

China Retail & E-commerce

Weekly Updates

27 Oct – 2 Nov 2017



 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in general *p2*

- Global Blue: Chinese tourists drive rise in European tax-free shopping in the first nine months of 2017
- 2017 Global Payment Report: China's non-cash transaction volume amounts to 38.1 billion

E-commerce *p2*

- SAIC: E-commerce platforms should not restrain merchants from participating promotions of other platforms
- Alibaba to promote 11.11 Global Shopping Festival's "Chinese phenomenon" to the world
- Alibaba unveils "100 Chinese Brands Going Global Plan" for 11.11 Global Shopping Festival
- JD.com to open 30 more physical stores during 11.11 Global Shopping Festival
- JD Daojia launches smart mini-mart in tier-1 and tier-2 cities
- Suning.com to start beauty e-commerce business
- GfK: JD.com becomes the fastest growing online platform in 3C sector
- Nielsen: More than 70% of consumers will participate in 11.11 Global Shopping Festival this year
- Shiji Information Technology signs framework agreement with Alibaba Investment

Department stores and shopping malls *p4*

- Chongqing Department Store's net profit grows nearly 27% yoy in 1-3Q17
- Macy's China to open pop-up store in Beijing

Convenience stores *p5*

- Convenience-store chain Haolinju to be fully acquired

Apparel *p5*

- French luxury fabric company Dormeuil to open a tailor-made menswear shop in Shanghai
- Shandong Ruyi acquires INVISTA's apparel and high-end textile businesses

Luxury sector *p5*

- Bain & Company: Global personal luxury goods market reaches a record high; Chinese nationals account for 32% of total purchases

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



Global Blue: Chinese tourists drive rise in European tax-free shopping in the first nine months of 2017

Tax-refund firm Global Blue revealed that Chinese tourists helped drive an 11% rise in tax-free shopping in Europe during the first nine months of 2017, reversing a fall last year. Many Chinese tourists buy high-end shoes, clothes and handbags when travelling. Chinese duty free customers accounted for 28 % of total sales¹.

2017 Global Payment Report: China's non-cash transaction volume amounts to 38.1 billion

Recently, Capgemini and BNP Paribas jointly issued the "World Payments Report 2017 ". The report predicts that global non-cash transaction volume will increase at an annual average growth rate of 10.9% from 2015-2020, reaching nearly 726 billion by 2020. Driven mainly by China and India, emerging Asian countries are expected to witness stellar growth at 30.9%. The report pointed out that among the top 10 markets in terms of non-cash transaction volume, China climbed to the third place with 38.1 billion transactions. In 2015, China witnessed phenomenal growth of 63.2% due to high adoption rate of digital payment scheme in rural areas, resulting in large amount of payment service users (PSUs) transitioning from cash to mobile payments².

E-commerce



SAIC: E-commerce platforms should not restrain merchants from participating promotions of other platforms

On 2 November, the State Administration for Industry and Commerce of the PRC (SAIC) released a statement on its website, urging local governments to strengthen the supervision and control of the online promotional activities of the 11.11 Global Shopping Festival. It is reported that a "Joint Inspection Unit" has been set up by the inter-ministerial committee members of the State Administration for Industry and Commerce, the Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Commerce, the General Administration of Customs, etc. Before the 11.11 Global Shopping Festival, the Joint Inspection Unit will conduct site visits at JD.com, Amazon, Dangdang.com, Jumei, YHD.com, Ctrip, Suning.com, Tuniu.com, Alibaba, etc. The purpose is to understand how enterprises carry out online promotional activities and risk prevention measures, so as to prepare administrative guidance for the matter³.

Alibaba to promote 11.11 Global Shopping Festival's "Chinese phenomenon" to the world

During the press conference of 11.11 Global Shopping Festival, Zhang Yong, the Chief Executive Officer of Alibaba Group said that this year's 11.11 Global Shopping Festival is not simply an event for consumers, but also for businesses, and the whole society. Alibaba's 11.11 Global Shopping Festival has become a festival for everyone. Alibaba's vision is to promote 11.11 Global Shopping Festival – the "Chinese phenomenon" to the world. There will be no boundaries for consumers and businesses⁴.

Alibaba unveils “100 Chinese Brands Going Global Plan” for 11.11 Global Shopping Festival

Alibaba unveiled the “100 Chinese Brands Going Global Plan” for the 11.11 Global Shopping Festival. In addition to the online channel, the "New Retail" model for offline stores will also be the focus of this year's 11.11. It is reported that 100 Chinese brands including HLA, Peacebird, Bosideng, Li Ning, etc. will participate in the “Chinese Brands Going Global Plan”. During this year's 11.11 Global Shopping Festival, these Chinese brands will leverage the globally connected omni-channel platforms that have already established by Tmall, and ride on the advantages in logistics, payments, big data and other technology capabilities to bring their massive goods and services efficiently to more than 200 countries and regions⁵.

JD.com to open 30 more physical stores during 11.11 Global Shopping Festival

Stepping into the month of November, JD.com's has already started its promotion event for the 11.11 Global Shopping Festival. As a manifestation of JD.com's new retail business, JD.com has already opened 130 stores of JD Home and 3C specialty stores; and the store number will go up to 160 by 11 November – this implies that JD.com will open 30 more stores in the next 10 days⁶.

JD Daojia launches smart mini-mart in tier-1 and tier-2 cities

JD Daojia announced that it has recently introduced its smart mini-mart – a strategic initiative of its unmanned retail business – in various enterprises including Tencent, DHL, covering tier 1 cities such as Beijing, Shanghai and Guangzhou and other tier 2 cities. The mini-mart targets at corporate

customers, which provide merchandises such as snacks, chilled dairy products, etc.; staff can complete their purchases via QR code scanning. For goods that are not available in the mini-mart, staff can place their orders via the mobile app of JD Daojia⁷.

Suning.com to start beauty e-commerce business

It is reported that Suning.com has been in cooperation with an e-commerce company to develop women's beauty business during the 11.11 Global Shopping Festival. The cooperation will focus on an integration of online and offline business. Suning.com is optimistic about the prospects of beauty and cosmetics business. Hence, involved in such business is undoubtedly beneficial for Suning.com's long-term development⁸.

GfK: JD.com becomes the fastest growing online platform in 3C sector

Market research agency GfK recently released the "3C Core Product Data Report 2017". The report shows that the market size for 3C products is expected to reach 2.158 trillion yuan in 2017. Also, JD.com has become the fastest growing online platform for 3C products, with its market size accounting for more than 50% of the total market and sales growth reaching 35% yoy⁹.

Nielsen: More than 70% of consumers will participate in 11.11 Global Shopping Festival this year

Nielsen released a report "In-depth Understanding on 11.11 Global Shopping Festival 2017". The report showed that the 11.11 Global Shopping Festival is still the most popular online shopping festival; 88% of the respondents are aware of the event, up by 5% compared with last year. Meanwhile, more than 70% of the respondents said they would

participate in the shopping festival this year. At the same time, the study found that more than 80% of the respondents, including consumers from tier-1 cities, those aged 26-35, married, with tertiary education and families with more than 20,000 yuan monthly income expressed they are willing to purchase imported goods during the festival period¹⁰.

Shiji Information Technology signs framework agreement with Alibaba Investment

Beijing Shiji Information Technology Co Ltd. (“Shiji Information”) announced to consolidate the equity interests of the company which is principally engaged in the business of large-scale retail information systems, to its subsidiary Shiji Retail Information Technology Co.Ltd. (“Shiji Retail”), and further introduce the strategic investment from Alibaba. Alibaba Investment Limited, an Alibaba Group subsidiary, has signed a framework agreement with Shiji Information. After the completion of the reorganization of Shiji Retail, Alibaba Investment will acquire a 38% stake in Shiji Retail and become a strategic investor at an amount not exceeding USD 500 million. Shiji Information is primarily engaged in the development and sale of hotel information management system software, system integration and technical service. After Alibaba’s investment in Shiji Retail, the two sides will play their respective expertise to push department stores, supermarkets, convenience stores, specialty chain stores and other retail formats to accelerate digital transformation¹¹.

Department stores and shopping malls

Chongqing Department Store’s net profit grows nearly 27% yoy in 1-3Q17

Chongqing Department Store announced its financial results for 1-3Q17. The department store’s operating income amounted to 24.553 billion yuan, down slightly by 4.75% during the period; and its net profit reached 502 million yuan, up 26.89% yoy¹².

Macy’s China to open pop-up store in Beijing

From 27 October to 5 November, U.S. department store chain Macy’s has launched a pop-up store for the first time in Taikoo Li Sanlitun, Beijing, in a hope to bring a new one-stop shopping experience for Chinese consumers, and to introduce a diverse array of American living styles to them. The main display area showcases over 100 products from 20 brands that are carefully selected by Macy’s. In addition, Macy’s has also created two trendy zones, with themes about “splendid years” and another about “street power”. Macy’s has also invited popular bloggers to conduct a series of interactive courses for consumers such as tailor-made makeup and fashion guidance¹³.

Convenience stores



Convenience-store chain Haolinju to be fully acquired

Convenience-store chain Idea Thrive Limited is being acquired by investment holding company China CVS. China CVS has been jointly formed by Hong Kong-listed Greentown Service Group, Xianlife Limited and ExFresh Limited to finance the acquisition. China CVS is offering an aggregate consideration of US\$84 million to Idea Thrive shareholders. Idea Thrive, which runs convenience stores under the brand name Haolinju, is majority owned by Morgan Stanley Private Equity Asia¹⁴.

Apparel



French luxury fabric company Dormeuil to open a tailor-made menswear shop in Shanghai

French luxury fabric company Dormeuil is set to further expand in the Chinese market by opening a new tailor-made menswear store in Shanghai. Dormeuil hopes to leverage the existing positive market factors to expand in the China market. Dormeuil launched Sportex, the first woven fabric in 1920, followed by the introduction of wool fabric. The brand then gradually grew bigger and stronger¹⁵.

Shandong Ruyi acquires INVISTA's apparel and high-end textile businesses

Recently, Chinese textile manufacturer Shandong Ruyi signed an agreement with

INVISTA, a U.S. polymer and fiber supplier, to acquire the latter's apparel and high-end textile businesses. The deal is expected to be completed in mid-2018. It is reported that INVISTA owns a few well-known brands including LYCRA®, COOLMAX®, CORDURA®, STAINMASTER® and ANTRON®¹⁶.

Luxury sector



Bain & Company: Global personal luxury goods market reaches a record high; Chinese nationals account for 32% of total purchases

Bain & Company and Fondazione Altagamma jointly released a report "2017 Worldwide Luxury Market Monitor" on 25 October. The report showed that the overall luxury market is estimated to grow by 5% to 1.2 trillion euros globally in 2017. The core market for personal luxury goods is expected to reach a record high of 262 billion euros, boosted by Chinese consumers buying both at home and abroad. The share of global personal luxury purchases by Chinese nationals will reach 32%. Bain also estimated that online sales for personal luxury goods will make up 25% of the market by 2025, up from 9% now¹⁷.

References

- ¹ “Chinese tourists drive rise in 2017 European tax free shopping”, 25 October 2017. Reuters.
<https://www.reuters.com/article/europe-tourism-shopping/chinese-tourists-drive-rise-in-2017-european-tax-free-shopping-idUSL8N1N030P>
- ² “2017 Global Payment Report: China's non-cash transaction volume amounts to 38.1 billion”, 31 October 2017. China Chain Store & Franchise Association.
<http://www.ccfa.org.cn/portal/cn/view.jsp?lt=3&id=432336> (in Chinese only)
- ³ “SAIC: E-commerce platforms should not restrain merchants from participating promotions of other platforms”, 1 November 2017. Fashion Network.
<http://www.linkshop.com.cn/web/archives/2017/390195.shtml> (in Chinese only)
- ⁴ “Alibaba to promote 11.11 Global Shopping Festival's "Chinese phenomenon" to the world”, 31 October 2017. Linkshop.
<http://www.linkshop.com.cn/web/archives/2017/390006.shtml> (in Chinese only)
- ⁵ “Alibaba unveils “100 Chinese Brands Going Global Plan” for 11.11 Global Shopping Festival”, 31 October 2017. Ebrun.
http://www.ebrun.com/20171031/251935.shtml?eb=hp_home_lcol_kj6 (in Chinese only)
- ⁶ “JD.com to open 30 more physical stores during 11.11 Global Shopping Festival”, 1 November 2017, Longsok.
<http://www.longsok.com/dt/2017/1101/42979.html> (in Chinese only)
- ⁷ “JD Daojia launches smart mini-mart in tier-1 and tier-2 cities”, 30 October 2017. Technode.
<http://cn.technode.com/post/2017-10-30/jd-daojia-cashier-free-shelf/> (in Chinese only)
- ⁸ “Suning.com to start beauty e-commerce business”, 1 November 2017. Ebrun.
<http://www.ebrun.com/20171029/251620.shtml> (in Chinese only)
- ⁹ “GfK: JD.com becomes the fastest growing online platform in 3C sector”, 1 November 2017, Ebrun.
http://www.ebrun.com/20171101/252042.shtml?eb=hp_home_lcol_ls6 (in Chinese only)
- ¹⁰ “Nielsen: More than 70% of consumers will participate in 11.11 Global Shopping Festival this year”, 31 October 2017, zgswn.com
<http://news.zgswn.com/2017/1031/804221.shtml> (in Chinese only)
- ¹¹ “Shiji Information Technology signs framework agreement with Alibaba Investment”, 2 November 2017. Xinhuanet.com.
http://big5.xinhuanet.com/gate/big5/www.cs.com.cn/sylm/jsbd/201711/t20171102_5548886.html (in Chinese only)
- ¹² “Chongqing Department Store's net profit grows nearly 27% yoy in 1-3Q17”, 27 October 2017. Winshang.
<http://news.winshang.com/html/062/8491.html> (in Chinese only)
- ¹³ “Macy's China to open pop-up store in Beijing”, 1 November 2017. Fashion Network.
<http://cn.fashionnetwork.com/news/macy-s-zhong-guo-kuai-shan-xian-ding-dian-deng-lu-bei-jing.885840.html#.WfqZGvmCypp> (in Chinese only)
- ¹⁴ “Convenience-store chain Haolinju to be fully acquired”, 29 October 2017. Ebrun.
<http://www.ebrun.com/20171029/251620.shtml> (in Chinese only)
- ¹⁵ “French luxury fabric company Dormeuil to open a tailor-made menswear shop in Shanghai”, 27 October 2017. Fashion Network.
<http://cn.fashionnetwork.com/news/fa-guo-she-hua-mian-liao-gong-si-dormeuil-ni-jin-yi-bu-tuo-zhan-zhong-guo-shi-chang.884334.html#.WfLjivmCypp> (in Chinese only)
- ¹⁶ “Shandong Ruyi acquires INVISTA's apparel and high-end textile businesses”, 30 October 2017. Jiemian.
<https://www.jiemian.com/article/1715262.html> (in Chinese only)
- ¹⁷ “Global personal luxury goods market returns to healthy growth, reaching a fresh high of €262 billion in 2017”, 25 October 2017. Bain & Company.
<http://www.bain.com/about/press/press-releases/press-release-2017-global-fall-luxury-market-study.aspx>