

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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Retail in general

National day holiday sales data highlights the growth of “first-store” economy and night time economy

During the 7-day golden week holiday period, retail and catering segments delivered strong momentum – emerging service segments such as tourism, cultural and sports continued to flourish, while “first-time economy” and night time economy became the major highlights of the national day holiday.

According to the Ministry of Commerce, retail and catering sales amounted to 1,520 billion yuan between 1 and 7 October, representing a growth of 8.5% yoy.

Below are the national day holiday sales data highlights of selected major cities and provinces:

- Beijing: During the 7-day golden week holiday, 108 key commercial and service companies recorded total sales of 6.75 billion yuan. Consumer product sales were strong, while spending on cultural activities and travel, catering, as well as night time activities continued to increase.
- Shanghai: During the 7-day National Day holiday (30 September to 6 October), the city recorded total retail sales of 25.29 billion yuan, up 10.2% yoy. Total number of consumers amounted to 24.55 million, up 6.2% yoy respectively.
- Tianjin: 26 key shopping malls and 23 key department stores recorded sales of over 64.6 million yuan and 41.2 million yuan respectively on a single day.
- Sichuan: During the 7-day National Day holiday (1 to 7 October), retail and catering enterprises recorded total sales of 44.71 billion yuan, up 10.4% yoy. 369 key retail enterprises made a total of 3.48 billion in revenue during the 7-day holiday, up 7.1% yoy.
- Chongqing: Key commercial companies

within the major commercial districts recorded total sales of 23.85 billion yuan, up 9.3% yoy.

- Nanjing: 100 major supermarkets, department stores, home appliances, automobile and catering enterprises recorded total sales of 5.774 billion yuan, up 7.9% yoy.
- Hangzhou: Between 29 September and 5 October, 174 sampled enterprises recorded total sales of 1.451 billion yuan, up 6.1% yoy¹.

MOFCOM: Sales in 11 pilot pedestrian streets grow 12.6% yoy in 1H19

On 7 October, Wang Bingnan, Vice Minister of Commerce of the PRC revealed that 450 million visitors and 61.2 billion in sales were recorded in 11 pilot pedestrian streets in 1H19, representing a growth of 19.9% and 12.6% yoy respectively. He added that the Ministry of Commerce (MOFCOM) will confirm the second batch of the pilot scheme by end of this year².

E-commerce

Juhasuan to launch C2M solution “Changxiaotong” for factories

Alibaba's flash sale and marketing platform Juhasuan is reportedly launching its C2M solution “Changxiaotong” for factories. Integrating with Alibaba Cloud, Cainiao Network and Ant Financial, Changxiaotong can help small- and medium-sized enterprises to transform digitally with lower costs. Leveraging on Taobao and Tmall's data and operational capabilities, Juhasuan will help merchants select SKUs and customize personalized sales and marketing strategies. Merchants joining Changxiaotong can get subsidies if they use services provided by

Alibaba Cloud and Cainiao Network. They can also enjoy lower interest rates if they apply loans from Ant Financial³.

WeChat Pay: WeChat Pay pairs up with over 50 million businesses and merchants

On 8 October, WeChat Pay released its “Big Data Report on Small Business Operations 2019” for the first time. According to the report, WeChat Pay has so far paired up with over 50 million businesses and merchants, with face-to-face QR code payment service being an important operation tool. Average annual and daily transaction amount of the partnered small businesses has increased threefold yoy, covering fresh food, taxi services, fast food, snack, convenience store and other industries. Accounting for 39% of all merchants, post-80s merchants take the lead in digital tool adoption, followed by post-70s and post-90s merchants⁴.

JD.com plans supply chain innovation, partnering with more physical stores

On 27 September, JD.com announced its plan to drive supply chain innovation and expand partnerships with more physical stores in a bid to speed up its product delivery process. The plan involves forming partnerships with 20,000 physical stores across 54 local cities, including 175 Walmart stores. Through leveraging Walmart’s physical store networks to directly deliver orders to consumers, JD.com aim to shorten its product delivery time to 30 minutes. Instead of delivering products through regular practices – from traditional warehouses to distribution hubs to delivery stations before reaching customers, JD.com plans to allow its partnered physical stores to directly fulfill the orders placed on JD.com’s online platform⁵.

Supermarkets and hypermarkets

Luxury brands including Hermès leave Costco Shanghai after one month

According to media reports, some popular products such as Kweichow Moutai liquor and luxury items like Hermès bags have been sold out at Costco Shanghai and vacated the wholesale supermarket one month after its debut. Skincare products and perfumes in the shop were also downgraded, causing a significant drop in footfall. Industry insiders said that the leaving of prestigious brands was expected as they would not replenish their stock frequently to protect their brand image. Therefore, using luxurious items to attract Chinese consumers may not be a long-term strategy. Analysts believed that the current traffic in the store has resumed normal. Although the membership withdrawal rate is high, Costco Shanghai remained the single store that registered the largest number of members⁶.

Benlai Holding raises US\$200 million in series D1 round of financing

On 8 October, Chinese online fresh grocery platform Benlai Holding Group raised US\$200 million in a series D1 round of financing, led by Shenzhen Mingde Holdings Development Co., Ltd., Beijing E-commerce Investment, CDH Investments and Gaorong Capital. Benlai will invest the funds into its O2O community fresh food store Benlaixian, and its B2C fresh food e-commerce platform Benlai.com. It is reported that Wang Wei, founder of SF Express, held a 99.9% stake of Shenzhen Mingde, and Shenzhen Mingde is the largest shareholder of SF Holding. Shenzhen Mingde’s investment in Benlai Holding indicates SF Express’s intention to expand further into fresh food business⁷.

Suning completes acquisition of 80% of Carrefour China shares

On 27 September, Suning.com announced that it has already completed the acquisition of Carrefour China. The news follows the deal announced on 23 June 2019, when Suning.com revealed that it intended to acquire an 80% equity stake in Carrefour China for 4.8 billion yuan. Suning revealed that this is a key step in Suning's smart retail plan. Carrefour's FMCG experience and supply chain capabilities can be integrated with Suning's full-scenario retail model, solid logistics network and advanced technology. Carrefour's Chinese brand and operation will remain independent, and Carrefour China will open 300 new stores in China's tier 1-3 cities over the next five years⁸.

Convenience stores

Suning Xiaodian opens first coffee shop

On 10 October, Suning Xiaodian opened its first coffee shop in Nanjing for trial operation. The shop offers 27 kind of drinks including coffee, fruit tea, etc. Bread, cakes, and doughnuts are also available in the store. The shop is located on the second floor of a Suning Xiaodian, targeting white-collar workers with its "convenience store + coffee shop" model⁹.

Apparel and footwear

Belle International and Juhuasuan join hands to promote fashion consumption upgrading in the footwear industry

On 24 September, Belle International and Juhuasuan jointly launched a new

collaborative business plan named "Juhe Jihua", aiming at promoting fashion consumption upgrading in the footwear industry and extending their reach to Generation Z and consumers in lower-tier cities through integrating Belle International's brand matrix and resource advantages with the well-rounded marketing scenes provided by Alibaba's Juhuasuan platform. Juhuasuan will also leverage big data insights to speed up its footwear design process, taking its footwear products to the market at a faster pace¹⁰.

Belle International's sportswear unit Topsports International goes public in Hong Kong

On 10 October, Belle International's sportswear unit Topsports International officially listed on the Hong Kong Stock Exchange. Topsports International announced that it offers approximately 930 million shares at HK\$8.5 per share under its global offering and estimates that the net proceeds will be approximately HK\$7.6 billion, which will be used for the company's investment in technology initiatives, working capital and other general corporate purposes. Topsports International has started engaging in sportswear retail business since the 1990s; the company currently distributes sportswear products of its brand partners, including Nike, adidas, Puma, Converse, etc., and owns distribution rights of 17 international sportswear and outdoor brands. As of 28 February 2019, Topsports International had 8,343 directly-operated stores in 268 cities across 30 provinces in China and 1,880 stores operated by its downstream retailers¹¹.

Luxury sector

Burberry accepts Alipay in its self-operated stores worldwide

On 4 October, Alipay announced Burberry's consumers can now pay with Alipay in all Burberry's self-operated stores worldwide. They can also pre-order Burberry's new products with Alipay's mini program¹².

Luxury e-commerce platform YNAP opens flagship store on Tmall Luxury Pavilion

On 30 September, Alibaba and luxury group Richemont jointly announced that Richemont's subsidiary and e-commerce platform Yoox Net-A-Porter (YNAP) will unveil a Net-a-Porter's flagship store on Tmall Luxury Pavilion. The store will offer selected fashion brands, jewelry and watches at launch. YNAP had previously partnered with Alibaba and formed a joint venture company "Feng Mao". As a part of the partnership, Alibaba will lend its resources and expertise in marketing, payments and technology infrastructure to Feng Mao, which will take charge of the overall operation of Net-A-Porter's flagship store. YNAP was merged from fashion e-commerce platforms Yoox and Net-A-Porter and subsequently acquired by Richemont¹³.

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Fung Business Intelligence

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