

China Retail & E-commerce

Weekly Updates

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Retail in general



Kantar Worldpanel: growth rate of FMCG slows down in 1Q18, new retail accelerates online and offline integration

The latest report of the Kantar Worldpanel shows that in 1Q18, the growth rate of the fast moving consumer goods (FMCG) market decelerated to 2.3% yoy. Among the top 5 retailers, Sun Art, Vanguard and Walmart have all strengthened their leading position and Yonghui has surpassed Carrefour to be the No. 4 retailer in China. According to data from Kantar Worldpanel, the sales of FMCG on the e-commerce channels continued to increase by 26% yoy in 1Q18¹.

DT Finance: Shanghai to become the "capital of new retail"

Recently, DT Finance has released the "China's New Retail City Report 2018". In the report, DT Finance ranks China cities based on their sophistication in new retail development, taking into consideration the level of corporate activity and consumer sophistication. The findings show that Shanghai ranks first in the overall new retail index and is set to become the "capital of new retail", followed by Beijing, Hangzhou, and Shenzhen².

WPP releases 2018 Most Valuable Retail Brands report: Amazon, McDonald's and Alibaba rank among top 3

Recently, global marketing company WPP published the 2018 Top 75 Most Valuable Global Retail Brands ranking based on the data released by Kantar, Amazon, McDonald's and Alibaba ranked top three on the list.

Specifically, JD.com ranked No.15 with a brand value of US\$14.58 billion and ranked between Gucci and CHANEL, while Suning ranked No.54 with an evaluation of US\$3.39 billion, lower than Canadian sportswear brand Lululemon, but higher than Mexico's largest retailer Liverpool. The report shows that despite consumers' habits, preferences and expectations of the shopping experience have changed drastically, the value of leading retail brands is still growing faster than that in other business sectors. For the first time, this global retail brand ranking includes four categories of retail brands, including pure retail (supermarkets, e-commerce, department stores, convenience stores, etc.), luxury goods, apparel and fast food retailers³.

E-commerce



Alibaba gains 250.3 billion yuan revenue in fiscal year 2018; core commerce segment up 60% yoy

On 4 May 2018, Alibaba Group Holding Ltd. announced its financial results for the 4Q18 (1 January 2018 to 31 March 2018) and full fiscal year 2018 (1 April 2017 to 31 March 2018). In the full fiscal year 2018, Alibaba Group's revenue reached 250.266 billion yuan, soared 58% yoy, the highest growth rate since IPO. Revenue of core commerce segment reached 214.02 billion yuan, an increase of 60% yoy, also the highest growth rate since IPO. Tmall has continued to increase its market share and expanded its leading position in the B2C market. GMV transacted on the China retail marketplaces was 4,820 billion yuan, representing an accelerated yoy growth rate of 28%. Tmall physical goods GMV increased by 45% yoy. Annual active consumers on Alibaba's China retail marketplaces reached 552 million, an increase of 98 million from the

12-month period ended 31 March, 2017⁴.

Alibaba acquires Pakistan e-commerce company DARAZ

According to media report, Alibaba.com has acquired DARAZ, the Pakistan e-commerce website owned by the European Internet incubator company Rocket Internet. The terms of the transaction have not been disclosed. This transaction allows Alibaba to gain a foothold in the rapidly growing South Asian consumer market and further its overseas expansion. Alibaba said that after the completion of the acquisition, Daraz will continue to maintain the operation with its original brand name. Daraz was established in 2012 and has now become Pakistan's most popular online shopping platform⁵.

JD.com announces 1Q18 results: net revenues reach 100.1 billion yuan, up 33.1% yoy

On 8 May, JD.com announced its unaudited financial results for the quarter ended March 31, 2018. Net revenues for 1Q18 were 100.1 billion yuan, up 33.1% yoy. Net service revenues amounted to 8.6 billion yuan, up 60.0% yoy. Net income from continuing operations attributable to ordinary shareholders for was 1,524.9 million yuan. Annual active customer accounts increased by 27.6% yoy to 301.8 million in the twelve months ended 31 March, 2018⁶.

JD.com launches “JD Service+” project

On 7 May, JD.com officially launched the “JD Service+” project to offer after-sales services including installation, maintenance and cleaning service to consumers. Consumers can enter the “JD Service+” channel from JD.com homepage and schedule installation, maintenance and cleaning services for home electronics, mobile devices, home products,

digital products and office products. In addition, maintenance service for watches and shoes, as well as booking service for sports event tickets and venues are also provided. Service providers for “JD Service+” include authorized manufacturers, service providers, JD.com’s own maintenance team, etc⁷.

Netease Zhizao opens a self-operated flagship store on JD.com

On 9 May, Netease Zhizao opened a self-operated flagship store on JD.com. The store sells a total of 36 items including remote-controlled smart floor fans, dust mite eliminators, air purifiers, massage machines, hair dryers, etc. Netease Zhizao is one of the brands under Netease Yanxuan, an e-commerce site launched by Netease. The partnership leverages the competitive edge of the two sides to offer higher quality 3C products as well as better shopping experience, while delivering an enjoyable smart home experience⁸.

World First to enter Chinese payment market

On 2 May, the People’s Bank of China (PBOC) has received an application from World First, an international payment firm, asking for permission to conduct third-party payment business in China. It is the first application made by a foreign-funded payment institution since the PBOC has opened up its payment service market in late March by laying out rules for foreign-invested payment firms over market access and supervision. Based in the U.K., World First provides cross-border payment services for individual and corporate customers worldwide. It now supports 66 global online retailing platforms including Amazon. More than 20,000 Chinese cross-border e-commerce sellers are using World First; their annual global transactions on World First exceed US\$1 billion⁹.

E-commerce logistics



Suning Logistics upgrades delivery services

Suning Logistics has upgraded its delivery services by increasing the number of delivery time-slots from six to 12, and reducing the delivery time from two hours to one hour. Suning Logistics hopes to provide its customers "smart, on time, and simple" services through its upgraded delivery services. It is reported that Suning Logistics has already rolled out the upgraded service in eight cities including Beijing, Shanghai, Guangzhou, and Nanjing, etc¹⁰.

Department stores and shopping malls



Changsha IFS opens; about 70 brands debut in Hunan for the first time

On 7 May, Changsha IFS of Wharf Group has officially opened in Changsha, Hunan province. It is reported that among the 400 brands that were opened in IFS Changsha, about 70 brands entered Hunan for the first time, including Hermès, Dior, PRADA, Dior Homme, VALENTINO, Saint Laurent, Moncler, Van Cleef & Arpels, JIMMY CHOO, Brunello Cucinelli, Giuseppe Zanotti, TASAKI, PUYI, Gieves & Hawkes, etc.; and about 20 International brands debut in Central China for the first time, these include Parkson Beauty, JIMMY CHOO, Brunello Cucinelli, Abercrombie & Fitch, COS, Qeelin, Chiara Ferragni, Alexandre de Paris, Reflections, Bebe, NUMBER (N)INE, etc. . In addition,

more than 50 top international brands opened flagship stores in Changsha IFS, and 30 duplex flagship stores were launched¹¹.

Supermarkets and hypermarkets



Retail giant Costco to open its first physical membership store in Shanghai

Recently, Costco (China) Investment Co., Ltd. and Shanghai Pudong Kangqiao (Group) Co., Ltd. have formally signed an investment agreement. Costco will set up an investment headquarters in Kangqiao, Pudong, and build a joint venture with its partner, Galaxy Holdings Group to launch a membership retail flagship store. This flagship store is reportedly the first Costco physical store in China, and the company hopes to expand its business in China through the establishment of a Costco warehouse-format retail store in Shanghai¹².

Convenience stores



FamilyMart launches world's first NBA championship-themed store in Shanghai

Recently, FamilyMart has launched the world's first NBA championship-themed convenience store in Shanghai Yangpu district. A life-size sculpture of O'Neal is displayed in the store, together with a signed basketball from Michael Jordan, as well as signed jerseys from Yao Ming, Stephen Curry, Blake Griffin and Allen Iverson. FamilyMart has been actively launching themed stores, for example, it opened 15 themed stores featuring the popular TV show "Hot-Blood Dance Crew" in Beijing, Tianjin, Shanghai, Guangzhou and Hangzhou in March 2018¹³.

JD Convenience Store connects with O2O laundry service platform Lemonxixi

Currently, JD Convenience Store signed a cooperation agreement with O2O laundry platform "Lemonxixi". Consumers can scan the unique QR code of respective laundry service companies via Lemonxixi platform in JD convenience store to book the laundry service, including pick-up and delivery service. It is the first chain convenience store to offer such O2O laundry service¹⁴.

JD Convenience Store launches new vending machine

JD Convenience Store has recently launched a new type of vending machine, which is currently in use throughout the country. All JD Convenience Store owners can put the vending machine somewhere near their stores, such as outdoor sports ground and on the street. The vending machine sells mainly beverages and snacks, as well as other daily necessities, and mobile phone accessories such as power banks, screen protectors, etc. Customers can scan the QR code on the product to complete payment. JD Convenience Store owners can replenish stocks directly from relevant Taobao stores. Launching this vending machine is another important action for JD Convenience Store to implement the "Borderless Retail" strategy – extending the retail scenes and improving user experience. According to introduction, JD Convenience Store will continue to promote the vending machine nationwide¹⁵.

Ccoop launches first AI smart vending machine

Ccoop launched its first AI smart vending machine at Hainan Mansion, Beijing after setting up the unmanned retail store earlier this month. The new vending machine is

reportedly the first smart unmanned freezer that uses activity recognition technology. With the use of Convolutional Neural Network algorithm and visual tracking technology, the vending machine can identify and detect which products have been taken out and also being put back in the rack by itself. According to introduction, the vending machine's product identification accuracy rate is as high as 99%. Ccoop mentioned they plan to roll out this smart vending machine to other cities in China¹⁶.

Apparel

Handu launches pop-up store for the first time

On 3 May, Handu launched a pop-up store with an area of over 300 sqm at the square outside Intime Shopping Mall in West Lake, Hangzhou. The store was opened for only four days, from 3 May to 6 May. It is reported that this is the first time Handu created a pop-up store in collaboration with the popular Korean cartoon "Spookiz". Products available in the pop-up store were for display only; and Handu hopes to leverage the store to enhance brand awareness. The theme of the pop-up store is about UFO. Three special scenes were created, including "Trendy Store", "Future Store" and "UFO". The pop-up store was full of black technologies, including motion-sensing games and VR games. The cross-over products of Spookiz and Handu were sold online starting 6 May¹⁷.

Domestic online womenswear brand Elf Sack opens first offline store in Nanjing

Recently, domestic online womenswear brand "Elf Sack" has opened its first offline store in Confucius Temple commercial district in

Nanjing. The store is reportedly the first smart store jointly launched by Elf Sack and Ali Cloud. With a gross area of 320 sqm, the store is equipped with black technologies such as AR magic mirror and smart shelves. Founded in 2006, Elf Sack sells womenswear via its own self-operated web store, as well as via its online flagship stores on major leading B2C platforms in China¹⁸.

Semir to establish a new subsidiary to develop and operate THE CHILDREN'S PLACE

On 7 May, Semir Group announced that in order to expand the business of THE CHILDREN'S PLACE in the Greater China region, including Hong Kong, Macau, and Taiwan, the company will establish a wholly-owned subsidiary – Shanghai Qimei Garment Co., Ltd. with its own funds of 26 million yuan. The new subsidiary will help develop and operate the business of THE CHILDREN'S PLACE. Semir Group stated that the establishment of Qimei is to meet the company's strategic and business development needs, and to further accelerate the development of Semir's multi-brands strategies for adults' clothing and childrenwear¹⁹.

Esprit exits Australia and New Zealand; closing all 67 stores

On 3 May, fashion brand Esprit announced the closure of its loss-making operations in Australia and New Zealand by the end of 2018. The company plans to close 67 directly managed retail stores, including 38 concession counters in department stores and 13 off-price outlets in the two countries. The Australian and New Zealand operations contributed HK\$297 million to Esprit's revenue for the financial year ended June 2017, representing less than 2% of the group's total revenue. Divesting the Australian and New

Zealand operations will allow Esprit to concentrate efforts and resources in developing other markets in Asia with profitable growth opportunities such as China, Hong Kong, Taiwan, Singapore and Malaysia²⁰.

Kids products

Balabala opens first children's lifestyle experiential store in Wenzhou

On 29 April, Semir's childrenswear brand Balabala opened its first children's lifestyle experiential store in Wenzhou. With a floor space of 268 sqm, the store sells nearly 1,000 SKUs of merchandise, and also features several interactive experiential kids' areas such as interactive ball games zone, cosplay interactive show, handcrafts making area, etc. Balabala reportedly has a total of 4,795 stores as of end 2017, with a net increase of 217 stores during the period²¹.

Consumer electronics

JD Home Electronics joins hands with TCL to open its first experiential store

Recently, JD Home Electronics has joined hands with TCL to open their first experiential store in TCL Building, Shenzhen. This is also the first "branded experiential store" jointly opened by JD Home Electronics and other home electronic brands. The philosophy of the experiential store is to open up all the potentials of home appliance brands in a few key areas, including products, customer traffic, big data, technology, branding, and after-sales services. It is reported that JD Home

Electronics is working closely with more than 50 home electronics brands including Midea and Hisense for setting up more experiential stores in the future²².

Luxury sector



Hugo Boss 1Q18 results are on track; sales in China market up 11% yoy

According to the financial report released by German high-end fashion group Hugo Boss, sales revenue of the group increased by 5% yoy in 1Q18, totaling 650 million euros. EBITDA increased by 1% yoy to US\$99 million, net profit rose 3% to 50 million euros. During the period, the group's comparable store sales increased by 7% yoy and China's sales increased by 11% yoy. Sales in Asia Pacific region rose 2% yoy, and increased 12% yoy after adjusting for exchange rates. With double-digit growth rates, the group's business in Hong Kong and Macau saw positive development. Comparable store sales in mainland China showed high-single digit growth rate²³.

Moncler 1Q18 sales increase 28% yoy; Mainland China and Hong Kong show outstanding performance

Italian luxury goods group Moncler SpA announced the results for the first quarter of fiscal year 2018. For the first quarter ended 31 March 2018, Moncler's sales increased by 20% yoy to 332 million euro, an increase of 28% yoy at constant exchange rate. Sales in Asia and the rest of the world increased 27% to 146.4 million euro, accounting for 44.1% of the total sales. In particular, Mainland China and Hong Kong achieved outstanding performance with growth rates largely outperformed that of other regions²⁴.

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