

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general *p2*

- China raises tariffs on selected U.S. goods, with effect from 1 June

E-commerce *p2*

- MOGU Inc.'s total revenues increase by 10.4% yoy to reach 1,074.3 million yuan in FY19
- Yunji's first financial report after listing: GMV increases by 93.7% yoy in 1Q19
- JD.com introduces group-buying platform JD Pingou in Hong Kong for the first time
- NetEase Kaola launches short video recommendation channel to shorten buying decision process
- Ningbo Free Trade Zone launches the nation's first insurance plan guaranteeing authentic products sold on CBEC platforms

E-commerce logistics *p3*

- JD Logistics launches AI-enabled appointment booking services for large-sized parcels

Department stores and shopping malls *p3*

- Winshang Data Center: O2O to lead the growth of shopping center restaurant business
- Wuhan Zhongnan Commercial plans to buy 100% stake in Beijing Easyhome New Retail for 35.65 billion yuan

Supermarkets and hypermarkets *p4*

- Aldi's first physical stores in China to open soon

Convenience stores *p4*

- Wumart sells OTC medicines in 11 convenience store branches

Apparel *p4*

- iResearch: fast fashion is most favored by modern young female
- Jack & Jones unveils first Jack & Jones Ultra store in Beijing
- Septwolves taps social commerce via WeChat Mini Program
- Marquee Brands joins hands with Fosun Fashion Group to introduce five brands into China
- Japanese backpack label anello opens first China store in Chengdu

Kids products *p5*

- Fanli.com: "Post-80s" parents are the major drive force for International Children's Day consumption; high-tech products are in high demand

Cosmetics *p5*

- Kanebo Cosmetics to enter high-end market in China by introducing premium brand SENSAL in 2020

Luxury sector *p6*

- Secco's social e-commerce platform Kudian to launch offline franchise stores in tier 3 and 4 cities

Retail in general

China raises tariffs on selected U.S. goods, with effect from 1 June

According to a notice announced by China's State Council Customs Tariff Committee, China has raised tariffs on selected U.S. goods starting 1 June 2019. The notice stated that the State Council Customs Tariff Committee has increased tariffs on roughly US\$60 billion worth of U.S. goods to 25%, 20% and 10% respectively, while the previous 5% tariff hike imposed on U.S. imports will continue¹.

E-commerce

MOGU Inc.'s total revenues increase by 10.4% yoy to reach 1,074.3 million yuan in FY19

On 30 May, MOGU Inc. announced its unaudited financial results for the fiscal year ended 31 March, 2019. Gross Merchandise Value (GMV) for the twelve-month period ended 31 March, 2019 was 17,408 million yuan, up 18.7% yoy; of which, live video broadcast business continued to grow strongly with associated GMV increasing 138.1% yoy; average mobile MAUs who clicked on a live video broadcast in the twelve-month period ended 31 March, 2019 increasing 42.1% yoy. In FY19, total revenues increased by 10.4% yoy to 1,074.3 million yuan; of which, commission revenues increased by 22.0% yoy to 507.7 million yuan, and marketing services revenues decreased by 17.0% yoy to 395.7 million yuan².

Yunji's first financial report after listing: GMV increases by 93.7% yoy in 1Q19

On 4 June, Yunji released its 1Q19 financial

report, which is also the company's first financial report since its listing. During the reporting period, Yunji's GMV reached 6.8 billion yuan, up 93.7% yoy; total revenue was 3.358 billion yuan, up 53.2% yoy. Net income was 16.9 million yuan, and adjusted net income was 43.1 million yuan, showing a loss compared to last year. It is worth noting that the income generated from paid membership has fallen sharply – the accumulated revenue from membership program has decreased from 200 million yuan in the same period in 2018 to 156.6 million yuan, down 21.7% yoy. However, the number of paid members showed an increase. In the 12 months ended 31 March, 2019, the number of transacting members increased by 153.3% yoy to 7.1 million from 2.8 million in the twelve months ended 31 March, 2018; the number of cumulative members as of 31 March, 2019 increased by 22.4% yoy to 9.0 million from 7.4 million as of 31 December, 2018³.

JD.com introduces group-buying platform JD Pingou in Hong Kong for the first time

JD.com introduces group-buying platform JD Pingou in Hong Kong for the first time during the 618 Shopping Festival (1 - 20 June). The group-buying platform allows consumers to make purchases at a significantly lower price when they successfully form a "team" via sharing on social media platforms, with discounts as high as 50%. Additionally, JD.com offers 50 million yuan worth of discounts for Hong Kong market. Consumers who spend over 199 yuan are entitled to free shipping for the first 10 kg; they can receive parcels within three to five days⁴.

NetEase Kaola launches short video recommendation channel to shorten buying decision process

NetEase Kaola has recently launched an online short video recommendation channel.

Unlike many other short-video streaming platforms, the new short video channel positions itself as a "shopping guide for selected goods". It introduces various products via 30-second short videos, allowing viewers to have a better idea of the products' outlook, functionalities and usages, application scenarios, results, etc. This helps shorten consumer buying decision process⁵.

Ningbo Free Trade Zone launches the nation's first insurance plan guaranteeing authentic products sold on CBEC platforms

Ningbo Free Trade Zone launches the nation's first insurance plan guaranteeing authentic products sold on cross border e-commerce (CBEC) platforms. The new insurance plan aims to reduce the operational risk of CBEC platforms and relieve their pressure to fight fakes on their platforms, while securing consumers' confidence in cross-border online shopping. It is reported that limit to a claim for each single item will be 5,500 yuan. Meanwhile, the launch of the innovative insurance mechanism also encourages different parties – government departments, insurance companies, e-commerce platforms, e-commerce companies, consumers, etc., to join forces to strengthen the risk prevention and control of the CBEC sector, creating a win-win situation and improving the international trading standards of the free trade zone⁶.

E-commerce logistics

JD Logistics launches AI-enabled appointment booking services for large-sized parcels

JD Logistics launched the artificial intelligence (AI)-enabled appointment booking services for delivering large-sized parcels before the 6.18

Shopping Festival. To raise the operation efficiency and users' experience of large-sized parcel delivery, JD Logistics uses robots, instead of human beings, for making appointments which provides standardized services and smart verbal interaction based on each customer's situation and context. Currently, AI-enabled appointment booking services are available for microwave ovens and TV orders, and will gradually extend to more product categories, and more merchants on JD.com⁷.

Department stores and shopping malls

Winshang Data Center: O2O to lead the growth of shopping center restaurant business

On 29 May, Winshang Data Center released the "2019 Shopping Center Restaurant Development Report", which predicted a few trends for the industry: competition between shopping malls will be fiercer and shopping mall operators are desperately looking for differentiated restaurant brands; faster changes in the food and beverages market will lead to the rise of niche and refined brands; online and offline (O2O) integration will become the new driver of business turnover; solo-dining and take-away businesses will continue to grow; innovation will shift from appearance-focus to personalization, themed-based as well as value and cultural identification; big data will play a more important role in devising business strategies⁸.

Wuhan Zhongnan Commercial plans to buy 100% stake in Beijing Easyhome New Retail for 35.65 billion yuan

Wuhan Zhongnan Commercial recently

announced that it plans to conduct private stock placements to acquire 100% stake in Beijing Easyhome New Retail from 23 counterparties including Beijing Easyhome Investment Holding Group and Alibaba, which owns about 577 million shares, or 9.99% of Beijing Easyhome New Retail. The deal is worth about 35.65 billion yuan. Upon completion of the deal, Beijing Easyhome New Retail will become a wholly-owned subsidiary of Wuhan Zhongnan Commercial and the 23 counterparties will become shareholders of Wuhan Zhongnan Commercial⁹.

Supermarkets and hypermarkets

Aldi's first physical stores in China to open soon

German supermarket operator Aldi will open its first two stores in China on 7 June in Shanghai. The two supermarkets, each with a store size of over 1,000 sqm, are located in Jingan district and Gumei district, selling over 1,300 SKUs of products; most of the products are imported goods. Previously, Aldi entered the China market via Tmall Global in 2017, and it further launched a Tmall flagship store in 2018¹⁰.

Convenience stores

Wumart sells OTC medicines in 11 convenience store branches

According to Wumart, as of 31 May, there are a total of 11 Wumart convenience stores which can sell over-the-counter (OTC) medicines in Beijing, and the number will be increased to 50 by the end of June. Currently,

the store can sell around 200 kinds of Class B OTC drugs and around 50 kinds of medical devices. Each store has a staff with pharmacy knowledge to provide medication assistance. However, there are some challenges for Wumart to sell OTC medicines in convenience stores, including the high labor costs of hiring professionals with pharmacy knowledge, and high compliance costs of selling drugs in retail stores¹¹.

Apparel

iResearch: fast fashion is most favored by modern young female

iResearch, a market research and consulting company, recently published a report to analyze the online shopping behaviors on apparel products by modern young women in China. This group of consumers is defined as female aged 30 and under, and are used to obtain information from the Internet, and have good education background as well as relatively high disposable income. The report showed that 46%, 42% and 41% of surveyed young female consumers cited "fast fashion", "fashion with original design" and "clothing from bigger brands" as their prior clothing style respectively. The report also found that 54% of surveyed consumers hope to receive styling tips catered to their body figures and individual tastes; while 34% look for personalized/ tailor-made basic products like T-shirts and blouses¹².

Jack & Jones unveils first Jack & Jones Ultra store in Beijing

Recently, Jack & Jones, one of the major apparel brands of Denmark's Bestseller Group, launched its first Jack & Jones Ultra store in China, at Beijing's LongFor Paradise Walk. The new store is equipped with various

state-of-the-art equipment from around the world and feature a customized zone to provide customized services such as printing and labeling for its customers. Bestseller launched the Jack & Jones brand in 1990 and introduced the Jack & Jones brand to China in 1999¹³.

Septwolves taps social commerce via WeChat Mini Program

Domestic apparel brand Septwolves has just launched its WeChat Mini Program on 27 May. Riding on the trend of social commerce, Septwolves' e-commerce division incubated this Mini Program in the hope of expanding its customer pool rapidly through this new channel. It is reported that members can set up "micro-stores" on Septwolves' Mini Program and earn commission by sharing Septwolves' products with their social contacts. The Mini Program has reportedly recruited over 10,000 members, just four days after its launch¹⁴.

Marquee Brands joins hands with Fosun Fashion Group to introduce five brands into China

Marquee Brands, a global brand management company based in New York, has recently inked a strategic partnership pact with Fosun Fashion Group to market its brands in China. Under the deal, Fosun Fashion Brand Management company, a subsidiary of Fosun Fashion Group, will help Marquee Brands to introduce five of its brands into the China market, including fashion brands – Sherman, BCBG Max Azria and BCBG Generation; outdoor brand Dakine; and shoes and leather goods brand Bruno Magli. The deal will come into effect from 2020¹⁵.

Japanese backpack label anello opens first China store in Chengdu

Japanese backpack label anello has opened its first China store in Chengdu's Ren He Town shopping mall. Considering local government's incentive policies benefiting foreign businesses and Chengdu's fast economic growth in recent years, many well-known foreign brands, including anello, have accelerated their expansion in the city¹⁶.

Kids products

Fanli.com: "Post-80s" parents are the major drive force for International Children's Day consumption; high-tech products are in high demand

Recently, online shopping guide and rebate platform Fanli.com released a report on International Children's Day consumption data. The report shows that, during the two weeks before the International Children's Day (15-29 May 2019), the "post-80s" parents spent the most on their children, accounting for 68.28% of the total consumption population; children's IP contents related products were in high demand, which is shown by the increase in sales of Peppa Pig products (up 80.57% yoy); the spending on high-tech products also increased gradually, up 24.37% yoy, among which children's smart watches showed the biggest jump (up 44.6% yoy)¹⁷.

Cosmetics

Kanebo Cosmetics to enter high-end market in China by introducing premium brand SENSAI in 2020

Kanebo Cosmetics, a Japanese cosmetics group, recently announced to further enter the high-end market in China. It plans to introduce its most premium brand SENSAI to the

country in 2020. Respective preparation work has already been under way. SENSAI has already launched its official Chinese website to show product information and its most popular packages. However, it does not provide any pricing information on the site. There is also a remark stating that SENSAI has not yet been officially sold in China. Nevertheless, users can go to the “AR cosmetic experience” page from the homepage. They can take selfie online and try virtual makeover using SENSAI products¹⁸.

Luxury sector

Secco's social e-commerce platform Kudian to launch offline franchise stores in tier 3 and 4 cities

Kudian, the social e-commerce platform of Secoo, plans to launch offline franchise stores starting from June 2019. It will select and cooperate with potential micro-store owners from its platform to open offline boutiques and discount stores in tier 3 and 4 cities. Consumers can touch and feel the products in the stores, facilitating them to ascertain the quality of products and build trust with the platform. Launched in 2018, Kudian focuses on affordable luxury goods, daily necessities, home products, cosmetics, and groceries¹⁹.

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