



China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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Retail in General

Shanghai, Jiangsu, Zhejiang and Anhui sign MoU on Market Integration of the Yangtze River Delta region

On 3 January, Shanghai municipality, Jiangsu, Zhejiang and Anhui provinces signed a Memorandum of Understanding (MoU) on Market Integration of the Yangtze River Delta region. Shanghai and the three provinces will work together to unify market regulations, credit governance, and market supervision; stimulate domestic consumption; and enhance the development of the whole region. They will further strengthen cooperation in major events such as the China International Import Expo; unify enterprise registration standards, and strengthen food safety supervision and cooperation, among others. They will also establish cross-regional market supervision mechanism to create a healthy business environment and promote the integration and development of the whole region¹.

E-commerce

Tmall Global, CBNDData: post-90s and post-95s to become the new driving force for cross-border consumption growth

Recently, Tmall Global and CBNDData jointly released the "2018 Report on Cross-border Consumption of Young Consumers". In 2018, the import value for cross-border e-commerce (CBEC) increased significantly by 53.7% yoy, exceeding 10 billion yuan. CBEC (import) has become popular in the new consumption era. It is expected by 2020, the number of CBEC shoppers will reach 200 million, of which, the post-90 and post-95 generations will become the new driving force for cross-border consumption growth².

Tmall to invest 10 billion yuan to incubate 100 new products with over 100 billion yuan of sales

On 7 January, Tmall released its new product strategy for 2019. The online platform will invest 10-billion-yuan-worth resources for its branded new products; selected services include generating exposures, creating supply chain innovation, research and development, and cross-sector cooperation. Tmall hopes to incubate 100 single items and achieve over 100 million yuan of sales. According to the "Report on China's Consumption Trend on New Products 2018 " jointly released by Tmall and Ali Research, in 2018, over 200,000 brands from around the world launched more than 50 million new products on Tmall, up 300% yoy³.

Number of Alipay Mini Program users reaches 500 million

According to the latest data released by Alipay, in the three months after the official launch of Alipay Mini Program in September 2018, the number of mini programs increased from 20,000 to 80,000, while the number of users increased from 300 million to 500 million, and daily active user increased from 120 million to 170 million. Alipay said that it will provide Alipay's core resources to Alipay Mini Program developers, including "Ant Check Later" and "Zhima Credit"⁴.

Xianyu launches "Xianyu Youpin" channel to introduce brand owners to sell on the platform

On 3 January, Alibaba's Xianyu, an online marketplace where users run their own stores to sell unused or second hand goods, announced to launch a "Xianyu Youpin" channel to sell products offered by brand owners in the hope of enriching product offerings and ensuring product quality.

According to Xianyu, Xianyu Youpin will focus on digital products first and gradually expand to other product categories such as jewelry and accessories, books and music instruments, apparel and shoes, bags, and luxury products in the future⁵.

JD.com opens physical stores in Beijing Airport and Mongolian railway station

JD.com opened two physical stores at Beijing Capital International Airport (BCIA) and Hohhot East Railway Station in Inner Mongolia, in a move to further expand its “Unbounded Retail” strategy. A pop-up store “JD.BOX” is opened at BCIA for three months, offering products from JD.com’s private label Jingzao, including digital products, home products, fashion and accessories, bags and suitcases, and beauty products. The store uses JD.com’s smart store technology such as smart security cameras, smart LED screens to interact with customers. Meanwhile, China Railway Express and JD.com have partnered to open a 100 sqm unmanned convenience store at Hohhot East Railway Station, featuring digital products, home electronics as well as travel goods. It is also equipped with unmanned shelves and cashier-less payment systems⁶.

E-commerce logistics

SPB launches an upgraded "Express delivery + E-commerce" program to help promote the development of social commerce

On 3 January, the State Post Bureau (SPB) stated that to better support the development of newly developed e-commerce retail formats such as social commerce which connects online and offline marketplaces, the Bureau will launch an upgraded version of the “Express delivery + E-commerce” program

with an aim to deepen the collaboration between e-commerce players and express delivery companies. SPB believes that the upgraded program can continue to improve the distribution network’s coverage, stability and flexibility, and extend the industrial chain, and increase its value. SPB also hopes that this new program can accelerate the reform of cross-border delivery – to create more platforms for cross-border delivery and promote the development of “postal industry + cross-border trade”⁷.

Department stores and shopping malls

New World Department Store's net profit falls 97% over past five years

New World Department Store's financial report shows that its net profit in FY18 was HK\$11.85 million, showing a significant drop of 91.4% yoy, from HK\$128 million in FY17. Compared with the financial reports in previous years, the cumulative net profit for FY15-FY18 is less than half of that of FY14; the net profit of the Department Store has dropped by as much as 97.87% over the past five years. While in terms of sales performance, concessionaire sales, which accounted for more than 60% of the total sales income, dropped 36.2% over past five years⁸.

Supermarkets and hypermarkets

Tmall Chaoshi now provides both consignment and procurement sales services

On 3 January, Tmall Chaoshi, Tmall’s online

supermarket, announced that it will upgrade its business model from the current consignment model to “consignment plus procurement sales” model. The move enables brands and vendors to choose their preferred partnership model with Tmall Chaoshi. According to Tmall Chaoshi, the provision of both consignment and procurement sales services allows the company to better serve their partners. Tmall Chaoshi will leverage on Taoxianda, the fresh delivery section of Taobao mobile app, to accelerate the integration of the company’s online and offline supermarket and hypermarket businesses, enhancing the transparency for both online and offline transactions⁹.

Suguo Supermarket’s sales growth reaches 28% yoy during the New Year holidays

On 10 January, Suguo Supermarket announced the sales figures during the New Year holidays. From 31 December to 4 January, its sales revenue reached 1.65 billion yuan, up 28% yoy. It also lined up with third-party O2O delivery platforms such as JD Daojia, Meituan, and Ele.me, together with its own SG Best App, Suguo Daojia App, as well as WeChat Mini Programs to offer discounts during the period; sales were reportedly seven times higher than the sales on normal days¹⁰.

Suguo Daojia app goes online

Suguo Supermarket has recently launched a new grocery shopping app “Suguo Daojia”, adding a new unit to its online grocery business. Featuring grocery items in the kitchen, the new app offers 3,000-plus SKUs covering vegetable, fruit, poultry, dairy, beverage, snack, cleaning, skincare and imported products, among others, with fresh food items taking up 10% of its offerings. Suguo Daojia’s users can enjoy the same prices and sales promotions as offered at the

offline stores plus online exclusive sales events including daily flash sales, markdown, free gifts, members’ day, online shopping festivals, etc¹¹.

Home products

Wuhan Zhongnan Commercial Group acquires 100% equity of Easyhome

On 10 January, Wuhan Zhongnan Commercial Group Co. Ltd. announced a major asset restructuring – acquisition of home product retailer Easyhome. In its announcement on 9 January, the group stated that according to the agreement between Wuhan Shanglian Group and Easyhome Holdings, Wuhan Zhongnan Commercial Group will acquire 100% equity of Easyhome. It is reported that New Retail is Easyhome’s core business, and Alibaba and more than ten other investors made a strategic investment in the business a year ago¹².

Consumer electronics

OPPO enters the U.K. market

OPPO announced on its new Twitter account that the company will start selling smartphones in the U.K. on 29 January; the company will also set up an official U.K. website. Besides OPPO, Xiaomi entered the U.K. market in 4Q18¹³.

Apparel

Japanese men’s shirt brand Kamakura shirts enters China via Tmall

Japanese men's shirt brand Kamakura shirts has recently made foray into China through Tmall. On 6 January, Kamakura shirts officially launched its flagship store on Tmall, offering more than 600 SKUs, which include the brand's signature products 200 count extra fine yarn shirts and 300 count extra fine yarn shirts. Founded in 1993, Kamakura shirts, together with luxury brands Gucci, Balenciaga and Chanel, were among the most popular search terms on Tmall in 2018. Furthermore, Kamakura shirts is also one of the brands with the highest growth rate when it comes to the keyword ranking within Tmall's search engine¹⁴.

Semir to form JV company to extend its reach in childrenswear sector

On 8 January, Zhejiang Semir Garment Co., Ltd. announced that the company plans to seal a joint venture partnership contract with Kidiliz Group to form a joint venture (JV) company named Kaixin Lizi (Shanghai) Co., Ltd., which will be responsible for expanding Kidiliz Group's business in China. The new company reportedly will have a registered capital of 30 million yuan, with Semir investing 21 million in cash for 70% of the registered capital. In the announcement, Semir stated that the formation of the JV company is mainly for expanding Kidiliz's business in China; if the project can run smoothly and achieve economic efficiency in the future, it will further enhance the competitiveness and profitability of Semir¹⁵.

announced to launch the first crossover product line with Honor of Kings, a popular mobile multiplayer online battle arena (MOBA) game. The limited-edition cosmetics collection includes lipsticks in five colors, which represents five different champions in the MOBA game. All products were sold out on MAC official website and Tmall flagship store 24 hours after the announcement¹⁶.

Cosmetics

MAC collaborates with MOBA game "Honor of Kings" to launch limited-edition lipsticks

On 8 January, cosmetics brand MAC

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