



China Retail & E-commerce

Weekly Updates

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Retail in general

State Council: China to cut personal postal articles tax starting 9 April

According to a statement released after a State Council executive meeting presided over by Premier Li Keqiang on 3 April, China will cut the tariff rates for baggage brought by individuals and articles mailed into the country (or so-called personal postal articles tax) starting 9 April, in the hope of promoting imports and encouraging consumption. The tax rate on products including food and medicine will be lowered from 15% to 13%, while the tax rate on commodities including textiles and electrical appliances will be reduced from 25% to 20%¹.

E-commerce

Vipshop opens three offline stores on the same day

On 31 March, Vipshop opened three physical stores in Shenyang, Tianjin and Anhui. Vipshop's physical store is reportedly a specialty store for branded goods, with all the product prices marked down by 40% -70%. Earlier in October 2018, Vipshop opened its first offline store in Glory Mall in Beijing².

Koubei and Ele.me announce to set up new online fresh food platform

On 31 March, Koubei and Ele.me announced to establish a new online fresh grocery platform which will provide five major services – digital, supply chain, delivery, data traffic and financial services to support the growth of vendors on the platform. Meanwhile, fresh grocery app Dingdongmaicai has also entered into a strategic partnership with Koubei and Ele.me to jointly explore cooperation on

various areas including logistics, marketing, after-sales services and membership program. Currently, Koubei and Ele.me's online grocery delivery service has already covered 100 key cities across China, 10 times the business size compared with 2018³.

Retail logistics

NDRC and MOT to launch first batch of 15 national logistics hubs

On 2 April, National Development and Reform Commission (NDRC) and Ministry of Transport of the PRC (MOT) jointly issued the "National Logistics Network Construction Implementation Plan (2019-2020)". According to the Plan, in 2019, the government will announce the first batch of around 15 national logistics hubs, considering the hubs' importance in the development of the Belt and Road Initiative, the development of the Beijing-Tianjin-Hebei region (Jing-Jin-Ji), the Yangtze River Delta (YRD), and the Greater Bay Area⁴.

Cainiao introduces mechanical arm operations in Jiaxing futuristic logistics zone; raises delivery efficiency by four times

Recently, Cainiao has introduced mechanical arm operation in its futuristic logistics zone in Jiaxing – the first logistics zone in Zhejiang which has completed its upgrading – and raised the delivery efficiency by four times, and significantly speeded up the overall logistics efficiency of Jiangsu, Zhejiang and Shanghai. Indeed, in 2018, Cainiao launched the first futuristic logistics zone in Wuxi, Jiangsu which uses the IoT as the core of business and integrates with other technologies such as AI and edge computing to shape the zone into a highly digitized one. Thereafter, Cainiao rolled out the logistics

zones to Sichuan, Tianjin and Zhejiang⁵.

Department stores and shopping malls

Far East Department Store exits Chengdu market; the last store shuts down on 1 April

On 1 April, Chengdu Far Eastern Department Store shut down its Luomashi Store. It is reported that in the past one or two years, the Department Store has kept on revamping the Luomashi Store, including introducing lifestyle-oriented retail formats and brand discount stores, and launching online marketplace to provide omni-channel services. However, many brands discontinued their operations in the store due to poor business performance. Indeed, Far Eastern Department Store opened three stores in Chengdu, including Luomashi Store, Chengdu Beicheng Store, and Tianfu Store. Chengdu Beicheng Store and Tianfu Store were closed in 2016 and 2017 respectively. The closure of the longest-running Luomashi Store means that Far Eastern Department Store has completely withdrawn from the Chengdu market⁶.

Supermarkets and hypermarkets

Yonghui intends to acquire additional 10.14% shares of Zhongbai Group

On 28 March, Zhongbai Group issued a notice stating that the company received a written notice from its shareholders Yonghui Supermarket Co., Ltd. The notice mentioned the Yonghui Supermarket intends to increase its stake in the company from 29.86% to a

maximum of 40% through tender offer. The additional 10.14% shares will be priced at the issue price of 8.1 yuan per share, 23% higher than the latest share price of the company at 6.59 yuan. If the acquisition is completed successfully, Yonghui Supermarket is expected to become the largest shareholder of Zhongbai Group⁷.

Convenience stores

Suning Xiaodian to launch “Suning Market” in end-April

On 3 April, Suning Xiaodian announced to tap the fresh food business by launching “Suning Market” in end-April. Two new functions – “Suning Market” and “Fresh Food Pre-sale” will be added to Suning Xiaodian app. For the “Suning Market” function, consumers can order fresh products on the app and the products will be delivered to the corresponding Suning Xiaodian from the product origins in 24 hours; for vegetables, meat, soya products and fish, consumers can pick up the food as early as 7am on the next day in the Suning Xiaodian. For the “Fresh Food Pre-sale” function, which adopts the model of “selling before sourcing”, it offers products with large-size packaging or short shelf lives⁸.

Home products

Tmall and Maoshangjia jointly launch offline store for home products

Tmall and O2O home product platform Maoshangjia will launch an offline experiential store in Changzhou in May 2019. This is also Tmall's first large-scale offline store for home products. The store will be operated by Maoshangjia with Tmall's authorization. There

are five thematic zones in the store, including an immersive experience zone, kids' zone, catering zone, entertainment zone, and fresh supermarket. According to Maoshangjia, it targets to open 200 offline stores of such kind in three years nationally⁹.

Consumer electronics

Suning.com's total revenue amounts to 244.957 billion yuan in 2018

On 29 March, Suning.com released its FY18 financial results. The financial results show that, in 2018, Suning.com's total revenue was 244.957 billion yuan, up 30.35% yoy; while its sales of physical products amounted to 336.757 billion yuan, showing an increase of 38.39% yoy. In 2018, Suning.com achieved a net profit of 13.328 billion yuan. In terms of its online business, total online sales amounted to 208.354 billion yuan, up 64.45% yoy. As for its offline business, as of the end of 2018, Suning.com had a total of 11,064 self-operated and franchised stores, of which 7,819 were newly opened in the year¹⁰.

Gome Retail reports 16.8% gross profit margin in 2018

On 29 March, Gome Retail announced the annual results for the year ended 31 December, 2018. In 2018, sales revenue of Gome Retail was 64,356 million yuan, down 10.09% yoy. Consolidated gross profit margin was 16.8%, maintained at a relatively high level among other industry players. In 2018, Gome Retail strived to transform itself into an integrated home solution, service solution and supply chain provider based on its "Home•Living" strategy. GMV from Gome Retail's social commerce platform "ME Shop" grew by 368% yoy. Around 420,000 users have

opened online stores on ME Shop and over 3.5 million people have used the platform so far¹¹.

Gome Retail trials AI image recognition technology in-store

On 28 March, Gome Retail and CloudWalk Technology signed a strategic cooperation agreement. CloudWalk Technology will provide a total solution on AI image recognition technology for Gome; Gome can leverage the big data to recommend products to consumers and offer services to them. Gome can also understand consumer behavior by analyzing customer traffic data and through heatmap tracking. Consumers can also login and pay via Gome app with facial recognition technology. Currently, Gome has deployed the technology in its Shanghai Pujian Road branch. In the future, Gome targets to apply AI image recognition technology in all its 2,122 stores nationally and also its online store¹².

Apparel

Koradior plans to acquire three womenswear brands for HK\$2.4 billion

On 25 March, China's womenswear retailer Koradior announced plans to acquire the entire issued share capital and shareholder loans of Keen Reach from Apex Noble for a total consideration of approximately HK\$2.4 billion, of which US\$500 million will be paid in cash and approximately HK\$1.9 billion will be financed by the issue and allotment of 199 million consideration shares at the issue price of HK\$9.5 per share. As at the date of this announcement, the target group comprises Keen Reach, Extra Wisdom and operating subsidiaries (Shenzhen Aoruina and Shenzhen Naersi). Shenzhen Naersi is

principally engaged in the design, retail and wholesale of high-end womenswear products of its self-owned brands – “Naersi”, “Nexy.Co” and “Naersiling”. The announcement stated that the business of the target group is very similar to Koradior, while the acquisition is an important step for Koradior to continue to implement its multi-brand development strategy through diversification of its brands and brand portfolio¹³.

Heilan Home teams up with Shanghai Animation Film Studio to create new IP targeting young consumers

On 25 March, Heilan Home announced to cooperate with Shanghai Animation Film Studio to jointly create a new IP featuring The Monkey King, one of the major episodes of the Chinese classic novel Journey to the West. Inspired by the original story of The Monkey King, the new IP creation marks another cross-sector expansion of Heilan Home on IP area and also introduces the popular animated character “Sun Wukong”, also known as the Money King, to the fashion world. Industry analysts note that Heilan Home has made use of animated characters appealing to different age groups to attract more customers and expand its customer base, including post-80s and post-90s young consumers¹⁴.

Peacebird’s total sales and net profit hit records high

On 29 March, Peacebird released the core data of its FY18 financial results. According to the report, in 2018, Peacebird's total sales and net profit hit records high with total sales amounting to 7.712 billion yuan, up 7.78% yoy and net profit attributable to shareholders of listed companies reaching 572 million yuan, an increase of 27.51% yoy. Despite facing external pressures such as the slowdown of China's economic growth, Peacebird

continued to deliver growth due to the company’s efforts in implementing supply chain optimization, opening stores in shopping centers, and shutting down underperforming stores¹⁵.

Vero Moda launches store on WeChat Mini Program

On 2 April, Vero Moda, a fashion brand of Bestseller Fashion Group, launched an online shopping platform on WeChat Mini Program. Currently, the platform offers various categories of apparel products including coats, tops, dresses, skirts, jackets and suits, as well as accessories. Meanwhile, the platform features a membership scheme, allowing users to accumulate bonus points (upon spending on the platform) to enjoy special benefits. Besides, Vero Moda’s membership scheme will give out special gifts and launch exclusive activities for members, while sending out new product information¹⁶.

Kids products

Semir’s Mondodo Town launches in Guangzhou; targets 35 branches across China in next 5-8 years

Semir’s children experiential center Mondodo Town has recently entered into partnership with Guangzhou Jinshazhou Tong Le Cheng project; the deal marks the official launch of Mondodo Town in Guangzhou. As the first children education and experiential center in the Pearl River Delta, the Mondodo Town in Guangzhou has a floor area of 40,000 sqm and serves as a learning and leisure experiential center for young parents and children aged 0-12. Established by Semir Group, Mondodo Town builds its brand concept around education and play for children “Mondodo EDUPLAY”, bringing a

new concept to children's entertainment and education industries. According to Semir Group, the company aims to launch 35 Mondodo Town experiential centers across China in next five to eight years and continue to develop children's experiential projects and launch various experiential brands¹⁷.

Cosmetics

Shiseido teams up with Alibaba to launch strategic partnership development office

On 31 March, Shiseido hosted an opening ceremony for its dedicated office Shiseido X Alibaba Strategic Partnership Development Office in Hangzhou; the launch makes Shiseido the world's first multinational cosmetic company to open a dedicated office in Hangzhou to work with Alibaba Group. On the same day, Shiseido also forged a closer relationship with Tmall Innovation Center (TMIC), the dedicated market research arm under Tmall, a move to combine Alibaba's strengths in digitization and consumer engagement with Shiseido's world-class standards in research and development. The partnership with TMIC will enable Shiseido to reduce the concept-to-launch time by several months. Shiseido will also launch new products co-developed with TMIC exclusively on Tmall in September under its haircare brand Aquair. Meanwhile, Shiseido has planned to bring its mother-and-baby product brand into China later this year via Tmall¹⁸.

Luxury sector

Burberry shuts down four stores in Shanghai in less than a year

Launched in 2013, Burberry's flagship store in Shanghai's L'Avenue was shut down after the

last day of operation on 31 March. Previously, Burberry had already closed several of its stores in Shanghai. In August 2018, Burberry closed its two-story boutique at K11 on Shanghai Huaihai Road; in late February 2019, the brand also shuttered its childrenswear store at Shanghai West Gate mall on Nanjing Road West and its boutique at Shanghai Hongqiao International Airport terminal 2. Currently, Burberry operates a total of 52 stores nationwide, a decrease of six stores from December 2018¹⁹.

Secoo forays into duty-free retailing market

On 2 April, Secoo invested 12 million yuan for a 20% stake in China National Service Corporation for Chinese Personnel Working Abroad (CNSC)'s subsidiary Jiangsu CNSC Duty Free, a move to expand into the duty-free retailing market. Secoo stated that the partnership will enable both parties to leverage each other's expertise and resources in brand building, technologies and distribution network to conduct new modes of cooperation in brand operations, big data analysis, O2O integration, smart new retail, among others. Meanwhile, CNSC is also set to launch a downtown duty-free shop in Nanjing²⁰.

Ruyi Group's profit increases 51.67% in 2018

On 27 March, Shandong Ruyi released the summary of its FY18 financial results. The summary points out that Shandong Ruyi achieved total revenue of 132 million yuan in 2018, up 11.28% yoy. The company's operating profit amounted to 111.61 million yuan, up 51.67% yoy; total profit was 130.27 million yuan, up 28.14% yoy, and net profit attributable to shareholders of listed companies was 99.01 million yuan, up 39.58% yoy. The summary also points out that the company's profit growth was attributable to

technological innovation, its premiumization strategy, brand building brand initiative and overseas expansion strategy²¹.

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