

China Retail & E-commerce

Weekly Updates

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Retail in General

NBS: Per capita disposable income in Shanghai and Beijing exceeds 30,000 yuan

On 31 July, the National Bureau of Statistics of the PRC (NBS) announced the per capita disposable income of 31 provinces in 1H18. China's average per capita disposable income grew 8.7% in nominal terms and 6.6% yoy in real terms to 14,063 yuan in 1H18. Per capita disposable income in nine provinces surpassed the national average, including Shanghai, Beijing, Zhejiang, Tianjin, Jiangsu, Guangdong, Fujian, Liaoning and Shandong. Per capita disposable income in Shanghai reached 31,079 yuan, the highest among all provinces. It was followed by Beijing (31,079 yuan), Zhejiang (24,147 yuan) and Tianjin (20,986 yuan)¹.

E-commerce

Starbucks teams up with Alibaba to launch delivery services and build smart stores

On 2 August, Starbucks announced a comprehensive strategic cooperation with Alibaba. Starbucks will deliver its food and beverage products in China via Alibaba's delivery platform Eleme; the two companies also plan to jointly build Starbucks' new retail smart stores. Starting from September, Starbucks will pilot delivery services in about 150 stores in key business districts in Beijing and Shanghai. It will gradually expand the service to the whole country and plans to cover more than 2,000 stores in 30 key cities by the end of this year. At the same time, Starbucks will establish "Starbucks Delivery Kitchens" inside Alibaba's Hema Xiansheng's supermarkets and leverage Hema's distribution network to fulfill Starbucks delivery

orders. Currently, Starbucks has 3,400 stores in China; it plans to double the number by 2022. Additionally, the two companies will collaborate across other businesses within the Alibaba group, including Tmall and Taobao, Alipay and Koubei².

JD Worldwide launches 35 "shopping with trust" initiatives

On 26 July, JD Worldwide launches 35 "shopping with trust" initiatives, which cover two major areas, namely quality control of products and after-sales services provided by sellers. JD Worldwide has set up six requirements for its product selection process; products could only be sold on JD Worldwide if they are authorized by overseas governments; formally approved by brands; sourced directly from origin; selected by experienced merchandizers; and pass custom supervisions and inspections before entering the warehouses. Products must meet all the six requirements; otherwise, they will not be able to sell on JD Worldwide³.

Suning.com's total operating income in 1H18 increases 32.29% yoy to reach 110.78 billion yuan

On 30 July, Suning.com announced its 1H18 financials. Suning.com's total operating income increased 32.29% yoy to reach 110.768 billion yuan; the net profit attributable to shareholders of listed companies surged 1957.38% to reach 5.997 billion yuan. Without considering the profit impact of selling Alibaba shares, the company's net profit attributable to shareholders of listed companies was approximately 396 million yuan, an increase of 35.85% yoy. During the reporting period, Suning.com commenced four Suning Plaza projects and opened 349 self-operated stores, and 726 franchise stores⁴.

Taobao: Imported food which does not state clearly the place of origin will be delisted from Taobao

Taobao recently announced the “Regulations for Importing Overseas Food into China”, stating that Taobao will inspect the imported food on the platform. If the product is found not stating clearly its place of origin, seller needs to remove the product description. Taobao will delist the product if the seller fails to do this in time⁵.

Eleme adds onto Mobile Taobao homepage

On 1 August, Mobile Taobao released a new update for its app, whereby Eleme has replaced the original “waimai (take-away)” entrance on Mobile Taobao homepage, placing alongside Tmall, Juhuasuan, Tmall Global, and Feizhu, etc. Eleme and Taobao will reportedly further integrate their membership system and marketing system, so that Taobao members can use Eleme coupons on Taobao app. Eleme will accelerate its pace of integration into Alibaba’s ecosystem. Eleme was acquired by Alibaba and Ant Financial in April 2018 in a US\$9.5 billion deal⁶.

Retail logistics

Suning Logistics launches "Suning Miao Da" instant delivery service

On 28 July, Suning Logistics announced its future development plans, which included the instant delivery solution "Suning Miao Da". The service will mainly provide the 3-km community circle with less than 30 minutes fast delivery services, as well as scheduled delivery services. Selected physical stores of Suning including Suning Xiaodian, Su Fresh, Suning Plaza and Red Baby have already

connected to the instant delivery system. There will be three types of distribution team to handle the last-mile delivery, including the self-operated Suning logistics professional delivery team, the crowdsourced delivery team, and the human-machine collaborative delivery solution⁷.

JD Logistics releases the industry's first "Express Delivery to Car" service standard

On 30 July, JD Logistics announced the first “Express Delivery to Car” service standard in China. The new service standard has clearly defined the channels and requirements for using the delivery services, and laid out specific details for before and after sales services including communication before delivery and order delivery enquiry. Indeed, with the implementation of the new service, authorized couriers can place the goods purchased to the car trunk without the car owners’ presence, provided that the car owners have subscribed to the service. According to JD Logistics, the new service was launched when NIO ES8 went into the market in end-June this year. Currently, JD Logistics has kick-started the cooperation with LYNK & Co.; some other automobile manufacturers such as Ford and BAIC Group have also expressed interests in working with JD Logistics⁸.

Department stores and shopping malls

Lotte Department Store intends to withdraw from Mainland China

Lotte Department Store, a high-end department store chain of the Lotte Group, is reportedly planning to sell its stores in Mainland China due to heavy losses and gradually withdraw from the China market.

Lotte Department Store established a joint venture with Intime Department Store in Beijing when it entered the China market in 2008. After that it had rolled out several stores in Tianjin, Weihai, Chengdu and Shenyang. It now operates five department stores in Mainland China⁹.

Japan's Kintetsu Department Store Group announces its entry into JD Worldwide

On 30 July 30, JD Global announced that it has signed a strategic cooperation agreement with Japan's Kintetsu Department Store Group. Kintetsu Department Store's overseas flagship store has officially launched on JD Worldwide, offering a variety of Japanese products including beauty and skincare products, personal care products, maternity and infants products, household products, apparel and intimate wear. Kintetsu Department Store Group was established in 1934 and owns 10 department stores in Osaka, Nara, Nagoya and other cities in Japan¹⁰.

Supermarkets and hypermarkets

JD Daojia to expand to 55 cities in 2018

On 26 July, JD Daojia announced that it will start operation in ten cities including Guiyang, Nanning, Jiaxing, Jinan, Yangzhou, Zhenjiang, Nantong, Xiangtan, Huizhou and Taiyuan by the end of August. The newly covered population will exceed 60 million. In 2018, the number of cities covered by JD Daojia will increase to 55, reaching full coverage in tier-1 and 2 cities, and selective coverage in tier-3 and 4 cities, bringing the experience of "online consumption and one-hour delivery to home" to more consumers. Walmart, Yonghui Superstores, Vanguard,

Pagoda and other partner stores of JD Daojia will be launched online one after another. At the same time, JD Daojia will also join hands with regional giants to establish in-depth cooperation¹¹.

Lianhua signs Goods Procurement Framework Agreement with Zhejiang Tmall

On 25 July, Lianhua Supermarket Holdings Co., Ltd. announced that the company entered into a Goods Procurement Framework Agreement with Zhejiang Tmall. According to the agreement, Lianhua agreed to purchase from Zhejiang Tmall various kinds of goods, including but not limited to foods, fresh produce and industrial products, for a term commencing from 25 July 2018 to 31 December 2020. The maximum amount payable by Lianhua would be 180 million yuan. According to Lianhua, entering into the Goods Procurement Framework Agreement will enhance the competitive edges of the products of Lianhua in virtue of the price advantage of Zhejiang Tmall, attract more customers, enhance and support Lianhua's business operation as well as its long-term development. Lianhua also anticipates that the cooperation between the two companies will expand in the future in terms of product categories and volume of goods being purchased; and the two companies may sign more product procurement agreements¹².

Meituan's fresh food-focused supermarket Xiaoxiang Fresh opens in Wuxi for the first time

On 26 July, Meituan's fresh food-focused supermarket Xiaoxiang Fresh opened two stores in Wuxi after launching its first store in Beijing in May 2018. With a store area of 4,500 sqm, the two Xiaoxiang Fresh stores in Wuxi double the size of the store in Beijing. The ratio of merchandize and catering area is

around 2:1 in the two Wuxi branches. Each store offers around 6,000 SKUs based on big data analytic, of which over 60% are fresh foods, and around 50% are imported goods. Xiaoxiang Fresh is also equipped with the latest technologies such as self-checkout system and facial recognition technology to enhance consumer experience¹³.

Yonghui to gradually remove “Caishixian” from its pool of private labels

Yonghui Supermarket will revamp its private label strategy – instead of putting all the fresh produce under the private label “Caishixian”, Yonghui will develop various private labels based on product categories and source of origins. It is reported that Yonghui will work with Daymon Worldwide to review its brand portfolio. During the process, “Caishixian” will be replaced by other private labels of Yonghui including “Yonghuizuilu” for vegetables and fruits, “Xianyipin” for meats, and also “Banbiantian” for packaged goods directly sourced from the origins¹⁴.

Convenience stores

Sinopec’s first Easy Joy membership unmanned store opens

On 26 July, Sinopec's first IC card membership-based Easy Joy unmanned store opened in Xiangtan city, Hunan province. After the successful registration with their membership cards, IC card customers can enter the store via the facial recognition system. Sinopec said that the sales turnover of the store on the opening day reached 100,000 yuan, and the annual sales turnover is expected to exceed 10 million yuan. It is reported that the unmanned convenience store collects data from various data platforms

of Sinopec, and adopts more than 10 technologies such as purchase by scanning QR code, facial recognition, smart access control, electronic tags, smart lighting and self-monitoring. Operation efficiency of the store has greatly enhanced after it has transformed into an unmanned store – the business hours have extended from 12 hours to 24 hours, while the number of employees has reduced by two¹⁵.

Lenovo puts unmanned store into trial operation

On 27 July, Lenovo announced that its first unmanned store has entered trial operation. Located at its own headquarters, the unmanned store can now provide “line-free, cash-free, and wait-free” shopping experience. Customers do not need to bring their mobile phones if they have activated the function of decoded payment during the registration process; they can settle payment through the facial recognition system; otherwise, customers can pay by Alipay or WeChat Pay. It is reported that the unmanned store has installed devices which can detect customers’ expressions and body languages when they pick up the products in-store. Other than that, the store can trace the consumers’ paths and their length of stay in front of different shelves. This provides insights for adjusting product assortment and displays in-store for a more convenient shopping experience¹⁶.

JD Daojia partners with over 10,000 CVS

On 31 July, JD Daojia announced that it has formed partnerships with over 10,000 convenience stores (CVS) as of July 2018. JD Daojia not only has established in-depth cooperation with leading convenience store operators including FamilyMart, Lawson and 7-Eleven, but also partnered with more than 50 national and regional chains including

OurHours, Buddies, Today, Wudongfeng, Meiyijia and Youke. By leveraging big data and other technologies, JD Daojia can help accelerate the digitalization of the CVS particularly in product management and customer data management¹⁷.

Unmanned store operator Bingo Box to expand in Japan

On 31 July, unmanned convenience store operator Bingo Box signed a strategic cooperation agreement with Hokkaido Government in Japan and Nihon Fukushi Huiyin Holdings to bring Bingo Box to the Japanese market. According to media reports, Bingo Box has already set foot in South Korea and Malaysia before entering Japan, and it will continue its overseas expansion¹⁸.

Apparel and footwear

Belle joins hands with Yitu Technology for smart retail development

After forming a strategic partnership with AI platform Horizon Robotics on 19 July, Belle Group signed another strategic cooperation agreement with AI company Yitu Technology on 26 July. The two companies will jointly develop smart retail solutions around the construction of smart stores and promote industry upgrades with artificial intelligence (AI) technology. According to the two companies, the cooperation will focus first on developing smart stores. The companies will identify target customers scientifically with the help of AI technology, and focus on marketing activities and provide sustainable services. They will also integrate and analyze data from all physical stores to find out the relationship between customers buying products at different shopping scenes; they hope to better

identify different needs of the customers in different shopping scenes and provide better services to them¹⁹.

Anta launches new brand AntapluS; first store opens in Changchun

Domestic sportswear brand Anta opened the first AntapluS store in Changchun. According to official announcement, Anta positions AntapluS as a high-quality athleisure brand which provides apparel items suitable for all times. AntapluS has two product lines: “AKOS”, which stands for “all kinds of sports”, sells mainly professional sports goods; while “Sports Lounge” offers mainly leisure sports goods. At present, AntapluS’s products have a price range of 300 to 400 yuan²⁰.

SMCP sees promising sales growth in China business in 1H18

Recently, SMCP, French fashion group under Shandong Ruyi Group announced its financial results for 1H18. SMCP’s total sales increased by 12.4% yoy to 493 million euros, up 15.5% yoy at the constant exchange rate. Of which, total sales in Asia Pacific region increased by 43.1% yoy to 100 million euros. SMCP pointed out that in 1H18, its brands achieved excellent sales growth in the China market, which was driven by its e-commerce channel, accounting for 14.3% of sales in the China market. Meanwhile, the Group opened three new stores in Changchun, Zhengzhou and Changsha during the period. It is reported that SMCP entered the China market in 2013, and tapped into China’s online market by opening a flagship store on Tmall in 2016, and launching its own self-operated e-commerce platform in 2017²¹.

U.S. clothing rental platform Le Tote enters China

Recently, U.S. clothing rental platform Le Tote

announced to enter the China market. Founded in 2012 in the U.S., Le Tote charges a monthly membership fee which allows users to rent unlimited clothes and accessories via its mobile app, with a maximum of three pieces of clothes and two piece of accessories each time. Users can even buy the clothes on the platform. With its "Fit System" which leverages artificial intelligence, Le Tote can offer styling suggestions to members according to their preferred styles and location, weather, as well as occasions²².

Annil's net profit increases 24.62% yoy in 1H18

On 26 July, childrenswear brand Annil released its 1H18 financial performance report. The company's operating income was 568 million yuan, up 17.48% yoy; net profit amounted to 55.398 million yuan, up 24.62% yoy. Annil positions itself as mid-to-high-end childrenswear brand, which owns the "Annil" childrenswear brand, selling apparel items for toddlers and babies. At present, 86% of Annil's revenue comes from selling toddlers' products. As of December 2017, Annial has 1,435 offline stores nationwide, of which 974 stores are self-operated stores and 461 are franchised stores. Meanwhile, Annil has set up online stores on leading e-commerce platforms including Taobao, Tmall, and VIP.com; sales generated from e-commerce platforms amounted to around 302 million yuan²³.

Cosmetics

NetEase's Kaola forms strategic cooperation with smart beauty brand iluminage

On 26 July, NetEase's Kaola reached a strategic cooperation agreement with Israel's

smart beauty brand iluminage. Through this cooperation, iluminage's products including laser rejuvenation beauty instrument and the hair removal instrument of the color radio frequency series will be sold in the Chinese market through Kaola. The two companies will develop deeper cooperation in marketing in the future. iluminage was established in 2011, jointly invested by world-renowned retail brand Unilever and medical beauty equipment company Sinonon Medical. All of iluminage products have passed the US FDA safety certification and are distributed in 86 countries worldwide²⁴.

Luxury sector

Portico International's privatization plan has been approved

On 29 July, Portico International Holdings Limited, parent company of high-end fashion brand PORTS held a general meeting among shareholders; more than 99.7% of the shareholders voted for privatization. Some analysts commented that this may be the case with the highest number of votes supporting the company to go for privatization in the global securities market, indicating that the controlling shareholders have very strong financial strength and have confidence in the brand's sustainable development in the future. The group expects the final trading date to be 3 August this year. Portico was listed on Hong Kong Stock Exchange in 2003, and was once called "the first womenswear brand in China"²⁵.

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