68.84% yoy<sup>9</sup>.

### Freshippo to close store for the first time

It is reported that Freshippo will close a store in Kunshan Xincheng Wuyue Plaza on 31 May, 2019 due to adjustment of business strategy. This is the first store closure of Freshippo so far. According to Freshippo, it will continue its rapid store expansion pace in 2019 and explore various retail formats including Hema Market, Hema Mini, Hema F2 and Hema Xiaodian<sup>10</sup>.

### New Huadu Supercenter and Taoxianda jointly launch new brand “Linju Market”

On 1 May, New Huadu Supercenter and Taoxianda, an O2O delivery platform under Alibaba, jointly launched a new brand “Linju Market” in Quanzhou. Unlike traditional wet markets, Linju Market is a one-stop community supermarket which combines the function of supermarket, wet market and catering. Consumers can buy in-store, or they can order from Taoxianda app and have the order delivered to their address within 3-km distance from the store in one hour<sup>11</sup>.

## Apparel

### Semir’s 2018 total operating revenue hits 15.7 billion yuan; adds 700 new stores

On 25 April, Zhejiang Semir Garment Co. Ltd. announced its FY18 annual report. As of 31 December 2018, the company racked up 15.7 billion yuan in operating revenue, up 30.71%

yoy; net income attributable to shareholders of the listed company amounted to 1.69 billion yuan, up 48.83% yoy. In 2018, the company’s e-commerce business continued to grow rapidly and generated 4.07 billion yuan in operating revenue, with sales hitting 1.14 billion yuan on 11 November, 2018. As of the end of the reporting period, the company (excluding Kidiliz Group) owned a total of 9,123 stores, including 763 self-managed stores and 8,360 franchise stores, an increase of 700 new stores from early 2018<sup>12</sup>.

### Forever 21 closes online stores in China

According to Forever 21 China’s official website, its official online store will stop its operation starting 29 April; customers can return goods purchased on the store before 30 May. Meanwhile, Forever 21 will also close its online flagship stores on Tmall.com and JD.com. On 26 April, Forever 21 confirmed that it has decided to exit the China market entirely in the near future. Currently, Forever 21 has 4 physical stores in China<sup>13</sup>.

### Gap Group accelerates expansion in China

On 29 April, Gap Group opened three Gap stores in Sanya, Haikou and Kunming. Gap Group opened a total of 11 new stores in April – 10 of which are Gap stores and one falls under Old Navy, another apparel brand under the Group. This implies the Group is accelerating its expansion plan in the China market<sup>14</sup>.

### Peacebird partners with Shanshan for outlet malls development

On 30 April, Peacebird Group and Shanshan Commerce Group signed a strategic agreement on outlet malls development. The two companies will cooperate in various areas including outlets’ store design and innovation

(composite buildings), store effectiveness enhancement, and consumer interaction. Peacebird Group has seven fashion brands targeting young consumers, which match well with the positioning of Shanshan's outlet malls. This is reportedly Peacebird's second strategic cooperation initiative on outlet malls, after partnering with Shanghai Bailian Group in January. As of to date, Shanshan has six outlet malls across the country and plans to add another four by 2020<sup>15</sup>.

### Heilan Home officially enters the Thailand market

On 25 April, Heilan Home and Thailand's Central Pattana Public (CPN) jointly announced that Heilan Home's fast fashion brand HLAJEANS and mid- to high-end womenswear brand OVV have officially forayed into the Thailand market. As the first two Chinese brands entering a tier-1 commercial hub in the Southeast Asian region, HLAJEANS and OVV are launched in Central World shopping mall, which is located in Thailand's core commercial district and also one of the largest shopping malls in the region. Heilan Home has also adjusted their product lines in Thailand to better fit with local tastes and weather, with a focus on developing T-shirt and light jacket products<sup>16</sup>.

## Home products

### Youpin by Xiaomi opens first global flagship store in Hefei

On 1 May, Youpin by Xiaomi opened its first global flagship store in Hefei. Spanning over 500 sqm, the store sells around 2,000 SKUs from 17 categories including smart products, home products, kitchenware and baby and maternity products, selected from its online listings. Aside from displaying products, there

is also an experiential zone in-store to create a home-like scenario to customers. The store is equipped with self-checkout systems and electronic tags to ensure the same price online and offline<sup>17</sup>.

## Luxury sector

### Italian luxury brand Moschino launches main line on JD.com

On 29 April, JD.com announced that Italian luxury brand Moschino officially launched its main line and Spring-Summer 2019 collection on JD.com; all Moschino's products available on the platform are entitled to JD.com's premium delivery service – White Gloves Service, aiming to provide greater shopping experience to customers. Moschino's sub-line Moschino Underwear & Swimwear has started offering its products on JD.com since 11 March. The launch of Moschino's main line on JD.com marks deepened cooperation between the two companies<sup>18</sup>.

### McKinsey & Company: Chinese shoppers spend 770 billion on luxury products in 2018

On 26 April, McKinsey & Company China published the "China Luxury Report 2019". According to the report, in 2018, Chinese consumers at home and abroad spent 770 billion yuan on luxury items—equivalent to a third of the global spend—with each luxury consuming household spending an average of 80,000 yuan per year. China delivered more than half the global growth in luxury spending between 2012 and 2018, and their outlay is set to almost double to 1.2 trillion yuan by 2025, when 40% of the world's spending on luxury goods will be conducted by Chinese consumers. The post-80s and -90s generations, representing 43% and 28% of

the total number of luxury consumers respectively, accounting for 56% and 23% of the total luxury spending by Chinese consumers in 2018<sup>19</sup>.

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## Fung Business Intelligence

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