

China Retail & E-commerce

Weekly Updates

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Retail in general



Ministry of Agriculture and Rural Affairs accelerates promotion of “strong agricultural brands”

On 29 June, the Ministry of Agriculture and Rural Affairs of the PRC (MARA) announced the "Opinions on Accelerating the Promotion of Strong Agricultural Brands". The "Opinions" pointed out that in the next three to five years, it is necessary to focus on cultivating a large number of national-level agricultural brands which are nationally influential, cover a wide range of distribution, and with strong international competitiveness. MARA targets to promote 300 national brands of agricultural regions, 500 national agricultural enterprise brands and 1,000 agricultural product brands. The "Opinions" emphasized the importance of strong agricultural brands, and pointed out that promoting strong agricultural brands is vital for achieving high-quality economic development, promoting agricultural supply side structural reform and enhancing agricultural competitiveness. It is also a powerful measure for farmers to increase their income¹.

E-commerce



Ipsos: China has 890 million mobile payment users

Recently, Ipsos released the "Research Report on Third-Party Mobile Payment Users in 1H18". The report pointed out that there are about 890 million mobile payment users in China, and the annual transaction scale of

third-party mobile payment reached 106.78 trillion yuan. According to the survey, there are 820 million users of Tenpay and 650 million users of Alipay. The data shows that Chinese people pay for three transactions per day, and each person pays about 148,300 yuan by mobile payment per year. For the majority of people, mobile payment has become a common practice².

Alibaba strikes partnership deal with France's Bolloré Group

Recently, Alibaba Group signed a global partnership agreement with the French conglomerate Bolloré Group. In the future, the partnership would cover cloud computing services, clean energy, logistics and other areas such as new digital technologies and innovation. The companies signed an extensive Memorandum of Understanding outlining the areas in which their respective business units and subsidiaries, including Alibaba Cloud, Cainiao Smart Logistic Network, Bolloré Logistics and Blue Solutions, have agreed to cooperate and develop a number of relevant joint projects. In addition, the groups decided to share their expertise and market knowledge to explore new business opportunities, notably in China, Europe and Africa. It is reported that, Bolloré Group, which runs a large logistics business in former French colonies in Africa, also has a stake of around 20% in French media giant Vivendi³.

NetEase Kaola opens Macau Pavilion to sell products from Macau and Portuguese-speaking countries

On 3 July, NetEase Kaola, China's leading cross-border e-commerce operator, signed a cooperation memorandum with the Sino-Portuguese E-Commerce Chamber to establish a Macau Pavilion selling products from Macau and Portuguese-speaking

countries. It is reported that this is the first attempt for a Chinese e-commerce platform to sell products of Macau and Portuguese-speaking countries on a large scale systematically. The Macau Pavilion of NetEase Kaola mainly sells cakes and pastries, red wine and seafood of well-known Macao brands. It is expected that there will be more than 100 SKUs available on Macau Pavilion⁴.

Pinduoduo files for a US\$1 billion US IPO

Walnut Street Group, the parent company of Chinese group-buying e-commerce platform Pinduoduo, made the U.S. Securities and Exchange filing on 29 June to raise up to US\$1 billion in an initial public offering (IPO). The company's business model, in which users recruit friends via social media to enjoy group-discount offers direct from manufacturers, has seen its revenue reaching 1,744.1 million yuan in 2017. In the twelve-month period ended 31 March 2018, the number of active buyers on Pinduoduo reached 295 million. Pinduoduo was founded in 2015 by ex-Google engineer Colin Huang and is backed by Tencent and Sequoia Capital, among others⁵.

Alibaba expands "Rural Taobao" initiative to 1,000 counties

On 21 June, Alibaba announced that it will further extend the coverage of its "Rural Taobao" initiative by establishing Tmall service centers in 1,000 counties and 150,000 villages across China in the next three years. Tmall service centers provide integrated services to villagers including marketing, sales, logistics and other services. Currently, the initiative covers 700 counties in 29 provinces, with over 30,000 service centers⁶.

Alibaba opens first "Rural Taobao" offline experiential store in Hangzhou

On 30 June, Alibaba opened its first "Rural Taobao" offline experiential store in Hangzhou Zhongda Intime City. This is a "New Retail" experiential store for agricultural products integrating experience for shoppers, sales of products and brand promotion. The products sold in the store come from 36 counties across the country, which half of them are among the national-level poor counties. It is reported that the purpose of launching this store is to help farmers sell their goods via Rural Taobao's platform and promote their own products beyond the village borders, while urban consumers can enjoy high-quality agricultural products⁷.

Vipshop to tap into social e-commerce with its "Yunpin Warehouse" set to open

Recently, Vipshop has internally incubated a social e-commerce project called "Yunpin Warehouse", providing supply chain, logistics, customer service, marketing and other services for individual sellers. "Yunpin Warehouse" is a social selling platform of Vipshop; all its products are provided by Vipshop, including domestic and overseas goods. It is reported that "Yunpin Warehouse" will facilitate individual sellers to open storefront on the platform by just a few clicks. The platform currently only supports WeChat Pay⁸.

Amazon: The Yangtze River Delta is China's export e-commerce growth pole

Recently, Amazon Global Selling launched the "Amazon Global Selling's Export E-Commerce Developments and Trends Report in China", which is the first cross-border export e-commerce-related trends report released by the China office of Amazon Global Selling. It is understood that in 2018, the top 20 Chinese

cities with the strongest performance in the sector include Beijing, Dongguan, Foshan, Fuzhou, Guangzhou, Hangzhou, etc. In addition, the report summarizes three major trends in the development of cross-border export e-commerce sellers in China over recent years:

- 1) Over the past three years, products exported were of more varieties and better quality; cross-border e-commerce sellers showed that they embraced innovative technologies.
- 2) Different types of sellers transformed the industry through business models upgrade and build international brands;
- 3) The cross-border export industry environment has become more structured⁹.

E-commerce logistics



JD Logistics teams up with CTS International Logistics to expand cross-border logistics network

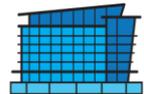
On 28 June, Beijing Jingbangda Trading Co., Ltd., a subsidiary of JD.com, signed a strategic cooperation agreement with CTS International Logistics Corporation Limited. The two companies will focus on cross-border logistics and carry out all-round cooperation in the fields of warehousing, transportation capacity, logistics technology and e-commerce, etc. According to agreement, JD Logistics will support CTS International Logistics with its expertise in smart logistics technology, warehouse network, last mile delivery as well as big data; CTS International Logistics will support JD.com's cross-border logistics services with its extensive overseas logistics network and services. Both companies will work together on improving overseas logistics network and strengthen

their ecosystem¹⁰.

JD launches "Jingzhunqu" to reduce delivery time

On 5 July, JD Logistics launched the "Jingzhunqu" service in hundreds of cities across the country. It is reported that with the implementation of the new service, JD Logistics will split the delivery time from 9 a.m. till 7 p.m. into five two-hour sessions. Users can choose their own pick-up time from the five sessions. This can reduce the time to pick up parcels after purchase, and can also enhance user's shopping experience. The effective performance rate was over 98% during the trial operation period¹¹.

Department stores and shopping malls



Rainbow Department Store enters Central Jiangsu

On 5 July, Rainbow Department Store Co. Ltd. officially signed a contract with Jiangsu Taizhou Ruijia Real Estate Co. Ltd., a subsidiary of Taizhou Oriental China Medical City Holding Group Co. Ltd. Rainbow will launch a new store in Taizhou National Pharmaceutical High-tech Industrial Development Zone, marking the official entry of Rainbow into the Central Jiangsu Province. Located in the central part of Jiangsu Province, Taizhou is one of the important cities in the Yangtze River Delta metropolitan area. Rainbow's signing of the Taizhou project will further enhance Rainbow's brand awareness in the Jiangsu market. It will enhance synergies with other stores in the Jiangsu area and further improve the network of Rainbow's stores in Jiangsu province¹².

Supermarkets and hypermarkets



Sam's Club opens second store in Suzhou; with the first "Sam's Kitchen" nationwide

On 28 June, Sam's Club opened a new store in Mudu, the second store in Suzhou. With more than 20,000 sqm, the new store offers the first "Sam's Kitchen" nationwide, which is exclusive to Sam's Club's members. Member-specific services are provided by professional chefs, such as various recipes that are suitable for the diverse tastes of members, cooking tips, etc. It is reported that by the end of 2020, there will be more than 40 Sam's Club stores nationwide, including all important economic cities in Jiangsu province¹³.

Walmart is set to open 30-40 stores in Chengdu over the next 5 years

On 2 July, Walmart China signed a strategic cooperation framework agreement with Chengdu Municipal People's Government. According to the agreement, Walmart will continue to increase its investment in Chengdu, and will open 30-40 new stores over the next five years. It will also cooperate with Chengdu Municipal Government in local sourcing, resources consolidation, retail innovation upgrade, public welfare support and community development¹⁴.

Convenience stores



Dia Tian Tian in Shanghai to revamp as Suning Xiaodian

In July, 300 stores of Dia Tian Tian in

Shanghai will be revamped as Suning Xiaodian. It is reported that on 3 April 2018, Suning announced to acquire a 100% stake in Dia China. After the acquisition, Suning will take over all of Dia China's existing stores and revamp as Suning Xiaodian. Suning said that it will open 1,500 Suning Xiaodian stores in 2018. It targets to open 5,000 stores in 246 cities in China in the next three years¹⁵.

Cosmetics



Cruelty Free enters into cooperation with Chinese government

Recently, Cruelty Free International (CFI, also known as "International Anti-Animal Testing Organization") has reached a cooperation agreement with relevant Chinese authorities to take measures to exempt imported animal experiment in China, aiming to help more "animal-testing-free" international beauty brands entering the China market. According to CFI, Chinese consumers are in great demand for some "animal-testing-free" beauty brands, and these brands also have plans to expand into the Chinese market. The move was supported by all parties including the Chinese government¹⁶.

Apparel and accessories



Alibaba and GUESS launch first AI retail concept store

Alibaba Group and apparel brand Guess jointly showcased a new AI-equipped apparel concept store "FashionAI concept store", which is the first of its kind in the world. The

concept store is available in Hong Kong from 5 July – 7 July. Before entering the store, users are required to log in to their mobile Taobao account and do a facial scan. After entering the store, users can scan the QR code displayed in-store, and all the apparel items available in-store will be shown in the mobile phone with corresponding Taobao product listings. Additionally, both physical and virtual try-ons are available in-store. Users can stand in front of the smart mirror with the apparel items picked from the RFID-enabled clothing rack; the virtual try-on effect will be shown directly on the smart mirror, together with mix and match and styling suggestions. On the other hand, users can also opt for a physical try-on. By adding the apparel items they want to try to the virtual shopping cart, staff at the fitting room will receive real-time notifications and prepare the items accordingly¹⁷.

Bosideng's revenue increases by 30.3% yoy in 2017

On 28 June, Bosideng Group released the latest financial report. During the year ended 31 March, 2018, its revenue rose by 30.3% yoy to 8.881 billion yuan, and gross profit was 4.119 billion yuan, up 30.22% yoy. During the year, the proportion of down apparel business accounted for 63.6% of the group's revenue, but it was lower than last year's 67.2% share. Bosideng said recently that it had stopped the operation of menswear, childrenswear, homewear and home textiles, and planned to invest most of its strength in the down apparel category¹⁸.

Australian swimwear brand Seafolly to launch in China

Australia's fashion swimwear brand Seafolly announced its entry into China market. The first brand flagship store will enter Tmall Global in mid-July. Seafolly has a rich line of

beachwear products, including women's fashion swimwear, casual beach wear and accessories, sportswear and girls swimwear. It is reported that China is the fastest growing swimwear and casual beach wear market in Asia, with an average annual growth of 9.6% from 2013 to 2017, a trend which is likely to remain strong in the next five years. Founded in 1975 in Sydney, Seafolly is one of the most successful apparel companies from Australia¹⁹.

Kids products

Babytree files for Hong Kong IPO

On 28 June, Chinese pregnancy and parenting online portal and e-commerce platform Babytree Inc., has filed for an initial public offering (IPO) in Hong Kong. According to the IPO document, Babytree recorded revenue of 730 million yuan in 2017, up 43% yoy with gross margin of 63.2%. The net loss was 911 million yuan in 2017. Founded in 2007, Babytree completed financing led by Fosun with a total investment amount of approximately 3 billion yuan in November 2016. In May 2018, Babytree received a strategic investment from Alibaba and agreed to commence deep collaboration with Alibaba in e-commerce, advertising, C2M, content monetization and other businesses²⁰.

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