



China Retail & E-commerce

Weekly Updates

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 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



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E-commerce

Jack Ma to step down as Alibaba's chairman; to be succeeded by CEO Daniel Zhang next year

On 10 September, Alibaba Group founder Jack Ma issued an open letter and announced that he will no longer serve as the chairman of Alibaba Group's board of directors on the 20th anniversary of Alibaba, i.e. 10 September, 2019. Current group CEO Daniel Zhang will succeed him as chairman. Jack Ma believes that during the past three years of serving as CEO of the company, Daniel has led Alibaba to achieve long-term development with outstanding business talent, firm leadership, logical thinking and reasoning skills. He has led the company to achieve high-speed growth for 13 consecutive quarters. Jack Ma will stay on the board of directors until his term ends in 2020¹.

Alibaba makes strategic investment into clothing sharing and rental platform Yi23

On 7 September, Alibaba announced a new round of strategic investment into Yi23, a Chinese clothing sharing and rental platform. Details has yet to be disclosed. Back in 2017, Alibaba participated in Yi23's Series C round of funding. Founded in December 2015, Yi23 has already gained funding from SoftBank (China), Sequoia Capital, IDG, GSR Ventures and ZhenFund. The accumulated capital raised is said to have reached hundreds of millions of USD. Currently, Yi23 has over 15 million registered users².

CECA: Unmanned retailing, group-buying e-commerce platforms and social-commerce are major e-commerce business models widely adopted nowadays

On 8 September, the China E-commerce

Association (CECA) released the "Report of China's e-commerce development, 2017 – 2018". In 2017, the total transaction value of China's e-commerce market reached 29.16 trillion yuan, 2.8 times the value in 2012.

According to the report, unmanned retailing, group-buying e-commerce platforms, as well as social-commerce are some major e-commerce business models widely adopted nowadays.

1. As of October 2017, the number of vending machines increased significantly; sales generated from vending machines accounted for 66% of the total retail sales of unmanned retailing, while sales generated from unmanned convenience stores and unmanned shelves accounted for 20% and 14% of the total retail sales of unmanned retailing respectively.
2. As of end-2017, the number of users of group-buying e-commerce platforms reached 211 million, up 117.5% yoy. The potential of group-buying e-commerce platforms is huge.
3. In 2017, the number of Internet KOLs with over 100,000 fans increased by 57.3% yoy. The fan base of Internet KOLs in China reached 470 million, up 20.6% qoq. Of which, male accounted for 61.4% of the total. The majority of the fans live in tier-3 and 4 cities³.

NetEase's Yanxuan launches on Pingduoduo to diversify sales channels

Recently, NetEase's Yanxuan has launched on Pingduoduo. According to the official data released by Pingduoduo, a total of 89 items from Yanxuan have been put on shelves, and 609 orders (team purchases) have been completed. According to NetEase's Yanxuan, apart from selling on Yanxuan app, it has also tried to diversify its sales channels⁴.

NetEase's Kaola.com cooperates with Japanese duty-free shop group Laox

China's CBEC platform NetEase's Kaola.com and Japanese duty-free shop group Laox announced a strategic cooperation. In addition to the opening of Laox overseas flagship store on the Kaola platform, the two sides will explore cooperation opportunities in various aspects such as market and brand promotion. The two companies pointed out that, on the one hand, the cooperation will expand and deepen the leading position of Kaola in offering Japanese products, and provide higher quality goods and services for Chinese customers; on the other hand, the cooperation will further promote Laox's performance and influence in China market and promote economic and cultural exchanges between Chinese and Japanese people⁵.

Retail logistics

Cainiao launches first-ever environmental friendly recycling boxes

On 6 September, Cainiao launched the world's first recycling boxes for all product categories. This new initiative is expected to reduce logistics costs by over 10 million yuan every year. Recycling boxes will be used for picking, loading and packing goods in Cainiao's green warehouses. The sealed boxes can be directly sent out from the warehouse without repackaging and checking. The efficiency can be improved by 30% after the initial launch of the service. Couriers can deliver recycling boxes directly to consumers during last-mile delivery. After customers receive the parcels and sign for them, couriers will bring the recycling boxes back to the warehouse⁶.

Cainiao makes strategic investment in Shenzhen Yiliu Technology Co., Ltd.

On 13 September, Cainiao announced to make strategic investment in Shenzhen Yiliu Technology Co., Ltd. Yiliu is a domestic smart IoT company focusing on providing digitalization and smart logistics services for delivery trucks and transporting goods as well as end-to-end transparent logistics services. After the strategic investment, both companies will leverage IoT, artificial intelligence and big data to optimize truck routes, cargo loading and driving safety for millions of truck owners; and to achieve digitalization of the whole supply chain⁷.

Suning.com sells five subsidiaries of its warehouse operation business

Recently, Suning.com issued a notice saying that Yunxiang Warehousing Logistics Fund intends to acquire 100% stakes of the company's five holding subsidiaries namely Shenyang Suning Logistics, Xuzhou Suning Logistics, Hunan Suning Procurement, Shanghai Hushen Suning, Chongqing Suning Procurement. The transaction is estimated to be 1,148.29 million yuan. According to Suning.com, the investment will effectively promote the expansion of the company's logistics warehousing business, generate more income from logistics value-added services and bring down the cost of logistics operations; it will also help promote operational efficiency⁸.

JD Logistics opens smart logistics warehouse in Thailand

On 10 September, JD Logistics officially launched the smart logistics warehouse in Thailand to serve Southeast Asia market. The smart warehouse, offering a full range of supply chain services and integrated logistics systems, can ensure a smooth operation for

various logistics functions such as warehousing, distribution, sorting and transportation. According to the company's introduction, the smart warehouse applies JD Logistics' warehouse management system WMS 5.0. By incorporating the big data accumulated in the past ten or more years, as well as smart technologies such as artificial intelligence, Internet of Things and image recognition, the system can support more than 90% of logistics scenarios. Operational efficiency of the smart warehouse is five times higher than traditional warehouses. This move is also an important step for JD Logistics to build a Global Supply Chain Infrastructure Network (GSSC)⁹.

Department stores and shopping malls

Wumei Holdings confirms to acquire 11.48 million shares of Xinhua Department Store

On 7 September, Yinchuan Xinhua Department Store Group Co., Ltd. announced that Wumei Holdings, Inc., its controlling shareholder, confirmed that it will acquire 11,479,110 shares of the company. The company's shares resumed trading on 10 September. After the completion of the acquisition, Wumei Holdings, Inc. will hold nearly 40.03% of the total shares of the company¹⁰.

Joy City Hangzhou opens China's first indoor scuba diving pool

Recently, China's first indoor scuba diving pool which is located inside a shopping mall is officially opened in Joy City Hangzhou. The scuba diving pool is operated by the Canadian International Waters Centre. It is located in a prominent position in the sunken plaza with a panoramic clear glass design. The scuba

diving pool covers an area of about 70 sqm and a depth of 3.6 m. The construction fee of the entire scuba diving pool costs more than 4 million yuan¹¹.

Supermarkets and hypermarkets

Number of users of Walmart China's "Scan and Go" service exceeds 10 million; to cover all Walmart branches in China by end-2018

On 10 September, Walmart China announced that the number of users of its "Scan and Go" service in China has exceeded 10 million as of September 2018. Launched in April 2018, "Scan and Go" now covers more than 300 Walmart branches in over 50 cities. It is expected that the service will be available in all of its 400+ stores across the nation by end-2018. Meanwhile, Walmart China will continue to deepen its smart retail strategy by further expanding its e-commerce platform. It will add more precise functions such as "find goods" map function and "personalized coupons" on its WeChat Mini Program¹².

CR Vanguard to connect 1,000 stores with JD Daojia by end of year

Recently, CR Vanguard and JD.com announced that they will continue to deepen cooperation and accelerate the launch of the full-format store online. By the end of the year, the number of participated stores will more than triple, covering nearly 1,000 stores in 20 cities. Next, all retail brands of China Resources including CR Vanguard, Suguo, Olé, blt, V+, Tesco Express, and VanGO will be fully launched on JD Daojia¹³.

Convenience stores

Over 1,000 FamilyMart branches connect with JD Daojia

On 6 September, FamilyMart China and JD Daojia announced that more than 1,000 FamilyMart branches have connected with JD Daojia since February 2018, accounting for around half of the total number of stores of FamilyMart in China. Online sales in August increased by 886% compared with February 2018. Going forward, FamilyMart targets to digitalize all of its stores, covering Beijing, Chengdu, Dongguan, Guangzhou, Hangzhou, etc¹⁴.

JD Convenience store opens in Tianjin University

JD Convenience Store opened in Tianjin University on 10 September, which is the first JD Convenience Store with school campus theme. Different from other on-campus convenience stores, JD Convenience Store offers various value-added services including self-printing service, laundry service, flower ordering service, as well as JD maintenance services. Students can make online order via JD Convenience Store's WeChat Mini Program; they may even enjoy in-room delivery in the future. According to people at JD Convenience Store, customers in the campus are mainly the post-95s and post-00s, they focus more on shopping experience and better quality of life¹⁵.

Apparel and shoes

Nine West to withdraw from the China market

It is reported that the U.S. footwear brand Nine West may gradually close down its

mainland stores. At present, the brand's last store in Hanguang Department Store in Beijing has been closed, and the brand's Tmall flagship store has ceased operation recently. The relevant person in charge of Tmall revealed that Nine West has plans to withdraw entirely from the China market¹⁶.

Metersbonwe launches home-style experiential store

On 8 September, domestic clothing brand Metersbonwe officially opened its home-style experiential store in Shenyang Middle Street. Unlike other stores of Metersbonwe, this store covers an area of 7,000 sqm and offers household goods such as stationery, cups, and decorations on top of apparel products. Founder of Metersbonwe, Zhou Chengjian said that Metersbonwe will build more than 100 multi-fashion family-style experiential stores in the southeast, southwest, northwest, northeast, and east China this fall¹⁷.

Anta intends to acquire Finland's Amer Sports

On 12 September, Anta announced that it has a preliminary intention to acquire Amer Sports. According to the announcement, Anta, together with private equity firm FountainVest Partners, issued an indication of interest in an all-cash buyout to Amer Sports Corporation to acquire all the shares of Amer Sports at a price of 40 euro per share. It is reported that Amer Sports owns the Canadian outdoor clothing and sporting goods brand Arc'teryx, the French mountain outdoor cross-country brand Salomon, and the U.S. tennis equipment brand Wilson, etc¹⁸.

French sports brand Rossignol accelerates expansion in China

On 12 September, French outdoor sports

fashion group Rossignol announced that it will accelerate its expansion in China. The Rossignol Group plans to open 10 stores in Beijing this year and start selling products on e-commerce platform. The brand will soon launch the 2018-2019 Fall/Winter collection for clothing and footwear products. Founded in 1907, Rossignol is a French company which designs, produces and sells all kinds of winter sportswear and sports equipment. It currently owns more than ten brands¹⁹.

Luxury sector

Hermès plans to tap China's e-commerce market in 2H18

On 12 September, French fashion house Hermès released its financial results for 1H18. Its consolidated revenue amounted to 2,853 million euros in 1H18, up 11.2% yoy at constant exchange rates and 5.2% at current exchange rates. Its net profit increased 17% yoy to 708 million euros. Sales in Asia (excluding Japan) in 1H18 increased 7.4% yoy to 1,072 million euros. Sales in Asia accounted for almost half of total sales in 1H18. Hermès also plans to launch a Chinese-language website in October and is looking into selling its products through JD.com²⁰.

Ralph Lauren launches online flagship store and WeChat Mini Program in China

On 5 September, Ralph Lauren announced the unveiling of China's first official online flagship store (www.ralphlauren.cn), covering the luxury labels of the two series of Ralph Lauren –men's Purple Label series and women's Collection series, as well as the Polo series. In addition, WeChat Mini Program is also launched to attract young consumers. The online store of WeChat Mini Program will

support WeChat payment, and customers can enjoy efficient customer service through WeChat's online chat service. Consumers in Shanghai can also enjoy the same-day delivery service with complimentary gift wrapping and customized gift cards²¹.

Secoo's net profit up 26.4% yoy to U.S\$ 5.5 million in 2Q18

On 6 September, Secoo Holding Limited released the unaudited financial results for 2Q18 ended 30 June, 2018. According to the financial report, total net revenues of Secoo in the second quarter was 1.2201 billion yuan, an increase of 55.5% yoy; net income increased by 26.4% yoy to 36.4 million yuan. Number of active customers increased by 97.6% yoy to 255,500 for 2Q18 from 129,300 for 2Q17²².

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