

China Retail & E-commerce

Weekly Updates

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Retail in general



NDRC announces five measures to promote domestic consumption upgrade

On 30 March, China's National Development and Reform Commission (NDRC) released the "Domestic Resident Consumption Development Report in 2017" in a conference held in Beijing. NDRC reveals that the government will carry out five measures to promote domestic consumption upgrade, making domestic consumption a stronger force to drive economic development. The five measures are summarized as follows:

1. Encourage more private investments in medical care, elderly care, education, cultural and sport sectors;
2. Support domestic consumption upgrade with sound policies; continue to promote the "ten initiatives for boosting consumer spending", especially information consumption, tourism, and green consumption;
3. Optimize the quality management system to improve product and service quality
4. Strengthen regulation and supervision on credit institutions to create favorable conditions for domestic consumption
5. Improve market infrastructure to enhance consumer experience; support the widespread application of big data, cloud computing and IoT¹.

CGCC, CNCIC: China's 40 years of reform and macroeconomic development pose significant impacts on the consumption market

On 30 March, the China General Chamber of Commerce (CGCC) and the China National Commercial Information Center (CNCIC) jointly held a press conference in Beijing to announce the sales figures of selected product categories monitored by the CNCIC. It was highlighted in the press conference that China's 40 years of reform and macroeconomic development have posed significant impacts on the consumption market – in particular, urban consumption has played a dominant role in driving the consumption market; retail enterprises have grown rapidly amid a more opened business environment; and the retail sector has continued to grow and transform, together with the emergence of some strong local Chinese brands².

E-commerce



CCAGM, WeChat Pay: Smart unmanned retail format is more popular among male users

The China Commerce Association for General Merchandise (CCAGM) and WeChat Pay jointly released the first report on unmanned retail industry in the mobile payment era. The report shows that the smart unmanned retail format is more popular among male consumers, of which the proportion of male consumers using smart vending machines reaches 63%, which is significantly higher than that of using unmanned shelves. Customers aged between 19 and 40 are the key users of the smart unmanned retail format. It is observed that customers of vending machines are younger than those of unmanned shelves, attributable to the location of the unmanned shelves and vending machines – vending machines are usually located in school areas, whereas unmanned shelves are more often found in office areas³.

Alibaba fully acquires Ele.me in a US\$9.5 billion deal

On 2 April, Alibaba Group, Ant Financial Services Group and Ele.me jointly announced that Alibaba has signed an agreement to fully acquire Ele.me for US\$9.5 billion. Going forward, Ele.me can leverage Alibaba's infrastructure in commerce and find new synergies with Alibaba's diverse businesses to add further momentum to Alibaba's New Retail initiatives. Alibaba emphasized that Ele.me will continue to operate under its brand and that Alibaba will offer full technical support and expertise to further digitize the operation⁴.

China UnionPay ties up with WeChat Pay for barcode payments

On 1 April, China UnionPay Co. and WeChat Pay announced to cooperate in barcode payments. China UnionPay said that the two companies have completed systems connection, joint testing and verification process. China UnionPay has started providing acquirers with pilot access services for WeChat Pay⁵.

Suning opens 10 Suning Xiaodian in Beijing on one day

On 30 March, 133 Suning Xiaodian were opened simultaneously across the country, of which ten stores were opened in Beijing. Based on the needs of different consumer groups, each of Suning Xiaodian has different operating model – for instance, some may operate community stores targeting families, while other may operate models targeting white-collar works; some stores may serve areas with huge traffic flows. All of the stores aim to provide shopping convenience to customers and satisfy their demand for quality

products and services. Currently, there are 12 Suning Xiaodian in Beijing⁶.

Suning acquires DIA China

On 3 April, DIA China announced that it has signed a binding purchase and sales agreement with Suning regarding the sale of 100% stake in DIA China. After the completion of the acquisition, Suning will help upgrade and explore the capabilities of DIA China in various areas with its smart retail solutions. Meanwhile, Suning will leverage DIA China to accelerate Suning Xiaodian's expansion in Shanghai. DIA Group is a well-known Spanish multinational company with more than 6,400 stores around the globe. Entered the China market in 2003, DIA China currently has about 2.5 million members in Shanghai and operates more than 300 stores in key commercial districts of Shanghai⁷.

Retail logistics



Cainiao to launch the world's first smart delivery system in a community in Hangzhou

On 1 April, Cainiao announced to launch the first smart delivery system globally in a community in Yuhang District in Hangzhou. The smart delivery system compiles of four major elements including facial recognition system, "smart pipes", smart lockers, and an app to control the locker. Authorized courier staff can scan their face to verify their identity and deliver parcels into the smart delivery system. After passing through the Cainiao Security System, parcels will be distributed to respective smart lockers inside each apartment. The smart delivery system also

supports reverse logistics. Users can also adjust the temperature inside the smart locker for the storage of fresh food⁸.

Department stores and shopping malls

House of Fraser receives additional £15 million injection from Sanpower

According to media from the U.K., Sanpower Group plans to inject an additional £15 million into House of Fraser to help address the latter's financial problem. Earlier, Sanpower has already injected £15 million into House of Fraser. The new round of funding means that House of Fraser would receive a total of £30 million in less than a month from Sanpower Group, which has a 38% stake in the company through its subsidiary Nanjing Xinjiakou Department Store. Sanpower Group stated that it will maintain its stake at HoF for a long time and further increase its investment in the HoF brand in the future⁹.

Intime Retail acquires Kaiyuan Retail for 3.361 billion yuan

On 30 March, Xi'an International Medical Investment Company announced that the company will dispose 100% stake of Kaiyuan Retail to Intime Retail for a cash consideration of 3.361 billion yuan. A source from Xi'an International Medical Investment Company said that the target – Kaiyuan Retail refers to the chain department store assets under Xian International Medical Investment Company. Through the acquisition, Intime Retail will join hands with Kaiyuan Retail to explore more about New Retail business models; establish a digital membership system as well as two-way interactive membership network; offer more personalized products and services;

provide discounts for members; and carry out target marketing. In addition, both parties will also pair up to give a makeover to their nursing rooms, toilets, parking lots, smart service centers, etc.. It was reported that Xi'an International Medical Investment Company, formerly known as Xi'an Jiefang Department Store, was rebranded under its current name in 2015; the company is mainly engaged in two business segments - medical services and department store retailing business, and also involved in equity investments in different business scopes¹⁰.

Supermarkets and hypermarkets

JD.com launches first unmanned pop-up supermarket "Joy Space"

JD.com launches its first unmanned pop-up supermarket "Joy Space" in front of the China Plaza Shopping Center in Guangzhou during the period of 30 March till 6 April. With an area of about 150 sqm, the pop-up store offers merchandises including beauty products, daily necessities, and snacks. In the make-up area of the store, customers can perform virtual make-up trials through magic mirrors; and also raise questions related to skin conditions and mix-and-match of make-up products to the smart speakers in-store. After choosing the goods, customers can walk through the "check-out aisle" with a screen equipped with RFID technology, which can automatically identify the goods chosen and the amount to pay. The door will automatically open once the payment is settled. JD.com treats "Joy Space" as a long-term sustainable project, which will be rolled out to the other cities in the future¹¹.

Hema Xiansheng offers 24 hours delivery service in Shanghai and Beijing

Hema Xiansheng announced that it has started to offer 24 hours delivery service in 25 stores in Shanghai and Beijing starting 1 April. Customers can use the Hema app to place order during the closing hours of Hema physical stores (10pm to 7am) and able to receive the order as quick as 30 minutes. At the same time, Hema will further enhance its product offerings, from fresh produce to all other basic necessities¹².

Apparel and shoes

OFashion, Nielsen: Adidas and GIVENCHY are the most sought-after brands among Chinese stylish young adults

On 29 March, China's online luxury fashion e-tailer OFashion and international research agency Nielsen jointly released a research report on big data analysis of fashionable brands, studying the consumption of fashionable brands in China and buying behavior of local young consumers of upscale fashionable brands. Key points of the study are as follows:

- Consumption of fashionable brands grew 3.7 times faster than non-fashionable brands, with the growth rate of fashionable brands hitting 62% versus 17% of non-fashionable brands.
- The post-90s and post-95s generations are the major consumer groups of fashionable brands, with post-95s consumers making up 25% of the total consumption for three straight years.
- Compared with consumers of non-fashionable brands, male consumers of fashionable brands registered growth year-on-year; during 2015-2017, male consumption on fashionable brands rose

from 29% to 36%, and driven by the increasing consumption of fashion brands, male consumers of non-fashionable brands have also indicated moderate growth, suggesting the strong growth momentum of male consumption of fashionable brands.

- Clothing and footwear make up a majority of fashionable brand consumption, with hoodies, shoes and T-shirts among the most beloved items, while market share of apparel accessories, footwear and handbag are shrinking gradually.
- For fashionable brands, in terms of market share, Adidas and GIVENCHY are the most sought-after brands among Chinese stylish young adults; both brands are among the top two brands for male and female consumer groups.
- In tier-1 cities, backed by extensive communication channels, vertical fashion e-commerce apps and online platforms with trendy topics are well received among consumers; for tier-2 and tier-3 cities, consumers learn more about fashion trends from celebrities' microblogs and social networking platforms among friends and daigou agencies.
- In terms of buying channels, consumers in tier-1 cities adhere to daigou, cross-border e-commerce apps, and social commerce sites, which allow them to get quality products quickly; in tier-2 and tier-3 cities, money-saving virtual e-commerce sites and daigou by friends are the more preferred buying channels¹³.

Tmall's apparel division offers "Best Choice Products"

On 3 April, Tmall's apparel division announced the rollout of "Liangpin Zhenxuan"

(Best Choice Products) to ensure consumers can get high-quality products from its online platform. Consumers can search with the keyword “Liangpin Zhenxuan” on Taobao mobile app and get a list of best choice apparel products recommended by Tmall. Tmall also applies product tracing and tracking system throughout the entire supply chain for all products with the label “Liangpin Zhenxuan” and recommends them on its platform. Meanwhile, Alibaba also announced the launch of a specific set of standards for assessing garment quality for the first time¹⁴.

STACCATO opens pop-up store in Shenzhen

STACCATO, a footwear brand under Belle Group, opened a pop-up store in Shenzhen’s Yifang Center recently. Different from the brand’s previous pop-up stores, this store is a dark box equipped with light sensors which can identify customers who walk into store with STACCATO shoes; different light patterns will be shown depending on the styles of shoes the customers are wearing. On the other hand, video social networking app “Tik Tok” will launch themed activities related to the pop-up store during the period. STACCATO will have a roadshow for this pop-up store in various cities in China in the coming six months, and the next stop is Chengdu’s MIXC City¹⁵.

its IPO application in 2012 and after six years, the company has finally gone public.

According to the IPO prospectus, Babemax has offered 25 million shares, with each share priced at 19.95 yuan, raising a total of 412 million yuan. The fund will be used to expand the marketing network of maternal and child products, establish an ecosystem platform dedicated to maternal and child services, and replenish operating fund for its core businesses. According to media reports, Babemax was founded in May 1997 and it currently owns 189 self-managed stores. The company offers a wide range of maternal and child products, including infant milk products, diapers, feeding products, toys, baby clothes, toiletries, and maternal supplies. In 2017, Babemax racked up 93.58 million yuan in net profit, up 26.47% yoy from 2016¹⁶.

Kids products



Babemax goes public on Shanghai Stock Exchange

On 30 March, Shanghai Aiyingshi Co. (Babemax) was officially listed on the Shanghai Stock Exchange. Babemax first filed

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