

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general



Number of tourists in China during Golden Week holidays amounts to 134 million

According to the estimation of the Statistics Centre of the China National Tourism Administration (CNTA), during the three days of the Golden Week holidays (29 April – 1 May), the total number of tourists in China amounted to 134 million, up by 14.4% yoy. Total sales of the tourism industry amounted to 79.1 billion yuan, up by 16.2% yoy. The high consumption figures during the holidays showed that China's tourism industry has great development potential¹.

Retail sales during Golden Week holidays rebound

Figures from various sources indicated that retail sales during Golden Week holidays rebounded:

- **Beijing:** According to the Beijing Municipal Commission of Commerce, 60 major retailers in Beijing recorded 2.4 billion yuan sales during Golden Week holidays (29 April – 1 May), up 7.2% yoy. Beijing Capital Outlets, Beijing Scitech Outlets recorded sales growth at over 20% yoy; Wumart, 7-Eleven, home decorations and furniture brand Easyhome, Jinyuan New Yansha Mall recorded sales growth at around 10% yoy. On the other hand, online platforms such as JD.com, Gome, Suning also recorded significant growth. Mass catering was popular among consumers during the Golden Week holidays, generating sales growth of over 10% yoy.
- **Chongqing:** Major retailers in Chongqing recorded 3.65 billion yuan sales during the

Golden Week holidays, up 12.3% yoy. One-stop shopping malls were particularly popular.

- **Nanjing:** 50 major retailers in Nanjing recorded 1.48 billion yuan sales during the Golden Week holidays, up 12.1% yoy. Of which, 19 major department stores recorded retail sales of 504 million yuan, up 13.5% yoy. Three high-end retail complexes recorded 67 million yuan sales, around 3 times the sales in normal days.
- **Shaanxi:** Retail sales of Shaanxi reached 9.9 billion yuan during the Golden Week holidays, up 13.8% yoy. Of which, retail sales growth in Xian reached 15.1% yoy. Automobile and accessories, telecommunications equipment, stationery and office accessories, home appliances and video equipment were the most popular categories.
- **Liaoning:** 100 major retailers in Liaoning recorded 273 million yuan sales during the Golden Week holidays, up 9.3% yoy. Major catering enterprises recorded revenue of 39.12 million yuan, up 9.8% yoy².

E-commerce



WeChat report: Hong Kong surpasses South Korea for the first time to be the region with the most number of cross-border payments

WeChat released the “Report on Cashless Outbound Spending During the Golden Week Holidays”, showing that during the Golden week holidays, Guangdong has the most number of outbound tourists, followed by Shanghai, Beijing, Fujian, Zhejiang and Jiangsu. During Golden Week holidays, Hong Kong surpassed South Korea for the first time

to be the region with the most number of cross-border payments, followed by South Korea, Thailand, Japan, Australia, Taiwan, New Zealand, and Singapore³.

Ant Check Later: Credit spending replaces savings-financed spending as the new consumption pattern for Chinese millennials

Alibaba's credit payment tool Ant Check Later published the "2017 Report on the Consumption Patterns of the Young Generation in China", which stated that credit spending has replaced savings-financed spending to become the new consumption pattern of Chinese millennials. 99% of the surveyed "Post-90s" generation have spent on credit and paid back on time. According to the report, over 45 million of the 170 million "Post-90s" generation in China have already registered with Ant Check Later. 40% of this group of users use "Ant Check Later" credit payment as the default payment method in their Alipay account, 11.9 ppts higher than that of their "Post-85s" peers. The report indicated that young people in Shanghai, Beijing and Zhejiang use credit payment the most. In terms of the areas of credit spending, there are obvious trends showing an increase of spending on areas such as manga, sports and fitness. Also, consumers' credit spending demonstrated the characteristics of high frequency and small spending amount⁴.

iResearch: Micro-stores to enter a phase of upgrading

iResearch published a "2017 Research Report on China's Micro-stores market", which stated that the micro-stores market will undergo standardization after its previous unregulated period of growth. In 2016, the market size of micro-stores business in China amounted to 328.77 billion yuan. The report estimated that by 2019 the market size will grow to around 1

trillion yuan. Micro-stores accounted for 2.2% of the total online spending of China's consumers in 2016, indicating that the market penetration rate of micro-stores was still low. In early January 2017, a draft on the regulatory requirements of micro-stores was published for public comments, showing that the first regulatory document on micro-stores market will soon be effective. Meanwhile, various e-commerce companies such as Alibaba, Koala.com and Xiaomi have recently entered the micro-stores market. As more major players enter the market and more regulations are put into place, micro-stores development will enter a phase of upgrading⁵.

Taobao upgrades; supports unique and innovative retailers and content creators

According to Jiang Fan from Alibaba Retail Unit on Products and Consumer Platforms, in 2017, Taobao will focus its development in the following areas: provide more channels for consumers and retailers to interact; provide more customized entrance on Mobile Taobao; continue to expand new contents distribution channels such as live-streaming and short videos; support the development of unique and original products; and invest more in content and smart services⁶.

Baidu sees 6.8% yoy increase in total revenue in 1Q17

According to the financial results of Baidu, total revenue amounted to 16.891 billion yuan in 1Q17, up 6.8% yoy. Mobile revenue represented 70% of total revenue in 1Q17, compared to 60% for the corresponding period in 2016. Net income attributable to Baidu was 1.777 billion yuan, a 10.6% decrease yoy. Baidu said it will focus on its core business as well as AI-enabled new business initiatives including AI-cloud, financial services, DuerOS, and autonomous driving in the rest of the year. Baidu will

continue to intensify efforts in applying AI to improve existing products and accelerate the development of AI-enabled new business initiatives⁷.

Ebrun, Nascen: CBEC consumers extend from tier 1 to tier 4-6 cities

Ebrun and Nascen jointly released the “Report on Consumers Spending Behavior on Cross-border E-commerce Platforms”. According to the report, color cosmetics, baby and maternity products, apparel and shoes are the most popular categories on cross-border e-commerce (CBEC) platforms. 70% of the consumers were female, and over 60% of the consumers aged 25-35. 33% of the consumers purchased 3-5 times on CBEC platforms annually. 42% of them spent 301-500 yuan on average per order. Consumers from tier 1 cities spent the most on CBEC platforms, but growth potential of consumers in tier 4-6 cities are increasing rapidly. Products from the U.S., Japan, South Korea, Germany and Australia were the most popular⁸.

Funsens sets up imported goods experiential membership store in Tianjin

Cross-border e-commerce experiential store Funsens.com partnered with Tianjin Binjiang Group and opened a new “Funsens New-Retail Cross-Border Membership Store” in Binjiang Shopping Centre on 29 April. The store has a floor space of around 2,000 sqm and features imported products, interactive shopping experience, leisure and lifestyle shopping, and membership community. Funsens also planned to introduce interactive entertainment elements such as VR equipment and mini-karaoke kiosk to the store so as to satisfy the more personalized and refined shopping needs of consumers in the market⁹.

First CBEC shopping street in Hunan opens for business

On 29 April, the Cross-Border E-commerce (CBEC) Experiential Shopping Street of Meixi (Changsha) of China opened for business. Located at the Meixi Street of the Better Life Group’s Meixi Xintiandi mall in the Xiangjiang New Area of Changsha, the CBEC shopping street is 260m long, accounting for one third of the total length of Meixi Street, and has a total store area of around 20,000 sqm. Claiming to be the first “O+O CBEC Experiential Shopping Street” in China, the shopping street is formed by three major areas of CBEC experiential shopping, Fashion and Sports brands, as well as Entertainment and Lifestyle respectively. The CBEC experiential shopping area has two types of store formats, namely country pavilion and brands experiential section. In terms of product categories, imported goods of home and fixtures, mother-and-infants, food and healthcare, cosmetics and skincare, fashion and accessories, digital gadgets, etc. are available¹⁰.

Supermarkets and hypermarkets



Rainbow to separately develop the supermarket format focusing on the brand “sp@ce”; open more than 100 stores in three years

Rainbow (former Rainbow Department Store) announced to separately develop the supermarket format under the brand “sp@ce” and “Rainbow Supermarket”, targeting mid- to high-end consumers. Rainbow targets to open 100-150 digitized supermarkets in three years. “sp@ce” supermarkets will embrace a flexible product mix to suit consumers in different locations. Rainbow now operates multi-

formats including department store, supermarket, shopping malls and convenience stores¹¹.

Suning launches its first “SU FRESH” boutique supermarket

Suning launched its first O2O “SU FRESH” boutique supermarket in Xuzhou. Customers can purchase the food in-store, or order via mobile app and enjoy half-hour delivery service within 3 km radius of the store. Over 10,000 SKUs of products are offered online and offline, including household cleaning products, daily necessities, imported food, food and beverages, dairy products, wine, color cosmetics, healthcare products, etc. Suning plans to launch more “SU FRESH” in other cities¹².

Department stores and shopping malls

CBRE: Pace of shopping centres development in China sustains

CBRE published a report on the “Global Shopping Centre Development” to provide a snapshot of the world’s most active shopping centre markets and identify the key development trends globally. According to the report, 12.5 million sqm of shopping centre space was added in 2016, up by 11.4% yoy. China continued to register the highest annual completions, with a total shopping centre space globally at 5.75 million sqm. Chinese cities such as Shanghai, Beijing, Chongqing, Chengdu, Nanjing, Shenzhen and Tianjin are on the list of top ten markets for shopping centre completions in 2016 by sqm. Also, China has a 19.7 million sqm of space under construction in 2016, accounting for nearly 60% of the global total¹³.

Rainbow’s Dreams-On Department Store expands outside Guangdong to open store in Xiamen

Rainbow’s high-end positioned Dreams-On Department Store opened its Xiamen Store in late April, which is the first Dreams-On store outside Guangdong Province. The Xiamen store has a gross construction area of 81,860 sqm. 125 shops have opened, with a store opening rate of approximately 80%. Selected anchor stores that have opened include ARMANI JEANS, POLO Sports, and OSGH Cinema. As of to date, there are five Dreams-On Department Stores, and more than 70 department stores and shopping centres nationwide¹⁴.

Bailian Group net profit in 2016 drops 29.04%

Shanghai Bailian Group Co. Ltd. released its 2016 annual results. As of December 31, 2016, Bailian’s operating income was 47.77 billion yuan, down 4.35%; net profit attributable to equity holders of the company was 900 million yuan, down 29.04%. It is noteworthy that, excluding the factory outlets and specialty stores, the group’s department stores, shopping centers, supermarkets, hypermarkets, convenience stores all recorded declining operating income¹⁵.

Convenience stores

Lawson and Zhangjiagang Baixin Supermarket jointly open first five convenience stores

The first batch of five convenience stores co-launched by Lawson and Zhangjiagang City’s

Baixin Supermarket opened on 28 April. These five stores are: the Suhua store, Donghuyuan store, Jinsha store, Hengji Future City store, Huasheng Building store. The two companies said they will jointly open more than 30 convenience stores over the next two to three years¹⁶.

Chengdu convenience store chain WOWO forms strategic cooperation with Best Logistics

Chengdu convenience store chain WOWO formed strategic cooperation with Best Logistics, a domestic logistics company, in areas including capital support, management, technology development and logistic services. WOWO targets to expand outside Chengdu by opening directly operated stores and via franchising. WOWO will leverage the last mile service capabilities of Best Logistics to provide better services for customers. As of April 2017, WOWO operates around 300 stores in Chengdu¹⁷.

Apparel and shoes

Dazzle Fashion seeks IPO in Shanghai

Shanghai-based fashion company Dazzle Fashion Co. Limited issued its IPO prospectus and sought to list on the Shanghai Stock Exchange main board. 60 million shares will be issued, accounting for 15% of the share capital after listing. Mid- to high-end womenswear brands “DAZZLE”, “DIAMOND DAZZLE” and “d’zzit” are the three core brands of the company. According to the prospectus, the average annual sales of the company from FY14 to FY16 maintained at around 1.8 billion yuan, with a compound annual growth rate (CAGR) of 1.16%, and the

net profit per annum was around 500 million yuan, with a CAGR of 6.27%. Dazzle Fashion was founded in 2002 and is a womenswear brand targeting the mid- to high-end market¹⁸.

Belle International announces privatization plan

Hong Kong-based women footwear group Belle International announced privatization plan pending the acquisition of the company by the group of investors including Hillhouse HHBG Holdings and Hillhouse HHHB Holdings of the Hillhouse Capital Group, as well as Superise Colorful Brands Limited of the CDH Group. The cancellation consideration for each share amounted to HK\$6.30, which represented a premium of approximately 19.54% over the closing price of Belle International at HK\$5.27 prior to the suspension of its trade. The total amount of consideration for this privatization plan amounted to HK\$53.1 billion, larger than the previous HK\$34.5 billion privatization deal of Dalian Wanda Commercial Properties, making it the largest privatization deal in terms of cash consideration in the history of the Hong Kong stock market¹⁹.

Cosmetics

Estee Lauder China achieves double-digit sales growth in 3Q17

Estee Lauder released the financial results for 3Q17. Globally, Estee Lauder achieved total sales of US\$2.86 billion in the quarter, with an 8% increase yoy. Estee Lauder China achieved double-digit sales growth in the quarter for most brands and its online business, freestanding store and department store channels, leading to a solid sales growth

for its Asia-Pacific business²⁰.

Kids products



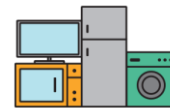
Suning Redbaby opens four new stores; expects to reach 90 stores by end-2017

Suning Redbaby opened four new stores in Beijing, Nanjing, Xuzhou and Wuhu Suning Plaza. As of today, Suning Redbaby has 31 physical stores in 10 provinces nationwide. It will accelerate its offline expansion in the second half of the year and targets to have a total of 90 physical stores by the end of 2017. Suning Redbaby's moves signify its intention to expand further in the offline market²¹.

Kidswant opens 67 physical stores in 2016, sales increase by 60% but suffers over 100 million yuan loss

Children's product retailer Kidswant published its 2016 annual report. Sales amounted to 4.455 billion yuan in FY16, up by 61.39% yoy. Gross profit ratio was 24.61%. Net loss for the period amounted to 144 million yuan, loss increased by 3.85% yoy. The increase in loss was mainly attributable to increased operation costs for the newly opened stores, increased R&D cost on Internet technologies, as well as the increased labour and hardware costs for developing big data analytics capabilities. 2016 was the year where Kidswant expanded most rapidly and 67 physical stores were opened in the period. As of the end of 2016, Kidswant has 174 physical stores in 87 cities across 16 provinces in China²².

Consumer electronics



CNCIC, Gome: "Post-80s" consumers account for 74% of China's electrical appliances sales in 2016

China National Commercial Information Centre (CNCIC) and Gome Group jointly announced the "2016 Report of the Current Status and Future Development of China's Home Electrical Appliance Market", which reported on the current market situation of home electrical appliance, its development characteristics, as well as analyzed the major development trends in 2017. According to the report, home electrical appliances sales of the 100 key large-scale retail enterprises in 2016 increased by 0.5% yoy, up by 4.3 ppts from that of last year. Also, evidence showed that young consumer groups have become the largest contributors to sales of home electrical appliances. "Post-80s" consumers accounted for 74% of China's electrical appliances sales in 2016²³.

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