

# China Retail & E-commerce

## Weekly Updates

26 October – 1 November 2018

 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*

- JD Daojia, JD.com, Walmart and Tencent: Consumers demand shopping convenience, higher standard of living and more customized services

### E-commerce *p2*

- Ymatou.com sets aside 100 million yuan budget for CIIE, preparing for Black Friday
- JD.com launches digitalization campaign with thousands of brand stores
- CCOIC, Deloitte, and Ali Research Institute: Imported goods' shoppers are generally younger
- SF Express launches "Feng Su GO" offline store in community area for bonded imported goods

### Retail logistics *p3*

- Cainiao and Mars join hands for cold-chain logistics solution
- Cainiao Logistics launches first IoT "Future Park"
- SF Holding to acquire DHL's supply chain businesses in Greater China for 5.5 billion yuan

### Department stores and shopping malls *p4*

- Paris Spring Department Store becomes the first to install self-service cash register system in the industry
- Wangfujing's net profit soars 88.65% yoy in 1-3Q18

### Supermarkets and hypermarkets *p4*

- Yonghui Superstores reports net profit of 1.018 billion yuan, down 26.9% yoy

### Convenience stores *p4*

- Best Inc. to acquire Xi'an-based convenience store brand Aidebao

### Apparel *p5*

- Semir's operating revenue, net income post double-digit growth in 1-3Q18; accelerating international expansion
- HLA's 3Q18 operating income increases slightly; launches home product line amid weak apparel market
- H&M's sub-brand COS opens first global menswear store in Beijing
- Topshop to close Tmall flagship store

### Consumer electronics *p5*

- Suning.com's operating revenue up 31% yoy in 1-3Q18

### Home products *p6*

- Tencent and Red Star Macalline Group sign strategic cooperation agreement
- MUJI loses the rights of using trademark "Wu Yin Liangpin" in China

### Luxury sector *p6*

- Yoox Net-A-Porter and Alibaba form joint venture company to target Chinese consumers

# Retail in General

**JD Daojia, JD.com, Walmart and Tencent: Consumers demand shopping convenience, higher standard of living and more customized services**

On 31 October, JD Daojia, JD.com, Walmart and Tencent jointly released the “Annual Report of the Development of Omni-channel Retailing in China’s Supermarket Sector”, covering the latest trends of the consumer market and consumption behavior. According to the report, consumers increasingly demand shopping convenience, higher standard of living, and more customized services. Meanwhile, JD Daojia also proposed its plan to provide services to major districts in 200 cities by 2019. Currently, JD Daojia’s service covers 63 cities in China, including most tier-1 and tier-2 cities. More than 100,000 stores have connected to JD Daojia<sup>1</sup>.

# E-commerce

**Ymatou.com sets aside 100 million yuan budget for CIIE, preparing for Black Friday**

China International Import Expo (CIIE) will be held on 5 November 2015 in Shanghai. Ymatou.com plans to spend 100 million yuan for purchasing at the Expo, as a way to sharpen its supply chain edge. Meanwhile, Ymatou.com has also set up a dedicated column for CIIE’s events on its app to prepare for the upcoming China’s “Black Friday”, which is now in its fifth year. Visitors to the Expo not only can learn more about the best-selling products of major international markets, including the U.S., the U.K., Australia, Japan and South Korea, but also can interact with overseas buyers in real time through Ymatou’s app<sup>2</sup>.

**JD.com launches digitalization campaign with thousands of brand stores**

JD.com launched a digitalization campaign with thousands of brand stores for a total of 25 days, from 22 October to 15 November. During the period, consumers can visit JD.com’s member channel on WeChat Mini Program or JD.com’s mobile app to find out the details of the promotional activities, and download the coupons to enjoy the discount at participating stores. In addition, stores participated in the campaign will also be joining JD.com’s footstep-counting redemption activities. Consumers can log in to the step-counting WeChat Mini Program for gift redemption starting from 1 November<sup>3</sup>.

**CCOIC, Deloitte, and Ali Research Institute: Imported goods’ shoppers are generally younger**

On 31 October, China Chamber of International Commerce (CCOIC), Deloitte and AliResearch jointly released the “China’s Imported Goods Market Research Report”. The report shows that the penetration rate of China’s cross-border e-commerce (CBEC) imported goods has risen rapidly from 1.6% in 2014 to 10.2% in 2017. The number of Tmall Global’s shoppers in 2017 was 10 times that of 2014. On the other hand, imported goods’ shoppers are generally younger nowadays. In 2017, post-90s and post-95s consumers accounted for 45.2% of Tmall Global’s total shopper population, which has overtaken the post-80s consumers as the largest consumer segment; the percentage has further risen to over 50% in 2018. In the past four years, Tmall Global has introduced nearly 19,000 overseas brands from 3,900 categories in 75 countries, and more than 80% of them entered China for the first time<sup>4</sup>.

## SF Express launches “Feng Su GO” offline store in community area for bonded imported goods

Recently, SF Express announced to launch its first offline store “Feng Su GO” in community areas for bonded imported goods. The company will launch three such stores in Shenzhen in the first phase. Under this model, the offline stores are being moved from the remote bonded area to the communities and neighborhoods. Bonded imported products are shipped to the “Feng Su GO” store as if they are in bonded warehouses. Every bonded imported product carries its own QR code; consumers can scan the code to track product origin and gain access to logistics information. Customers can purchase bonded imported products directly in the store. After choosing the products they want to purchase, customers can go straight to the cashier, provide their ID card number and settle payment with the registered Alipay account; the customs clearance process will then be processed immediately. Customers can pick up the products immediately after the customs clearance process is completed<sup>5</sup>.

## Retail logistics

### Cainiao and Mars join hands for cold-chain logistics solution

On 26 October, Cainiao and U.S. food company Mars officially entered into a strategic partnership to create a smart supply chain for Mars’ chocolate products. Through the partnership, Mars hopes to address problems of storing and transporting chocolate with the help of Cainiao’s expertise. Both parties reportedly will leverage Tmall’s online supermarket Chaoshi.tmall.com and Tmall’s partnered fresh food cold chain service provider Exfresh to set up a comprehensive

cold chain network for Mars. The network is expected to serve 80% of sales areas for Mars’ chocolate products during summer and to drive the sales in summer to take up 30% of the total annual sales. By the end of 2018, Mars will also trial sending retailers replenishment directly from Cainiao’s warehouses<sup>6</sup>.

### Cainiao Logistics launches first IoT “Future Park”

On 25 October, Cainiao Logistics announced its first IoT “Future Park” was officially launched in Wuxi city, Jiangsu Province, in preparation for the 11.11 Global Shopping Festival. With an area of 160,000 sqm, the “Future Park” is China’s largest automated smart warehouse which has around 700 robots. The “Future Park” mainly serves Tmall Supermarket, covering the entire Jiangsu province and part of eastern China<sup>7</sup>.

### SF Holding to acquire DHL’s supply chain businesses in Greater China for 5.5 billion yuan

On 26 October, DPDHL Group and SF Holding announced to reach a strategic partnership agreement. SF Holding acquired Deutsche Post DHL (DPDHL)’s supply chain and logistics companies in Greater China for 5.5 billion yuan. SF Holding will have access to DPDHL Group’s supply chain services, management expertise, transportation and warehousing technology. DHL’s China businesses will operate as the co-branded company with SF Holding upon the completion of the transaction. As part of the deal, DHL will receive a revenue-based fee over the next ten years<sup>8</sup>.

## Department stores and shopping malls

Paris Spring Department Store becomes the first to install self-service cash register system in the industry

Recently, Paris Spring Department Store announced that it has introduced Alibaba's self-service cash register system into its outlets starting from 19 October. At this point, Paris Spring Department Store is the first in the industry to install such system. It is reported that through the self-service cash register, scanning, mobile payment, and receipt printing can be completed within 3 minutes<sup>9</sup>.

Wangfujing's net profit soars 88.65% yoy in 1-3Q18

Wangfujing Group Co., Ltd. released its 3Q18 report. The report shows that Wangfujing Department Store's operating income increased 2.26% yoy to 19.918 billion yuan in 1-3Q18, up; net profit attributable to shareholders of listed companies soared 88.65% yoy to 989 million yuan. The Group said that the increase in net profit was mainly attributable to rising operating income and investment income, as well as a decrease in financial expenses and retroactive loss adjustment. By retail formats, Wangfujing Group's total operating income derived from its department stores and shopping centers in 1-3Q18 amounted to 15.427 billion yuan, and that from outlets reached 2.585 billion yuan. During the reporting period, Wangfujing Group closed a total of four stores and two subsidiaries<sup>10</sup>.

## Supermarkets and hypermarkets

Yonghui Superstores reports net profit of 1.018 billion yuan, down 26.9% yoy

On 30 October, Yonghui Superstores announced its financial performance report for 3Q18. The report shows that Yonghui Superstores' operating income was 52.692 billion yuan in 1-3Q18, up 21.67% yoy. Net profit attributable to shareholders was 1.018 billion yuan, down 26.9% yoy. Yonghui Superstores has been opening stores at a rapid pace, leading to a sharp increase in costs. According to the report, sales expenses of Yonghui Superstores in 3Q18 increased by 40.37% yoy, due mainly to the increase in costs of opening new stores. As of September 2018, Yonghui Superstores operated a total of 1,124 stores in China<sup>11</sup>.

## Convenience stores

Best Inc. to acquire Xi'an-based convenience store brand Aidebao

According to media report, Chinese logistics services provider Best Inc., backed by Alibaba, is to acquire Xi'an-based convenience store brand Aidebao by the end of October. It is reported that all of Aidebao stores will be rebranded as WOWO convenience store. WOWO is a Sichuan-based convenience store brand acquired by Best Inc. in May 2017<sup>12</sup>.

# Apparel

**Semir's operating revenue, net income post double-digit growth in 1-3Q18; accelerating international expansion**

On 25 October, Semir announced its fiscal results for 3Q18. The company's operating revenue and net income attributable to shareholders recorded double-digit growth in 1-3Q18, with the former surging 21.4% yoy to 9.76 billion yuan and the latter soaring 25.7% yoy to 1.27 billion yuan. The company's various businesses continued to show positive growth momentum during 1-3Q18. Since 3Q18, Semir has continued to upgrade its brands and accelerated the pace of overseas expansion<sup>13</sup>.

**HLA's 3Q18 operating income increases slightly; launches home product line amid weak apparel market**

On 29 October, HLA released its financial report for 3Q18. According to the report, in 3Q18, HLA's operating income increased by 4.53% yoy to 13.04 billion yuan, and net profit attributable to shareholders of listed companies reached 2.628 billion yuan, up 4.66% yoy. Currently, HLA Group has a total of 7 apparel brands and home product line "HLA Living Store". It is believed that home products might become the blue ocean for retailers amid the weak demand for apparel products<sup>14</sup>.

**H&M's sub-brand COS opens first global menswear store in Beijing**

COS, a mid-to high-end fashion label under H&M, said it will launch its first global menswear store in Beijing's Sanlitun in December 2018. The store reportedly will cover 174 sqm, with a strong focus on design, interaction and experiential elements. In addition, to further expand into the Chinese

market, COS set up its online storefront on Tmall on 16 October, marking the brand's only third-party online store in China besides its own official online store<sup>15</sup>.

**Topshop to close Tmall flagship store**

On 1 November, British fast fashion brand Topshop announced on its Tmall flagship store that it will close the online store in the near future. Topshop said that Chinese consumers can still purchase Topshop's products through Shangpin.com and Topshop's Tmall flagship store before 30 November. Thereafter, Chinese consumers can only purchase Topshop's products through the official website of Topshop and its sub-brand Topman<sup>16</sup>.

# Consumer electronics

**Suning.com's operating revenue up 31% yoy in 1-3Q18**

On 30 October, Suning.com announced its fiscal results for 3Q18. In 1-3Q18, the company's operating revenue amounted to 173 billion yuan, up 31.15% yoy, while online transaction value totaled 138 billion yuan, up 70.89% yoy. As of 30 September, the company had 382 million subscribers. During the online shopping event on 18 August 2018, the number of active users for Suning.com's app surged 62.29% yoy, with orders made through mobile devices taking up 93.5% of total online transaction volume. For bricks-and-mortar, as of 30 September, Suning.com owned 6,292 self-managed stores, 104 Dia franchise stores and 1,453 Suning Cloud franchise stores<sup>17</sup>.

## Home products

### Tencent and Red Star Macalline Group sign strategic cooperation agreement

On 31 October, Tencent and Red Star Macalline Group signed a strategic cooperation agreement. The two companies will cooperate in the area of “smart retail” and will work on digitalization of operation, providing unique shopping experience to consumers, as well as reshaping the value chain of the home products sector. Both companies will launch a new solution platform “IMP Global Smart Home Marketing Platform” to tackle consumer’s demand and provide solutions for home renovation. Tencent Cloud will help Red Star Macalline to manage its customer profile, gain traffic online and offline through different shopping experiences, launch more smart stores, etc.; the two companies will also have in-depth cooperation in site selection for physical stores and membership integration<sup>18</sup>.

### MUJI loses the rights of using trademark “Wu Yin Liangpin” in China

It is reported that Beijing Cottonfield Textile Corp. has won the case against Ryohin Keikaku Co., Ltd., the parent company of MUJI and its Chinese subsidiary MUJI Shanghai for infringing its trademark rights. The court ruled that the use of trademark Wu Yin Liangpin (无印良品) by MUJI Shanghai, which was established in 2005, is considered infringing the registered trademark of Beijing Cottonfield Textile which registered the Chinese trademark in China before the Japanese company did. MUJI is also required to pay Beijing Cottonfield Textile a compensation of 626,000 yuan. It is also implied that MUJI’s future products sold in China can only be labeled with the trademark MUJI. Since the rollout of its first local store in

Shanghai in 2005, MUJI has so far opened 235 stores in China<sup>19</sup>.

## Luxury sector

### Yoox Net-A-Porter and Alibaba form joint venture company to target Chinese consumers

On 26 October, Richemont’s luxury e-commerce group Yoox Net-A-Porter signed a joint venture (JV) deal with Alibaba to bring its platform to Chinese consumers. 51% of the joint venture is owned by Yoox Net-A-Porter, while 49% is owned by Alibaba. The deal will see Net-A-Porter and Mr Porter launch mobile apps, as well as flagship stores on Tmall Luxury Pavilion. Alibaba will leverage its resources and expertise in marketing, payments and technology and logistics infrastructure to help the JV in product offering selection and provide consumer insights for the JV<sup>20</sup>.

# References

- <sup>1</sup> “JD Daojia, JD.com, Walmart and Tencent: Consumers demand shopping convenience, higher standard of living and more customized services”, 31 October 2018, Ebrun.  
<http://www.ebrun.com/20181031/304298.shtml> (in Chinese only)
- <sup>2</sup> “Ymatou.com sets aside 100 million yuan budget for CIE, preparing for Black Friday”, 30 October 2018. Ebrun.com  
<http://www.ebrun.com/20181030/303932.shtml> (in Chinese only)
- <sup>3</sup> “JD.com launches digitalization campaign with thousands of brand stores”, 30 October 2018, Ebrun.  
<http://www.ebrun.com/20181030/304162.shtml> (in Chinese only)
- <sup>4</sup> “CCOIC, Deloitte, and Ali Research Institute: Imported goods’ shoppers are generally younger”, 1 November 2018, 199IT.  
<http://www.199it.com/archives/790135.html> (in Chinese only)
- <sup>5</sup> “SF Express launches “Feng Su GO” offline store in community area for bonded imported goods”, 29 October 2018. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412517.shtml> (in Chinese only)
- <sup>6</sup> “Cainiao and Mars join hands for cold-chain logistics solution”, 26 October 2018. Dsb.cn.  
<http://www.dsb.cn/88949.html> (in Chinese only)
- <sup>7</sup> “Cainiao Logistics launches first IoT “Future Park””, 25 October 2018. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412353.shtml> (in Chinese only)
- <sup>8</sup> “SF Holding to acquire DHL’s supply chain businesses in Greater China for 5.5 billion yuan”, 26 October 2018, Jiemian.  
<https://www.jiemian.com/article/2571443.html> (in Chinese only)
- <sup>9</sup> “Paris Spring Department Store becomes the first to install self-service cash register system in the industry”, 26 October 2018, Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412373.shtml> (in Chinese only)
- <sup>10</sup> “Wangfujing’s net profit soars 88.65% yoy in 1-3Q18”, 29 October 2018, Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412516.shtml> (in Chinese only)
- <sup>11</sup> “Yonghui Superstores reports net profit of 1.018 billion yuan, down 26.9% yoy”, 31 October 2018, Beijing Business Today.  
<http://www.bbtnews.com.cn/2018/1031/271876.shtml> (in Chinese only)
- <sup>12</sup> “Best Inc. to acquire Xi’an-based convenience store brand Aidebao”, 30 October 2018, Longsok.  
<https://www.longsok.com/dt/2018/1030/48300.html> (in Chinese only)
- <sup>13</sup> “Semir’s operating revenue, net income post double-digit growth in 1-3Q18; accelerating international expansion”, 25 October 2018. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412350.shtml> (in Chinese only)
- <sup>14</sup> “HLA’s 3Q18 operating income increases slightly; launches home product line amid weak apparel market”, 30 October 2018, Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412605.shtml> (in Chinese only)
- <sup>15</sup> “H&M’s sub-brand COS opens first global menswear store in Beijing”, 31 October 2018. Beijing Business Today.  
<http://www.bbtnews.com.cn/2018/1031/271878.shtml> (in Chinese only)
- <sup>16</sup> “Topshop to close Tmall flagship store”, 1 November 2018, Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412787.shtml> (in Chinese only)
- <sup>17</sup> “Suning.com’s operating revenue up 31% yoy in 1-3Q18”, 30 October 2018. Beijing Business Today.  
<http://www.bbtnews.com.cn/2018/1031/271878.shtml> (in Chinese only)
- <sup>18</sup> “Tencent and Red Star Macalline Group sign strategic cooperation agreement”, 1 November 2018, Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/412779.shtml> (in Chinese only)
- <sup>19</sup> “MUJI loses the rights of using trademark “Wu Yin Liangpin” in China”, 26 October 2018. Ladymax.cn.  
<http://news.ladymax.cn/201810/26-34001.html> (in Chinese only)
- <sup>20</sup> “Yoox Net-A-Porter and Alibaba form joint venture company to target Chinese consumers”, 26 October 2018. Sina.  
<http://fashion.sina.com.cn/l/sn/2018-10-26/1525/doc-ifxeuwws8367880.shtml> (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.

