

China Retail & E-commerce

Weekly Updates

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Retail in general



Total retail sales of consumer goods up by 10.2% yoy in November 2017

Total retail sales of consumer goods reached 3,410.8 billion yuan in November 2017, up nominally by 10.2% yoy, and 8.8% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,577.9 billion yuan, up by 7.8% yoy. By types of consumption, in November 2017, catering sales amounted to 367.5 billion yuan, increased by 10.0% yoy. Retail sales of commodities amounted to 3,043.3 billion yuan, up by 10.2% yoy. In January – November 2017, online retail sales grew 32.4% yoy to 6,430.6 billion yuan. Online retail sales of physical goods increased 27.6% yoy to 4,914.4 billion yuan, accounting for 14.8% of total retail sales.¹

CGCC: Growth of total retail sales of consumer goods to reach around 10.1% yoy in 2018

On 8 December, China General Chamber of Commerce (CGCC) estimated that the GDP growth in 2018 will reach around 6.7% yoy, while growth of total retail sales of consumer goods will be around 10.1% yoy in 2018. CGCC concluded the following trends in 2017:

- Growth of online retail sales of physical goods accelerated, contributing more to the higher growth of total retail sales of consumer goods;
- Growth rebounded for retail sales of physical retail formats and large retail enterprises;
- Online retailing accelerated the growth of retail sales in the rural market, narrowing the gap between rural and urban

- consumer market;
- Categories related to consumption upgrade grew faster;
- Retail sales of mass products grew steadily, providing a strong foundation for the consumer market;
- Consumer price index only increased slightly, which is good for consumers' purchasing intention.

CGCC also expected the below trends during the Lunar New Year holidays in 2018:

- Consumption for quality products, mid-to-high-end consumption, green consumption and smart consumption will be the focus in 2018;
- Consumption related to tourism, sports, cultural and recreation, and health will increase rapidly;
- Rural consumer market will continue to grow at a faster pace than urban consumer market;
- Online retail sales will continue to increase fast, while physical retail sales will grow steadily;
- Mass catering with good quality will continue to grow fast;
- Consumer price index will increase slightly².

Ali Research: "New Retail" becomes the accelerator of China's digital economy

On December 12, Gao Hongbing, Director of Ali Research gave a keynote speech on "New Retail, On the Road". According to Gao, in the past year, the retail industry has embraced technology and created a new retail industry with new business models. "New retail" has become the accelerator of China's digital economy. There are three major trends in "New retail" in 2018:

- In-store customer experience would be further enhanced;
- Large number of new retail service

- providers would emerge;
- Upstream supply chain would be further digitalized, and big data would give impetus for the supply-side structural reforms³.

E-commerce

MOFCOM releases “Guidelines for the Standardization of Online Retailing”

The General Office of the Ministry of Commerce (MOFCOM) and the General Office of the Standardization Administration of China (SAC) jointly issued the “Guidelines for the Standardization of Online Retailing” on 7 December. The Guidelines set forth the objective that by the year 2020, time effectiveness, comprehensiveness and applicability of standards for key fields will be significantly increased; relevant standards will play a much stronger role in the fields of online retailers' responsibilities, transaction behavior, the market order, competitive environment, quality of services, authentication and monitoring, quality traceability, and credibility. The Guidelines establish eight major tasks at three levels:

- To reinforce the development of standards for the management of online retailing data and for the credit system;
- To step up developing standards in the areas of the mutual recognition of online retail e-permits, improvement of express delivery and logistics, and online payment security;
- To work out standards for the management of the quality of goods sold online, consumption safety, and the protection of intellectual property rights⁴.

AliResearch: Number of “Taobao Villages” reaches 2,188, up 62% yoy

AliResearch released the “Report on Taobao Village (2017)” on 7 December. In 2017, there were 2,118 “Taobao Villages” across China, up 62% yoy from 1,311 in 2016. The total number of active online stores in these “Taobao Villages” reached over 490,000, creating more than 1.3 million jobs in peripheral industries. Most of the “Taobao Villages” are located in the Eastern China. 68% of the total number of “Taobao Villages” is located in Zhejiang, Guangdong, and Jiangsu. Alibaba defines a “Taobao Village” as one with more than 10% of its households running online stores on Taobao or with more than 100 active online stores, and annual e-commerce sales exceeding 10 million yuan⁵.

JD.com and Five Star Appliances form partnership

JD.com and Jiangsu-based Five Star Appliances Co. Ltd. announced a strategic partnership on 11 December to fully implement the boundless retail strategy. Both parties will cooperate in five aspects: online, offline, logistics & after sales, supply chain and new business areas.

- Five Star will set up an official flagship store on JD.com’s platform and the flagship store will be fully operated by the Five Star team.
- Both parties will jointly set up large flagship stores. The large-sized “JD.com home electronics and appliances experiential flagship stores”, characterized by offering immersive shopping experience, will be opened in major cities.
- Both parties will cooperate in supply chain aspect. On one hand, all products that are sold in Five Star store will be available for sale on JD.com. On the other hand, a large number of small appliances and 3C digital products of JD.com will fully

- leverage Five Star's offline channels.
- Both parties will cooperate in logistics technology. JD.com will share its capabilities in the supply chain, logistics, warehousing, technology and finance with Five Star to facilitate the transformation of the latter and help it create a smart supply chain.
- Both parties will join forces to develop new markets. Both parties will open more than 60 self-operated stores in 2018. The dual-brand stores will be opened in new areas⁶.

JD.com's SME platform "xin.jd.com" to serve 1 million small and medium-sized businesses by end-2018

JD.com's platform serving small and medium-sized businesses (SME) "xin.jd.com" announced that its B2B purchasing app ZGB will serve 1 million SMEs by the end of 2018, including 50,000 JD Convenience Stores. By the end of 2017, ZGB app has already lined up with over 1,000 major brands and over 300 regional brands. It has also signed the strategic cooperation framework with Unilever on 28 November to cooperate in areas including the distribution of products, brand marketing, category management and delivery⁷.

Suning sells 5.5 million shares of Alibaba for 3.25 billion yuan

On 11 December, Suning announced that it agreed to authorize the company's management to sell the shares of Alibaba Group, which is expected to be not more than 5.5 million shares of Alibaba Group, representing about 0.22% of Alibaba's total issued shares and accounting for 20.89% of the shares held by Suning. Suning said it intends to use the proceeds to enhance the company's market competitiveness through developing new and innovative retail formats, boosting logistics capabilities and investing in

R&D. After the completion of this sale, Suning will still hold 20,824,689 shares of Alibaba Group, accounting for 0.81% of the total issued shares⁸.

Retail logistics

JD Logistics strives to be environmentally friendly in every aspect of its business operation

On 7 December, JD Logistics officially started using recycling packaging box ("the green box"); the company has made available 100,000 boxes. According to the test results from laboratory, the new packaging box can be used for at least 20 times under normal circumstances; and even if it is damaged, the packaging box can be repaired and reused again. It is said that the cost per use is 30% less than using normal carton box. In addition, JD Logistics promised to replace all the logistics vehicles in Beijing with electric ones before the Chinese New Year. The company also announced the formation of "Alliance for New Energy Industry" and planned to replace the existing vehicles in the system with hundreds of thousands of new energy vehicles in the next 5 years⁹.

JD Logistics invests 1 billion yuan to set up "JD Logistics Green Fund"

On 11 December, JD Logistics jointly organized the launching ceremony of "Green Campaign" (Qingliu jihua) with various organizations including DHL, La Poste, Yamato Transport, SF Express, and Global Logistic Properties. At the same time, JD Logistics announced to invest 1 billion yuan for the establishment of "JD Logistics Green Fund". The fund will be used for the

transformation of green supply chain, R&D in innovations of green supply chain, and the promotion of green consumption¹⁰.

SPB: Delivery companies receives 243 million pieces of parcels on 12 December

According to the statistics from State Post Bureau, postal enterprises and express delivery companies received a total of 243 million parcels on the day of 12 December, up 38% yoy¹¹.

Department stores and shopping malls

NJ Central Emporium forms partnership with Intime to jointly establish company for development in New Retail

On 13 December, NJ Central Emporium (Grp) Stocks Co., Ltd. announced to form a joint venture company called “New Retail Development Company” with Zhejiang Intime Investment Co., Ltd., a subsidiary of Alibaba Group. According to the announcement, NJ Central Emporium (Grp) Stocks Co., Ltd. has signed a “joint venture to establish a new retail development company agreement” with Zhejiang Intime Investment Co., Ltd., for the purpose of leveraging the company’s competitive edge in the traditional department stores sector, speeding up the transformation of the company towards a “new retail” department store, and enlarging Alibaba Group’s market share of new retail business in Jiangsu province. The registered capital of the new company is reported to be 30 million yuan, with NJ Central Emporium’s contribution of 8.7 million yuan (29% of the registered capital) and Intime’s contribution of 21.3 million yuan (71% of the registered capital)¹².

Supermarkets and hypermarkets



Tencent plans to buy a 5% stake in Yonghui Superstores

On 11 November, Yonghui Superstores said in a filing on the Shanghai Stock Exchange that an affiliate of Tencent is in talks to buy a 5% stake in Yonghui Superstores. Tencent also plans to buy a 15% stake in the supply chain and logistics unit of Yonghui Superstore “Yonghui Yunchuang Technology” via a capital injection. Details of the deal remain under discussion. The businesses of Yonghui Yunchuang Technology include Yonghui Membership Store, YH Super Species, and Yonghui Life App¹³.

JD.com and Wal-Mart to deepen cooperation in supply chain integration

Wal-mart and JD.com deepen the cooperation by further connecting another 80 Wal-mart stores to the network of JD.com in the near future. The cooperation between JD.com and Wal-mart was reportedly started on 28 June this year; the two companies jointly worked on sharing online and offline inventory information through smart supply chain system. The project has already had trial run in six cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Wuhan in August. It is also expected that Wal-mart will open up its 400 stores to JD.com with future expansion of the cooperation¹⁴.

Rainbow Supermarket to open first independent store in West Guangdong in May 2018

On 12 December, Rainbow Supermarket has signed an agreement to launch Rainbow

Supermarket in Yangjiang, the West of Guangdong. With an area of 5,200 sqm, the new store is aimed to open in May 2018. Rainbow announced to separately develop the supermarket format in April 2017, targeting mid- to high-end consumers. This is the second independent supermarket project of Rainbow Supermarket. Meanwhile, this is the first project of Rainbow Supermarket in West Guangdong¹⁵.

Convenience stores



7-Eleven enters Jiangsu province; first batch of shops to debut in Nanjing in 1H18

On 7 December, Golden Eagle Retail Group Ltd. and 7-Eleven jointly announced that 7-Eleven will enter Jiangsu market with the first batch of stores opening in Nanjing in 1H18. It is reported that 7-Eleven has signed a franchise agreement with Nanjing Golden Eagle CVS Management Company of Golden Eagle Retail Group on 30 November. The agreement will be effective for 20 years from November 2017 to November 2037. This implies that Golden Eagle will formally enter the convenience store business apart from the commercial retail business and supermarket business. Golden Eagle plans to open 100 7-Eleven stores in Nanjing in two years¹⁶.

Hema Xiansheng launches a retail format “f2 Convenience Store” in Shanghai

Hema Xiansheng launches the first store of its new retail format “f2 Convenience Store” in Shanghai Platinum Bay Plaza on 4 December. With an operating area of around 500 sqm, f2 Convenience Store mainly offers seafood, with some quick-service stalls self-operated by Hema Xiangsheng. Some fast moving consumer goods are also available including

snacks and beverages. The store also features a large catering area for customers to have the food on site. The store is equipped with self-checkout counters for customers to check out via Hema app¹⁷.

Apparel



Suning’s first sporting goods retail store to open in Nanjing

Suning will launch its first sporting goods store “Suning Sports” (Shangmao branch) in Nanjing Xinjiekou on 23 December, targeting sports fans. The store reportedly has three storeys, and covers an area of nearly 6,000 sqm. The store provides a wide range of sporting goods including sports shoes, fitness equipment, and franchised products¹⁸.

Cosmetics



Spanish luxury skincare company Natura Bissé opens first store in China in Shanghai

Spanish luxury skincare company Natura Bissé opens its first store in China in HKRI Taikoo Hui in Shanghai. Besides offering skincare products, Natura Bissé also provides facial treatments and consulting services. Natura Bissé entered China market five years ago and is present in luxurious hotel chains and spas¹⁹.

Mannings announces to launch its first make-up brand KissHop

Recently, Mannings China announced the launch of its first makeup brand KissHop, and

released its 2018 spring and summer make-up series. Dairy Farm, parent company of Mannings China used three years for brand development, product positioning and research and development for Kisshop. The new makeup brand combines the concepts of "moisturizing" and "makeup", with an aim to introduce safe, value-for-money and trendy makeup products for customers aged 18-25²⁰.

Luxury sector

Deloitte China, Secoo.com and Tencent: Luxury brands to tap into the e-commerce revolution

On 8 December, Deloitte China partnered with Secoo.com and Tencent to release the “China Luxury E-commerce Whitepaper”, which studies the latest development trend of China's luxury e-commerce industry. In terms of sales volume, the U.S. and China are the two largest luxury markets in the world, accounting for more than 40% of total sales. In 2016, sales of luxury goods in the U.S. accounted for 22% of the global market; China was second only to the U.S. in the market with 21% of the global market and total sales of 498.3 billion yuan. In addition, more luxury goods consumers in China are coming from the younger demographic brackets. It is estimated that by 2025, half of the social wealth would be owned by millennials and Gen Z, groups which represent the new consumer generation that will become a major group of consumers in luxury market within the next decade²¹.

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