

China Retail & E-commerce

Weekly Updates

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Retail in general



Oliver Wyman: Chinese outbound spending in 2016 amounts to US\$261 billion, accounting for one-fifth of the global total

According to a recent survey done by market research company Oliver Wyman, Chinese tourist numbers and holiday expenditure continue to rise in 2016. However, the average Chinese tourist shopping expenditure during overseas travel dropped 17% yoy from 8,050 yuan in 2015 to 6,705 yuan in 2016. Overall holiday spending, including hotels and sightseeing, rose 3.5% yoy to 20,317 yuan from 19,635 yuan. In 2016, Chinese outbound spending still ranked highest in the world. Data from the World Tourism Organization showed that travellers from China spent US\$261 billion in the year, accounting for one-fifth of the global total, up from US\$249.8 billion in 2015¹.

E-commerce



Alibaba sets up new committee to execute its strategies in five key areas

On 11 July, Alibaba announced the setup of an executive committee to execute on strategies in five key areas during the Global Netpreneur Conference. The committee will be led by the group's CEO Daniel Zhang Yong and will consolidate resources across the ecosystem of Alibaba, including Alibaba Group, Ant Financial and Cainiao Network. The five key areas are namely New Retail, New Finance, New Manufacturing, New

Alibaba showcases “take and go” coffee shop Tao Café in the Taobao Maker Festival

Alibaba kicked off its second annual Taobao Maker Festival on 8 July, featuring the group's “take and go” kiosk known as Tao Café. The store provides both shopping and catering functions. It requires first-time customers to scan a QR code to gain access to the shop, as well as to consent Alibaba on the collection and use of personal data, Alipay services agreement etc. Once consumers have entered the shop, they can shop without using their cell phone. The system will automatically calculate the amount due and deduct it from the user's Alipay account with a notification when the shopper leaves the shop³.

JD.com plans to expand its operation in Indonesia

According to media report, JD.com has been building infrastructure facilities in Indonesia to prepare for its business expansion in the market. JD.com currently owns four warehouses in Indonesia and reportedly plans to set up another three before the end of 2017. In the past 12 months, the number of staff of JD.com in Indonesia has increased by nearly two-fold to around 400. JD.com also plans to deliver fresh produce and frozen food to household using refrigeration trucks within the next five years⁴.

Alipay and WeChat Pay partner with U.S. payment platform Stripe

According to media report, Alipay and WeChat Pay have both formed partnership with U.S. third-party payment platform Stripe, allowing online merchants to accept Alipay and

WeChat Pay payment via Stripe. Founded in 2010 in San Francisco, Stripe is a U.S.-based fintech company providing technology that enables merchants in 25 countries to accept payments online. It charges a fee on every payment transaction processed via its platform⁵.

Tencent forms partnership with Wirecard to support the launch of WeChat Pay in Europe

Tencent signed partnership agreement with German payment technology company Wirecard, who will support the launch of WeChat Pay in Europe by providing solutions to merchants regarding the use of WeChat Pay starting from November in 2017. Wirecard said that as Chinese consumers are more accustomed to mobile payment instead of card payment, European merchants will be able to provide more convenience to their Chinese customers by providing mobile payment options. Wirecard is a German electronic payment technology company that provides cutting edge payment and clearing services in Europe⁶.

Amazon China signs strategic partnership agreement with Ningbo CBEC Pilot Zone

Amazon China and the Ningbo Cross-border E-commerce (CBEC) Pilot Zone signed a memorandum of understanding to embark on a long term and extensive partnership. Both parties will jointly promote the transformation of quality manufacturers, brands, start-ups, SMEs in Ningbo and support them to sell overseas through Amazon's Global Selling Service⁷.

Yunji Weidian, Analysys: growth of transaction value of mobile e-commerce slows down and expected to be lowered to 18.5% yoy by 2019

Social selling platform Yunji Weidian and market research company Analysys jointly published the "Report of China's Social E-commerce Big Data in 2017". According to the report, the growth of transaction value of social e-commerce has slowed down and is expected to be lowered to around 18.5% yoy by 2019. The report suggested that retailers will need to come up with innovative means to draw more traffic for mobile e-commerce, which comprised the largest portion of the e-commerce traffic. The report suggested that social-commerce will play a more significant role in the future⁸.

iResearch: Local lifestyle service O2O market estimates to reach a market value of 978 billion yuan in 2017

Market research company iResearch recently released the "2017 Report of the Local Lifestyle Service O2O Market". Total market transaction value almost amounted to 700 billion yuan in 2016 and expected to reach 978 billion yuan in 2017, while O2O's market penetration rate in the local service market will go over 10%. In 2016, market players in the industry mainly operated in two models, namely home-delivery and in-store. Home-delivery O2O refers to the orders made online and product delivery or service completed at home. In-store O2O refers to the orders made online and product delivery or service completed in-store. Koubei.com and Meituan Dianping are major platforms offering in-store O2O local service⁹.

E-commerce logistics



JD.com and Japanese logistics company Yamato form strategic partnership to collaborate in areas such as cold chain logistics

JD.com announced that it entered into a strategic partnership with Yamato Transport Co., Ltd., one of the largest logistics company in Japan. The agreement involves collaboration in areas such as fresh produce cold chain logistics, cross-border logistics, global trade management, logistics technology R&D. Founded in 1919, Yamato first entered the China market in 2010. It currently focuses in providing professional third-party logistics services such as truck transportation, container consolidation, and air-conditioned warehousing¹⁰.

Supermarkets and hypermarkets



Net profit of Yonghui Superstore increases by over 50% yoy in 1H17

Yonghui Superstore announced its financial results for the period of 1H17. Sales amounted to 28.317 billion yuan, up by 15.49%. Net profit attributable to shareholders amounted to 1.051 billion yuan, up by 56.94% yoy. The company summarized the reasons for its growth as follows: Increased number of stores resulted in more sales; improved merchandizing increased the gross profit margin; better use of idle capital led to interest income. In 2017, Yonghui planned to open over 100 new branches of YH Bravo and enter new provinces. Also, the retailer will continue

to strive to become the market leader in implementing the transformative “supermarket + catering” model. It will continue to open more membership stores. Yonghui also plans to open 24 new YH Super Species stores by end of 2017¹¹.

Yonghui Superstore to up its stakes in Zhongbai Group to 25%

Zhongbai Group announced that Chongqing Yonghui, a subsidiary of Yonghui Superstore, has purchased 34,051,143 shares of the company in the Shenzhen Stock Exchange between 1 June and 7 July. After this round of share purchase, Yonghui Superstore and its subsidiaries including Chongqing Yonghui and Yonghui Logistics, together hold 170,255,458 shares of Zhongbai, which are 25% of the equity interest of the company¹².

Jiangsu Suguo Supermarket to open small hypermarkets and fresh produce supermarkets in communities by end-2017

Jiangsu-based Suguo Supermarket, a retailer under the China Resources Group, said that small-format stores have become the major focus in the company’s future development. Suguo will open two branches of 2nd generation hypermarket by the end of 2017. Comparing with the current hypermarkets, Suguo’s 2nd generation hypermarket has a smaller scale of 5,000 sqm. It will focus on developing and providing merchandizes that appeal to young consumers. Various kinds of community functions will also be provided in the space. On the other hand, the company also plans to launch a fresh produce community store in Nanjing in 2017. This new retail format of the retailer will have a floor space of 1,000 sqm, and fresh produce will account for over 50% of the products sold. Also, Suguo plans to have 1,000 convenience

stores in Nanjing in five years' time¹³.

Outlets

Discount outlets Florentia Village exceeds expectation in its 2016 performance

RDM Group, an Italian real estate development company, said that its discount outlet brand Florentia Village exceeded expectation with its positive performance in 2016. Its three branches in Tianjin, Shanghai and Foshan of Guangzhou recorded over 5.5 billion yuan of sales revenue in the year, up by 15% yoy. Customer footfall of the three branches was over 11 million in the period. Foshan branch, in particular, delivered a higher than average growth of over 45% yoy in sales. Currently, RDM Asia has launched five Florentia Village in China and the company plans to expand into the South-western China in Chengdu and Chongqing. According to media report, the Chengdu branch is set to open by end of 2017¹⁴.

Convenience stores

Self-service convenience store Bingo Box records close to 80% repurchase rate in its ten months of trial operation

Retailer Auchan Group China said that data showed its fully-automated 24-hour convenience store Bingo Box deployed in various locations such as Zhongshan for trial operation have recorded a customer repurchase rate of close to 80%. During the ten months of trial operation, there is zero case of shop lifting and vandalism. According to media report, the retailer now deploys two

models of Bingo Box, the large-sized model which has a floor space of 15.6 sqm, and the medium-sized model that has a floor space of 12.48 sqm. The two models can accommodate 800 and 500 SKUs respectively. Bingo Box set up its first store in Zhongshan, Guangdong in August 2016 and currently has ten stores in China. The retailer said that the store is ready for mass production and it expects to launch 5,000 stores in a year¹⁵.

Lawson partners with Beijing supermarket chain CSF Market to open three joint-brand branches in Beijing in August

The Beijing subsidiary of Japanese convenience store brand Lawson formed strategic partnership with ChaoShiFa Market (CSF Market), a Beijing-based supermarket chain. Together they will operate under franchise model and will open three new joint-brand branches of "CSF Market Lawson" convenience stores in Beijing in August. No less than 10 stores will be opened every year in the future. Founded in 1999, CSF Market is a Beijing-based regional supermarket chain. It currently has 74 directly operated stores¹⁶.

Apparel

MUJI records further growth in China

Ryohin Keikaku Co. Ltd., a Japanese general merchandize retailer, announced its financial results in the first quarter of its 2018 financial year. The company's apparel and lifestyle brand MUJI continued to report positive performance in the China market in the period. In 1Q18 ended 31 May, MUJI's sales in China amounted to 942.4 million yuan, up by 16.7% yoy. Comparable sales were increased by 5.8% yoy, surpassing the 4.7% annual

average growth recorded in FY17. Number of stores in China recorded a net increase of 2 stores to a total of 202 stores, up by 39 yoy. In 1Q18, MUJI opened its first China MUJI Diner in Shanghai. MUJI Diner, MUJI BOOKS, Café & Meal MUJI, as well as the MUJI Hotel that is expected to be opened in Beijing and Shenzhen later this year will form a portfolio of lifestyle brands of MUJI in China¹⁷.

Fashion retailer Etam announces privatization plan

Europe-based fashion retailer Etam announced its privatization plan. Etam entered the China market in 1994, which for some period became the retailer's largest market in the world. As of the end of 2016, Etam has 2,596 stores in China, down from 2,877 in 2015. The retailer recorded a loss of 19.4 million euro for its China operation in 2016, as loss increased by 162.3% from the 7.4 million euro in 2015¹⁸.

Cosmetics



Cosmetics brand Benefit of LVMH available for sale on Tmall

Benefit Cosmetics, a brand owned by the international luxury and cosmetics group LVMH, opened a store on Tmall and announced the appointment of mainland China actress Yangzi as its first global brand ambassador. According to media report, Benefit first entered Tmall in 2011 but retreated in half a year in 2012. Currently, LVMH has five cosmetics brands on Tmall¹⁹.

Luxury products



Burberry's online sales in China double since 2016

U.K. luxury brand Burberry announced its financial results for the first quarter ended 30 June, 2017. The group reported 3% yoy underlying revenue growth for the period, citing reasons for growth including strong performance in the U.K. and China markets. Burberry said that through its marketing efforts on social media platforms, its online sales in China have doubled since 2016. Also, the China consumer reach of its WeChat marketing campaign has increased by two-folds in the past year²⁰.

Luxury brand Louis Vuitton introduced new smart watch "Tambour Horizon"

French luxury brand Louis Vuitton has released its smart watch, Tambour Horizon recently. Operating on Android Wear 2.0 system, Tambour Horizon is the first smart watch which can be used seamlessly in all countries and regions, including China. According to the official website of Louis Vuitton China, prices of Tambour Horizon range from 17,700 yuan to 23,100 yuan²¹.

Kids products

Maternity and baby products brand Leyou forms strategic partnership with Nanjing Central Emporium and plans to open 300 stores of Leyou and greatfamily in Jiangsu in three years' time

Nanjing Central Emporium, a member of the Wuhan-based commercial real estate and retail conglomerate Zhongnan Commercial (Group) co., Ltd, and Chinese maternity and baby products brand Leyou announced strategic partnership agreement. According to the partnership agreement, Leyou plans to open at least 300 branches of Leyou and its high-end mother-and-infant retail chain greatfamily in three years' time²².

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