

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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Retail in general



MOFCOM: Chinese consumers spend around US\$200 billion a year overseas; tariffs for automobiles and certain consumer goods to lower

On 11 March, Zhong Shan, Minister of the Ministry of Commerce (MOFCOM) said that China is now the second-largest consumer market globally; and consumption has been the major growth driver of Chinese economy for four consecutive years. The Chinese consumer market still has large growth potential. Currently, Chinese consumers spend around US\$200 billion a year overseas, purchasing high-end products as well as daily necessities there.

Zhong Shan revealed MOFCOM's plan to further encourage domestic consumption by upgrading shopping streets in urban cities; and building towns with distinctive features and service centers in rural cities. At the same time, the MOFCOM will relax restrictions on market access; lower tariffs for automobiles and certain consumer goods. It will also further open up access to sectors such as telecommunications, medical services, education, and elderly care¹.

NBS: Total retail sales of consumer goods up 9.7% yoy in January – February 2018

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 6,108.2 billion yuan in January – February 2018, up nominally by 9.7% yoy. Of which, retail sales of enterprises above a designated size amounted to 2,324.2 billion yuan, up by 8.3% yoy. By types of consumption, in January – February 2018,

catering sales amounted to 661.3 billion yuan, increased by 10.1% yoy. Retail sales of commodities amounted to 5,446.9 billion yuan, up by 9.7% yoy. In January – February 2018, online retail sales grew 37.3% yoy to 1,227.1 billion yuan. Online retail sales of physical goods increased 35.6% yoy to 907.3 billion yuan, accounting for 14.9% of total retail sales².

SAIC upgrades the “National Consumer Dispute Resolution Online Platform”

State Administration for Industry and Commerce (SAIC) announced to upgrade “The National Consumer Dispute Resolution Online Platform” (aka “12315 Platform”) on 15 March, which incorporates new technologies from five tech companies including Alibaba and AutoNavi. Consumers can file a complaint conveniently around the clock and settle disputes online via the platform. Besides the official website and app, consumers can access the platform via the official mini program on Alipay³.

E-commerce



Tmall restructures to establish three new business units

On 9 March, Tmall announced to restructure and make “New Retail” its core strategy. In 2018, Tmall will focus on consumption upgrade, help brands to digitalize and further pursue its “New Retail” strategies. Meanwhile, three new business units will be formed, including the Consumer Electronics Business Unit, Tmall Home Improvement Business Unit, and Tmall Platform Operating Business Unit⁴.

JD.com launches Global Supply Chain Innovation Centre

On 12 March, JD.com announced the launch of its Global Supply Chain Innovation Center (GSIC), which is designed as an international hub for smart supply chain research and innovation. The GSIC will bring together global industry experts, companies, universities and other institutions, and will serve as a platform to share resources, expertise, insights, and technologies, and to work together on research projects focused on new technologies and processes, empowering more enterprises with smart supply chain capabilities. The GSIC will operate across six key international regions – China, Silicon Valley and Chicago in the U.S., Germany, the Netherlands, and Australia⁵.

JD Fresh puts food certification labels on selected fresh food products

JD Fresh (fresh.jd.com) has launched the “Galaxy Campaign” to label selected fresh food products with certain food certification labels, including certifications from Aquaculture Stewardship Council, Best Aquaculture Practices, Green Food Authentication, “China Organic”, and EU Organic Certification etc. The campaign covers around 1,500 SKUs⁶.

eBay supports Chinese brands to go global

On 13 March, eBay announced the “Qianfan Campaign” to help Chinese brands to go global. It will set up a fund to help brands develop their businesses overseas. Meanwhile, it will leverage on eBay’s core competencies in e-commerce platform, market insights, big data, marketing resources and professional category management team to help Chinese sellers better understand consumer needs and develop the right

products⁷.

Retail logistics

Cainiao expands “ship-from-store” service to 30 cities nationwide

On 15 March, Cainiao announced that its “ship-from-store” service for retailers has expanded to 30 cities nationwide; more than 400 stores have already connected to the service and become “store as warehouse” locations. Watsons is a case in point. After customers order online, they can choose to have the goods delivered from the nearest physical store. Delivery can be completed as fast as within two hours after customer placing the order⁸.

Department stores and shopping malls

Liqun Commercial signs strategic agreement with Tencent's Cloud and Morning-Star to build smart retail platform

On 9 March, Liqun Commercial Group Co., Ltd. announced the signing of a strategic cooperation agreement with Tencent Cloud Computing (Beijing) Co., Ltd. and Shenzhen-based Morning-Star Co., Ltd. to create a safe smart retail Internet platform. Liqun Group, Tencent Cloud and Morning-Star will fully utilize their respective advantages and resources, launch cross-sector cooperation, promote the complementary of technologies and resources, and create a secured and controllable smart retail Internet platform to enhance the technical and management

capabilities of the retail sector. Areas of cooperation include building a secure and controllable smart retail Internet service platform; cooperating in logistics warehousing and Internet areas; and building a new retail customer service system⁹.

Liqun Commercial collaborates with IBM to deploy SAP smarter platform

On 12 March, Liqun Commercial Group Co., Ltd. signed a cooperation agreement with IBM to jointly work on the company's smart supply chain information management upgrading project. This cooperation is the extension of the collaboration agreement signed between Liqun and Tencent on 9 March in the area of smart retailing. It also represents another important initiative of Liqun to develop smart retailing and enhance its technological competitiveness¹⁰.

Joy City Property's operating revenue up 67% yoy in 2017

On 12 March, Joy City Property Limited announced its annual results for the year ended 31 December, 2017. During the reporting period, Joy City Property achieved operating revenue of approximately 11.7 billion yuan, up 67% yoy; the Group's profit increased 102% yoy to reach 2.6 billion yuan; profit attributable to owners of the Company was approximately 1.153 billion yuan, an increase of 44.6% yoy; the core net profit attributable to owners of the Company was 839 million yuan, representing an increase of 163.3% yoy. In 2017, settlement area was 147,800 sqm, representing an increase of 116% as compared with last year.

Joy City stated that the increase in operating revenue for the year was mainly attributable to the excellent performance of the property development and leasing business of investment properties. Looking ahead to 2018,

in terms of retail innovations, Joy City will strengthen cooperation with leading companies in the industry, conduct cross-sector cooperation and cooperation with financial capital, maintain a strong operating capability and capital operation capability, and actively explore advanced business development models to build new generation intelligent malls by actively taking advantage of scientific and technological means such as the Internet and big data¹¹.

Rainbow Department Store's net profit soars 37% in 2017

On 14 March, Rainbow Department Store Co., Ltd. released its 2017 annual report. The report shows that in 2017, Rainbow achieved operating revenue of 18.536 billion yuan, an increase of 7.31% yoy; total profit increased 30.19% yoy to 931 million yuan; and net profit attributable to shareholders of listed companies was 718 million yuan, an increase of 37.03% yoy. As of 31 December, 2017, the number of "Red Scarf" members exceeded 6 million. The annual orders for supermarket products on "Rainbow Daojia" increased more than 6 times yoy, and annual sales increased by nearly 9 times yoy¹².

Beijing SKP increases proportion of merchandise direct sales and launches SKP HOME Select buyer shop

Recently, the renovations of the 4th and 5th floor at Beijing SKP have been fully completed. A new "SKP HOME Select" home products buyer shop has been added to the 5th floor, and a children's play area has been launched in the middle of the children's clothing and toys area. The SKP HOME Select buyer shop is Beijing SKP's latest addition to its merchandise direct sales business. The shop offers household products from well-known European and Italian brands, all of which are sourced by Beijing SKP's buyer team from

different countries¹³.

Supermarkets and hypermarkets



Wal-mart to re-launch small-format stores in China

Wal-mart will re-launch its small-format store "Smart Choice" in Shenzhen in April. Currently it is still under renovation. With a store size of around 1,000 sqm, the store will be a community store which mainly offers fresh food, cooked food, half-cooked food and packaged food. Wal-mart hopes the small-format stores can satisfy the increasing demand from small households and the singles¹⁴.

Renrenle and Dmall sign strategic cooperation agreement

Recently, Renrenle and Dmall signed a strategic cooperation agreement. Both companies will work together on the digitization and integration of membership database, payments and merchandise. By partnering with Dmall, Renrenle will gradually launch self-shopping services and O2O services in all of its stores nationwide. Currently, self-shopping services are available in Renrenle's stores in Shenzhen¹⁵.

Convenience stores



Eleme launches 20,000 unmanned shelves in 30 tier-1 and tier-2 cities

Chinese O2O delivery platform Eleme has

launched its unmanned shelves project "Eleme Now" in 30 tier-1 and 2 cities in China and reported a profit in its Shanghai unit. Eleme plans to place more unmanned shelves in other cities in China. Started in September 2017, "Eleme Now" now operates over 20,000 unmanned shelves in over 10,000 companies¹⁶.

Apparel



Anta Sports records net profit of 3.988 billion yuan and strong e-commerce sales in 2017

Recently, Anta Sports Products Limited announced its 2017 financial results. The company's annual revenue increased 25.1% yoy to reach 16.69 billion yuan; net profit increased 24.5% yoy to reach 3.988 billion yuan, and net profit attributable to shareholders was 3.087 billion yuan, soared 29.4% yoy. Anta Sports attributed the satisfactory financial results to the rapid development of the company's online and offline businesses in 2017 and the strong sales performance of other brands under the group. In addition, Anta Sports also emphasized its excellent performance in e-commerce, creating record-breaking sales during the period. It is reported that Anta Sports will start its globalization strategy in 2018¹⁷.

Semir promotes omni-channel business; to open not less than 150 new stores in shopping centres by end of year

Zhejiang-based Semir Apparel Co., Ltd. said the company will vigorously develop the shopping centre channel in 2018 to further

expand its market share. At the same time, it will continue to deepen the online and offline integration. In 2018, Semir will increase investments in product R&D, with a hope to shorten new product cycle, increase in-store experiential elements, improve products design, and enhance consumer experience. By the fall of 2018, Semir will launch new product lines including kids and home series¹⁸.

HLA to launch cosmetics products

Recently, Heilan Home (HLA), a menswear retailer in China launched its furniture and lifestyle brand “HLA Premium Select Lifestyle Store” in Wanda Plaza in Minhang district, Shanghai. The merchandise mix includes apparel, lifestyle products, home decors and makeup products. It is reported that the cosmetics that are sold in the shop are from HLA’s private label éOL which mainly focuses on natural skincare and color cosmetics¹⁹.

H&M to debut on Tmall, launching on a third-party e-commerce platform for the first time

H&M announced to set up its flagship store on Tmall on 21 March, selling products from the H&M brand and H&M Home. The flagship store will offer more than 10,000 items, covering menswear, womenswear, childrenswear and H&M home furnishing products. It is reported that the flagship store will launch limited edition items on the opening day. H&M hopes to create seamless online and offline integration through its CRM and supply chain management systems; and penetrate into cities where H&M does not have any physical stores yet²⁰.



Givenchy Beauty opens online flagship store on Tmall

Recently, Givenchy Beauty, the high-end beauty brand under LVMH Group, officially opened its online flagship store on Tmall, and participated in Tmall’s Super Brand Day event, hoping to bring a convenient online shopping experience to customers. The flagship store provides makeup, skin care, perfume products, covering top ten star products from the brand. This is the first time for Givenchy to participate in Tmall’s Super Brand Day²¹.

GAP launches new makeup pop-up store to attract young customers

Recently, U.S. fast-fashion brand GAP partnered with U.S. color cosmetics brand POP KIT to set up a makeup pop-up store “POP KIT” at its Nanjing West Road branch and Hong Kong Plaza branch in Shanghai. The pop-up stores will be open for three months from 8 March to 7 June, 2017. Gap hopes the makeup pop-up stores can help generate more customer traffics. This is GAP’s first attempt to sell makeup products in China²².

Aēsop opens online flagship store on Tmall Global

Australian skincare brand Aēsop opened a flagship store on Tmall Global on 12 March. The store offers 35 SKUs of skincare products initially, and will add 60 SKUs of products including hair care products in the coming six months²³.

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