

China Retail & E-commerce

Weekly Updates

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Retail in general



Research Center of 21st Century Business Herald: Shanghai ranks the top in terms of total retail sales of consumer goods in 1H17

Research Center of 21st Century Business Herald summarized the total retail sales of consumer goods for different cities in 1H17, and revealed that the top 10 cities were Shanghai, Beijing, Guangzhou, Chongqing, Chengdu, Wuhan, Tianjin, Shenzhen, Nanjing, and Hangzhou. Apart from Beijing and Tianjin, all other cities are in Southern China. The growth rate of the total retail sales of consumer goods for Beijing and Tianjin was 5.6% yoy and 5.5% yoy respectively, slower than that of other cities in the Top 10. Shanghai ranked first with retail sales of 567 billion yuan, surpassing Beijing for the first time¹.

UNIQLO and CBN Weekly: The new middle-class values product quality most

UNIQLO and CBN Weekly jointly published a report "China's new middle-class quality living report", which sheds light on the lifestyle and consumption pattern of new middle-class in China. The report contains survey results of more than 12,000 valid questionnaires in 50 cities across the country. The report highlights five changes in the new middle-class's lifestyle and consumption pattern:

- 1) Product quality goes first - the new middle-class loves products with good craftsmanship, and can show individuality at the same time. 84% of the respondents said that product quality is more important than price.
- 2) Passionate about products with creativity -

Majority of the respondents spent more on apparel which can show one's personality and style. Also, respondents believed branded goods can better show their lifestyle and value.

- 3) Health always comes first; more than 70% of respondents said they will develop sporting habits, and adjust their daily routine for a balance of work and rest time.
- 4) Cannot live without smart tools in their daily life. Mobile payment is the preferred mode of payment due to its convenience.
- 5) In the new retail era, experiential element is essential².

E-commerce



PBOC to set up new platform for online payment; all banks and third-party online payment firms must connect to the platform by June 2018

The China National Clearing Centre, the People's Bank of China (PBOC)'s settlements and clearing arm, announced the "Notice of Connecting Third-party Online Payment Systems to the New Platform for Processing". According to the Notice, banks and all third-party online payment systems including Alibaba's Alipay and Tencent's Tenpay must connect to the new platform by 15 October, 2017, and be ready to route transactions through it from 30 June, 2018. The new platform is the online version of UnionPay's clearing service for transactions involving third-party online payment firms and banks. It offers standardized service for all third-party online payment firms³.

CNNIC: Number of Internet users in China reaches 751 million

China Internet Network Information Center (CNNIC) released the “Statistical Report on Internet Development in China”. As of June 2017, there are 751 million Internet users in China, with a penetration rate of 54.3% and accounting for one-fifth of the global Internet users. 724 million people use mobile phones to access the Internet. Number of online shoppers increased by 10.2% compared with that in December 2016. Consumers are trading up and are looking for products with good quality, smart products and new consumption trends⁴.

Nielsen: Online shoppers in China are richer, younger and more educated

Nielsen China released the “White Paper of China’s ‘New Retail’” and revealed that online shoppers in China are generally richer, younger and more educated. According to Nielsen’s survey, 44% of the online shoppers are male, but male accounts for only 20% of offline shoppers. 58% of the online shoppers have monthly household income of over 10,000 yuan, compared with only 21% for offline shoppers. 64% of the online consumers are aged 18 to 35, while only 45% of the offline shoppers are within that age group. 77% of the online shoppers held a bachelor's degree or above, compared with only 41% for offline shoppers. Online shoppers consider quality and price as the most important elements when shopping online, while offline shoppers care more about service and shopping experience⁵.

Ant Financial partners with Fave to roll out seamless cross-border payments in Singapore

Fave, an online-to-offline (O2O) mobile platform, partners with Alibaba Group’s

financial affiliate Ant Financial to roll out seamless cross-border payments via app in Asia, with Singapore being the pioneer country. Alipay users can use their Alipay app for payments at restaurants and offline retailers that are part of the Fave’s ecosystem; they can also receive special offers and rewards⁶.

Tmall Global launches a global traceability program

Tmall Global launched a global traceability program on 8 August. Tmall Global will gather and disclose to consumers relevant information of the cross-border e-commerce (CBEC) products, including product origin, logistics and transportation details, customs clearance, inspection, third-party inspection, etc. The program will cover CBEC products from 63 countries and regions, including 3,700 categories, and 14,500 overseas brands⁷.

JD.com to open more than 300 retail experience stores by year-end

JD.com announced that it will open more than 300 retail stores with in-store experiential elements before the end of the year. This can help online retailers to lower operation costs, enhance efficiency, and optimize customers’ in-store experience. There are two types of retail experience stores, namely JD Home and JD Specialty Store; the former has 21 outlets and the latter has 71 outlets. Currently, JD Home concentrates in the core commercial districts of tier 1 and tier 2 cities and JD Specialty Store in the rest of the nation⁸.

Suning.com to open first unmanned store in Nanjing in late August

Suning will open its first unmanned multi-brand store in Nanjing after the 818 shopping festival, around 18 to 28 August. The store is located at Suning’s headquarters in Xuanwu

district of Nanjing and will offer a variety of brands. With the adoption of face recognition technology, consumers' identity will be recognized immediately by Suning's smart system once entering the store; and also when consumers wish to pay for their transactions; this can streamline the transaction process - consumers do not need to wait and line up for payment. In addition to the unmanned store, Suning will also launch unmanned supermarket in the near future⁹.

Department stores and shopping malls

Lotte's sales in China plunges

Lotte Group released its preliminary result for 2Q17. The consolidated operating income of Lotte Department Store and Lotte Mart amounted to 87.3 billion won (about 520 million yuan), down 49% yoy. Total sales reached 6.9228 trillion won (about 41.13 billion yuan), a decrease of 4.3% yoy, and net profit reached 4.1 billion won (about 24.44 million), a significant drop of 95% yoy. Lotte Group said that the decline in domestic sales and net profit of Lotte Department Store in the quarter was attributable to the drop in Chinese tourists visiting South Korea; while the incident of THAAD has accelerated the decline in sales in its outlets in China, down 28.6% yoy. Sales of Lotte Mart – most of whose Chinese stores have been suspended by Beijing – fell 7.9% yoy in the second quarter; the company also posted an operating loss of 77 billion won¹⁰.

Rainbow Department Store debuts new retail format “Global In Select”

On 4 August, Rainbow Department Store debuted a new retail format named “Global In

Select” at the first floor of its Houhai Branch in Shenzhen. Phase 1 of Global In Select, with an operating area of 1,500 sqm, houses six sections and sells various products, including beauty and cosmetic, maternity and baby, products from Australia and New Zealand, food products, specialty products from Europe and the U.S., and wine. By leveraging RFID technologies, Global In Select supports self-checkout in-store. The system can recognize the product categories, volume, total price, discounts, etc. all by itself without human touch. Customers can use Rainbow's app to scan the QR code displayed on the screen to complete the payment¹¹.

Golden Eagle and WeChat jointly launches social gift card

Golden Eagle Retail Group Ltd. partnered with WeBank, China's first private commercial bank led by Tencent, to launch “social gift card” on 1 August. Customers can buy the gift card online and send it to friends together with messages/wishes, images, videos, etc. and the recipients can respond instantly. The gift card has a face value of 50, 88, 99, 100, 200, 500 and 1,000 yuan and is available for sale nationwide via Golden Eagle's WeChat public account¹².

Supermarkets and hypermarkets

Wumart opens first small-format community store in Eastern China

Wumart launched its first small-format community store in Eastern China. The store has an operating area of just 1,500 sqm, much smaller than other regular hypermarkets. The store features an in-store catering section, where consumers can purchase fresh foods in

the store and the chef will prepare the dish real-time, ranging from Chinese style dishes, to French steak, and even sashimi and salad¹³.

Sun Art Retail records 22.7% net profit growth in 1H17

Sun Art Retail Group announced its financial results for the six month ended 30 June 2017. In 1H17, revenue amounted to 54.08 billion yuan, up by 2.1% yoy. Net profit attributable to shareholders was 1.757 billion yuan, up 22.7% yoy. Gross profit reached 12.582 billion yuan, up 4.3%, while gross profit margin rose by 0.5 ppt to 23.3%. In 1H17, Sun Art Retail Group continued to trial its “New Retail” businesses, including opening its first unmanned convenience store, launching the one-hour delivery services and RT-Mart Fresh to explore online-and-offline integration¹⁴.

Convenience stores



Rainbow Department Store opens first unmanned convenience store “Well GO” in Shenzhen

On 8 August, Rainbow Department Store opened its first unmanned convenience store “Well GO” at the first floor of Rainbow’s headquarters building in Shenzhen Bay. With an operating area of 12 sqm, the store offers around 300 SKU, covering snacks, beverage and daily necessities. The store is open to Rainbow’s members only and connects with Rainbow’s app “Rainbow Scarf”. With RFID technologies, smart security systems, cloud-based customer services, and online payment tools, “Well GO” can offer instant, convenient and smart shopping experience to consumers¹⁵.

7-Eleven enters Hangzhou for the first time; expects to open 30 stores in Zhejiang by year-end

7-Eleven opened its first store in Zhejiang. Located in Hangzhou Qianjiang CBD, the store is two to three times larger than the normal store. 7-Eleven plans to launch 30 stores in Zhejiang by the end of 2017. 7-Eleven in Zhejiang is run by President Chain Store (Zhejiang) Ltd¹⁶.

Lawson becomes the first foreign convenience store brand forays into Nanjing; plans to open 300 stores within 3-5 years

On August 7, Wuhan Zhongnan Commercial Group and Japanese convenience store chain Lawson signed a cooperation agreement in Nanjing; and Zhongnan Commercial Group has officially become the strategic partner of Lawson in Nanjing. The Group said it plans to roll out the first five Lawson convenience stores on 28 August; and in the next 3-5 years, Lawson will open not less than 300 stores either through Zhongnan Commercial’s directly operated stores or third-party franchisee. Lawson is the first foreign convenience store to enter Nanjing¹⁷.

RT Mart opens the first Feiniu Convenience Store

RT Mart launched its first “Feiniu Convenience Store” on 8 August in Jiaxing city in Zhejiang Province. With an operating area of 150 sqm, it offers around 1,500 SKU, mostly fresh food products and FMCG. Fruits, ready-to-eat meals, beverages and bread are also provided. All the products sold at Feiniu Convenience Store are supplied by RT Mart; this enables the convenience store to be able to source products at a cheaper price than from other channels¹⁸.

Apparel

Shenzhen Ellassay acquires 75% stake in Vivienne Tam for 37 million yuan

Shenzhen Ellassay Fashion Co. announced that it has signed an agreement with Peony Power Limited, the parent company of Vivienne Tam in Shenzhen, to acquire a 75% stake in Vivienne Tam with its own capital of 37 million yuan. After this transaction, Ellassay will provide resources to support the development of Vivienne Tam in China. The company plans to launch the first concept store for Vivienne Tam later the year, and more physical stores next year. Since its listing in May 2015, Ellassay has acquired a number of fashion-related assets, such as the exclusive distribution right and franchise of German high-end women's wear brand Laurèl in mainland China, the exclusive brand rights of U.S. affordable luxury brand Ed Hardy in mainland China, Taiwan, Hong Kong and Macau, as well as acquiring 100% stake in French fashion brand IRO¹⁹.

Cosmetics

Korean beauty brands belif and VDL open flagship stores on JD.com

Korean beauty brands belif and VDL, owned and managed by LG Household & Health Care, opened online flagship stores on JD.com. Belif focuses on premium skincare products, while VDL focuses on color cosmetics for young ladies and has become one of the iconic Korean make-up brands.

Previously, LG's premium beauty brands The History of Whoo and SUM37°, and mass brand The Face Shop have also opened stores on JD.com²⁰.

Innisfree collaborates with Tencent QQ, all physical stores accept QQ wallet

Korea's cosmetic brand Innisfree and Tencent QQ signed a cooperation agreement. Innisfree will join hand with QQ family, one of the most popular brands under Tencent QQ, to launch a limited edition product. In addition, starting from August, consumers can use QQ wallet to settle payment in all the Innisfree outlets in China. Currently, Innisfree has more than 400 stores in the country²¹.

Luxury products

Tmall launches online pop-up luxury retail platform Tmall Space

Following the launch of "Luxury Pavilion" earlier, on 9 August, Tmall announced the launch of Tmall Space (space.tmall.com), an online pop-up luxury retail platform. Loewe under LVMH is among the first batch of brands launching in Tmall Space. Loewe will release a limited-edition Barcelona bag tailored for the Chinese Valentine Day exclusively on Tmall Space. This is the first time Loewe sells online while the offline stores will only display the product. Tmall Space will continue to cooperate with other luxury brands as an online pop-up store²².

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