

China Retail & E-commerce

Weekly Updates

27 December 2019 – 2 January 2020

 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: Total retail sales of consumer goods in 2019 to exceed 40 trillion yuan for the first time
- SAMR implements the “strictest-ever” product recall policy
- Suning plans to open 100,000 Suning cloud retail stores in 10 years

E-commerce *p2*

- Alibaba invests 6.4 billion yuan in Beijing headquarter, expects to open in 2024
- Tencent launches livestreaming social commerce Mini Program “Wei Shi Haowu Quan”
- Suning Pingou to sign contract with the first batch of 20 C2M enterprises
- Youzan helps merchants set up WeChat stores for individual branches of chained stores
- Alibaba launches Taoxiaopu; users can earn commission by sharing product links
- JD.com’s Community Group-Buying Alliance launches five collaborative-sourcing warehouses, receives over 1 million orders so far

Retail logistics *p4*

- BAMR regulates express delivery industry; prohibits price fraud, monopoly and other misbehaviors

Supermarkets and hypermarkets *p4*

- Yonghui Life shuts down over 40 stores
- Lianhua Supermarket injects additional 51.77 million yuan in Bailian Financial Services
- Ipien Shengxian launches in Carrefour to expand supermarket business

Consumer electronics *p5*

- Huawei opens first unmanned store, sells mobile phones with robot



Retail in general

MOFCOM: Total retail sales of consumer goods in 2019 to exceed 40 trillion yuan for the first time

On 30 December, Ministry of Commerce (MOFCOM) revealed during a work meeting that the total retail sales of consumer goods in 2019 will exceed 40 trillion yuan for the first time to reach 41.1 trillion yuan. Retail sales of consumer goods will continue to be the primary driver of economic growth for six consecutive years¹.

SAMR implements the “strictest-ever” product recall policy

On 1 January, the Interim Provisions on the Administration of Recalls of Consumer Goods issued by the State Administration for Market Regulation (“SAMR”) officially came into effect. Under the so-called “the national’s strictest-ever” product recall policy, the authority can issue recall of substandard and defective products during routine random investigations. The authority can also require manufacturers to recall their products if customers report any safety and quality issues with their products and believe that it happens in bulk quantity. The provision stipulates that the manufacturers must publicize the news within three working days upon filing the recall report and take public enquiries. Other business operators should also publicize the news of recall in their stores or on websites².

Suning plans to open 100,000 Suning cloud retail stores in 10 years

On 26 December, Suning revealed its target to establish 5,000 Suning Villages, 2,000 county-level Suning.com stores featuring Chinese brands and goods and 100,000 Suning cloud retail stores in rural areas in ten years. Suning has been actively penetrating in

lower-tier cities and rural areas. Currently, Suning Logistics has already built 1,500 services centers, covering 95% of all counties and towns in China³.

E-commerce

Alibaba invests 6.4 billion yuan in Beijing headquarter, expects to open in 2024

On 27 December, Alibaba Group held an official foundation stone laying ceremony for its Beijing headquarter in Chaoyang District. The company has invested 6.4 billion yuan in building the headquarter which covers a total site space of 470,000 sqm and is expected to be unveiled in 2024, marking the rollout of Alibaba’s “Beijing+Hangzhou” dual-hub and dual-headquarter strategies. The company has already launched all its core businesses in Beijing, covering technology, finance, e-commerce, leisure and entertainment, healthcare, logistics, new consumption and other fields. For Alibaba, the Beijing headquarter is more than a business project, but an important derivative tool for the company developing new business models⁴.

Tencent launches livestreaming social commerce Mini Program “Wei Shi Haowu Quan”

Tencent has recently launched a livestreaming social commerce Mini Program named “Wei Shi Haowu Quan” (Haowu means “good things” while Quan refers to “a group of people”) on its livestreaming app Wei Shi, allowing users to showcase and recommend products through livestreaming on the platform. Currently, this Mini Program is still in beta testing, with limited content available. Having more than 100 million monthly active users, Wei Shi hopes that the launch of the new Mini Program will help it convert

livestreaming traffic into e-commerce sales and create a sound business model⁵.

Suning Pingou to sign contract with the first batch of 20 C2M enterprises

Suning's group-buying platform "Suning Pingou" will sign C2M cooperation agreement with the first batch of 20 enterprises in Baoding city, Hebei province in January 2020. Suning will provide various support to those enterprises – Suning's quality control alliance will participate in the production and sale process of the enterprises to assure product quality; its big data analytics will help enterprises better understand the market and produce goods that address consumer needs; Suning Finance will provide funds for business development; as cooperation deepens, it will consider investing in those enterprises directly⁶.

Youzan helps merchants set up WeChat stores for individual branches of chained stores

Youzan, the largest service provider of setting up WeChat stores in China, added a new function on 1 January 2020 to help merchants set up WeChat stores for each branch of their chained stores. Previously, Youzan only provides service for setting up single WeChat store for a merchant; now, national or regional chained store operators can set up individual WeChat store for every branch. Youzan hopes that the move can solve the problem of individual branches lacking WeChat stores, thus providing better service and shopping experience for members⁷.

Alibaba launches Taoxiaopu; users can earn commission by sharing product links

On 30 December, Alibaba officially launched Taoxiaopu, which is positioned as an e-commerce platform with lower entry barrier

than Taobao – users can set up their own "Taoxiaopu" mini store if they can generate five orders by sharing product links successfully. Users can share product links to others and get commission if transaction has been made; users do not need to handle delivery or provide after-sales services. Taoxiaopu is responsible for screening and controlling the quality of merchants and products. Currently, majority of the products on Taoxiaopu are supplied by Tmall stores, Taobao original stores, as well as suppliers from various factories. It offers products from 10 categories including cosmetics, food, home products, apparel, and baby and maternity⁸.

JD.com's Community Group-Buying Alliance launches five collaborative-sourcing warehouses, receives over 1 million orders so far

It is reported that since mid-late October 2019, JD.com's Community Group-Buying Alliance, jointly formed by JD.com, community group-buying service provider SaaS and other local community-based group-buying platforms and businesses in September 2019, has received over 1 million orders from its group-buying partners so far and launched five collaborative-sourcing warehouses, including four in Shandong - Jining, Junan, Zhaoyuan and Weifang, as well as one in Shanxi Taiyuan. Supported by JD.com, the warehouses provide one-stop supply chain solutions and support for companies participating in JD.com's group-buying services, including warehousing services, and allowing companies to sell the products first before product procurement and enjoy free return for unsold products⁹.

Retail logistics

BAMR regulates express delivery industry; prohibits price fraud, monopoly and other misbehaviors

On 26 December, Beijing Administration for Market Regulation (BAMR) issued the “Notice for the Rules of Conduct for Pricing in the Express Delivery Industry in Beijing”, which is the first rules of conduct for the pricing of express delivery industry in China. The notice specifies that express delivery enterprises should clearly mark the prices in-store and on their websites. Enterprises are prohibited to charge unindicated product or service fees in addition to the stated price; use fraudulent pricing to attract consumers during promotions periods; failing to fulfil price undertaking; price monopoly or price dumping of express delivery companies, etc¹⁰.

Supermarkets and hypermarkets

Yonghui Life shuts down over 40 stores

Yonghui Life reportedly closed over 40 stores in Hefei and Xiamen. According to Yonghui Yunchang, Yonghui Life is reviewing its existing stores in terms of store location and property resources. Some stores will be repositioned to community fresh food supermarket from the current convenience store format, while some with poorer performance will be closed. New stores will also be added. Yonghui Yunchang said the location of the new community fresh food supermarkets will be closer to the neighborhood, and the new stores will be larger than before¹¹.

Lianhua Supermarket injects additional 51.77 million yuan in Bailian Financial Services

On 30 December, Lianhua Supermarket announced that the company had entered into a capital increase agreement with Bailian Group, Shanghai Bailian, Bailian Omnichannel and Bailian Financial Services. Pursuant to the agreement, Lianhua Supermarket, Bailian Group, Shanghai Bailian and Bailian Omnichannel, as the shareholders of Bailian Financial Services, agreed to inject additional 51.77 million yuan, 318 million yuan, 25.88 million yuan and 4.4 million yuan to Bailian Financial Services respectively in proportion to their current shareholding percentages. Lianhua Supermarket believes that the capital injection will increase the liquidity of Bailian Financial Services to fund its business innovation and transformation. The continuous development of Bailian Financial Services will enhance the future investment return of Lianhua Supermarket as well as support and promote further development of e-commerce business of the company¹².

Ipien Shengxian launches in Carrefour to expand supermarket business

On 1 January, fresh produce community store chain Ipien Shengxian launched a store inside the Carrefour supermarket in Guogou Plaza, Sanli'an, Hefei. This is the first Ipien Shengxian store opened inside a supermarket. Cooperating with Carrefour, Ipien Shengxian aimed to integrate supermarket and catering business and offer better services. Ipien Shengxian operates 24-hour community retail store chain, covering 16 cities in China. As of 2019, it has 800 self-operated stores across the country¹³.

Consumer electronics

Huawei opens first unmanned store, sells mobile phones with robot

On 1 January, Huawei's first smart unmanned store opened in Wuhan Optics Valley New Development International Center. The store operates 24 hours a day; the pick-up process is operated by a robotic arm. Users can choose to purchase various Huawei products online or purchase them on the spot, ranging from mobile phones, computers, tablets, to smart wearables and other products. According to Huawei, smart life experience in all scenarios has been the core strategy of its consumer business¹⁴.

References

- ¹ “MOFCOM: Total retail sales of consumer goods in 2019 to exceed 40 trillion yuan for the first time”, 30 December 2019. Sina News.
<https://news.sina.com.cn/c/2019-12-30/doc-iihnzakh0848007.shtml> (in Chinese only)
- ² “SAMR implements the “strictest-ever” product recall policy”, 31 December 2019. People.cn.
<http://finance.people.com.cn/n1/2019/1231/c1004-31530368.html> (in Chinese only)
- ³ “Suning plans to open 100,000 Suning cloud retail stores in 10 years”, 27 December 2019. Winshang.
<http://news.winshang.com/html/066/7586.html> (Chinese only)
- ⁴ “Alibaba invests 6.4 billion yuan in Beijing headquarter, expected to open in 2024”, 27 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/438423.shtml> (in Chinese only)
- ⁵ “Tencent launches livestreaming social commerce Mini Program “Wei Shi Haowu Quan””, 29 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/438497.shtml> (in Chinese only)
- ⁶ “Suning Pingou to sign contract with the first batch of 20 C2M enterprises”, 31 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/438607.shtml> (in Chinese only)
- ⁷ “Youzan helps merchants set up WeChat stores for individual branches of chained stores”, 31 December 2019. Ebrun.
<http://www.ebrun.com/20191231/367342.shtml> (in Chinese only)
- ⁸ “Alibaba launches Taoxiaopu; users can earn commission by sharing product links”, 2 January 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/438704.shtml> (in Chinese only)
- ⁹ “JD.com’s Community Group-Buying Alliance launches five collaborative-sourcing warehouses, receives over 1 million orders so far”, 31 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/438670.shtml> (in Chinese only)
- ¹⁰ “BAMR regulates express delivery industry; prohibits price fraud, monopoly and other misbehaviors”, 26 December 2019. Beijing.gov.cn.
http://scjgj.beijing.gov.cn/zwxxttgg/201912/t20191226_1507567.html (in Chinese only)
- ¹¹ “Yonghui Life shuts down over 40 stores”, 27 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/438454.shtml> (in Chinese only)
- ¹² “Lianhua Supermarket injects additional 51.77 million yuan in Bailian Financial Services”, 31 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/438604.shtml> (in Chinese only)
- ¹³ “Ipien Shengxian launches in Carrefour to expand supermarket business”, 2 January 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/438703.shtml> (in Chinese only)
- ¹⁴ “Huawei opens first unmanned store, selling mobile phones with robot”, 2 January 2020. Longsok.
<https://www.longsok.com/dt/2020/0102/54708.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.

