


China Retail & E-commerce

Weekly Updates

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Retail in general



Ali Research releases China's first market index on "New Consumption"

As part of the "Alibaba New Consumption Index" series, the "Report on the Quality Consumption Index" was recently published by Ali Research. The report was the first index report to leverage big data analytics to provide insights into the consumption quality upgrade in China. According to the report, retail sales growth dropped by 5.3 ppts over the last five years. On the other hand, Alibaba's "Quality Consumption Index" has increased from 26.8% five years ago to 34.4% in the previous year, up by 7.2 ppts in the period. The trend of slower growth rate and improved product quality is set to become a major characteristic of China's consumer market in the future. Also, sports and outdoor products, furniture, as well as mobile phones and digital gadgets are retail categories benefiting the most from the growing trend of quality improvement¹.

JD.com, 21st Century Business Herald: The "Mum-Economy" becomes blue ocean

JD.com and research institute under 21st Century Business Herald jointly published the "2017 Chinese Mother-and-Infant Online Consumer Trends Report". The findings in the report were based on JD.com's sales data in the mother-and-infant sector in 2016, coupled with results of a survey of around 1,000 mother-and-infant products' users. According to the report, over 78% of households are willing to give birth to a "second child"; surveyed families in tier 5 and tier 6 tier cities are more willing to have a second child. 92% of users are most

concerned about product quality and value-for-money, nearly half of surveyed respondents are influenced by promotions; and 60% of the surveyed users prefer to choose big brands. The "Mum Economy" is set to become the new blue ocean².

E-commerce



JD Fresh Produce launches instant refund service and offers on-the-spot goods checking before delivery sign-off

JD Fresh Produce has launched the first on-the-spot refund scheme in China. According to JD.com, fresh produce express delivery nationwide will now support on-the-spot goods inspection prior to the signing off of delivery, allowing consumers to request for refund immediately in case the products are defrosted, spoiled, spilled or have damaged packaging. Earlier, JD Fresh Produce has also launched an expedited refund service which allows consumers to submit refund request online within 48 hours after receiving the damaged products. The refund request will be reviewed and processed within 100 minutes of submission and successful applicants will be able to receive product refund without the need to return the products³.

JD.com taps the convenience store sector; plans to open 1 million stores within 5 years

Recently, JD.com unveiled its plan to tap the convenience store sector. The company plans to open more than 1 million JD.com convenience stores nationwide within 5 years. Following JD.com's plan to open 10,000 home electronics and appliances specialty stores, this is the third offline project of the group. According to JD.com, half of the planned 1

million convenience stores will be opened in rural area, and to open in every village⁴.

JD.com to open 5,000 “mother-and-infant experiential stores” in 3 years

JD.com announced that JD Supermarket will open 5,000 mother-and-infant experiential stores nationwide, focusing on the tier 3 and tier 4 cities. The experiential store will be able to provide last mile delivery service to customers within the radius of 1 km who ordered mother-and-infant products on JD.com. JD.com pointed out that the mother-and-infant product category of JD Supermarket will reach tier 3 and lower tier cities through the physical stores; the number of mother-and-infant experiential stores is estimated to reach 30,000 in 2017. In the future, offline and online integration will be the key development trend of the mother-and-infant industry⁵.

JD.com and Smartisan signs a 3-year strategic agreement

JD.com and China-based technology company Smartisan Technology Co., Ltd signed a three-year strategic cooperation agreement. According to the agreement, in the next three years, Smartisan will release new products exclusively on JD.com; it will also launch customized products exclusively on JD.com. In addition, the two companies will cooperate in areas such as hardware and content development⁶.

Tmall Home Electronics achieves sales growth of around 70% yoy for three consecutive years; smart home devices have the strongest growth

Tmall Home Electronics achieved sales growth of around 70% yoy for three consecutive years, of which smart home devices including smart television, smart air

conditioner, and smart refrigerator had the strongest growth of over 130% yoy.

Transaction value of international home electronic brands has increased by over 60% yoy. In 2017, helping businesses to connect with consumers and embrace omni-channel strategy will be the major focus of Tmall Home Electronics. According to Tmall, demands for home products are getting more diverse, consumers now demand for more healthy and natural materials. On the other hand, customization for different consumer groups will be the focus. Spending power of younger consumers, particularly the post-90s and post-95s are the highest among all consumer groups; their spending has increased by over 90% for two consecutive years⁷.

Australian healthcare brand Swisse signs strategic partnership agreement with Tmall Global

Australian healthcare brand Swisse signs a 600-million-yuan strategic partnership agreement with Tmall Global and enters a new phase of cooperation. Swisse launched flagship stores on Tmall Global in March 2016. It is the only brand in Tmall Global's healthcare section which achieved sales revenue of over 1 million yuan in just one year. Besides, Swisse plans to enter China through the general trade channel this year and sell its products in Watsons and Sam's Club in over 50 cities⁸.

Amazon CN connects to Amazon Japan to make an additional 850,000 SKUs of overseas products available to Chinese consumers

Amazon CN announced that its Amazon Global service has officially connected with Amazon Japan. Shoppers in China can purchase selected goods from Amazon Japan while staying in the Chinese interface of Amazon CN, as well as paying with China

UnionPay. Currently over 850,000 products are available on the platform to shoppers in China, including goods from 16 categories such as fashion, shoes, bags, accessories, watches, computer-related products, kitchenware, home products, home electric appliances, animation-related products and cosmetics. These products will be delivered from the fulfilment centres in Japan directly to Chinese shoppers in 7-12 working-days. Prior to this, Amazon CN has connected to its retail platforms in the U.S. and the U.K. already⁹.

YTO Express re-launches e-commerce platform

YTO Express has re-launched its e-commerce platform via WeChat and Android App. The platform mainly offers foreign brands and local specialty products, focusing on baby and maternity goods, personal care products, colour cosmetics, and home products. Not many SKUs are available on the platform now. YTO Express first launched its e-commerce platform in April 2014, focusing mainly on local specialty products. It shifted its focus to overseas products in January 2015 and quitted the market later¹⁰.

Supermarkets and hypermarkets



Yonghui Superstore revenue up 13.76% yoy to reach 15.26 billion yuan for 1H17

Yonghui Superstore reported revenue of 15.26 billion yuan in 1H17, up 13.76% yoy. Operating profit reached 875 million yuan, up 58.55% yoy. The growth of revenue was attributable to the increase of gross profit margin¹¹.

ASDA opens flagship store on JD Worldwide

Wal-mart's UK supermarket brand ASDA Stores Limited (ASDA) has launched a flagship store on JD.com's cross-border platform, JD Worldwide. At present, goods that are sold on the flagship store are mainly food and health products, and all are imported from the U.K. ASDA was established in 1965, with more than 600 stores in the U.K. as of date¹².

Department stores and shopping malls



Shenzhen Mixc World to open in September with more than 1,000 brands

China Resources Land Limited's Mixc World will be opened on 27 September this year in Shenzhen. It is China Resources Land's second commercial property in Shenzhen under the Mixc brand following the opening of Mixc Shenzhen in 2004. Mixc World has an area of around 230,000 sqm for nearly 300 stores, housing over 1,000 brands and 12 standalone flagship stores. There is also a 2,000 sqm indoor kids' playground and a food court that will open 24 hours a day¹³.

Qingdao Liqun lists on Shanghai Stock Exchange

Qingdao Liqun Department Store Group Co., Ltd. lists on Shanghai Stock Exchange on 12 April, 2017. Qingdao Liqun issues 176 million shares at 8.82 yuan per share to raise 1.55 billion yuan for its Shanghai IPO. The fund will be used for the expansion of its department store chains, including revamping its stores, upgrading logistics and distribution centers and enhancing e-commerce business. Qingdao Liqun is a large retail group in

Shandong Province which operates department stores, logistics business, brand licensing business and e-commerce business¹⁴.

Apparel and shoes

Ladies' shoes retailer Saturday Shoes announces plans to acquire the parent companies of onlylady.com and kimiss.com

Foshan Saturday Shoes Co., Ltd. announced two proposed acquisitions amounted to a total cash consideration of 394 million yuan, involving two Beijing companies which respectively own fashion and lifestyle websites onlylady.com and kimiss.com. After the acquisitions are completed, the online platforms will be able to help the shoe retailer to use the Internet to execute new strategies, pivot into new business areas and improve its product portfolio¹⁵.

Adidas withdraws part of the production lines from China

Adidas announced to relocate part of China's production lines to Speedfactory, Adidas' intelligent automated factory in Germany, and to replace the current manual manufacturing with robotic production in order to reduce production cost. Adidas has moved the production line to Asia for nearly 20 years. The company said that from this year onward, most of the Adidas products will be manufactured at Germany's Speedfactory so as to efficiently meet the different needs of consumers¹⁶.

Cosmetics

Kiehl's opens flagship store on Tmall

Kiehl's, a cosmetics brand under French cosmetics group L'Oréal, has officially opened its Tmall flagship store, selling 43 SKUs from product categories such as facial care, body care, men's products and hair products. The brand has also introduced a custom-made gift product series exclusively available to shoppers on Tmall. Kiehl's entered the China market in 2009; it has opened 129 counters and retail points in China as of early March 2017. The brand launched its website in late 2012 and did not have a flagship store on Tmall prior to this. After a month-long trial operation, the brand's Tmall flagship store has over 200,000 fans and followers. Aside from Kiehl's, L'Oréal has 19 brands on Tmall, including Yuesai, Maybelline and Helena Rubinstein¹⁷.

L'Oréal Group deepens cooperation with JD.com

L'Oréal Group and JD.com signed an agreement on strategic cooperation to deepen their cooperation in areas such as targeted marketing and big data sharing. L'Oréal will increase the share of sales via JD.com platform for their new products. It will also launch innovative products, and embrace digital marketing and creative contents with a hope to lure younger customers. At the same time, the company will launch more of its brands, including high-end brands, on JD.com. JD.com, on the other hand, will work together with L'Oréal to roll out a series of targeted marketing campaigns for different brands under L'Oréal Group¹⁸.

Consumer electronics

Suning establishes a new retail brand for smart products “YOUQU”

Suning announced the establishment of its first retail brand for smart products “YOUQU”. With an area of 200 sqm, YOUQU is a standalone shop-in-shop store inside Suning’s physical store which sells smart products and products incorporating new technologies, including VR, robotics, drone, smart media player, smart watches and smart home devices. Suning will open its first YOUQU store in Beijing Liujiayao branch on 14 April, 2017. It plans to open 20 YOUQU stores by 1 May, 2017¹⁹.

Home products

Home products brand TAYOYHA joins Handu Group’s incubator ecosystem

Recently, Handu Power of Handu Group signed a strategic alliance agreement with home products brand TAYOHYA. TAYOHYA will officially join Handu’s cloud-based incubator ecosystem, which will be managed and operated by Handu Power. TAYOYHA was established in 1998 in Shanghai. Its core businesses include R&D, integrating production, selling home products including kitchen utensils, bathroom products, home textiles, home furnishings and other home supplies²⁰.

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