

China Retail & E-commerce

Weekly Updates

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Retail in general



MOFCOM to reduce import tariffs on some consumer products to boost imports

On 2 November, Wang Bingnan, Vice Minister of the Ministry of Commerce (MOFCOM) announced that the MOFCOM is going to boost imports in three ways – (1) to improve and refine the fiscal and financial policies for expanding imports, including lowering import tariffs on some consumer products; expanding the product category for imported technologies and products, encouraging banks to expand import financing; increasing imports of advanced technological equipment and key components. (2) to improve the supply and demand relationship as well as streamline trade procedures; to facilitate the integration of customs clearance procedures; and to improve the inspection and quarantine system; (3) to reform and encourage innovative supervisions for imports; and to develop innovative trade models for imports¹.

E-commerce



Mintel: Per capita online spending reaches its peak among Chinese urban consumers

According to Mintel's latest report – "China's New Retail 2017", the online retail sales in China are on the rise. Mintel estimates that online spending per capita will reach 45.7% of the total spending per capita by the end of 2017. However, the proportion of online spending to total spending per capita will remain unchanged in 2018 and 2019. Mintel

said the average per capita spending by urban consumers in China has almost reached its peak, partly because consumers are increasingly keen on enjoying the shopping experience and services instead of merely focusing on the products while shopping online; and consumers are adapting to the new retail business models – they are expecting a higher degree of integration of online and offline shopping. These imply that the competition among retailers would become more intensified; more mergers, acquisitions and strategic cooperation would be seen in the market².

Alibaba Group announces September quarter 2017 result with core commerce revenue growth of 63%

Alibaba Group announced results for the second quarter of fiscal year 2018 (1 July – 30 September, 2017). The report shows that revenue of Alibaba reached 55.122 billion yuan, an increase of 61% yoy. Revenue from core commerce amounted to 46.462 billion yuan, an increase of 63% yoy. Among them, Tmall recorded 49% yoy growth for physical goods GMV, continued to lead the industry for the second consecutive quarter. Daniel Zhang, CEO of Alibaba Group said, "We had an outstanding quarter. Our consumer insights and technology innovation are the key drivers behind our customer value proposition across the Alibaba economy. We are seeing the early results from our efforts to integrate online and offline with our New Retail strategy."³

Alibaba launches 11.11 Global Shopping Festival in Malaysia

Alibaba Group has launched its 11.11 Global Shopping Festival for the first time in Malaysia, offering discounts of up to 50% and international shipping fees starting from zero ringgit. According to Alibaba, it will offer more localized services to Malaysia consumers,

including home delivery and installation. The most popular categories purchased by Malaysia consumers on Taobao include apparel, cosmetics, home products and home electronics⁴.

JD.com signs strategic cooperation agreement with Economic Daily Press Group

On 6 November, JD.com signed a strategic cooperation agreement with the Economic Daily Press Group, which is administratively managed by the Ministry of Communication of the Party's Central Committee. Both parties will conduct strategic cooperation in various fields including media development, big data analytics, think tank building, etc. and they will jointly explore new paths for cooperation between media and enterprises. It is reported that the Economic Daily Press Group and JD.com will jointly build a media technology laboratory, investigating in areas such as artificial intelligence, big data, virtual reality and augmented reality in the field of media convergence⁵.

Kaola.com partners with supermarket chains, department stores and e-commerce platforms from all over the world to participate in 11.11 Global Shopping Festival

Kaola.com has had a lot of preparation for the 11.11 Global Shopping Festival this year. Other than distributing more than 2 billion red packets online, Kaola.com will increase the use of different marketing channels, including offline advertisements. Additionally, Kaola.com started stocking up inventory three months in advance. With its large-scale overseas expansion this year, Kaola.com will partner with supermarket chains, department stores and e-commerce platforms from all over the world to participate in the Shopping Festival this year⁶.

Suning.com announces a strategic investment in shopping platform Daling

On 3 November, Suning.com announced to invest in Daling, an “online+offline” shopping platform and said the two sides will conduct all-round cooperation to explore the sharing of online and offline supply chains and distribution channels for global beauty and creative home décor products. It is reported that Suning.com and Daling's cooperation would focus on Suning's supermarkets and some overseas shopping categories⁷.

Suning invests 20 billion yuan in Hengda Real Estate

According to a latest stock exchange filing on 6 November, Suning Commerce Group has invested 20 billion yuan in Hengda Real Estate, a subsidiary of Evergrande Group, through its wholly-owned unit Nanjing Runheng Enterprise Management. Runheng will hold a 4.7% stake in Hengda Real Estate after the investment. Suning and Hengda Real Estate have also signed a strategic deal to collaborate in various areas including commercial property development, infrastructure supply chain, financial services, smart home devices and O2O property sales⁸.

Suning opens first unmanned store in Shanghai

On 6 November, Suning opened its first unmanned store “Suning Biu” in Shanghai in Wujiaochang, which is Suning's second unmanned store in China. Compared to its first store which was opened in Nanjing in August, this store has more floor space and offers a wider range of product categories – apart from Suning's sports products, it also sells products from Suning's supermarkets and department stores. Different from the other unmanned stores, consumers can

access Suning Biu via facial recognition instead of scanning QR codes. To use the facial recognition function, consumers need to download the mobile app of Suning Financial and “scan” their faces via the mobile app to set up their account. Consumers can complete self-check-out without lining up, and the system will deduct the payment by automatically identify the user’s profile⁹.

E-commerce logistics



SPB: Number of express delivery parcels expects to exceed 1.5 billion during 11.11 Global Shopping Festival period, up more than 35% yoy

On 7 November, the State Post Bureau of the PRC (SPB) predicted that the total number of national express delivery parcels during the 11.11 Global Shopping Festival period (11-16 November) will exceed 1.5 billion, up more than 35% yoy. The logistics industry is well-prepared for the festival – (1) estimate the sales of e-commerce players and the capability of logistics enterprises; (2) increase the number of logistics staff and capacity of vehicles; (3) strengthen the use of big data in monitoring the logistics network; (4) ensure the stability of the logistics network, especially in Western China and in rural areas; (5) strengthen safety supervision of the delivery process¹⁰.

Department stores and shopping malls



MOFCOM releases the “China Shopping Center Index” for 3Q17

The Ministry of Commerce (MOFCOM) released the “China shopping center index” for 3Q17. The index was 66.9 in 3Q17, up 2.1 points compared with the previous quarter. It shows that China’s shopping mall market still maintained a good development momentum. Expectation index for the shopping mall sector in the coming six months was 72.0 in 3Q17, down 3.1 points compared with the previous quarter¹¹.

Intime (Beijing Dahongmen branch) launches smart nursery room

On 4 November, Intime Department Store (Beijing Dahongmen branch) has put its smart nursery room – which is also Tmall’s first smart nursery room – into trial operation. Intime has converted the nursery room into a smart nursery room by installing a vending machine selling maternity and baby products. The vending machine can hopefully meet the urgent needs of mothers, such as buying milk formula, diapers, etc. From the industry experts’ point of view, the smart nursery room might possibly become a new business opportunity for the retailer¹².

The Galeries Lafayette Group accepts WeChat Pay

The Galeries Lafayette Group announced on 8 November that shoppers at its flagship Galeries Lafayette Haussmann and BHV Marais stores can now check out with WeChat Pay. The WeChat Pay in France is backed by the Paris-headquartered international banking group BNP Paribas¹³.

Supermarkets and hypermarkets



JD.com's new retail store 7 Fresh is about to open

JD.com recently announced that it will soon launch its first offline fresh supermarket 7 Fresh. 7 Fresh will provide consumers with more convenient choices in many aspects such as products, catering, supply chain, smart technology and so on. 7 Fresh will utilize JD.com's big data to select brands and products, and its professional buyers team will visit the country of origin of the products to ensure product quality; 7 Fresh can also perform accurate inventory management and intelligent replenishment by leveraging its big data capability; all delivery of 7 Fresh will be done by JD Daojia; the store will also have a dining area¹⁴.

Convenience stores



Deloitte, AliResearch: Economic growth, the rise of young consumer groups, government support and capital injection drive the growth of the convenience store industry over the past few years

Deloitte China and AliResearch jointly released China's convenience store industry report – "Convenience Store's Next Stop". According to the report, there are three main forces supporting the industry growth, namely, young consumers who are the major consumption force in the society, governmental support, and capital injection. The rapid economic development in China

has stimulated the consumption demand of the younger generation, who are looking for convenient, personalized and high-quality shopping experience. At the policy level, a number of national and local policies have been promulgated to support the development of the convenience store industry since 2014. The promulgation of these policies has further standardized the structure of the industry and thus accelerated the development of key convenience store operators. The industry's steady growth brings to investors' attention and several convenience store operators have successfully received financing in 2017¹⁵.

Apparel and shoes



Belle Group's yougou.com to join VIP.com during 11.11 Global Shopping Festival period

Belle Group announced that its e-commerce platform yougou.com launched on VIP.com during the 11.11 Global Shopping Festival period. Currently, yougou.com has presence on three key platforms, namely JD.com, Tmall and VIP.com. In addition, yougou.com has started to implement O2O integration, backed by the company's offline warehouses in 28 provinces and its own research and development of factory technology. With the support of Belle Group's supply chain capabilities, capital and brand advantages, yougou.com participates in all aspects of product R & D, design, production and retail through an open platform model and cooperates with different brands. At present, the platform sells mainly sports and outdoor products, footwear, apparel, mother-and-infant products, etc¹⁶.

Nike and Tmall jointly open two smart stores

On 8 November, the two smart stores jointly operated by Nike and Tmall were open in Shanghai Daning Plaza and Hangzhou Binjiang Avenue. Consumers can make their purchases by scanning the QR code of the products with Taobao app. Transaction information will be collected in Nike's database, and Nike can offer personalized services by analyzing the data¹⁷.



Estee Lauder Group's latest quarterly report: net profit soars 45% mainly due to the implementation of China's expansion strategy

U.S. beauty giant Estee Lauder Cosmetics Group announced results for the first quarter of fiscal year 2018, with net profit soaring 45% yoy to US\$ 292 million, mainly due to the implementation of China's expansion strategy as well as the acquisition of a number of cutting-edge make-up brands that are highly popular among millennial consumers. Estee Lauder Group said the continual growth of the company was attributable mainly to the vigorous development of mainland China, Hong Kong, tourism retail and global e-commerce market¹⁸.



B&Q opens first smart store B&T home in China

On 4 November, British home product retailer B&Q joined hands with Alibaba to open its first smart store B&T home in Shanghai, which is also the first smart store in the home product industry. To create an entirely different smart consumption model, B&T home uses four kinds of retail technologies in-store for the first time, including facial recognition, AR technology, 360 ° panorama view, one-click navigation and one-click shopping application. There are more than 70 product experiential points in-store; customers' shopping experience can be enriched through seeing, touching, and "listening" the products. It is reported that B&Q will roll out this smart store model to other cities; Hangzhou and Beijing will come next, after the opening of the Shanghai store¹⁹.

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