

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

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# Retail in General

## Retail and F&B consumption during Golden Week holidays reach 1.4 trillion yuan

The Ministry of Commerce of the PRC (MOFCOM) released the Golden week holidays consumption data on 7 October. From 1-7 October, the national retail and catering enterprises achieved sales of about 1.4 trillion yuan; the average daily sales increased by 9.5% yoy. During the Golden Week holidays, the trend of commodity consumption upgrading was obvious. Strong sales were registered for organic foods, gold and silver jewellery, UHD televisions, smart phones, smart home products, and automobiles. According to the MOFCOM's data, the sales of key commercial enterprises in Shaanxi, Yunnan, Sichuan and Hubei saw yoy growth of 12.7%, 12%, 11.3% and 11.1% respectively. Sales of key monitoring companies in Shanghai increased by about 10% yoy. New consumption models such as online shopping, online food delivery, customized travel, shared homestay, and mobile payment continue to grow rapidly<sup>1</sup>.

## China UnionPay: Total amount of transactions in the six days before Golden Week holidays reaches 1.34 trillion yuan

On 7 October, China UnionPay released the transaction data of the Golden Week holidays. According to China UnionPay, on the six days prior to the Golden Week holidays in 2018, the total amount of online transactions of UnionPay reached 1.34 trillion yuan, an increase of 34.4% yoy. The total number of transactions was 680 million, up 23.6% yoy<sup>2</sup>.

## iiMedia: Chinese people's consumption mentality has changed; no longer blindly chase after brands

On 9 October, iiMedia Research released the "China's New Consumption Research Report 2018". The report points Chinese people's consumption mentality has changed as a result of rapid economic development. Many people have higher spending power and look for better quality of life. They no longer blindly chase after branded goods, but instead will look for value-for-money and customized products. The report also shows that nearly half of the middle-class population have experienced unpleasant shopping experiences, which are mainly related to poor product quality and the differences between real products and products shown in pictures. In terms of e-commerce platforms, e-commerce platforms selling specialized products have generally gained higher market recognition among consumers, with NetEase leading the market in terms of awareness, degree of usage and satisfaction level<sup>3</sup>.

# E-commerce

## Weibo: Post-85s, post-90s, and post-95s are the core users showing interests in online shopping

On 27 September, Weibo released the "Weibo E-commerce White Paper 2018". According to the White Paper, Weibo users who are interested in online shopping are generally young and have higher education level; post-85s, post-90s and post-95s accounted for more than 60% of users who are interested in online shopping, and the proportion of users who have attained bachelor's degree or above is close to 80%; tier-4 or below cities accounted for 39.5%. The proportion of active users on Weibo who also show interests in online shopping is as high as 98%. In addition, 46.7% of Weibo users who show interests in shopping online will do online shopping for three to five times a month, and 63.9% of

users spent more on online shopping compared to the previous year<sup>4</sup>.

### Tmall Global's GMV doubles that of last year during the first three days of Golden Week holidays

On 4 October, Alibaba revealed its performance during Golden Week holidays. During 1-3 October, Tmall Global recorded 100% yoy growth in GMV. Of which, Japan, U.S., South Korea, Australia, France, U.K., Italy, New Zealand and The Netherlands were the most popular countries of origin for importing goods for Tmall Global customers. Consumers in Shanghai, Beijing, Guangzhou, Hangzhou, Shenzhen, Chengdu, Wuhan, Chongqing, Suzhou, Nanjing spent the most on Tmall Global during the Golden Week Festival. Meanwhile, according to Koubei, catering sales during the first three days of the Golden Week Festival increased over 40% compared to just before the festival, with an average spending per capita increased by 38%. Post-80s and post-90s generations contributed over 60% of the total catering consumption. Spending of post-95s generation increased the most among all consumer groups, with a spending increased by nearly 20% yoy<sup>5</sup>.

### JD.com's FMCG business unit opens 50 national pavilions in the coming year

On 9 October, the imported goods department of JD.com's Fast-Moving Consumer Goods (FMCG) business unit announced a new strategy "Global Yet Local" to promote online sales of FMCG on JD.com, including new plans to increase traffic, improve product listing services, add more value-added services, as well as set up "national pavilions" for different countries on JD.com. In the coming year, JD.com will set up 50 by-country product channels dedicated to international goods. Currently, the establishment of

national pavilions of Ireland, Thailand, the Netherlands, Malaysia, Singapore, Russia have been opened. Meanwhile national pavilions of Germany, South Korea, Italy, Canada, etc. are in preparation stage<sup>6</sup>.

## Department stores and shopping malls

### COFCO Property plans to acquire Joy City Property at a price of 14.756 billion yuan

COFCO Property announced that it intends to acquire 91.34 billion shares of Joy City Real Estate held by Mingyi (accounting for 64.18% of the total issued ordinary shares of Joy City Property) by way of issuance of shares. The consideration for this transaction was 14.756 billion yuan. Upon completion of the transaction, Joy City Real Estate will become a holding subsidiary of COFCO Property<sup>7</sup>.

### SCP Group officially acquires 20 malls of CapitaLand and renames as "SCPG" malls

On 9 October, SCP Group's acquisition of 20 commercial projects of CapitaLand was finally completed. The shopping malls involved are now operated and managed by SCP Group. These malls including "CapitaLand Center" and "CapitaLand Mall" have been renamed to "SCPG" malls. It is reported that the 20 shopping malls involved in the equity transaction have a total construction area of approximately 950,000 sqm, distributed in 19 cities in Northern China, Eastern China, Southern China and the central and western regions of China<sup>8</sup>.

### JD Home and Aegean Commercial Group reach strategic cooperation

On 9 October, JD Home and Aegean

Commercial Group held a strategic cooperation signing ceremony. According to the agreement, JD Home and Aegean Group will further cooperate in areas including information sharing, integration promotion, and coming up with new forms of cooperation. Both parties will open up online and offline retail and promote the transformation of traditional retail formats via the set up of JD Home and JD specialty stores. As of to date, it is reported that JD Home has entered eight Aegean shopping malls, with each store's sales efficiency being far above average<sup>9</sup>.

## Supermarkets and hypermarkets

### Better Life Group sees six-fold sales increase in fresh produce during Golden Week holidays

According to the data released by Better Life Group, cultural and entertainment experience services, fresh produce and environmentally-friendly products have become consumption hot spots during the seven-day golden week holidays. The data also show that fresh produce sales from both online and offline channels increased six times mom during the golden week holidays. Post-80s, 90s and even 00s have become the main consumption forces for cultural and entertainment services<sup>10</sup>.

### Shengxian Chuanqi raises 300 million yuan in its B round financing

On 10 October, domestic O2O fresh food supermarket player Shengxian Chuanqi announced the completion of its B round financing and raised 300 million yuan. This round of financing was led by IDG Capital, with the participation of Sequoia Capital and BA Capital. After the completion of the

financing round, the valuation of Shengxian Chuanqi will reach 3 billion yuan. Currently, Shengxian Chuanqi operates over 100 stores in China. Shengxian Chuanqi hopes to open stores in more cities and targets to have over 200 stores by 2019<sup>11</sup>.

## Apparel

### Nike's first "Shanghai 001" concept store opens

On 4 October, Nike unveiled its first House of Innovation concept store "Shanghai 001". This cross-category flagship store has four levels and an area of 3,822 sqm. It is located at the shopping district of Nanjing East Road in Shanghai. This is also the first Nike store in China to fully adopt mobile payments. Consumers do not have to wait in line, and the "store athletes" (sales associates) will use mobile devices to help consumers complete payment quickly. Nike Shanghai 001 can bring Nike products and services to consumers through the integration of digital and offline services as well as its experiential shop design<sup>12</sup>.

### I.T Group's IZZUE-ARMY opens first China store in Hangzhou

Recently, I.T Group's IZZUE-ARMY opened its first store in China at Intime's Wulin Main Store in Hangzhou. As one of izzue's sub-brands, transforming traditional military uniforms has always been IZZUE ARMY's brand DNA, and the brand will introduce innovative elements into their new collections every quarter, with a hope to provide a variety of mix-and-match ideas for fashionistas who love military uniform style<sup>13</sup>.

# Home products

## Muji records slowing sales growth in China in 2Q19

Muji's parent company Ryohin Keikaku Co., Ltd. released financial results for 2Q19 (June – August 2018). During the quarter, Muji's revenue from China operations increased by 10.4% yoy, slower than 14.8% yoy in 1Q19 (March – May 2018). Although Muji has decreased the retail price in China for 9 times previously, it still cannot ease the slowdown of Muji's sales growth in China. As of August 2018, Muji has 235 stores in China; it opened eight stores and closed two stores in China during the first half of 2018<sup>14</sup>.

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## Fung Business Intelligence

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