

China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Retail in general *p2*

- MOFCOM: China's e-commerce market begins to mature
- MOFCOM: Total sales of retailing and catering services enterprises during Golden Week holiday reach 1.5 trillion yuan
- CNTA: Number of domestic tourists reaches 705 million during Golden Week holiday
- WeChat: millions of people travel overseas during Golden Week holiday
- CNCIC: Retail sales of key 100 retailers grow 4.1% yoy during Golden Week holiday

E-commerce *p3*

- Ali Research: China becomes a world power in e-commerce
- JD.com: domestic brands show explosive growth over the past five years
- Tmall gives out 1 billion yuan virtual red packets during Golden Week holiday
- Alipay overseas transactions increase 8 times during Golden Week holiday
- Alibaba to invest 100 billion yuan to set up Damo Academy
- Tmall refunds for products that are more expensive than those sold on JD.com
- Shanghai's first JD-Wal-mart partnered store opens

E-commerce logistics *p4*

- JD.com builds the world's first fully automated unmanned warehouse in Shanghai

Supermarkets and hypermarkets *p4*

- Wal-mart increases product offerings for its private label "Great Value"
- More than 20 CP Lotus stores connect to JD Daojia platform

Apparel *p5*

- Linkshop: Domestic apparel sector rebounds in 1H17

Kids products *p5*

- Heilan Home buys 44% stake in children's clothing brand Yeehoo

Luxury sector *p5*

- JD.com launches luxury e-commerce platform Toplife

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



MOFCOM: China's e-commerce market begins to mature

The Ministry of Commerce (MOFCOM) released a report on the development of China's e-commerce sector over the past five years. China's e-commerce sector has been getting mature. The number of online shoppers doubled from 242 million in 2012 to 467 million in 2016; transaction value of e-commerce increased from 8.1 trillion yuan in 2012 to 26.1 trillion yuan in 2016 with an annual average growth rate (AAGR) of 34%; of which transaction value of online retailing increased from 1.31 trillion yuan in 2012 to 5.16 trillion yuan in 2016 with an AAGR of 40%. The contribution of online retailing in the growth of total retail sales of consumer goods increased from 17% in 2012 to 30% in 2016.

The report also highlighted the followings:

- Online and offline integration becomes the norm - online players start to move offline; and offline players embrace the Internet in their operations;
- Internet giants start to create eco-systems to improve efficiencies and achieve economies of scale;
- Technology and business model innovations are the core of the development of China's e-commerce sector;
- Driven by Big Data, companies can make scientific predictions, have quick response, and have more accurate production¹.

MOFCOM: Total sales of retailing and catering services enterprises during Golden Week holiday reach 1.5 trillion yuan

According to the Ministry of Commerce

(MOFCOM), total sales of retailing and catering services enterprises during Golden Week holiday (1-8 October) reached 1.5 trillion yuan, while the daily average sales increased by 10.3% yoy. Retail sales during the holiday grew steadily with the following emerging consumption trends, including consumption upgrades; personalized products and products with good quality are increasingly popular; online and offline retailing integrates; green consumption emerges; and mobile payment facilitates consumption².

CNTA: Number of domestic tourists reaches 705 million during Golden Week holiday

According to China National Tourism Administration (CNTA), the number of domestic tourists amounted to 705 million during Golden Week holiday, up 11.9% yoy, while tourism receipts increased by 13.9% yoy to reach 583.6 billion yuan³.

WeChat: millions of people travel overseas during Golden Week holiday

WeChat released the Big Data report for Golden Week holiday. During the holiday period, millions of WeChat users traveled overseas; overseas spending surged with the increasing popularity of mobile payment methods such as WeChat Pay overseas⁴.

CNCIC: Retail sales of key 100 retailers grow 4.1% yoy during Golden Week holiday

According to the China National Commercial Information Center (CNCIC), during Golden Week holiday, the retail sales of key 100 retailers in China increased by 4.1% yoy, up 4.4 ppts and 13.7 ppts compared to same period in 2016 and 2015 respectively. Among the 100 key retailers, 58 of them achieved

positive yoy growth in sales, and one company had sales remained unchanged, which is significantly better than having only 40 retailers recorded positive yoy growth in 2016. In terms of category, food and cosmetics recorded 20.6% and 10.6% yoy growth respectively, which are the highest among all; apparel sector also grew fast, at a rate of 7.8% yoy⁵.

E-commerce

Ali Research: China becomes a world power in e-commerce

On 9 October, Ali Research released a report "Innovation Leap in Five Years: Ten Key Words to Understand the China's E-commerce market". The report pointed out that China ranked first in terms of the number of Internet users – 710 million in 2016 – almost the sum of the number of Internet users in India and the U.S., which ranked second and third respectively. The top ten Internet companies with highest market value are all U.S.- and China- based companies; and Alibaba, Tencent, and Baidu are three of them. Over the past five years, China's online retail sales increased from 1.3 trillion to 5.2 trillion yuan; and the number of express parcels increased from 5.67 billion to 31.3 billion; third-party mobile payments surged from 0.2 trillion to 58.8 trillion yuan⁶.

JD.com: domestic brands show explosive growth over the past five years

Recently, JD.com released a data report on China's economic progress through the development of e-commerce sector in the past five years. During the period, total revenue of JD.com has grown 10 times, and food and

alcohol, beauty and personal care, flowers and plants are the top three fastest-growing categories. Number of domestic brands has increased 32 times while the number of orders made on mobile devices rose by 258%; mobile device has become the main shopping tool⁷.

Tmall gives out 1 billion yuan virtual red packets during Golden Week holiday

Tmall announced to kick-start the "Tmall Festival" during this year's National Day Golden Week holiday, and gave out 1 billion yuan virtual "red packets". Unlike the previous years in which the "red packets" can only be used online, this year, consumers can also use the "red packets" at different retail stores of more than a thousand brands. It is reported that consumers can enjoy a discount of up to 500 yuan in buying refrigerators, washing machines, televisions, etc. and up to 600 yuan in buying digital products and mobile phones⁸.

Alipay overseas transactions increase 8 times during Golden Week holiday

Alipay announced that during the National Day Golden Week holiday (1-8 October), there were eight times as many in-store Alipay transactions overseas than last year, with the average spending per capita increased by 50% yoy. Post-90s generation was the major consumers group overseas, accounting for 44% of the total Alipay overseas transactions with per capita spending of 1,301 yuan. Per capita spending of the post-00s generation (consumers born in the 2000s) reached 532 yuan⁹.

Alibaba to invest 100 billion yuan to set up Damo Academy

Alibaba announced to establish the Damo Academy research institute under Alibaba and will invest 100 billion yuan in the Damo

Academy's research and development of new technologies over the next three years to attract world-class talent, build partnerships and open research laboratories in seven cities around the globe. Its research areas will cover data intelligence, the Internet of Things, fintech, quantum computing and human-machine interaction. Within those areas, it will focus on real-world applications like machine learning, network security, visual computing and Natural Language Processing¹⁰.

Tmall refunds for products that are more expensive than those sold on JD.com

On 8 October, Tmall announced a new policy for refunds. If consumers purchased any product from Tmall's merchants with the special logo found that the price they paid is higher than that on JD.com under same conditions (i.e. same brand, model, color, and specification) on the same day of purchase, they can apply for refund on the price differential. This applies on all products from JD's direct sales platform¹¹.

Shanghai's first JD-Wal-mart partnered store opens

The first JD-Wal-mart partnered store in Shanghai opened recently. The store has an operating area of only 85 sqm, selling more than 100 SKUs, mainly home electronics. Digital price tags are applied in-store; price of the products is the same online and offline. The store will leverage JD.com's consumer big data to choose the products displayed in the store. It will focus on consumers who live within 3-5 km of the store. On the other hand, the store enables JD and Wal-mart to expand and optimize their customer base, increase consumer stickiness, and increase the average order value¹².

E-commerce logistics



JD.com builds the world's first fully automated unmanned warehouse in Shanghai

JD.com announced the world's first fully automated unmanned warehouse has been built in Shanghai. It can handle all processes including parcel stocking, storing, packaging and sorting with smart and automated systems. With a construction area of 40,000 sqm, the unmanned warehouse is part of JD.com's "Asia No.1" project. It is expected that the warehouse could be able to handle more than 200,000 orders daily after operation¹³.

Supermarkets and hypermarkets



Wal-mart increases product offerings for its private label "Great Value"

Recently, Wal-mart has launched dozens of new products under its private label "Great Value" in China, including food and daily necessities. As of September 2017, sales of "Great Value" products achieved a strong yoy growth of over 40%. Since the beginning of the year, Wal-mart has been putting increasing efforts in selling "Great Value" products online and offline – it has enriched the online SKUs, and has launched numbers of promotion events online and offline. Customers can have extensive choices of "Great Value" products online via Wal-mart's online flagship store on JD.com, Wal-mart's app, as well as on JD Daojia platform¹⁴.

More than 20 CP Lotus stores connect to JD Daojia platform

On 11 October, CP Lotus and JD home jointly announced that more than 20 stores of CP Lotus in Shanghai and Kunshan are now connected to JD Daojia platform, and the two parties will continue to strengthen collaboration on online business. CP Lotus said that through JD Daojia platform, CP Lotus stores can receive, pick up and respond to orders quickly, and delivery can be completed in less than 40 minutes. It is reported that by the end of September 2017, CP Lotus has 90 stores in China, and 38 of them have already connected to the JD Daojia platform¹⁵.

Apparel

Linkshop: Domestic apparel sector rebounds in 1H17

Linkshop has monitored the 1H17 business performances of some 44 listed apparel companies. Total revenue of these 44 companies amounted to 95.533 billion yuan, up by 9.73 ppts compared to the same period last year; and total net profit reached 111.13 billion yuan. Among these companies, 34 of them recorded revenue growth, 28 recorded net profit growth, and 25 recorded growth in both revenue and net profit. After experiencing shop closures and mismatch in supply and demand in recent years, the apparel sector saw a rebound in growth in 1H17. Kidswear has become a new growth driver in recent years – many apparel brands have launched their own kidswear collection; and many kidswear brands have grown rapidly¹⁶.

Kids products

Heilan Home buys 44% stake in children's clothing brand Yeehoo

Heilan Investment Management Co., Ltd., a subsidiary of the Jiangsu-based apparel brand Heilan Home, has announced to acquire a 44% stake in children's apparel brand Yeehoo for 660 million yuan. Heilan Investment will become the second largest shareholder after the acquisition. Yeehoo has extensive product lines including baby strollers, mother and baby products, toys, etc. It has its own brands "Yeehoo" and "Peekaboo", and has licensing agreements with U.K. brands "Silver Cross", and "Avent", as well as Norwegian brand "Stokke"¹⁷.

Luxury sector

JD.com launches luxury e-commerce platform Toplife

JD.com launched its first-ever luxury e-commerce platform "Toplife" on 10 October. Toplife is JD.com's independent shopping platform where foreign and domestic brands can set up their official flagship stores on the platform and sell directly to consumers. Apart from displaying and selling products, the platform also shares the brand's design concepts with users. Product delivery will be handled by JD.com's specialized logistics team for luxury products, and air freight shipment will be provided. With all the dedicated services including dedicated warehouse and aircraft, as well as dedicated

personnel and vehicle, JD.com will be able to offer personalized one-stop logistics services to customers. Six luxury brands including La Perla, Emporio Armani, Rimowa, B&O Play, Ports 1961 and Trussardi have joined the platform in September¹⁸.

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