China Retail & E-commerce

Weekly Updates

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Retail in general

Total retail sales of consumer goods up by 10.7% yoy in May 2017

Total retail sales of consumer goods reached 2,945.9 billion yuan in May 2017, up nominally by 10.7% yoy, and 9.5% yoy in real terms. Of which, retail sales of enterprises above a designated size amounted to 1,293.7 billion yuan, up by 9.2% yoy. By types of consumption, in May 2017, catering sales amounted to 321.1 billion yuan, increased by 11.6% yoy. Retail sales of commodities amounted to 2,624.8 billion yuan, up by 10.6% yoy. In January - May 2017, online retail sales grew 32.5% yoy to 2,466.3 billion yuan. Online retail sales of physical goods increased 26.5% yoy to 1,879.8 billion yuan, accounting for 13.2% of total retail sales[1].

E-commerce

Alibaba forecasts platform's GMV to reach US$1 trillion by 2020

Alibaba's CEO Daniel Zhang said in the company's 2017 Investor Day that Gross Merchandise Value (GMV) of Alibaba's platforms is expected to reach US$1 trillion by 2020. Driven by the company's "New Retail" development strategy, Tmall has started its transformation. According to Alibaba, the "New Retail Regime" is the over-arching vision and strategy of the company which focuses on quantifying the core elements of retail to allow for online-offline retail integration driven by big data analytics. Currently, Alibaba's business can be divided into four main quadrants, namely e-commerce platform, local lifestyle O2O service, digital media entertainment, as well as analytics technology. Link up by the data that flows through the ecosystem, business across different quadrants have already created synergy to each other. Annual revenue of Alibaba for FY17 amounted to 158.273 billion yuan, up by 56% yoy. The company expected the revenue growth for FY18 to be between 45-49%. Also, the company revealed that it plans to grow its global customer base to 2 billion by 2036[2].

Alibaba launches Tmall World to serve 100 million overseas Chinese

Alibaba Group Holding Ltd. announced the official launch of Tmall World as part of its globalization strategy. With the e-commerce and related infrastructure that were built by Alibaba in the past 10 years or more, it is hoped that the e-commerce ecology of Tmall can be copied and implemented in Southeast Asia, India and to the rest of the world. The new platform aims to connect the over 100 million overseas Chinese shoppers worldwide with more than 1.2 billion products offered on its flagship e-commerce portals, including Taobao and Tmall via PC or mobile app. The new program will initially focus on countries which have sizable Chinese populations, including Hong Kong, Taiwan, Singapore and Malaysia. Tmall World will offer these countries or regions logistics, payment and localization support catering to each local market's needs[3].

Alibaba, Macrolink Group and other investment companies jointly announce a 15-billion yuan investment plan for "New Retail"

Alibaba, Macrolink Group, YF Capital, Hongshulin Investment, Minsheng Capital and Yuhang Industry Fund planned to form an equity partnership to focus in "New Retail" -related investment. Total investment of the joint venture is reportedly amounted to 15 billion yuan. The first phase of investment amounted to 8 billion yuan - 800 million yuan came from the Marcolink Group who holds 5.34% of the shares, and 1.5 billion yuan from Alibaba. According to Macrolink Group, the joint venture planned to integrate modern logistics with the online and offline businesses it acquired and herald a "New Retail" model[4].

Tmall Supermarket to enter Hong Kong market

Tmall Supermarket announced that it will enter Hong Kong market. It will provide a series of tailored service for Hong Kong customers, including free delivery for certain orders between 18 – 20 June, local currency payment, as well as local goods return. The company said that it aims to turn Tmall Supermarket into a heavy-weighted global supermarket brand. Orders placed by Hong Kong customers on Tmall Supermarket are guaranteed to be delivered on the second day of order. The company will pay compensation based on the logistics fee for late delivery. Tmall Supermarket has partnered with Cainiao Alliance to set up around 40 self-pickup points in Hong Kong, while also providing home delivery service. According to Tmall Supermarket, delivery charge is waived for self-pickup orders of HK$299 or above. During the store opening sales event on 18-20 June, delivery charge is waived for home delivery orders of HK$359 or above[5].

Tmall to further promote Spanish cosmeceutical products in China

Tmall said that it will launch the "Tmall Spanish Cosmeceutical New Product Lab" with the government of Spain, the STANPA (the Spanish Cosmetic, Toiletry and Perfumery Association), and six Spanish cosmeceutical brands, namely MartiDerm, ISDIN, Iacabine, Sesderma, Sensilis and Singuladrem. The lab will engage in new product R&D based on the latest trends in the global cosmeceutical industry. Tmall Global noted that Spain has a lot of historical brands in this industry. Since 2H16, cosmetics ampoules have become popular on China's social media and Tmall Global is one of the largest sales channels for cosmetics ampoules from Spain. Through inviting more top global brands to join its platform, Tmall hoped to facilitate consumption upgrade in China's cosmeceutical market[6].

JD.com launches JD Global to compete with Tmall World

JD.com recently launched JD Global service, allowing customers from over 200 countries and regions around the world to place order on JD.com. In the initial phase, JD Global offers a few hundred thousand SKUs directly sourced by JD.com and a few million SKUs from third-party sellers on the platform. It said that more goods and sellers will be included in the program later on. Overseas customers buying from JD Global can enjoy the same price and discount as local buyers. JD.com accepts payment through debit cards issued by Chinese banks, international credit cards, as well as WeChat Pay. Also, JD.com has developed a global logistics system to support international shipment consolidation and splitting[7].

E-commerce logistics

Cainiao's dedicated warehouse for CBEC imports starts operation to support Tmall's 618 shopping festival and allow for same-day and next-day delivery

Tmall's 618 shopping festival featuring cross-border imported products started on 13 June. According to media report, sales of cross-border e-commerce (CBEC) imports increased during the day. During the shopping festival, Cainiao's new warehouse in Cixi city of Ningbo dedicated to cross-border import opened for operation; together with other logistics service providers in China such as EMS, the warehouse can provide various high-end logistics services like cold-chain logistics for cross-border fresh produce. The warehouse offers full range of cold chain logistics services such as frozen storage, cold storage and fresh storage and can satisfy the various kinds of storage needs for fresh produce, frozen and special food products. Customers in some regions of China are able to enjoy same-day or next-day delivery during the 618 shopping festival[8].

Supermarkets and hypermarkets

Hemaxiansheng opens first Beijing store

On 9 June, O2O fresh produce retailer Hemaxiansheng started a low-profile trial operation in Shilipu New Town Plaza in Beijing's Chaoyang district. It is the tenth physical store of the retailer and the first one in Beijing. Previously, the retailer has opened stores in two other cities, namely Shanghai and Ningbo. The Shilipu New Town Plaza branch has a floor space of over 10,000 sqm and sells over 6,000 SKUs. Occupying around one third of the total floor space, the in-store logistics center handles the storage and order fulfilment for both online sales (via mobile app) and offline sales. Hemaxiansheng operates a "New Retail" model which integrates fresh produce supermarket, e-commerce, catering, as well as logistics delivery[9].

YH Life's first 24-hour store to open in Fuzhou on 18 June

YH Life, the fresh produce retail store of Yonghui Superstore, will open its first 24-hour store in the Wanke Mall in the Taijiang district of Fuzhou. The store has a floor space of 130 sqm. YH Life's last-mile delivery will be handled by Yonghui Logistics. The interior design and merchandising of the 24-hour YH Life store are similar to that of the Shanghai and Beijing branches. Fresh produce such as fruits and vegetables, as well as frozen meat are available for sale. However, the store will not provide any cooked food in the initial phase of store opening. YH Life said that the 24-hour operation model is still in trial operation and the Fuzhou store will be used to test the feasibility of product delivery and night-time operation. The model will be quickly replicated to other stores upon a successful trial[10].

Department stores and shopping malls

Wangfujing Group and Beijing Shouqi Group form strategic partnership looking to combine retail and car rental services

Wangfujing Group formed strategic partnership with Beijing Shouqi (Group) Co., Ltd., the car rental subsidiary of Beijing Tourism Group. According to the partnership agreement, both companies will collaborate to offer one-stop solution for the car rental and shopping needs of consumers. The partnership is mainly between Wangfujing and the mobile car rental business of Beijing Shouqi Group. Both sides will collaborate in areas such as resources sharing, channel development, core business development, membership development, as well as joint marketing. All car parks of Wangfujing Group's retail properties will be stationed with rental cars of Beijing Shouqi Group. Parking facilities and signage for the sharing cars will also be built in the 55 department stores, shopping malls, outlets and supermarkets of Wangfujing Group across China. A pilot point is now in operation at the north gate exit of the Beijing Department Store, while plans for further roll-outs have already been put into the agenda[11].

Paris Spring Department Store to open multi-brand store in Wujianchang branch to also sell pets

Paris Spring Department Store will open a new multi-brand store in its Wujianchang branch. According to media report, the store uses "simplicity", "openness" and "inclusiveness" as design concepts, which are expressed through building materials such as cement, clay, steel and logs. Aside from selling apparel and jewellery designer brands, the store will also sell pet chinchillas to attract consumer footfall. To enhance its interaction with customers, the store will also offer activities such as brands pop-up events and DIY workshops[12].

Shanghai No. 1 Department Store to combine with the East Nanjing Road Branch of the Orient Shopping Centre

Shanghai No. 1 Department Store announced that it will combine with the East Nanjing Road Branch of the Orient Shopping Centre. Also, eight major themes will be featured in the new shopping complex, including "Grand Cinema", "Wutong (Chinese parasol tree)", "Longtang (Shanghai lane)", "Ye Shanghai (Shanghai at night)", "Urban living", "Winter's garden", "Exploration and discovery", as well as "Slow living". The new shopping complex targets to become a leisure and entertainment shopping mall that can appeal to all customer groups by offering diversified product categories, retail formats, as well as shopping scenarios across different time period of a day. After its renovation, around 53% of the stores in Shanghai No. 1 Department Store are for retail; 30% of the stores will be occupied by brands debut for the first time in Shanghai as well as the East Nanjing Road commercial district[13].

Hangzhou Intime's in77 mall sets up China's first Internet celebrity broadcasting area

Intime Retail Group's in77 mall in Hangzhou partnered with Zhanlue Culture, an Internet celebrity agency, to set up the "Internet celebrity New Retail" broadcasting area in the mall. According to media report, over 1,000 contract Internet celebrities will conduct live web broadcasts in the broadcasting area throughout the year to promote the products available in the mall. Zhanlue Culture said that it will work with more well-known commercial real estate developers in the future and that it aims to set up 100 Internet celebrity broadcasting areas in different malls across the country by the end of 2018[14].

Apparel

Shandong Ruyi eyes vertical supply chain expansion as it announces changes to its company name

Shangdong Ruyi group, a Chinese textile manufacturer, announced changes to its official company name from "Shandong Jining Ruyi Woolen Textile Co., Ltd." to "Shandong Ruyi Woolen Garment Group Co., Ltd.". According to media report, Shandong Ruyi acquired apparel manufacturing industry-related assets including Shandong Ruyi Technology Group Co. Ltd. and Taian Ruyi Technology & Fashion Industry Co. Ltd. with privately raised capital in August 2016. The acquisitions have enabled Shandong Ruyi to expand its business from woollen fabric manufacturing to also businesses further downstream, including apparel design, production, and distribution. The company can form a vertically integrated supply chain of woollen apparel products[15].

GAP to open its largest China flagship store in Shanghai

American fashion retailer GAP said that it will open its largest China flagship store at the location of Marks & Spencer's previous department store branch on Nanjing Road West in Shanghai. GAP's Greater China regional headquarter office will also be based there. Previously, Gap said that it will further develop its e-commerce and mobile payment businesses in China, and will launch digital fitting rooms in its physical stores[16].

Cosmetics

JD.com's cosmetics category records 102% yoy growth in 2016

JD.com recently published the "2017 Cosmetics Consumption Trends Report", which looked at the development trend of the cosmetics industry, its retail channels, consumer preference and consumer portraits through big data analytics. Data showed that online consumption of cosmetics products have grown rapidly, with young consumers and shoppers from small cities and towns being the top contributors to the growth.

Beauty spending by male and female draw closer to each other and millennials aged 19-25 have begun to adopt international brands. In 2016, the size of the global cosmetics market increased by 4% yoy and the retail sales of cosmetics in China increased by 8.3% yoy. In 2016, the online transaction value of cosmetics in China increased by 31.1% yoy, while the sales of cosmetics on JD.com recorded a 102% yoy sales growth[17].

Consumer electronics

Sanpower Group's Brookstone partners with Hemaxiansheng to open its second Beijing store

After opening its first Beijing store in Ginza Mall on 29 April, Sanpower Group's Brookstone opened its second Beijing store inside the first Hemaxiansheng store in Beijing in Shilipu New Town Plaza. This is the first ever store-within-store partnership between the two retailers. Currently, Brookstone has 20 physical stores across China in cities such as Nanjing, Shanghai, Suzhou, Yangzhou and Beijing. This Brookstone store has a floor space of around 1,500 sqm and mainly sells tech products and trendy gadgets[18].

Gome acquires third-party online payment company for 720 million yuan

Gome Finance Technology Company announced the acquisition of third-party online payment company Yin Ying Tong Payment Limited to indirectly obtain an Internet payment service license. Gome Finance Technology Company obtained 720 million yuan of non-interest bearing loan from one of its wholly-owned subsidiaries to pay for the acquisition of all the shares of Tianjin Guanchuang Mei Tong Electronic Commerce

Limited, which is the parent company of Yin Ying Tong, holder of the Internet payment license. Founded in Beijing in April 2005, Yin Ying Tong was one of the earliest companies in China to provide third-party online payment services[19].

Luxury products

Hurun Research Institute: China's luxury travellers spend 220,000 yuan per annum on shopping and cosmetics tops the list of holiday purchases

The Hurun Research Institute and the International Luxury Travel Market Asia (ILTM Asia) jointly published "The Chinese Luxury Traveller 2017" report for the seventh consecutive year. The report looked at the travelling style, consumption patterns, as well as development trends of luxury travellers in China. The report showed that there was an increase in the spending by luxury travellers in China in 2016 compared with that in 2015. The annual average travel budgets for China's luxury travellers (and families) amounted to 220,000 yuan, up by 57% yoy. According to the report, the following items are the favourites of travellers when they shop in their travel: cosmetics, local souvenirs, bags and luggages, fashion and accessories, jewellery[20].

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