

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general

CCFA: Top 100 retail chain operators in 2018 record total sales of 2.4 trillion yuan, up 7.7% yoy

On 9 May, the China Chain Store and Franchise Association (CCFA) released its annual list of “the Top 100 Retail Chain Operators in China” (the Top 100s). Total sales of the Top 100s in 2018 were 2.4 trillion yuan, up 7.7% yoy and accounted for 6.3% of total retail sales of consumer goods. Total number of stores of the Top 100s reached around 138,000, up 16.0% yoy. The growth of number of stores was 9.1% yoy after taking out the effect of the rapid increase in the number of convenience stores (including Suning Xiaodian), similar to the growth rate in 2017. Growth of online sales of the Top 100s was 55.5% yoy. Excluding those enterprises with higher proportion of online sales such as Suning, Gome and Freshippo, online sales accounted for 2.6% of the total sales of Top 100s, up 0.8 ppt from 2017. Suning topped the list with retail sales of 336.8 billion yuan in 2018, followed by Gome and China Resources Vanguard with retail sales of 138.2 billion yuan and 101.3 billion yuan respectively¹.

Major provinces and cities unveil consumption figures for Labor Day holidays

Several provincial and municipal governments released consumption figures for the 2019 Labor Day holidays (1 to 4 May):

- **Beijing:** 60 major retail and catering enterprises recorded sales of 3.22 billion yuan, up 6.5% yoy.
- **Shanghai:** 386 retail and catering enterprises reported total sales income of 4.69 billion yuan, up 15.5% yoy.
- **Chongqing:** Retail sales of major

commercial hubs and business services enterprises reached 2.24 billion yuan, up 8.9% yoy.

- **Jiangsu:** Total retail sales of consumer goods hit 5.57 billion yuan, up 8.4% yoy.
- **Nanjing:** Sales income of over 40 enterprises, including supermarkets, department stores, home appliances and catering enterprises reached 3.22 billion yuan, up 23.61% yoy.
- **Sichuan:** Retail and catering sectors reported sales of 23.7 billion yuan during the four-day holiday, an increase of 10% yoy on daily average.
- **Chengdu:** 80 major business trading enterprises, including catering and retail businesses, reported sales of 1.04 billion yuan, up 10.3% yoy².

Service consumption exceeds 350 billion yuan in 1Q19, becoming the main driver of consumption growth

The Beijing Municipal Commerce Bureau released the consumption data for 1Q19 on 6 May, 2019. Total consumption expenditure reached 628 billion yuan. Among which, 352.68 billion yuan, or 56.2%, were attributed to the consumption of services, which has become the main driver of consumption growth. The data also show that spending on information and sports grew remarkably at over 20% yoy, which was higher than that on medical (8%) and education (7.3%). Spending on culture and entertainment as well as on daily services recorded modest growth at 3.4% and 1.9% yoy respectively³.

Alibaba tops the list of “2019 BrandZ Top 100 Most Valuable Chinese Brands”

On 6 May, WPP and Kantar released the rankings of “2019 BrandZ Top 100 Most Valuable Chinese Brands”. Alibaba topped the most valuable brand in China for the first time, with its brand value increased by 59% yoy to

US\$141 billion. Despite China's slower economic growth and the increasing international trade tensions, the total value of the BrandZ Top 100 Most Valuable Chinese Brands increased 30% yoy to US\$889.7 billion, the highest annual rise since the ranking launched in 2011. The growth has been fueled by brands accelerating their expansion into China's lower tier cities.

Below are BrandZ's top-five takeaways for building valuable brands in China:

1. Differentiation is key
2. Target lower tier cities
3. Refine the brand experience
4. Keep a close watch on artificial intelligence development
5. Build a powerful brand to retain customers and increase conversion rates⁴

E-commerce

Transaction value on Tmall Global during Labor Day holidays up 65% yoy

Tmall Global announced that during the Labor Day holidays from 30 April and 5 May, the transaction value on Tmall Global increased by 65% yoy, with total number of buyers on Tmall Global increased by 84% yoy. The variety of imported goods is gradually increasing; the gap between retail prices of products selling in China and abroad is getting closer – retail prices of some products sold on Tmall Global are even lower than that in overseas offline stores. Cross-border e-commerce (CBEC) platforms have led to the increase in domestic consumption significantly⁵.

Social e-commerce platform Yunji debuts on Nasdaq

Yunji Inc., a membership-based social e-commerce platform, debuted on the Nasdaq

on 3 May, 2019 and sold 11 million ADSs to raise US\$121 million in its initial public offering. According to Yunji, the proceeds of the offering will be used to expand its business operations, enhance technological capabilities and infrastructure, improve fulfillment facilities, and for general corporate purposes. Founded in May 2015, Yunji reported a GMV of 1.8 billion yuan in 2016, 9.6 billion yuan in 2017 and 22.7 billion yuan in 2018. Most of its revenues are generated from the sale of merchandise, followed by income from its membership program. Yunji incurred a net loss of 24.7 million yuan, 105.7 million yuan, and 56.3 million yuan in 2016, 2017 and 2018, respectively⁶.

Gome launches flagship store on Tmall

Home appliance and electronic retailer Gome has recently opened a flagship store on Tmall. The new store currently offers various electrical appliances, including air conditioners, refrigerators, washing machines, TVs, water heaters, kitchen appliances and 3C electronics. Meanwhile, Gome has also launched new products under its private label "Gome Smart". Tmall explained that the flagship store, recently rebranded as Gome Flagship Store (previously known as "Gome Shouji") has been available on its platform for almost 200 days and has expanded its product range from merely smartphone products to cover various electronic appliances⁷.

Meituan's new distribution arm "Meituan Peisong" officially debuts

On 6 May, Meituan officially announced the rollout of its distribution unit Meituan Peisong. The company expressed that in the future it will upgrade its dispatch system, optimize its infrastructural facilities and establish a more agile distribution network to ensure a more comprehensive distribution coverage. As of 20

April, Meituan's online food delivery service unit Meituan Daojia handled more than 25 million orders per day. Currently, Meituan Peisong has already paired up with over 3.6 million retailers and hired more than 2.7 million couriers, serving 400 million users across 2,800 local cities and counties⁸.

Beidian completes new financing round of 860 million yuan

On 8 May, social e-commerce platform Beidian completed a new financing round of 860 million yuan. Hillhouse Capital, Xiang He Capital, Sequoia Capital, Sinovation Ventures, Gaorong Capital, IDG Capital, and Capital Today participated in the financing round. According to Beidian, the capital raised will be used to upgrade its supply chain infrastructure – deepening relationship with manufacturers/brands, creating a flexible supply chain, and enhancing shopping experience on social platforms. Founded in August 2017, Beidian is a social e-commerce platform under Beibei Group. The platform connects suppliers, micro-store owners and consumers, with an aim to provide high quality products to consumers⁹.

Alibaba launches new plan to assist domestic products to upgrade and go abroad

On 8 May, Alibaba announced its new plan to promote domestic products. The plan covers five aspects: to help 1,000 industrial clusters in China upgrade digitally; to create 200 domestic brands with annual sales reaching over 1 billion yuan; to assist 200 heritage brands to reach sales of over 100 million yuan; to support 200,000 Taobao merchants with annual sales of over 5 million yuan; to assist 700,000 merchants who sell domestic products to go abroad via Tmall World, Lazada and AliExpress¹⁰.

Suning Pingou to sign contracts with factories to nurture brands

On 8 May, Suning's group-buying platform "Suning Pingou" announced to sign contracts with 500 factories and build 500 "Pin Pin Farm". It will sign contracts with factories to nurture 500 brands which match the market positioning of Suning Pingou. It will also help factories to build brands via the consumer-to-business (C2B) model. Meanwhile, Suning Pingou will also build 500 "Pin Pin Farm" – its own agricultural production base – to ensure authenticity and freshness of products¹¹.

Department stores and shopping malls

Rainbow Department Store unveils digital solutions with WeChat Pay and Enterprise WeChat

On 7 May, Rainbow Department Store, together with WeChat Pay and Enterprise WeChat jointly announced digital solutions tailored for the department store sector. The solutions allow brands selling at Rainbow to connect with consumers via WeChat Pay and use the software provided by Enterprise WeChat. Rainbow in turn will share its 18-million-member database with the brands and provide operational support, such that they can enhance their services. As of today, over 40 brands have signed up for the solutions. Rainbow expects to onboard 100 brands by June and 200 by September 2019¹².

Supermarkets and hypermarkets

New Huadu Supermarket shuts down 19 unprofitable stores

On 5 May, New Huadu Supermarket Co., Ltd. announced that it shut down 19 stores in 1Q19, including 18 stores in Fujian and one in Jiangxi which had been losing money for years. It is the first time that the company conducted massive store closure since it went public on the Shenzhen Stock Exchange in 2008¹³.

Beijing Chaoshifa to add seven community e-centers in Beijing in 2019

Beijing Chaoshifa, a domestic supermarket chain, announced to add seven community e-centers in Beijing in 2019. Currently, it has seven such e-centers in Beijing. These community e-centers provide “8+N” services to residents including eight basic functions – selling fresh food and breakfast, serving as a convenience store, providing housekeeping services, salon services, bill settling services, courier services, as well as “N” selected services according to the needs of local communities. The e-centers leverage “Internet +” technologies to provide integrated online and offline services¹⁴.

Apparel and shoes

La Chapelle’s 1Q19 operating revenue and net profit drop, closing 1,887 stores

On 30 April, Shanghai La Chapelle Fashion Co., Ltd. announced its 1Q19 financial report. According to the report, the company generated 2.37 billion yuan in operating revenue, down 6.94 percentage points yoy; net income attributable to shareholders of the company dropped 94.4% yoy to 9.75 million yuan in the reporting period. La Chapelle has also sped up restructuring its offline sales network; as of the end of March 2019, the company had 7,653 stores, a decrease of 1,887 stores from 9,540 stores in March 2018,

representing a 19.78% fall in store count¹⁵.

Xtep to acquire parent company of K-Swiss, Palladium, and Supra for US\$260 million

On 2 May, Xtep International Holdings Co., Ltd. announced that it has entered into a share acquisition agreement with E-Land World Company, Ltd. and E-Land USA Holdings Inc. (collectively, “E-Land Group”) through its wholly-owned subsidiary. Xtep will acquire 100% stake of E-Land Footwear USA Holdings Inc., the parent company of footwear brands including K-Swiss, Palladium and Supra, for US\$260 million in an all-cash deal (approximately 1.75 billion yuan). The acquisition will be funded by internal funds and is expected to be completed by the end of July this year. According to Xtep, these footwear brands have their own unique brand positionings and different target customer groups, which are highly complementary to Xtep's current brand portfolio. Xtep also believes these brands can benefit from its vast sales network, leading edge R&D technology and supply chain resources, which enable them to speed up their business growth in the fast-growing sportswear market in Greater China¹⁶.

Mogujie offers “New Style Testing” services for brands

On 7 May 2019, social e-commerce platform Mogujie announced to launch “New Style Testing” business and offer one-stop solutions for brands from product launch to personalized mix-and-match service. Participating fashion brands can send new products to Mogujie 7-15 days prior to launch such that Mogujie can invite fashion bloggers and KOLs to provide mix-and-match ideas in MOGU STUDIO and other partnering platforms. In this way, Mogujie users can learn about the new products, styling tips and

shopping channels in advance. It is reported that brands currently add over 1,000 styles via the “New Style Testing” services every day¹⁷.

Cosmetics

Estée Lauder lowers China prices for selected products

Estée Lauder has cut the retail prices of selected skincare products, color cosmetics and fragrance products for all its brands starting 1 May. This is the fourth time that Estée Lauder lowered suggested retail prices for selected products in the past four years. Selected products from its brands including La Mer, Estée Lauder, Clinique, Origins, Tom Ford, Jo Malone, M·A·C, Bobbi Brown, Darphin, and Lab Series were lowered driven by the cut in China’s value-added tax rate with effect from 1 April¹⁸.

NMPA launches operation to crack down on websites selling substandard cosmetics products

On 30 April, China’s National Medical Products Administration (NMPA) officially issued a circular on launching an operation to crack down on websites selling substandard cosmetics products. Since May 2019, the NMPA has taken action nationwide against online vendors and e-commerce platforms selling substandard cosmetics products and illegally marketing their products online with fake product and manufacturing information¹⁹.

LuisaViaRoma recently announced that it has entered into partnership with its Chinese counterpart Secoo. Under the agreement, scheduled to take effect from mid-June this year, Secoo will add 500-plus luxury and fashion brands on LuisaViaRoma’s platform to its ’s 500-plus luxury and fashion brands to its portfolio of brands; in return, Secoo will support LuisaViaRoma with its expertise in mobile payment, order tracking and logistics areas, among others²⁰.

Luxury sector

Italy’s luxury e-commerce platform LuisaViaRoma joins hands with Secoo to tap China market

Italy’s luxury e-commerce platform

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