China Retail & E-commerce Weekly Updates
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MOFCOM: Innovation of domestic trade continues to accelerate

The Ministry of Commerce (MOFCOM) announced the “Review and Outlook of China’s Domestic Trade in 2016”. According to the document, innovation of the domestic trade has and will continue to accelerate. Highlights of the development of China’s domestic trade in 2016 include – speeding up of online and offline integration; sharing economy evolving quickly in the distribution sector; retailers expanding both upstream and downstream; small-format retailers renovating their business models; and acceleration of the development of rural e-commerce. With wide adoption of new technologies such as big data, cloud computing, and Internet of things, complete implementation of innovation-driven strategies and acceleration of urbanization process, China’s domestic trade sector is set to continue its steady development momentum. Innovation in the distribution sector based on O2O integration, sharing economy, smart technologies, and green consumption will continue to accelerate.

Fortune China: JD.com leads the retail sector in the list of Top 500 listed companies

Fortune China released the list of Top 500 listed companies in China. This year, total revenue of the companies on the list amounted to 33.54 trillion yuan, up 9% yoy; and net profit reached 2.8 trillion yuan, an increase of about 2.2% yoy. Both the yoy growth of revenue and profit showed significant improvement compared to last year. A total of 27 retail enterprises were on the list. JD.com achieved the highest rank among the retailers and ranked 21st, followed by Suning and Yonghui, ranking 40th and 140th respectively. SF made it to the list for the first time, ranking 112th. Tencent and Alibaba were among the most profitable companies on the list; Tencent’s profit margin was as high as 27%.

CNTA: China’s outbound trips up 5% yoy in 1H17

According to the statistics released by the China National Tourism Administration (CNTA), the number of Chinese outbound tourists reached 62.03 million in 1H17, up 5% yoy from 59.03 million in the same period last year. Thailand was the most popular destination for Chinese tourists, followed by Japan and Singapore. Meanwhile, a total of 69.5 million inbound tourists visiting China in 1H17, exceeding the number of outbound tourists by 7.47 million.

E-commerce

Tmall injects US$ 300 million in Chinese fresh produce e-commerce platform Yiguo.com

On 3 August, Tmall announced to invest US$300 million in Yiguo.com, a domestic fresh produce e-commerce platform. With the investment, Yiguo.com will deepen its integration with Tmall, while Tmall will be able to enhance distribution capability for fresh products. Currently, Yiguo.com operates 11 cold chain logistics centers in 10 cities, including Beijing, Shanghai, Guangzhou, Hangzhou, Wuhan, Chengdu, Xian, Shenyang, Yinan and Fuzhou. Prior to this round of
investment, Alibaba had participated in three rounds of funding in Yiguo.com. Yiguo.com plans to use the proceeds to invest in ExFresh, a cold chain logistic unit under Yiguo.com, to improve its infrastructure and support its expansion⁴.

**Tmall World is now available in Australia**

Tmall World opened officially to the Australian market starting from 28 July. Through Taobao’s global consolidation and shipping services, as well as a network of local self-pickup stations in the country, overseas Chinese in Australia can now have direct access to more than 1.2 billion products available on Taobao. Alibaba planned to set up 41 self-pickup stations across Australia in cities with a larger concentration of Chinese population, such as Sydney, Melbourne and Adelaide. The pickup stations will be opened in duty-free stores, souvenir shops, milk bars, logistics warehouses, and petrol stations. Currently, Tmall World is said to be connecting over 100 million overseas Chinese shoppers worldwide across 104 countries and regions to its e-commerce portals, including Taobao and Tmall via PC or mobile app⁵.

**JD.com partners with China-Britain Business Council to launch online pop-up store for U.K. brands**

Recently, JD.com partnered with China-Britain Business Council to launch an online pop-up store “Best of Britain” for a series of U.K. brands. The pop-up store will showcase and sell products of both well-known and emerging U.K. brands. The store opening campaign will run through December 2017. “Best of Britain” will reportedly focus on selling U.K. cosmetic brands during the first few weeks of opening. In September, the store will focus on baby and maternity products. Thereafter, it will gradually launch menswear and womenswear brands⁶.

**E-commerce logistics**

**JD.com’s drone delivery service centre commences operation**

JD.com’s drone delivery service centre has officially commenced operation, following the opening its nationwide smart logistics centre in June. According to the company, it is currently developing medium and big-sized drone fleet which can carry cargo weighing 300-2,000 kg, and can travel for at least 500 km⁷.

**Department stores and shopping malls**

**Ito Yokado’s e-commerce website goes online in October**

Department store chain Ito Yokado will launch its e-commerce website in October. Ito will directly source most of its fresh produce from its origins, and have strict control on product quality starting it has developed its own private label and enhanced its operation system to better control every stage of the production cycle, including searching for product origins, product design and production process, with a hope to offer customized products to customers. In addition, Ito Yokado’s e-commerce website also offers door-to-door delivery service, 7 x 24 hours online enquiry service, quick after-sale service, gift wrapping services, etc⁸.
Supermarkets and hypermarkets

Yonghui Superstore’s revenue up 15.49% yoy in 1H17; invest 50 million yuan to establish new investment fund management company dedicated for “New Retail” businesses

Yonghui Superstore recorded sales revenue of 28.317 billion yuan in 1H17, up by 15.49% yoy. Net profit was 1.055 billion yuan, up 57.57% yoy. According to Yonghui, the increase in revenue was primarily attributable to accelerating store expansion, improved merchandise management to improve gross margin, and increased interest income from better use of idle capital. Yonghui will continue to work on investing in “New Retail” business models. It plans to invest 50 million yuan to establish a new investment fund management company in Fuzhou. The fund will look into investment opportunities in fresh food suppliers, high standard companies in the food industry, retail technology startups or fintech companies, etc.

Zhongbai sees net profit up 318% yoy in 1H17; continues to expand in convenience store and fresh food businesses

Zhongbai Holdings Group Co., Ltd. announced its financial results for the period of 1H17. Revenue amounted to 7.702 billion yuan, down by 4.01% yoy. Net profit attributable to shareholders amounted to 136 million yuan, up by 318.09% yoy. In 1H17, the Group continued to focus on developing its convenience store and fresh food business. 68 new Zhongbai-Lawson convenience stores were opened during the period. Renovation of the warehouse for fresh food products was completed, leading to an increase in sales of fresh food products by 11.42% yoy and gross profit by 29.54% yoy.

Sam’s Club plans to add 14 stores by 2020

Wal-Mart’s Sam’s Club announced that the Club will accelerate its expansion plan in China in a more streamlined and efficient way. The Club plans to increase the number of stores from 16 to 40 in China by the end of 2020; and the new stores will be located in tier 1 and tier 2 cities. Sam’s Club will optimize the merchandise display and also expand the area of fresh produce, which accounts for one-fourth of Sam’s Club’s business in China.

Lianhua Huashang Group launches new retail format “Century Mart Jingxuan Future Store”

Hangzhou Lianhua Huashang Group Co., Ltd. recently launched a new retail format “Century Mart Jingxuan Future Store”. The store targets mainly the youngsters and positions itself as a one-stop shopping complex, integrating shopping and catering experiences with entertainment and gym facilities. The store’s mobile app “Century Mart Jingxuan” will be the core of this new format, which integrates online and offline operations, while applying new retail technologies such as smart order picking and cashierless check-out technologies.

Hemaxiansheng to launch its first store in Guiyang

O2O fresh produce retailer Hemaxiansheng will open its first store in Guiyang on 28 September. This is also its first store in Southwest China. With an operating area of around 5,000 sqm, the store is co-launched by Xingli Group and Hemaxiansheng. The two companies will open more Hemaxiansheng
stores in Sichuan, Yunnan, and Guizhou province. As of today, Hemaxiansheng has 13 stores, of which ten are in Shanghai, two in Beijing and one in Ningbo. It is expected that retailer will open its first store in Hangzhou and Shenzhen by the end of this year.

**Convenience stores**

MOFCOM: Convenience store practitioners still optimistic towards sector development

The Ministry of Commerce (MOFCOM) published the "China convenience store prosperity index report" for 2Q17. The report shows that the overall prosperity index of the sector was 73.95 in 2Q17, an increase of 1.7 over 1Q17. With the steady growth of the sector in 2016, coupled with more capital investment, and the rise of unmanned convenience stores, convenience store practitioners are still optimistic and confident about the prospects of the sector.

YTO Express opens first convenience store in Shanghai focusing on fresh produce

YTO Express opened its first convenience store "Mum’s Selection" in Shanghai. The community store focuses on selling fresh products. With a floor area of around 50 sqm, the store sells around 600 SKUs, including fresh produce, snacks, beverages, and personal care products. Currently, fresh products account for around 25% of total shelf space; in the future, the proportion will be adjusted according to changes in demand. "Mum’s Selection" has formed partnership with Yigou.com, a fresh produce e-commerce platform backed by Alibaba. Customers living nearby can use Yigou.com’s app to place order; the order will be home delivered within 20 minutes.

Shandong Provincial Government to build 300 smart convenience stores by year-end

Shandong Provincial Government released the “Opinions on Promoting Domestics Trade and Supply-Side Structural Reform”. According to the Opinions, the province will enhance the efficiency of the distribution sector, enhance the distribution in rural areas, and increase service provisions in the communities and neighborhoods. It plans to build 300 smart convenience stores, 30,000 smart lockers, and agricultural produce corners in 30 large supermarket chains by the end of this year.

**Kids products**

Mattel and babytree.com plan to open 1,000 early education centres in China

Mattel, the world’s largest toy manufacturer, and babytree.com, China’s largest maternity and baby online community, formed a joint-venture and planned to rollout 1,000 chained community early education centres in China. Fisher-Price, Mattel’s toy brand specializing in babies’ products, will collaborate with babytree.com in the development of an early education curriculum, course design, as well as the curation of teaching materials. At the same time, babytree.com will use big data analytics to choose the location of these centres. According to media report, the joint-venture has already begun setting up these centres in six major regions in China.
Saint Laurent teams up with Farfetch to start online business in China

Kering Group’s French luxury fashion brand Saint Laurent is teaming up with U.K. online fashion retailer Farfetch to launch online business in China. The brand will sell merchandise on the new online platform set up jointly by Farfetch and JD.com. Saint Laurent will leverage on JD.com’s logistics system to provide same-day delivery service in Beijing, Shanghai and Hong Kong; the delivery time is expected to shorten to 90 minutes in October. Saint Laurent has opened 18 stores in China, concentrated in Beijing, Shanghai and Shenzhen; and the brand also has an online flagship store on JD.com18.

Tmall launches “Luxury Pavilion” for premium and luxury brands

Tmall launched its “Luxury Pavilion”, which is an invite-only online platform for premium and luxury brands. The platform is exclusive to a selected number of consumers who are either ultra-rich or are members of APASS, the membership club of Tmall for those with high spending. The new platform currently features a wide range of luxury products, including apparel, watches, beauty and cosmetics, and luxury auto. Luxury brands such as Burberry, Hugo Boss, Maserati, Guerlain and Zenith have joined the platform19.
References