

China Retail & E-commerce

Weekly Updates

6 December 2019 – 12 December 2019

 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Teresa Lam

Vice President

E: teresalam@fung1937.com

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: fbicgroup@fung1937.com



Retail in general *p2*

- iiMedia Research: China's off-price market to top 1.5 trillion yuan in 2019
- NBS: CPI up by 4.5% yoy in November, reaching a historic high in 94 months
- First smart lifestyle service neighborhood "Koubei Street" for Beijing sets up in Zhongjun World City
- Hurun releases top 200 homegrown Chinese brands: Tmall ranked the 3rd, Taobao the 4th and Tencent the 8th

E-commerce *p3*

- Xiaohongshu's MAUs drop to 73 million
- Tmall Global to invite more merchants to join its platform in 2020; plans partnerships with over 600 domestic branding service providers
- Products on Koubei-Ele.me to cross-sell on Juhuasuan as Alibaba's two business segments integrate
- Pinduoduo to nurture 100 home textile manufacturing enterprises with sales exceeding 100 million in the coming year
- Group-buying e-commerce operator Taojiji declares bankruptcy

Retail logistics *p4*

- Europe's largest cold chain logistic group N&K Spedition to enter China market

Convenience stores *p4*

- Lawson to open "Lawson+" concept store in Shanghai

Apparel and shoes *p4*

- Anta Sports targets 200 billion-yuan sales from its two major brands and 40% sales from overseas markets
- Italy's cashmere brand Falconeri opens first China store in Beijing

Home products *p5*

- MUJI launches home improvement services "MUJI INFILL" in China

Cosmetics *p5*

- Amorepacific Group ties up with Alibaba to launch Tmall-specific products

Luxury sector *p5*

- Secoo records net profit for 13 consecutive quarters; revenues exceed 1.9 billion yuan in 3Q19
- Luxury Group Kering to open 14 new stores in China

Retail in general

iiMedia Research: China's off-price market to top 1.5 trillion yuan in 2019

iiMedia Research has recently released the China Office-price Market Development Research Report, providing analysis on the latest developments, user profiles and future trends of China's off-price market. According to the report, China's off-price market is expected to top 1.5 trillion yuan in 2019. China's off-price market has distinct development features when compared with their overseas counterparts. While off-price retailers in overseas countries often go after luxury and high-end market positioning, players in China target mainly the mass market, with a greater focus on tier-2 and tier-3 cities. Featuring branded and value-for-money products, China's off-price model is well-received by consumers and able to nurture shoppers to get into the habit of buying discounted branded products, which are more appealing to tier-2 and tier-3 city customers, who are looking for quality products but earning less compared with those in tier-1 cities¹.

NBS: CPI up by 4.5% yoy in November, reaching a historic high in 94 months

According to the National Bureau of Statistics (NBS), the yoy growth rate of China's consumer price index (CPI) went up 4.5% yoy in November 2019, reaching a historic high in 94 months. CPI growth in urban areas increased by 4.2% yoy; while CPI growth in rural areas increased by 5.5% yoy. CPI growth of the food component jumped by 19.1% yoy; while CPI growth of non-food component increased by 1.0%. Of which, pork prices surged by 110.2% yoy. CPI growth of consumer goods was up by 6.5% yoy; while CPI growth of service was up by 1.2% yoy².

First smart lifestyle service neighborhood "Koubei Street" for Beijing sets up in Zhongjun World City

On 10 December, Alibaba's local lifestyle service unit forged a strategic partnership with China SCE Group to set up its first smart lifestyle service neighborhood "Koubei Street" for Beijing in Zhongjun World City. Koubei Street is a smart neighborhood project launched by Alibaba's local lifestyle service unit, which will leverage big data, smart devices, precision marketing and other Internet-based technologies to drive digitalization, informationization and intellectualization upgrading of the neighborhood. The local lifestyle service unit will also pair up with online celebrities and launch shopping festivals online and offline to promote consumption upgrading in the neighborhood. In the future, Koubei Ele.me, a merger between Alibaba's food delivery platform Ele.me and lifestyle services platform Koubei, will continue to set up smart neighborhoods across 300 major cities nationwide³.

Hurun releases top 200 homegrown Chinese brands: Tmall ranked the 3rd, Taobao the 4th and Tencent the 8th

On 12 December, Hurun Research Institute announced the 200 most valuable Chinese brands for 2019. With 320-billion-yuan brand value, Tmall climbed up two positions to the third place. Taobao and Tencent are ranked the fourth and the eighth respectively. Baidu's brand value was estimated at 105 billion yuan and it dropped out from the top ten to the twentieth place. Among the top 200 brands, seven are under the Alibaba group, making it the parent company with the most brands on the list⁴.

E-commerce

Xiaohongshu's MAUs drop to 73 million

According to big data analytics firm QuestMobile, Xiaohongshu (a.k.a. Red) has 72.88 million monthly active users (MAUs) in September 2019, dropped from 93 million MAUs in June 2019, after being pulled from China's Android app stores in August 2019. The incident also showed that Xiaohongshu is facing multiple challenges in its current strategy and business model⁵.

Tmall Global to invite more merchants to join its platform in 2020; plans partnerships with over 600 domestic branding service providers

Tmall Global has recently announced that it will invite more merchants to join its platform in 2020 and expedite the process for brands and merchants to launch and sell their products on its platform, aiming to introduce and incubate more new brands from overseas markets. Meanwhile, the company also plans to work in close collaboration with over 600 domestic brand consulting firms, import service companies, supply chain partners and cross-border logistics partners. It is reported that foreign brands will join Tmall Global through invitations by the platform. To open up its platform to more merchants worldwide, Tmall Global's business development teams will reach more than 20 countries in five continents to further expand its overseas markets and supply chain networks so as to provide vertical and customized services to more overseas brands⁶.

Products on Koubei-Ele.me to cross-sell on Juhuasuan as Alibaba's two business segments integrate

It is reported that Alibaba's local lifestyle service platform Koubei-Ele.me will cross-sell

on Juhuasuan, a group-buying platform also under the Alibaba group, at the "Double 12" shopping festival. The move signifies that the two business segments of Alibaba have integrated such that Koubei-Ele.me will have an additional sales channel and traffic entrance; while Juhuasuan can increase its product variety and build differentiated competitiveness⁷.

Pinduoduo to nurture 100 home textile manufacturing enterprises with sales exceeding 100 million in the coming year

On 10 December, Pinduoduo and Shandong Gaomi Government jointly launched the "New Brand Alliance" for the first time, aiming to push forward the development of home textile industry with the help of Pinduoduo's platform, as well as to promote digitalization, transformation and upgrading of Gaomi city. 15 major local manufacturing companies joined as the first batch members of the alliance, including Sunvim Group Co., Ltd., Xingyu Gloves Co., Ltd., etc. Pinduoduo aims to cultivate 100 home textile manufacturing enterprises with sales exceeding 100 million in the coming year⁸.

Group-buying e-commerce operator Taojiji declares bankruptcy

On 9 December, group-buying e-commerce operator Taojiji officially declared bankruptcy. Founded in 2017, Taojiji was previously known as "Flash Sale (Shandian Tejia)". It offers flash sales on apparel and shoes, mom and infant products, home textile, digital gadgets, food and daily utilities that appealed to youngsters in small towns. Its users can invite family members and friends to sign up. Once the minimum number of buyers was met, group members would make the purchase. Taojiji expanded aggressively and attracted 130 million users within one year by offering cash subsidies and rebates. However,

this business model appeared to be unsustainable as it had created a huge debt for the company. The CEO Zhang Zhengping announced that Taojiji had failed to raise funds and restructure with potential investors⁹.

Retail logistics

Europe's largest cold chain logistic group N&K Spedition to enter China market

Europe's largest cold chain logistic group N&K Spedition recently announced that it will enter the Chinese market and build comprehensive cold chain logistics infrastructure in seven regions (east, south, central, north, northwest, southwest and northeast). It estimated that the total investment on refrigerated warehousing, transport fleet, cold chain logistics certifications, information management, etc. will exceed 100 billion yuan. N&K Spedition was established in Denmark in 1988. It merged with the Netherlands' HSF Logistics, specialist in refrigerated food logistics, in 2017 and became the largest cold chain logistics service provider in Europe. It operates under the name of Euro Fresh in Europe¹⁰.

Convenience stores

Lawson to open "Lawson+" concept store in Shanghai

Lawson will open its new "Lawson+" concept store in Shanghai Lujiazui on 18 December. This time, it partners with domestic coffee shop Essence café to launch a "Essence Coffee Mini Lab" as a combination of convenience store and café. Previously, Lawson already launched various "Lawson+" concept store to satisfy the needs of different group of customers, including "Lawson+pharmacy", "Lawson+gym",

"Lawson+fruit store", "Lawson+football culture", "Lawson+photo exhibition" and "Lawson+environmental protection"¹¹.

Apparel and shoes

Anta Sports targets 200 billion-yuan sales from its two major brands and 40% sales from overseas markets

Anta Sports has recently revealed that the company targets 200 billion-yuan sales by 2025, of which its two major brands Anta and Amer will each contribute 100 billion-yuan sales, with sales of sneakers and clothing items expected to reach 120 million pairs and 100 million pieces, serving 150 million consumers. The company also targets to generate 40% of its total sales from overseas markets, which currently contribute less than 5% of the total sales. It is reported that Anta Sports' market cap has already topped HK\$200 billion, making it one of the leading domestic sportswear brands¹².

Italy's cashmere brand Falconeri opens first China store in Beijing

On 12 December, Italy's cashmere brand Falconeri opened its first store for China in Beijing. The brand will also accelerate its expansion in China by adding 30 self-operated stores in the country within the next three years. Featuring affordable luxury cashmere and natural yarn knitwear for men and women, the brand will launch an exclusive Beijing themed clothing line to celebrate its first store opening in China and appeal to local tastes¹³.

Home products

MUJI launches home improvement services “MUJI INFILL” in China

Recently Japanese retail company MUJI announced on its Chinese official website that it will offer “MUJI INFILL” home improvement services to its Chinese customers from 21 December 2019 onwards. MUJI INFILL will provide tailor-made services from planning adjustment to interior design to construction, and create a living space that is exactly the size required by the customer. MUJI INFILL is understood to be the company’s latest attempt to rescue its business in China. On top of its furniture retail business, MUJI added customized design and construction services to make its products more competitive¹⁴.

Cosmetics

Amorepacific Group ties up with Alibaba to launch Tmall-specific products

On 5 December, Korean beauty company Amorepacific Group signed a strategic partnership agreement with Alibaba Group. Under the agreement, the two companies will launch the “Amorepacific x TMIC (Tmall Innovation Center) C2B Innovation Plant” and jointly develop products specifically for Chinese consumers. According to Amorepacific, its two major brands Laneige and Mamonde will launch T-mall specific products under this new initiative early next year, followed by Sulwhasoo and Hera¹⁵.

Luxury sector

Secoo records net profit for 13 consecutive quarters; revenues exceed 1.9 billion yuan in 3Q19

On 5 December, Secoo Holding Limited announced its unaudited financial results for the quarter ended 30 September (3Q19). Secoo’s total revenues reached 1,941.6 million yuan, up 23.5% yoy. Secoo records net profit for thirteen consecutive quarters, with net income increased by 38.3% yoy to reach 62.1 million yuan. Its GMV reached 3,661.0 million yuan, up 66.8% yoy. Secoo said the strong growth of GMV is partly attributed to the growth of number of active customers. In 3Q19, the number of active customers increased by 58.7% yoy to reach 482,500, up from 304,000 in 3Q18. Total number of orders increased by 74.2% to 1.0353 million in 3Q19, up from 0.5944 million in 3Q18¹⁶.

Luxury Group Kering to open 14 new stores in China

Kering SA recently revealed its plan to open 14 new outlets for five of its brands across six Chinese cities, including Shanghai, Dalian, Kunming, Wuhan, Shenyang and Wuxi. Except Shanghai, these are all new tier-1 or tier-2 cities. The industry believes that Kering will penetrate into lower-tier cities and tap the consumption power of the emerging middle-class¹⁷.

References

- ¹ “iiMedia Research: China’s off-price market to top 1.5 trillion yuan in 2019”, 5 December 2019. iimedia.
<https://www.iimedia.cn/c400/67064.html> (in Chinese only)
- ² “NBS: CPI up by 4.5% yoy in November, reaching a historic high in 94 months”, 10 December 2019. Longsok.
<https://www.longsok.com/dt/2019/1210/54284.html> (in Chinese only)
- ³ “First smart lifestyle service neighborhood “Koubei Street” for Beijing sets up in Zhongjun World City” for Beijing in Zhongjun World City”, 11 December 2019. Winshang.
<http://news.winshang.com/html/066/6838.html> (in Chinese only)
- ⁴ “Hurun releases top 200 homegrown Chinese brands: Tmall ranked the 3rd, Taobao the 4th and Tencent the 8th”, 12 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437532.shtml> (in Chinese only)
- ⁵ “Xiaohongshu’s MAUs drop to 73 million”, 29 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437286.shtml> (in Chinese only)
- ⁶ “Tmall Global to invite more merchants to join its platform in 2020; plans partnerships with over 600 domestic branding service providers”, 6 December 2019. ebrun.
<http://www.ebrun.com/20191206/363578.shtml> (in Chinese only)
- ⁷ “Products on Koubei-Ele.me to cross-sell on Juhuasuan as Alibaba’s two business segments integrate”, 9 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437280.shtml> (in Chinese only)
- ⁸ “Pinduoduo to nurture 100 home textile manufacturing enterprises with sales exceeding 100 million in the coming year”, 10 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437394.shtml> (in Chinese only)
- ⁹ “Group-buying e-commerce operator Taojiji declares bankruptcy”, 9 December 2019. 36kr.
<https://36kr.com/p/5273574> (in Chinese only)
- ¹⁰ “Europe’s largest cold chain logistic group N&K Spedition to enter China market”, 9 December 2019. Longsok.
<https://www.longsok.com/dt/2019/1209/54238.html> (in Chinese only)
- ¹¹ “Lawson to open “Lawson+” concept store in Shanghai”, 11 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437456.shtml> (in Chinese only)
- ¹² “Anta Sports targets 200 billion-yuan sales from its two major brands and 40% sales from overseas markets”, 8 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437226.shtml> (in Chinese only)
- ¹³ “Italy’s cashmere brand Falconeri opens first China store in Beijing”, 12 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437496.shtml> (in Chinese only)
- ¹⁴ “MUJI launches home improvement services “MUJI INFILL” in China”, 10 December 2019. Winshang.
<http://news.winshang.com/html/066/6783.html> (in Chinese only)
- ¹⁵ “Amorepacific Group ties up with Alibaba to launch Tmall-specific products”, 5 December 2019. Yonhap News Agency.
<https://cn.yna.co.kr/view/ACK20191205003900881> (in Chinese only)
- ¹⁶ “Secoo records net profit for 13 consecutive quarters; revenues exceed 1.9 billion yuan in 3Q19”, 6 December 2019. Jwview.com.
<http://www.jwview.com/jingwei/html/12-06/277664.shtml> (in Chinese only)
- ¹⁷ “Luxury Group Kering to open 14 new stores in China”, 12 December 2019. Linkshop.
<http://www.linkshop.com.cn/web/archives/2019/437492.shtml> (in Chinese only)

Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

