

China Retail & E-commerce

Weekly Updates

31 March – 6 April 2017



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Retail in general



Alibaba's SME Business School: Over 40% of SMEs in China lack confidence in the future market

Alibaba's SME Business School published a report titled "Current Situation and Development Strategy of Small and Medium-sized Enterprises". The report analysed the development prospects of small and medium-sized enterprises (SMEs), particularly the small entrepreneurs and micro-enterprises. According to the report, entrepreneurs prefer to start their own businesses in the following six industries, namely machines and hardware, home textiles and home construction material, daily necessities, ladieswear and underwear, packaging material, as well as maternal and infants' clothing. Shenzhen in Guangdong province and Hangzhou in Zhejiang province are the two top picks for people starting their businesses. In a survey about market sentiments, 54% of the SMEs said they were optimistic about the future, while 34% and 12% said they were either uncertain about it or were pessimistic, showing that a total of 46% of the surveyed SMEs lacked confidence in the future market. The report suggested that SMEs should focus on improving their current products or services through technological innovation and business model innovation so as to transform their businesses. Also, the report stressed that the integration of channels online and offline is crucial to business model innovation¹.

E-commerce



PwC China: Rural e-commerce, cross-border e-commerce, social e-commerce are the new growth points for e-commerce

PwC China published the "2017 China Retail E-commerce White Paper". The report stated that B2C transactions accounted for a growing proportion of the e-commerce market in the past few years. By 2018, the market size of B2C is expected to double that of C2C and will account for 68.1% of the total e-commerce market in China. Also, the compound growth rate of mobile e-commerce transactions reached 195% in the last five years, way higher than the overall growth rate of the online retail market, showing that the mobile channel has become dominant in e-commerce. Rural e-commerce, cross-border e-commerce, and social e-commerce are the market segments that offer new growth potentials in China's e-commerce market².

iResearch: Third-party mobile payment market amounts to 18.5 trillion yuan in 4Q16

According to iResearch, third-party mobile payment market in China amounted to 18.5 trillion yuan in 4Q16, up by 17.1% quarter-on-quarter. Of which, AliPay and Tenpay (payment services through WeChat and QQ) accounted for 55% and 37% of the total market share respectively. According to iResearch, the market share of AliPay increased 3.2 ppts quarter-on-quarter comparing with that in 1Q16, while Tenpay's market share dropped slightly by 1.3 ppts. According to analysis, Tenpay benefits from Tencent's two major social media tools WeChat and QQ and has a high usage rates

in the realm of small transactions. AliPay maintains its market leader position by expanding its offline usage and developing multiple financial services, such as Yuebao and Ant Check Later³.

WeChat Mini Program launches new features to open up more location-based services

WeChat announced two new features of WeChat Mini Program, including a third-party developer platform and the function to search for Mini Program in user's geographical proximity. The third-party developer platform allows third-party Mini Program developers to provide services to businesses who do not have resources to develop their own program. The location-based search function let users locate WeChat Mini Programs near them, thereby providing convenience to users and allowing businesses to reach their potential users more easily, as well as creating more scenario-based Mini Program services⁴.

Revenue of Suning up 9.62% yoy to 148.58 billion yuan for FY16

Suning Commerce Group announced its financial results for FY16. In the period, Suning Commerce Group recorded revenue of 148.58 billion yuan, up by 9.62% yoy. Net profit amounted to 704 million yuan, down by 19.27% yoy. As of 31 December 2016, Suning Commerce Group had a total of 3,491 retail stores. Online retail sales continued to grow at a relatively fast pace in FY16, increased by 26.2% yoy. In 2016, finance businesses of Suning Commerce Group, including payment and supply chain finance, increased by 157.21% yoy in terms of the total transaction size⁵.

JD.com launches new proprietary big data analytics tool for merchants

JD.com announced that it has launched a new proprietary big data analytics tool, namely JD.com Business Intelligence or JD Shangzhi, to replace its former analytic tool. The new tool was officially launched on 31 March, allowing merchants to conduct big data analysis and data-driven marketing and achieve smart operation. It has all the functions of the previous tool, including database query of information regarding products, retail stores, industries, brands, as well as analysis of industry developments, stores diagnosis, stores rating, after-sale services comparison, logistics and distribution channels, and single products. Moreover, new features available include per hour breakdown of the various metrics, data downloading function of the transaction analysis, as well as additional support to JD Global retailers⁶.

Ant Financial's VR Pay service now available on Xiaomi and Huawei's platform

Launching its VR Pay function on Xiaomi and Huawei's VR platforms, Ant Financial Services Group provides this service on third-party platforms for the first time. VR application developers on the two platforms can utilize the VR Pay function by embedding it in the applications and games they developed. Prior to this, the VR Pay function was only used in Taobao's Buy+ shopping application⁷.

Alibaba governance report: Alibaba helps confiscate 3 billion yuan worth of offline counterfeit products in 2016

Alibaba released the "Alibaba 2016 Platform Governance Report". It was the second consecutive years for Alibaba to publish this annual report focusing on issues around the protection of intellectual property rights and combating counterfeit products. The report

stated that Alibaba assisted police to confiscate 3 billion yuan worth of counterfeit products in 2016, doubling the amount of that in the previous year. The report revealed that by end of December 2016, 252 local and overseas brands joined a platform for rights protection organized by Alibaba. The report also advocated for the establishment of the world's first big data anti-counterfeits alliance⁸.

Supermarkets and hypermarkets



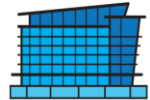
Lianhua Supermarket reports operating loss of 220 million yuan for FY16

Lianhua Supermarket announced its financial results for FY16. In the period, total sales amounted to 26.666 billion yuan, down by 2.0% yoy. Same-store-sales were down by 1.23% yoy and the operating loss before tax amounted to 220 million yuan, up by 71.420 million yuan from the previous year. In FY16, Lianhua Supermarket launched a new product strategy and expanded its fresh produce business. However as the average ticket size of fresh produce is lower than that of other product categories, this strategy did not have positive impact to the total average ticket size. As of the end of 2016, the company has 3,618 stores, which were 265 stores less than that at 2015 year-end. In the period, the company was committed to perform store upgrades and continue to transform its business⁹.

Wumart Group opens the first “Beijing Tianzhu Free Trade Zone Imported Goods Direct-sales Store” in Beijing

Wumart Group opened Beijing's first “Beijing Tianzhu Free Trade Zone Imported Goods Direct-sales Store”. Located in the Zhaoyang district, the store has a floor space of over 5,000 sqm. It sells over 6,000 SKUs of goods, covering more than 10 categories of imported foods and daily necessities. The store reportedly has the largest floor space and the most SKUs on shelf among direct-sales stores in the Beijing-Tianjin-Hebei area. Furthermore, consumers can place order online in the global shopping channel of the Dmall mobile app and goods will be home-delivered the day after¹⁰.

Department stores and shopping malls



CCAGM, Fung Business Intelligence: Department store sales growth continues to slow; the emergence of “New Retail” propels the department store sector to adapt and reinvent

Fung Business Intelligence joined forces with China Commerce Association for General Merchandise (CCAGM) to produce the China's Department Stores Report 2016-17. According to the survey, total sales proceeds of the 85 sampled department store operators increased 5.45% yoy to 656.7 billion yuan in 2016 and net profits soared 12.00% yoy to 4.0 billion yuan. Against the backdrop of slower economic growth and keen market competition, China's department store sector has exposed to considerable threats and pressure. Rapidly changing consumer behaviours have forced operators to adapt and change. Increasing numbers of

department store operators have sought to transform and upgrade themselves, and explore new business models and practices, with O2O as the cornerstone. In the “New Retail” regime, developing new business models with new innovations and breakthroughs has become industry consensus¹¹.

Full report:

http://www.fbicgroup.com/sites/default/files/CDSR_2016_ENG.pdf

Lane Crawford officially launches its e-commerce platform MyMM

MyMM (MyMM.com), an e-commerce platform with investment from Walton Brown of the Lane Crawford Joyce Group, has officially launched in April 2017. All the products available on MyMM are licensed directly to the platform by various brands for selling online. The first batch of retail partners selling on MyMM includes Lane Crawford, JOYCE Beauty, Rimowa, Furla, Tag Heuer, La Perla, and Kate Spade. Aside from selling in-season brand products, the platform also publishes an online lifestyle magazine¹².

Golden Eagle JV to open three lifestyle integrated stores in China in 2017

Golden Eagle Group and WonderPlace Co. Ltd. formed a JV and planned to open three Wonder Place stores in China in 2017. Wonder Place is an integrated store selling South Korean lifestyle brands covering fashion and daily necessities, including brands such as Up & Coming, Fresh & Unique, as well as Trendy & Seasonal Essential. The store mainly targets young female shoppers between 20-30 years old. Golden Eagle Group said that three Wonder Place stores will be opened in 2017, including the CapitaMall Westgate branch and M+ branch in Wuhan, as well as the Raffles City branch in

Shanghai. Wonder Place was founded in 2009 in South Korea and it currently has 50 stores there¹³.



Net profit of Handu Group increases 160.96% yoy to 88.38 million yuan for FY16

Handu Group announced its financial results for FY16. In the period, sales amounted to 1.431 billion yuan, up by 13.67% yoy. Net profit amounted to 88.38 million yuan, up by 160.96% yoy. According to the financial report, the increase in profit was mainly attributable to sales increase resulting from business expansion and improved gross profit ratio from the sales of goods and services. Revenue contributed by fashion sales and e-commerce services increased 13.18% and 60.38% yoy respectively, while gross profit ratio of ladieswear brand Hstyle and childrenswear brand Mini Zaru both increased significantly from that of last year. In the period, most of the group's sales were from Tmall, VIP.com and JD.com, in which sales from Tmall amounted to 933 million yuan and accounted for 65.19% of the total¹⁴.

Shanghai La Chapelle Fashion to invest 15 million yuan in eyewear brand Inmix

Shanghai La Chapelle Fashion Co., Ltd. announced that its wholly-owned subsidiary entered into a 15-million-yuan share purchase agreement with Beijing Mingtongsi Technology (BMT), which owns and operates leading Internet eyewear brand Inmix. According to the announcement, Inmix is among the top-selling brands on Tmall in the eyewear product category and has

consistently maintained a high growth rate. La Chapelle said that it will use its existing retail channels to increase the offline retail market penetration of Inmix . La Chapelle is a Shanghai-based mass-market ladieswear brand and is principally engaged in designing, marketing and selling apparel products in China. In 2016, it has a total of 8,907 stores, up by 1,014 from the previous year¹⁵.

Cosmetics



Coty to take back the China distribution rights of four major cosmetics brands

Coty Inc., a U.S.-based beauty products manufacturer, announced new brand strategy for its cosmetics business in China. Starting from 1 July 2017, it will take back the operations of four of its brands, namely Bourjois, Max Factor, Gucci, and Hugo Boss, from its current regional distribution partner, Eternal Optical & Perfumery (Far East) Ltd. Coty's Shanghai subsidiary, Coty Prestige (Shanghai) Ltd. will be responsible for the running of the brands. Aside from the four brands, Coty Inc.'s portfolio of high-end cosmetics brands in China includes brands such as Calvin Klein, Chloe, Davidoff, and Marc Jacobs¹⁶.

Home products



Muji accelerates expansion in China and plans to open 40 new stores each year in China over the next four years

Japanese retailer Muji plans to open about 40 new stores per year in China over the next four years as it ramped up its expansion in the market. It is expected that by 2021 the retailer will have up to 360 stores in China, making it the largest overseas market for Muji. The Muji brand will also be featured in a hotel venture in China with Japan's Odakyu Electric Railway to be opened in Beijing by the end of 2017. The rooms will feature bedding, curtains and other furnishings from Muji, and customers will be able to shop at the brand's outlet inside the hotel¹⁷.

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