

China Retail & E-commerce

Weekly Updates

27 Apr 2018 – 3 May 2018



 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in General p2

- Shanghai Municipal Commission of Commerce releases “Three-Year Action Plan for Accelerating the Development of Shanghai Brands”

E-commerce p2

- Analysys: Transaction value of China's online retailing market reaches 952.85 billion yuan in 1Q18
- iResearch: Transaction value of CBEC (import) market reaches 111.34 trillion yuan in 2017, up 49.6% yoy
- Alipay releases overseas mobile payment data for Labor Day holiday period: Post-90s generation becomes driving force of overseas consumption

E-commerce logistics p3

- Cainiao and Tmall jointly announce “Shen Nong Plan”; to open 100 fresh produce warehouses in the next two years
- JD.com takes 9.9% stake in China Logistics Property Holdings for HK\$898.5 million

Department stores and shopping malls p3

- New World Department Store's private label N+ series launches new brand “N+ Youpin”

Supermarkets and hypermarkets p3

- Wumei Holdings to buy Lotte retail operator in China for 1.5 billion yuan
- Alibaba to build “New Retail City” in China; opens 10 more Hema Xiansheng stores
- Better Life launches new community store brand “Haobaba Shengxian”
- Suguo and Jiangsu Xiannong E-commerce Co., Ltd. sign strategic cooperation agreement on e-commerce development

Apparel p4

- Meters/bowne shows significant improvement in 1Q18 financial results
- Semir to acquire French childrenswear group Kidiliz Group for 840 million yuan

Consumer electronics p5

- Xiaomi files for IPO in Hong Kong
- Xiaomi opens 61 Mi Home in China within 4 days
- Xiaomi opens first home products store “You Sheng Pin Jian” in Shanghai
- Brookstone opens 100 new stores on Labor Day

Home products p5

- Easyhome opens its first experiential mall in Beijing

Cosmetics p6

- Shiseido launches cross-border e-commerce platform

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



Shanghai Municipal Commission of Commerce releases “Three-Year Action Plan for Accelerating the Development of Shanghai Brands”

On 29 April, Shanghai Municipal Commission of Commerce announced the “Three-Year Action Plan for Accelerating the Development of Shanghai Brands and the Construction of Shanghai as a Global Consumption City (2018-2020)” and unveiled five major targets by 2020:

1. Consumption to account for over 60% of economic growth;
2. To improve standard of innovative technologies and nurture a number of leading companies in new retail, cross-border e-commerce and logistics & supply chain;
3. To attract more international retailers and high-end international brands to set foot in Shanghai; to build two world-class shopping streets, ten national leading commercial districts, and 20 distinctive commercial districts; and to popularize 50 new brands with distinctive Shanghai characteristics, and 50 time-honored brands in Shanghai;
4. To improve the ranking of Shanghai as a global fashion city and increase the influence of Shanghai Fashion Week globally;
5. To improve customer service standard and enhance consumer experience¹.

E-commerce



Analysys: Transaction value of China's online retailing market reaches 952.85 billion yuan in 1Q18

According to Analysys's “Monitoring Report for China’s Online Retailing B2C Market 1Q18”, transaction value of China’s online retailing (B2C) market was 952.85 billion yuan, up 32.2% yoy in the quarter. In terms of market share, Tmall tops the list, accounting for 59.6% of the total market share, and its total sales showed an increase of 41.2% yoy. JD.com and Suning came second and third, with market share of 25.0% yoy and 5.0% yoy respectively².

iResearch: Transaction value of CBEC (import) market reaches 111.34 trillion yuan in 2017, up 49.6% yoy

On 2 May, iResearch released the “Report on China’s Cross-border E-commerce (CBEC) (import) Market”. According to iResearch, transaction value of CBEC (import) market reached 111.34 trillion yuan in 2017, up 49.6% yoy. Driven by government’s positive regulatory support, it is expected that the transaction value of CBEC (import) market will exceed 300 trillion yuan by 2021. Post-80s and post-90s generations are the major CBEC (import) shoppers, of which the post-80s generation accounts for 56.3% of the total number of CBEC shoppers and the post-90s generation accounts for 21.7% of the total. By region, 19.0% of the shoppers are from Guangdong, while 13.2% are from Beijing and 10.1% are from Shanghai³.

Alipay releases overseas mobile payment data for Labor Day holiday period: Post-90s generation becomes driving force of overseas consumption

On 1 May 1, Alipay released the outbound travel mobile payment data report for Labor

day holidays around 1 May. Hong Kong, Macau, and Japan ranked as the top three most popular places of consumption, followed by Thailand, the U.S., South Korea, Australia, Taiwan, Malaysia and Singapore. The outbound travelers were mainly from coastal provinces and developed regions – the top being Shanghai, followed by Guangzhou, Beijing and Hangzhou. The data also showed that Chinese women spent more than men abroad, with 65% of Alipay users spending abroad being women. In addition, post-90s generation exceeded the post-80s for the first time to be the driving force of overseas consumption⁴.

E-commerce logistics



Cainiao and Tmall jointly announce “Shen Nong Plan”; to open 100 fresh produce warehouses in the next two years

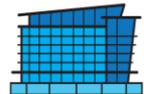
On 26 April, Cainiao and Tmall jointly announced the launch of "Shen Nong Plan" at the first county-level fresh produce supply chain conference. The two entities plan to open 100 warehouses at the fresh produces' places of origin. Cainiao expects to cover 50% of core fresh produces' places of origin in the next two to three years. Cainiao wishes to extend fresh produces' supply chain ecosystem to rural areas, just like how Cainiao has extended and standardized the supply chain ecosystem for other products⁵.

JD.com takes 9.9% stake in China Logistics Property Holdings for HK\$898.5 million

According to an announcement made by China Logistics Property Holdings (CNLP) on 27 April, JD Subscriber, a subsidiary of

JD.com, has agreed to buy a 9.9% stake in CNLP for HK\$898.5 million and become the third largest shareholder of CNLP. According to CNLP, of the cash being raised, HK\$800 million will be used for the development of additional logistics park projects and HK\$98.5 million for working capital and other general corporate purposes⁶.

Department stores and shopping malls



New World Department Store's private label N+ series launches new brand “N+ Youpin”

Recently, New World Department Store's private label “N+ Youpin” (grocery category) was opened in its Beijing Chongwenmen branch. This is another attempt for New World Department Store to expand its private label brands, following the lifestyle brand, LOL, and thematic shopping street New Territories 88. “N+ Youpin” is targeted at 18 to 35 years old female customers who desire a better life. The shop has an area of 200 sqm, selling creative home products, lifestyle groceries, health and beauty, cultural gifts, casual snacks, floral and plants, digital accessories, stylish accessories, etc⁷.

Supermarkets and hypermarkets



Wumei Holdings to buy Lotte retail operator in China for 1.5 billion yuan

South Korea's Lotte Shopping confirmed that it has agreed to sell one of its six operators of hypermarket and supermarket stores in China to Wumei Holdings Inc. for about 248.5 billion won (1.502 billion yuan). Wumei Holdings Inc.

is currently the top 10 largest supermarket operator and retail group in China, and has actively transformed with e-commerce and new retail strategies in recent years⁸.

Alibaba to build “New Retail City” in China; opens 10 more Hema Xiansheng stores

On 26 April, Alibaba announced its vision to build “New Retail City” in China with multiple smart retail formats under Alibaba including smart stores, Tmall Xiaodian, Koubei O2O food and dining service, Intime Department Store, RT Mart, as well as new retail formats such as Hema Xiansheng, hoping to improve the living standard of residents in these cities. Meanwhile, Alibaba also announced to open 10 Hema Xiansheng stores simultaneously in 10 cities including Beijing, Shanghai, Hangzhou, Fuzhou, Chengdu, Shenzhen, Xi’an, Nanjing, Wuhan and Guangzhou on 28 April⁹.

Better Life launches new community store brand “Haobaba Shengxian”

On 2 May, Better Life launched a new community store brand “Haobaba Shengxian” in Yinbin Road, Changsha city of Hunan province. The store has a total operating area of 400 sqm. Around 70% of the product offerings are fresh food including vegetables, fruits, seafood and meat. “Haobaba Shengxian” is an initiative of Better Life to join the poverty alleviation plan urged by the Hunan Political Consultative Conference to help 300 poor households in a village in Shaoyang County in Hunan province. Better Life targets to open 100 community stores in Changsha and help 100 poor households¹⁰.

Suguo and Jiangsu Xiannong E-commerce Co., Ltd. sign strategic

cooperation agreement on e-commerce development

On 27 April, Suguo Supermarket and Jiangsu Xiannong E-commerce Co. Ltd. signed a strategic cooperation agreement on e-commerce development. The cooperation will leverage Suguo’s will brand, store network and supply chain resources, as well as Xiannong’s e-commerce technology and operation, resources in communities and rural markets to work together on three major areas: social commerce business; retail and distribution business for daily necessities in rural markets; O2O business for Suguo Supermarket. They target to build a leading social commerce platform and online retail and distribution platform for daily necessities in rural markets nationwide within three years¹¹.

Apparel

Meters/bowne shows significant improvement in 1Q18 financial results

Meters/bowne showed improvement in its 1Q18 financial performance. In the first quarter, the company achieved revenue of 2,177.9 billion yuan, up 30.12% yoy from 1,673.8 billion yuan in 1Q17, and the net profit for the period was 50.407 million yuan, up 74.21% yoy, compared to 28.935 billion yuan in 1Q17. Meters/bowne stated that the company has gradually reversed its declining performance since 4Q17. In 4Q17, its sub-brand Meters/bonwe recorded 10% increase in same-store sales in its stores in tier-1 and tier-2 cities. Monthly same-store sales growth was 25% in December last year; the growth momentum is expected to continue in 1Q18. Previously, Meters/bowne suffered from financial losses for three consecutive years,

with a loss of 304.8 million yuan for year 2017¹².

Semir to acquire French childrenswear group Kidiliz Group for 840 million yuan

On 2 May, Zhejiang Semir Fashion Co., Ltd. announced its plan to acquire 100% equity of French company Sofiza SAS. According to the announcement, Semir intends to acquire 100% equity and debt of Sofiza SAS with approximately 110 million euros (approximately 844 million yuan) through its wholly-owned subsidiary Semir International Group (Hong Kong) Co., Ltd., thereby achieving the goal of acquiring all assets of Kidiliz Group, which is 100% owned by Sofiza SAS. Founded in Southern France's Saint-Chamond in 1962, Kidiliz mainly sells mid-to-high-end childrenswear, including private labels and authorized brands. Currently, Kidiliz has a total of eight subsidiaries with 11,000 sales outlets and 829 stores. In 2017, Kidiliz's sales reached 427 million euros¹³.

Consumer electronics



Xiaomi files for IPO in Hong Kong

Xiaomi Group officially submitted an IPO application to the Hong Kong Stock Exchange. According to the IPO prospectus, Xiaomi plans to use 30% of IPO proceeds for R&D and development of core products such as smartphones, TVs, notebook computers, and artificial intelligence speakers; 30% will be used to expand investment and strengthen the development of its business ecosystem in IoT, lifestyle products, mobile products and smart devices, etc.; another 30% for global expansion; and the remaining 10% for working capital. Xiaomi's IPO is expected to raise

US\$10 billion (HK\$78.5 billion) and is set to become the world's largest IPO since 2014¹⁴.

Xiaomi opens 61 Mi Home in China within 4 days

From 28 April to 1 May, Xiaomi opened 61 new Mi Home stores nationwide within these 4 days. The new stores are located in Shenzhen, Linan, Guangzhou, Nanyang, Wuhan, Fuzhou, Taizhou, Zhoushan, Jiaying, Lianjiang, etc. As of January this year, the number of Mi Home stores has exceeded 300 in China¹⁵.

Xiaomi opens first home products store "You Sheng Pin Jian" in Shanghai

On 27 April, Xiaomi's new retail format "You Sheng Pin Jian" was opened on level four of Vanke Mall Qibao Street branch, Shanghai. "You Sheng Pin Jian" has a floor area of 1,000 sqm, covering ten categories of products, including smart, home, kitchen, travel, home appliances, apparel, household chemicals, food, baby and children, and groceries. As a new exploration of the new retail format, "You Sheng Pin Jian" adopts an open-format store design and applies a lot of cutting-edge technologies to create a unique and interactive, smart shopping experience for consumers. All merchandise in the shop are equipped with RFID electronic tags; and RFID cashier counters also support quick self-checkout, which greatly shortens the time for consumers to queue up¹⁶.

Brookstone opens 100 new stores on Labor Day

On 1 May, Sanpower Group's new retail formats – Brookstone China, Leyu and Hongtu Brookstone opened more than 100 stores nationwide. At present, Brookstone has already had more than 300 stores in China

and it is estimated to open another 1,000 stores in the nation by the end of this year. Originated from the U.S., Brookstone has approximately 50 years of history. The brand was later acquired by Sanpower Group, the shareholder of Hongtu High Technology Co., Ltd. in 2014¹⁷.

border e-commerce business, and to help the specialty stores to transform and upgrade. It is reported that more than 100 SKUs from 18 brands have been introduced into the "Shiseido Official Beauty and Beauty Star Shop" and will increase to more than 400 SKUs in June; these products are overseas products of Shiseido that have not been introduced into the China market¹⁹.

Home products

Easyhome opens its first experiential mall in Beijing

On 29 April, Easyhome Furnishing Chain Store Group officially opened its experiential mall in the Lize Business District, Beijing. This is the first upgraded and integrated store, among its nearly 230 stores, that operates a diversified shopping mall model. Apart from selling home furnishing products, the store also features a fresh-food focused supermarket, restaurants, cinema, sports and fitness facilities, children's entertainment, etc. The retailer said that in the future, this model will be replicated in other stores across the country¹⁸.

Cosmetics

Shiseido launches cross-border e-commerce platform

Recently, Shiseido launched a cross-border e-commerce platform "Shiseido Official Beauty Star Shop" as part of its "New Retail" initiative. The project aims to leverage Shiseido's existing cooperation with specialty stores to integrate the offline business with cross-

References

- ¹ "Shanghai Municipal Commission of Commerce releases "Three-Year Action Plan for Accelerating the Development of Shanghai Brands"", 29 April 2018. gov.cn.
http://www.gov.cn/xinwen/2018-04/29/content_5286848.htm (in Chinese only)
- ² "Analysys: Transaction value of China's online retailing market reaches 952.85 billion yuan in 1Q18", 28 April 2018. Analysys.
<https://www.analysys.cn/analysis/22/detail/1001308/> (in Chinese only)
- ³ "iResearch: Transaction value of CBEC (import) market reaches 111.34 trillion yuan in 2017, up 49.6% yoy", 3 May 2018. Jrj.com.
<http://fund.irj.com.cn/2018/05/03075424484430.shtml> (in Chinese only)
- ⁴ "Alipay releases overseas mobile payment data for Labor day holiday period: Post-90s generation becomes driving force of overseas consumption", 2 May 2018. News.zgswcn.com.
<http://news.zgswcn.com/2018/0502/828411.shtml> (in Chinese only)
- ⁵ "Cainiao and Tmall jointly announced "Shen Nong Plan"; to open 100 fresh produce warehouses in the next two years", 27 April 2018. China-ef.com.
<http://www.china-ef.com/20180427/631081.html> (in Chinese only)
- ⁶ "JD.com takes 9.9% stake in China Logistics Property Holdings for HK\$898.5 million", 2 May 2018. Ccidnet.
<http://www.ccidnet.com/2018/0502/10382847.shtml> (in Chinese only)
- ⁷ "New World Department Store's private label N+ series launches new brand "N+ Youpin"", 27 April 2018. China-ef.com.
<http://news.china-ef.com/631077.html> (in Chinese only)
- ⁸ "Wumei Supermarket paid 1.5 billion yuan for Lotte retail operator in China", 27 April 2018. Sina.com.
<http://finance.sina.com.cn/stock/usstock/c/2018-04-26/doc-ifztkpin3975286.shtml> (in Chinese only)
- ⁹ "Alibaba to build "New Retail City" in China; opens 10 more Hema Xiansheng stores", 26 April 2018. Lonsok.
<https://www.longsok.com/dt/2018/0426/45521.html> (in Chinese only)
- ¹⁰ "Better Life launches new community store brand", 2 May 2018. Lonsok.
<https://www.longsok.com/dt/2018/0502/45548.html> (in Chinese only)
- ¹¹ "Suguo and Jiangsu Xiannong E-commerce Co., Ltd. sign strategic cooperation agreement on e-commerce development", 28 April 2018. China Chain Store and Franchise Association.
<http://www.ccfa.org.cn/portal/cn/view.jsp?lt=2&id=434443> (in Chinese only)
- ¹² "Meters/bowne shows significant improvement in 1Q18 financial results", 27 April 2018. No Fashion.
<http://www.nofashion.cn/a/1524819220931.html> (in Chinese only)
- ¹³ "Semir to acquire childrenswear group Kidiliz Group for 840 million yuan ", 2 May 2018. Linkshop.
<http://www.linkshop.com.cn/web/archives/2018/401529.shtml> (in Chinese only)
- ¹⁴ "Xiaomi officially submits IPO application to Hong Kong Stock Exchange", 3 May 2018. Linkshop.com.
<http://www.linkshop.com.cn/web/archives/2018/401549.shtml> (in Chinese only)
<https://36kr.com/p/5132045.html> (in Chinese only)
- ¹⁵ "Xiaomi opens 61 Mi Home in China within 4 days ", 2 May 2018. Winshang.com.
<http://news.winshang.com/html/063/8121.html> (in Chinese only)
- ¹⁶ "Xiaomi's first store of "You Sheng Pin Jian" opens in Shanghai", 28 April 2018. Winshang.com.
<http://news.winshang.com/html/063/8056.html> (in Chinese only)
- ¹⁷ "Brookstone opens 100 new stores during Labor day ", 1 May 2018. Winshang.com.
<http://news.winshang.com/html/063/8116.html> (in Chinese only)
- ¹⁸ "Easy Home opens its first experiential mall in Beijing", 30 April 2018. Ebrun.
<http://www.ebrun.com/20180430/275234.shtml> (in Chinese only)
- ¹⁹ "Shiseido launches cross-border e-commerce platform", 27 April 2018. Fashionnetwork.com.
<http://cn.fashionnetwork.com/news/zi-sheng-tang-qi-dong-xin-ling-shou-xiang-mu---mei-zhuang-xing-pin-guan---kua-jing-dian-shang-ping-tai.972395.html#.WubbNy5uapp> (in Chinese only)