


China Retail & E-commerce

Weekly Updates

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Retail in general



Total retail sales of consumer goods up by 10.1% yoy in August 2017

Total retail sales of consumer goods reached 3,033.0 billion yuan in August 2017, up nominally by 10.1% yoy, and 8.9% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,322.9 billion yuan, up by 7.5% yoy. By types of consumption, in August 2017, catering sales amounted to 336.0 billion yuan, increased by 10.7% yoy. Retail sales of commodities amounted to 2,697.0 billion yuan, up by 10.1% yoy. In January - August 2017, online retail sales grew 34.3% yoy to 4,251.1 billion yuan. Online retail sales of physical goods increased 29.2% yoy to 3,210.1 billion yuan, accounting for 13.8% of total retail sales¹.

MOFCOM: Proportion of online retail sales of China's top 100 retail chain operators increases to 83%

The latest figures revealed by the Ministry of Commerce (MOFCOM) showed that the proportion of online retail sales of the top 100 retail chain operators has increased to 83%, which was 2.5 times that of the Chinese enterprises. According to the MOFCOM, more and more enterprises took the initiatives to leverage the online platforms, mobile terminals, and social media to carry out omni-channel marketing since the State Council issued the "Implementation of the Internet plus Circulation Action Plan" in April last year. They have strengthened online and offline integration in areas such as marketing, payment, and after-sales service².

MOFCOM releases report on "New Retail"

On 11 September, the Ministry of Commerce (MOFCOM) released the report "In Depth - Into the New Retail Era". The report summarized five key new features in the "New Retail" era:

- Key role of retailers changes from distributors to organizers and service providers of the supply chain;
- Retailers enhance multi-scene shopping experience and collect consumer data for data analysis;
- New retail formats evolve, such as shopping complex and multi-brand shops;
- The relationship between retailers, suppliers and consumers strengthens;
- "Consumer-centric" becomes the core of retail businesses³.

E-commerce



iResearch: China's online shopping GMV to reach 1.45 trillion yuan in 2Q17

According to iResearch, the GMV of China's online shopping in 2Q17 totaled 1.45 trillion yuan, up 29.6% yoy; 15.3% qoq. The growth was attributable to the "6.18" online shopping festival in 2Q17. The GMV of China's B2C online shopping market attained 864.77 billion yuan, took up 59.7% of the whole online shopping market in China. In terms of market share, Tmall is still the market leader (56.7%), followed by JD.com (27.2%). The GMV of China's mobile shopping amounted to 117.25 billion yuan in 2Q17, up 40.8% yoy. Mobile continued its dominant position in China's online shopping market, which took up 81.0% of total market size of China's online shopping⁴.

BCG: China's Internet expenditure exceeds US\$967 billion; ranking world's second after the U.S.

Boston Consulting Group (BCG), Ali Research Institute, Baidu Development Research Center, and Didi Research jointly released a white paper on China's Internet Economy – "Interpretation of China's Internet Characteristics". The report shows that being one of the world's largest Internet markets, China had 710 million Internet users by 2016. China's Internet spending reached US\$967 billion, ranked second in the world after the U.S., and was three times that of Germany. At the same time, China's Internet GDP was the world's highest, accounted for 6.9% of overall GDP, higher than 5.4% in the U.S. The average age of Chinese Internet users in 2016 was about 28 years old, of which 20-29 years old and the 30-39 years old groups had the highest Internet penetration at 91% and 88% respectively. In contrast, the average age of U.S. Internet users was about 42 years old, while the 25-54 years old group had an Internet penetration rate at over 90%⁵.

Tmall to help New York Fashion Week's U.S. designers and brands to enter China market

Tmall announced an official partnership with "New York Fashion Week: The Shows", where it will help U.S. brands and designers from New York Fashion Week (NYFW) tap into the China market via Tmall. Two U.S. brands from NYFW, Opening Ceremony and Robert Geller, will be featured in Tmall's 2017 second annual "See Now, Buy Now" fashion show in October – a major event held in the run-up to the 11.11 Global Shopping Festival. On the other hand, NYFW will showcase Chinese designers – which will be selected from the "See Now, Buy Now" event – at "NYFW: China Day," a new initiative slated for the fashion week in September 2018⁶.

Tmall's smart home experiential store "Home Times" to open in Hangzhou

Tmall will launch its smart home experiential store "Home Times" in Intime Department Store (West Lake branch) in Hangzhou on 22 September. It will be a multi-brand store with an area of around 500 sqm, selling home furniture, home products and home electronics. "Home Times" will embrace O2O strategies. The physical store will be equipped with large screens and VR tools; and it will adopt same pricing online and offline. Leverage the Big Data from Tmall, "Home Times" can recommend suitable products to consumers according to their shopping preference. It is expected that three "Home Times" stores will be launched by the end of 2017, and 15 similar stores with 1,000 sqm will be launched in 2018⁷.

Mengniu Dairy joins hand with Tmall for new retail business

On 8 September, Mengniu Dairy and Alibaba Group signed a strategic agreement for "new retail" development. Through the partnership, Mengniu will launch a large variety of new products on Tmall, and will leverage Tmall Supermarket's last-mile delivery and the cold-chain logistics of Tmall to develop the business of chilled milk and frozen products in tier-1 cities. It also said that Mengniu will fully utilize the network of Hema Xiansheng and Tmall Xiaodian to tap into tier 2-5 cities, and also dig into the rural market. In the next three years, Mengniu hopes to reach 100 billion yuan for both its market values and sales⁸.

Yihaodian announces to form strategic partnership with JD.com

Yihaodian announced that it will form strategic partnership with JD.com on a few key areas, including procurement, marketing, logistics,

and services. There are two aspects in the collaboration – firstly, to lower the production cost and enhance operation efficiency of the private labels of both companies through consolidated procurement; and secondly, Yihaodian’s third-party partners can be listed on both Yihaodian and JD.com’s POP platform for multi-channel development, simply by paying the service fee to Yihaodian. After actualizing this collaboration with JD.com, Yihaodian can significantly increase its range of merchandise, especially imported products from overseas; and the synergy in supply chain can improve logistics efficiency⁹.

Alibaba’s lifestyle platform Koubei rolls out its standalone mobile app

Lifestyle service platform “Koubei” rolled out its standalone mobile app. Koubei’s entrance in the Alipay App will remain unchanged. It is reported that by end of this year, Koubei will work with Taobao mobile app; and there will be an exclusive entry to the platform showing on the mobile app’s front page. Koubei platform was jointly founded by Alibaba Group and Ant Financial in June 2015; currently, the platform has 2.5 million partnering vendors, and the average number of daily transactions reaches over 20 million. In June this year, Koubei has over 200 million active users coming from Alipay¹⁰.

Department stores and shopping malls

Bailian Group launches multi-brand shop “the balancing” in Shanghai

Bailian Group launched a multi-brand shop “the balancing” inside Bailian’s Orient Shopping Center in Xujiahui in Shanghai. With an operating area of 1,200 sqm, the shop

houses 89 womenswear brands including designer brands Jil Sander, Masion Margiela, Nina Ricci, Victoria Beckham, and 62 menswear brands including Brunello Cucinelli, Paul Smith, and 3.1 Philip Lim¹¹.

Supermarkets and hypermarkets

Costco launches flagship store on Tmall

U.S. membership-only warehouse store Costco opened its official flagship store on Tmall on 13 September, after entering the China market through Tmall Global in 2014. The launch of Costco’s flagship store on Tmall signifies Costco’s dual approach in tapping the China market – through normal imports and cross-border e-commerce. Initially Costco will offer nearly 300 SKUs on its Tmall flagship store; it will gradually add more product categories to its product mix such as fresh produce, consumer electronics, furniture, daily necessities, wine, etc. Costco will also launch more products of its popular private label, Kirkland Signature in the flagship store¹².

Costco to open physical store in Shanghai

U.S. membership-only warehouse store Costco is reportedly going to open a physical store in Shanghai, but there is no detailed timetable yet. The potential site may be in Pudong or Hongqiao area¹³.

Hema Xiansheng to launch its first store in Hangzhou on 28 September

O2O fresh produce retailer Hema Xiansheng will open its first store in Hangzhou on 28 September. The store is located in West Canal Street, Gongshu District in Hangzhou. The operating area is around 4,000 sqm. As

of today, Hema Xiansheng has 13 stores, of which ten are in Shanghai, two in Beijing and one in Ningbo. Apart from the new store in Hangzhou, the retailer will also open its first store in Shenzhen and Guiyang by the end of September¹⁴.

YH Super Species opens the first Beijing branch on 29 September

Yonghui Superstores's new retail format YH Super Species will open its first Beijing branch in Lu Gu in Shijingshan on 29 September. With a floor space of around 700 sqm, the new store is co-located with Yonghui's premium retail brand Bravo YH. The store will reportedly house various sections and workshops, including salmon workshop, lobster workshop, beef corner, grain corner, takeaway section, fruits section, flower store, etc¹⁵.

Convenience stores



Jinan's first unmanned supermarket "Smart Box" opens

Recently, Jinan's first unmanned supermarket "Smart box" (literally translated as "Zhihui Hezi") was opened. Located in the nearby area of Quancheng Square, the store size is approximately 15 sqm. The store sells mainly daily necessities such as food and beverages, toilet paper, etc.; with prices similar to that in a normal convenience store. It is reported that the unmanned supermarket is developed by a technology company in Weihai. The company has planned to set up more of such stores in the other parts of the country in the future¹⁶.

Hainan's first unmanned convenience store opens in Baishamen Park

Recently, Hainan's first unmanned convenience store opened in Baishamen Park. With a store size of 18 sqm, the store operates around the clock, and offers around 400 SKUs. This unmanned convenience store is still under trial. The product offerings will be increased to around 500 SKUs later. It is expected that 20 unmanned convenience stores will be opened in Hainan by the end of this year; these stores will operate 24 hours a day to serve consumers in the communities¹⁷.

JD Daojia to launch unmanned mini-supermarket

JD Daojia, JD.com's O2O service platform, will launch unmanned mini-supermarkets in offices soon. The unmanned supermarket targets office workers and product categories will include breakfasts, snacks and light meals, etc. Enterprises that want to launch JD Daojia's unmanned mini-supermarket in their offices will only need to provide a space for it, and JD Daojia will handle the rest, including product procurement, replenishment, and tidy up the shelves. No deposit is charged for all facilities, including product racks and refrigerators¹⁸.

Apparel



China Enterprise Confederation & China Enterprise Directors Association announce "China's Top 500 Enterprises in 2017"

China Enterprise Confederation & China Enterprise Directors Association revealed the list of "China's Top 500 Enterprises in 2017" on 10 September. According to the announcement, the total operating income of China's top 500 enterprises reached 64 trillion

yuan. In the apparel segment, eight companies were on the list, up from six in 2016; the two newly added companies were Belle and VIP.com. The rankings of companies in terms of operating income was as follows: Heilan Group (ranked 166), Youngor (ranked 269), ShangTex (ranked 276), VIP.com (ranked 279), Hongdou Group (ranked 284), Belle International (ranked 342), Shanshan Corporation (Rank 372) and Bosideng (Rank 474)¹⁹.

UR accelerates overseas expansion; opens second overseas store in Singapore

Local fast fashion brand Urban Revivo (UR) opened its second overseas store in Singapore on 8 September. It offers four product categories, namely Women, Youth, Men and Accessories. UR opened its first international outlet in Raffles City, Singapore in December 2016. UR will accelerate its global expansion in countries such as the U.K., the U.S., France, and Japan²⁰.

La Chapelle raises 460.6 million yuan in Shanghai IPO

According to the latest announcement issued by the China Securities Regulatory Commission, Shanghai La Chapelle Fashion Co., Ltd. officially listed on A share market on 13 September, 2017. The company will issue 54.77 million shares at 8.41 yuan per share; the fund will be used to provide financing support for the group in channel expansion and other projects. La Chapelle was first listed in Hong Kong in 2014 and the current market value of the company is about HK\$20 billion. La Chapelle earlier revealed its plans to build 3,000 new retail outlets in the next three years, targeting more than 10,000 total stores, while focusing on creating new retail information systems²¹.

Luxury products

Swiss watchmaker Oris opens flagship store on Tmall

On 7 September, Swiss luxury watchmaker Oris announced the official launch of its first flagship store on Tmall, which is also the brand's first official online flagship store globally – this signifies Oris is eager to tap into China's online market. It is reported that the first batch of Oris watches available online is mainly the classic diving series, including AQUIS, the watch model which is first launched and exclusive in China market²².

Retail logistics

JD opens its smart lockers for public use

JD has opened its smart lockers for public use starting 8 September. Consumers ordering from any e-commerce platform can use the smart lockers without paying an extra fee. Consumers just need to submit the request to couriers when they place orders. JD will neither charge the e-tailers nor the customers, and they allow customers to pick up their parcels within three days, comparing with normally two days for other smart lockers²³.

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