

# China Retail & E-commerce

## Weekly Updates

28 December 2018 – 3 January 2019

 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

**Teresa Lam**

Vice President

E: [teresalam@fung1937.com](mailto: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](mailto:fbicgroup@fung1937.com)

### Retail in General *p2*

- Beijing sees robust consumption over New Year
- Spending in Shanghai on 29-31 December amounts to 13.5 billion yuan

### E-commerce *p2*

- The E-commerce Law comes into effect in the New Year
- PCAC: Scanning QR code becomes the most frequently used mobile payment method
- Alibaba.com launches new program to support SMEs going global with digital technologies
- Tmall Global targets to have 20 bonded warehouses and ten overseas warehouses in three years
- Suning.com sells its stake in Alibaba for US\$1.8 billion
- Suning Xiaodian to launch group purchase business
- Yonghui Superstores to test group purchase business
- JD Convenience Store GO WeChat Mini Program and Miniso launch group purchasing event
- Xiao Hong Shu launches platform for “brand partners”

### Retail logistics *p4*

- Cainiao: IoT to determine the competitive landscape of the logistics industry in the next five years

### Department stores and shopping malls *p5*

- Lianhua Huashang's first standalone snack store opens in Hangzhou

### Supermarkets and hypermarkets *p5*

- Hexiaoma owns 11 stores nationwide

### Consumer electronics *p5*

- Suning to add 730 new stores in Beijing this year

### Apparel *p5*

- American fashion brand Champion accelerates expansion in China



# Retail in General

## Beijing sees robust consumption over New Year

During the three-day holiday of New Year's Day 2019, the 60 retailers closely monitored by the Beijing Municipal Bureau of Commerce registered sales of 3.01 billion yuan, up 6.3% yoy. Over the three-day holiday, a sales event dubbed "2019 Beijing New Year's Day Sales Festival", sponsored by the Beijing Municipal Bureau of Commerce and supported by nine relevant government commission offices, was launched to boost local consumption upgrading. With a focus on quality consumption and adoption of digital technologies, over 100 online stores and 1,000-plus brick-and-mortar stores participated the sales event. They also introduced advanced digital technologies including AR fitting mirror and facial recognition payment to create new shopping experience for consumers<sup>1</sup>.

## Spending in Shanghai on 29-31 December amounts to 13.5 billion yuan

According to China UnionPay Merchant Services' data published on 1 January, total spending in Shanghai on 29-31 December amounted to 13.479 billion yuan, up 10.6% yoy; 3.635 million travelers from outside Shanghai spent a total of 4.01 billion yuan, an increase of more than 11% yoy, and accounted for nearly 30% of total spending. It is estimated that the total retail sales of consumer goods in Shanghai will increase by nearly 8% yoy in 2018; consumption will continue to drive Shanghai's economic growth<sup>2</sup>.

# E-commerce

## The E-commerce Law comes into effect in the New Year

Effective on 1 January 2019, the E-commerce Law is the first law in China which establishes regulations for e-commerce concerning operators, contracts, dispute settlement and liabilities, as well as market development. The key provisions of the E-commerce Law include:

1. Merchants selling on WeChat, daigou, and hosts selling on live streaming platforms are regarded as "e-commerce operators"
2. E-commerce platforms should not delete reviews from consumers
3. E-commerce platforms should allow users to turn off the "recommendation" function
4. Any checkbox should not be checked by default
5. The deposit refunding method and procedures should be clearly shown; there should not be any unreasonable conditions for the refund of deposit; deposit should be refunded in time
6. All processes along the online shopping journey including express delivery and payment should all have corresponding specifications and regulations
7. E-commerce platforms should not force merchants to enter into a contract with only one platform
8. Self-operated business of e-commerce platforms should be marked clearly to notify consumers
9. E-commerce platforms should be responsible to provide evidence for disputes
10. E-commerce platforms which fail to fulfill their obligation shall bear responsibilities<sup>3</sup>.

### PCAC: Scanning QR code becomes the most frequently used mobile payment method

The Payment and Clearing Association of China (PCAC)'s Mobile Payment and Network Payment Application Working Committee released the "Mobile Payment User Survey Report 2018". The report shows that daily life spending and investment financing are the major applications of mobile payment; scanning QR codes and bar codes are the most commonly used mobile payment methods, which are widely used in retailing, catering, and public transportation, etc. The report also shows that, 89.1% of users accept the use of bar code payment in 2018, indicating that users' acceptance and usage of bar code payment have reached a relatively high level. Other than that, in 2018, 80.1% of users settled their payments through mobile payment tools daily, up 1.4 ppts yoy; while 14.4% of users settled their payment via mobile payment tools 2-3 times per week. This shows that the application scenarios and business environment of mobile payment are becoming more mature, and mobile payment methods are more well-accepted by users<sup>4</sup>.

### Alibaba.com launches new program to support SMEs going global with digital technologies

On 27 December, Alibaba.com announced that it has kick-started a new program "Going Global with Digital Technologies". The program is a one-stop solution providing digital tools and services for cross-border e-commerce. In addition, the program also offers support for export enterprises to go through digital transformation in order to adapt to the new foreign trade era in which more emphasis is attached to diversification, personalization and customization. Leveraging synergy and advantages of Alibaba's ecosystem partners including Ant Financial,

Cainiao, Alibaba Cloud, Ding Talk and Alibaba DAMO Academy, Alibaba.com has created a new channel for foreign trade and optimized the business infrastructure<sup>5</sup>.

### Tmall Global targets to have 20 bonded warehouses and ten overseas warehouses in three years

On 28 December, Tmall Global announced the new development plan to build more infrastructure in new cross-border e-commerce (CBEC) pilot zones. In addition to the original 1 million-sqm bonded warehouse, Tmall Global targets to have 20 bonded warehouses and ten overseas warehouses in three years to support the six overseas procurement centers. Also, Tmall Global will strengthen the cooperation with over 100 overseas brands and will expand the product categories for CBEC to over 1 million. Tmall Global will also enhance product quality control services and logistics services. It plans to expand the same-day delivery and next-day delivery service to more cities<sup>6</sup>.

### Suning.com sells its stake in Alibaba for US\$1.8 billion

On 28 December, Suning.com announced that the company has sold its 13 million shares in Alibaba for approximately US\$1.8 billion through the New York Stock Exchange. The funds received from the disposal will be used to support the company's business development, including massive expansion plans, supply chain construction, enhancement in logistics service and R&D, as a way to increase the company's competitiveness in the market and operational efficiency<sup>7</sup>.

### Suning Xiaodian to launch group purchase business

Suning Xiaodian announced to launch group purchase business on 18 January and recruit 100,000 “initiators” for group purchases. The initiators can share the deals through WeChat group and WeChat Mini Programs to reach out more consumers in the community. Suning Xiaodian targets to launch 1,100 warehouses close to its stores by 2019 to support this business<sup>8</sup>.

### Yonghui Superstores to test group purchase business

Yonghui Superstores is reportedly launching a new group purchase business in Shenzhen, Shanghai and Zhengzhou. It is currently recruiting “initiators” through its Yonghui Superstore App. The initiators will build their own WeChat groups to share deals with other members. Yonghui Supermarkets will generate specific links for these initiators and members can just click and buy from the links. Initiators can get commission for every product they sold<sup>9</sup>.

### JD Convenience Store GO WeChat Mini Program and Miniso launch group purchasing event

On 2 January, JD Convenience Store GO WeChat Mini Program announced to cooperate with Miniso to launch a group purchasing event. From 7-30 January, “initiators” on JD Convenience Store GO WeChat Mini Program can share deals with consumers and attract them to join the deal. Initiators can get commission of 2 yuan for each successful group buying deals, with an upper limit of 22 yuan<sup>10</sup>.

### Xiao Hong Shu launches platform for “brand partners”

On 2 January, Chinese social commerce player Xiao Hong Shu (aka “Red”) launched a new platform for “brand partners”. Brands can login to access their advertising platform on Xiao Hong Shu; KOLs can login the platform to see their data on the platform including number of viewers, number of comments and “likes”, etc. If the KOL has cooperated with a brand previously, he/she can also see the historical data of the event. In the future, Xiao Hon Shu targets to make all the data on the platform transparent to brands and KOLs to facilitate their business cooperation<sup>11</sup>.

## Retail logistics

### Cainiao: IoT to determine the competitive landscape of the logistics industry in the next five years

Cainiao said that the Internet of Things (IoT) will become the most important technological trend in 2019 and will determine the competitive landscape of the logistics industry in the next five to ten years. Cainiao’s scientists predict that in 2019, with IoT as the core technological strategy, artificial intelligence, blockchain, machine vision, real-time computing, flexible automation and other technologies will grow exponentially; at the same time, to transform the logistics sector from a human-intensive one to a capital- and technology-intensive one, Cainiao will accelerate the applications of “1+8+N logistics network”. The “1+8+N network” is the futuristic logistics infrastructure which is led by Cainiao - “1” refers to the smart logistic network developed by Cainiao; “8” refers to the eight key express delivery companies including China Post, ZTO Express, etc; “N” refers to the enterprises in the logistics ecosystem

covering warehousing, real-time logistics, etc<sup>12</sup>.

## Department stores and shopping malls

### Lianhua Huashang's first standalone snack store opens in Hangzhou

On 29 December, Lianhua Huashang officially launched its first standalone snack store named "Snack Shop" at Xilian Plaza in Hangzhou following two years of preparation. Covering around 100 sqm, the new store offers 500 SKUs supported by its own supply chain to satisfy diverse consumer needs. It also marks the opening of the company's first standalone snack store in the country. In terms of digital technology, Snack Shop accepts Alipay's facial recognition payment and self-service QR code payment via Lianhua Huashang's Jing Xuan app<sup>13</sup>.

## Supermarkets and hypermarkets

### Hexiaoma owns 11 stores nationwide

Hexiaoma has accelerated its store expansion by launching three new stores in Jiangsu and Zhejiang on 28 and 29 December respectively. Currently operating 11 stores nationwide, Hexiaoma is a new supermarket concept jointly launched by RT-Mart and Hema Xiansheng. Positioned as a supermarket of "fresh food + selected products + online and offline integration", Hexiaoma aims to meet the new retail demand in tier-4 and tier-5 cities. With fresh food items taking up over 50% of its sales space, the retailer mainly offers fresh food products and each of its stores has a

warehouse attached, integrating online and offline operation. Meanwhile, Hexiaoma will also leverage Alibaba's big data and introduce selected items from over 400 RT-Mart stores nationwide. In terms of store size, Hexiaoma's is only one tenth to one fifth of Hema Xiansheng store<sup>14</sup>.

## Consumer electronics

### Suning to add 730 new stores in Beijing this year

On 2 January, Suning announced that it will add 730 new stores in Beijing in 2019, covering Beijing's Central Business District, shopping malls, communities, counties, office building, etc. Among which, 500 new Suning Xiaodian and 100 new Suning Retail Cloud stores will be opened. Meanwhile, Suning will launch its first Suning Cinema before the Lunar New Year holidays and its maternity subsidiary Redbaby will further open maternity rooms in 500 more retail stores. In 2019, Suning will speed up the upgrading and construction of its smart warehousing and distribution networks in Beijing. With a primary focus on accelerating the construction of cold chain, pre-storage and small warehouses, Suning will set up 100 new pre-storage warehouses, 300 express service stations and 1,200 self-service pickup stations to further expand its services in Beijing's key areas<sup>15</sup>.

## Apparel

### American fashion brand Champion accelerates expansion in China

American trendy fashion brand Champion is accelerating its store expansion in China. The

brand added 8 new stores in China just for December 2018, taking its total store count in the country to 41, according to the brand's official WeChat account. The massive expansion was mainly driven by the shrinking domestic demand in the U.S. and the huge consumption potential in China<sup>16</sup>.

# References

- <sup>1</sup> "Beijing sees robust consumption over New Year", 2 January 2019. Beijing Business Today.  
<http://www.bbtnews.com.cn/2019/01/02/280804.shtml> (in Chinese only)
- <sup>2</sup> "Shanghai's holiday spending reaches 13.5 billion during the New Year holiday", 2 January 2019. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2019/416813.shtml> (in Chinese only)
- <sup>3</sup> "The E-commerce Law comes into effect in the new year", 1 January 2019. Xinhua.  
[http://www.xinhuanet.com/2019-01/01/c\\_1123933529.htm](http://www.xinhuanet.com/2019-01/01/c_1123933529.htm) (in Chinese only)
- <sup>4</sup> "PCAC: Scanning QR code has become the most frequently used mobile payment method", 3 January 2019. Xinhua.  
[http://www.xinhuanet.com/2019-01/03/c\\_1123940539.htm](http://www.xinhuanet.com/2019-01/03/c_1123940539.htm) (in Chinese only)
- <sup>5</sup> "Alibaba.com launches new program to support SMEs going global with digital technologies", 27 December 2018. Ebrun.  
<http://www.ebrun.com/20181227/314244.shtml> (in Chinese only)
- <sup>6</sup> "Tmall Global targets to have 20 bonded warehouses and ten overseas warehouses in three years", 29 December 2018. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/416585.shtml> (in Chinese only)
- <sup>7</sup> "Suning.com sells its stake in Alibaba for US\$1.8 billion", 28 December 2018. Beijing Business Today.  
<http://www.bbtnews.com.cn/2018/1228/280562.shtml> (in Chinese only)
- <sup>8</sup> "Suning Xiaodian to launch group purchase business", 28 December 2018. Winshang.  
<http://news.winshang.com/html/065/1614.html> (in Chinese only)
- <sup>9</sup> "Yonghui Superstores to test group purchase business", 28 December 2018. Beijing Business Today.  
<http://news.winshang.com/html/065/1614.html> (in Chinese only)
- <sup>10</sup> "JD Convenience Store GO WeChat Mini Program and Miniso launch group purchasing event", 2 January 2019. Ebrun.  
<http://www.ebrun.com/20190102/314837.shtml> (in Chinese only)
- <sup>11</sup> "Xiao Hong Shu launches platform for 'brand partners'", 3 January 2019. Ebrun.  
<http://www.ebrun.com/20190103/314986.shtml> (in Chinese only)
- <sup>12</sup> "Cainiao: IoT to determine the competitive landscape of the logistics industry in the next five years", 2 January 2019. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2019/416847.shtml> (in Chinese only)
- <sup>13</sup> "Lianhua Huashang's first standalone snack store opens in Hangzhou", 29 December 2018. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/416634.shtml> (in Chinese only)
- <sup>14</sup> "Hexiaoma owns 11 stores nationwide", 28 December 2018. Linkshop.  
<http://www.linkshop.com.cn/web/archives/2018/416508.shtml> (in Chinese only)
- <sup>15</sup> "Suning to add 730 new stores in Beijing this year", 2 January 2019. Ebrun.  
<http://www.ebrun.com/20190102/314950.shtml> (in Chinese only)
- <sup>16</sup> "American fashion brand Champion accelerates expansion in China", 2 January 2019. Ebrun.  
<http://www.ebrun.com/20190102/314928.shtml> (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.

