

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE
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Retail in General

Hangzhou plans to transform into a demonstration city of new retail

Recently, Hangzhou municipal government published the “Opinions on Promoting New Retail Development (2018-2022) (Draft)” on its official website, aiming to promote the new retail transformation in the physical retail sector and turn Hangzhou into the country’s first demonstration city of new retail. The Opinions state that the local government will set aside 100 million yuan each year as new retail development fund, which will mainly be used to support the new retail upgrade of traditional retail enterprises and partnership projects between e-commerce companies and traditional offline retailers. The Opinions also note that it is necessary to actively adapt to the new retail development trend, introduce new business formats, attract international brands, showcase heritage brands and expand new consumption as a way leading to consumption upgrading. The local government will also support more than 30 time-honored enterprises to develop new retail-related businesses. In line with the new retail development plan, the Opinions also put forward that supermarket chains in key districts should provide 30-minute delivery services for online orders within a radius of 3km; community stores around residential areas should offer delivery services to customers within a radius of 300m, maximizing delivery service coverage to meet customers’ daily consumption demand amid the new retail trend¹.

Vip.com and Atom Think Tank: Tier 1,2 cities trend to rational consumption; tier 3,4,5 cities undergo consumption upgrading

On 6 December, Vip.com and Tencent’s Atom

Think Tank jointly published the “Report on Wise Consumption of Chinese Family Households”. The report shows the survey findings of a poll of 2,000 consumers from different tier cities across China, combined with Vip.com’s big data on discount sales over the past 10 years. With a focus on discount sales business model and the country’s most important consumption group – family households, the report states that Chinese consumers have become more discerning and consider “value for money” a key factor influencing their online buying decisions. Meanwhile, Vip.com’s discount sales big data suggest that consumers in tier 1 and 2 cities are gradually trending to rational consumption, while tier 3, 4 and 5 cities are undergoing consumption upgrading. The report also reveals that female consumers are playing an increasingly dominant role when it comes to making household spending and investment decisions².

E-commerce

New policies on cross-border e-commerce retail imports to take effect from 2019

According to the announcement by the Ministry of Finance on 29 November, China will adopt revised policies on cross-border e-commerce (CBEC) retail imports from 1 January 2019 onwards, extending the preferential policies for goods on the CBEC retail imports list. Starting from 1 January 2019, the transaction limit per order of goods included in the CBEC retail imports list will be raised from 2,000 yuan to 5,000 yuan, and from 20,000 yuan to 26,000 yuan per head per year. CBEC retail goods are merely sold to end customers and not allowed to be resold in the domestic market³.

Vip.com and Tencent: growth rate of overseas online purchase in tier-4 cities nearly doubles that of tier-1 cities

Recently, Vip.com and Tencent jointly published a research report on female fashion. The report analyzes female consumer behavior on fashion, and summarizes the market trends as follows:

1. The yoy growth of overseas online purchase in Tier-4 cities nearly doubles that of tier-1 cities.
2. Younger consumers value product functionality more than the brand.
3. Consumers rely heavily on the content provided by e-commerce platforms and social media to better understand the products; content recommendation has a much bigger impact for consumers who are highly influenced by market trends⁴.

Alibaba opens first European e-commerce hub in Belgium

On 5 December, Alibaba Group signed an agreement with the Belgium government to launch its first European Electronic World Trade Platform (eWTP) in Belgium, aiming to promote global cross-border trade. Alibaba said the establishment of eWTP will not only enable more foreign consumers, not just in Europe, to purchase Chinese goods in a more easy and convenient way, but also give Chinese consumers greater access to foreign goods from Europe and other countries. Alibaba's logistics arm Cainiao Network will develop global smart logistic network in its e-hubs around the world as a way to offer 72-hour global delivery service and support cross-border trades for SMEs. Cainiao will initially launch six e-hubs in Hangzhou, Hong Kong, Kuala Lumpur, Dubai, Moscow and Liege respectively; these e-hubs are expected to delivery ultra-fast custom clearance for cross-border e-commerce trades⁵.

Tmall and Apple jointly launch customer service center

On 29 November, the customer service center jointly operated by Tmall and Apple was put into service. Located at Wuxi, the customer service center has been put to test for one month and has experience in handling large volume of enquiries including product consultation, order inquiry, and after-sales service during the 11.11 Global Shopping Festival. Apple's Genius service is also available in the center, which allows Apple customers to enjoy the same level of professional services as in the Apple Store⁶.

Tmall targets to build 10,000 smart nursery rooms in two years

On 4 December, Tmall Maternity and Baby product division announced that the Tmall smart nursery room project will proceed at full speed in 2019 – Tmall will build a total of 10,000 smart nursery rooms in the next two years, instead of 1,000 as originally planned. Tmall started this project in November 2017 and since then, it has formed collaborations with supermarket and department store operators such as Intime, RT-Mart, Hema Xiansheng, and Bailian; as well as with commercial property operators such as Taikooli and CapitaLand on building smart nursery rooms on their premises. By 1 December, 2018, Tmall has built a total of 200 smart nursery rooms nationwide, covering 12 cities including Beijing, Shanghai and Guangdong⁷.

Taobao Tian Tian Te Jia renames to Tian Tian Te Mai; to establish 10,000 factories for customized products

On 29 November, Alibaba officially renamed Tian Tian Te Jia to Tian Tian Te Mai, and plans to establish 10,000 factories for customized products under Tian Tian Te Mai

over the next three years. Tian Tian Te Mai believes that consumers nowadays look for value-for-money goods instead of solely low-priced products. Taobao rolled out the platform in 2010, which won the market share in tier-3 and tier-4 cities by launching products sold at a special price of 9.9 yuan including postage fee⁸.

Taobao Xinxuan to incubate 1,000 original brands over the next 3 years

On 3 December, Taobao Xinxuan officially launched the new products designed by Japanese industrial designer Naoto Fukasawa. Over the next three years, Taobao Xinxuan targets to incubate 1,000 original brands through collaborating with designers and entrepreneurs with original designs or product content. To protect the product designs, Taobao Xinxuan will also connect with Alibaba's protection system for original designs. Designers can submit their designs to the system after registration, which can protect the property rights of their designs. As of to date, Taobao Xinxuan has cooperated with more than 50 designers, IP and merchants with original designs⁹.

JD.com upgrades its IoT ecosystem; forms strategic partnership with Huawei's Consumer Business Unit

On 4 December, JD.com announced that it has upgraded its IoT business to "Xiaojingyu AIoT Ecosystem". With the implementation of the upgraded system, JD.com will provide high-quality IoT (Internet of Things) solutions to industry partners and will fully utilize the system to be the new growth engine for the company. On the same day, JD.com signed a strategic cooperation agreement with Huawei's Consumer Business Unit. Under the agreement, JD.com will connect both its smart hardware and software systems to Huawei's platforms. Apart from sharing data, distribution

channels and logistics knowhow, the two companies will jointly build nationwide industry standards and best practices for the smart home product industry, and will also jointly build laboratories in China¹⁰.

E-commerce logistics

Taobao launches two-hour ultra-fast delivery service during "Double 12" shopping festival

Taobao's users can enjoy a new two-hour ultra-fast delivery service during this year "Double 12" shopping festival. Consumers in eight cities including Shanghai, Chengdu, Wuhan, Guangzhou, Xi'an, Fuzhou, Xiamen and Shenzhen will be first to enjoy the new delivery service¹¹.

Department stores and shopping malls

Macy's fully exits China

American department store chain Macy's has shut down its online flagship store on Tmall, following the closure of its official website in China six months ago. Macy's announced on its Tmall Global platform that the online store will no longer be receiving orders from 3 December onwards, and will stop all services from 31 December. The closure of its official Tmall Global store marks the complete retreat of Macy's in China. Upon the closure, Macy's will no longer have distribution channels in China, but will continue to provide services through its U.S. website¹².

Outlets

Florentia Village launches omni-channel “new retail” virtual pop-up store in Shanghai

Recently Florentia Village and British luxury brand Mulberry jointly opened an omni-channel “new retail” virtual pop-up store in Shanghai, as a starting point to form an ecosystem for O2O2O (online to offline to online) services. Florentia Village said it plans to extend the new business model to all its outlets in China in 2019. Meanwhile, Florentia Village has launched its official online store on WeChat, which houses 19 affordable luxury brands¹³.

Supermarkets and hypermarkets

Hema Xiansheng trials paid membership program during “Double 12” shopping festival; to roll out nationwide next year

On 27 November, Hema Xiansheng started trialing its paid membership program nationwide during its “Double 12” shopping festival. Customers subscribed to the paid membership can enjoy buy one get one free offer on hundreds of selected products and 200-yuan worth of coupons. During 27-29 November, there were around 100,000 customers subscribed to the paid membership; 1,000-plus retailers from over 100 malls have participated in Hema Xiansheng’s Double 12 shopping festival. Earlier in April, Hema Xiansheng rolled out its paid membership program in Shanghai; customers who paid a 188 yuan annual membership fee could enjoy nine types of benefits including buying products for free, weekly milk coupons, weekly meals coupons

and weekly membership day. Hema Xiansheng said the company may roll out the paid membership program nationwide next year following the trial during the Double 12 shopping festival¹⁴.

Five Auchan stores to adopt RT-Mart operating model

Auchan China has announced that five of its stores in Southern China will be transformed and adopted the RT-Mart operating model; the five stores include the Guangzhou Fafa branch, Dongguan branch, Zhaoqing Huaiji branch, Fujian Fuqing branch and Meizhou Xingning branch. According to Auchan China, the five Auchan stores will only adopt the RT-Mart operating model and remain unchanged in all other aspects. Auchan China said the move will help deepen the cooperation between Auchan and RT-Mart, benefiting both parties with each other strengths and expertise, especially RT’s sound logistics system and sourcing capability in Southern China¹⁵.

Convenience Stores

Meiyijia opens 12 stores, entering Shanghai for the first time

On 4 December, Meiyijia announced the simultaneous opening of its 12 convenience stores in cities including Suzhou, Shanghai, Wuxi, Nanjing and Hangzhou; this is the first time Meiyijia entered the Shanghai market. Meiyijia was reportedly established in 1997 and is the largest convenience store operator in China. Currently, Meiyijia has more than 15,000 stores nationwide, covering 83 cities in 14 provinces in Southern China, Central China and Eastern China¹⁶.

Suning Xiaodian acquires 31 stores of Xi'an Grea Convenience Store

On 5 December, Suning Xiaodian confirmed that it has acquired 31 stores of Xi'an Grea Convenience Store, which is expected to complete the store renovation by end of December. Grea Convenience is a convenience store brand under Shaanxi Yike Business Development Co., Ltd., and has reached a cooperation agreement with Xi'an Metro to open convenience stores in their metro stations. As of to date, Suning Xiaodian has opened 150 stores in Xi'an¹⁷.

Apparel

La Chapelle to invest 9 million yuan in expanding store network

On 4 December, Shanghai La Chapelle Fashion Co., Ltd. made an announcement regarding the company's issuance of A share convertible bonds. La Chapelle stated that the fund raised from the issuance, approximately 9 million yuan, will mainly be used to expand store network, upgrade existing stores, open smart stores and build logistic hubs. The company plans to open 1,350 self-operated stores to further expand its sales network. Meanwhile, some of its existing stores will also undergo makeover and upgrade with a focus on store basic renovation, layout design and visual identity system; visual merchandising display and storefront will also be revamped to improve store image and function¹⁸.

Kidswant to open 22 new stores in December

On 30 November, Kidswant opened its 13th store in Nanjing Garden City Center in Qixia District, Nanjing. The kidswear brand plans to open a total of 22 new stores in 18 cities in 14

provinces, covering Eastern China, Southern China, Central China and Southwest China, and will also enter some new cities in Shandong, Jiangxi and Jiangsu provinces. As of to date, Kidswant has reportedly opened 243 stores in 114 provinces and 114 cities in the nation¹⁹.

Luxury Goods

Secoo's net profit up 31.7% yoy to 44.9 million yuan in 3Q18

On 4 December, Secoo Holding Limited released the financial results for 3Q18. According to the financial report, total net revenues of Secoo in the third quarter was 1,572.4 billion yuan, an increase of 60.1% yoy; net profit increased 31.7% yoy to 44.9 million yuan from 34.1 million yuan in the same period of 2017. Number of active customers increased by 92.4% yoy to 304,000 for 3Q18 from 158,000 for 3Q17²⁰.

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Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

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