

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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General retail

State Council: To unleash the potential of domestic consumption and accelerate development of the consumption market

The State Council executive meeting presided over by Premier Li Keqiang on 31 July confirmed five directions to accelerate the development of the consumption market, unleash the potential of domestic consumption and improve the quality of life:

1. Encourages the use of big data analysis and the development of new business models which focus on customization and smart consumption; encourages the reform of old shopping malls and communities and the upgrade of shopping streets.
2. Deepens reforms on delegating power, streamlining administration and optimizing government services.
3. Provides financial support and promotes convenience consumption for residents which include medical care services, elderly care services and other community services.
4. Expands e-commerce coverage in rural areas and accelerates the development of cold-chain logistics services for agricultural products.
5. Adjusts and expands the positive list for cross-border e-commerce and attracts more international brands to tap the China market in a bid to drive domestic consumption and promote domestic industrial upgrade¹.

CCA: After-sales service, product quality and contract issues are the top main causes of complaints

Recently, the China Consumers Association (CCA) released the "Analysis of Complaints Received by the China Consumers

Associations nationally in 1H19". In 1H19, a total of 421,373 consumer complaints were received by the CCA, while 332,885 cases were resolved; the complaint resolution rate was around 79% and a total of 573.84 million yuan was refunded to consumers. Among the complaints, after-sales service, product quality and contract issues were the top three causes, accounting for more than 70% of the total number of complaints².

E-commerce

China Center for Information Industry Development: JD.com ranks first among all distribution channels for home appliances

Recently, China Center for Information Industry Development released the "Report on China's Home Appliances Market in 1H19". The report shows that the market size of China's home appliances sector reached 429.7 billion yuan in 1H19. JD.com has a market share of 22.7%, ranking first among all other distribution channels for home appliances, followed by Suning, Tmall and Gome³.

JD.com invests HK\$214 million for 8.98% shares in Beijing Digital Telecom to expand its presence in offline digital products

Recently, JD.com signed an investment agreement with local offline mobile communications retailer Beijing Digital Telecom. According to Beijing Digital Telecom, it will issue 65.79 million shares to Nelson Innovation Limited, a subsidiary of JD.com, for HK\$214 million. JD.com will hold around 8.98% of the shares of Beijing Digital Telecom. Beijing Digital Telecom intends to utilize the net proceeds for goods procurement and daily operations. Meanwhile,

Beijing Digital Telecom and JD.com also reached a preliminary strategic cooperation intention and will cooperate in the fields of finance, logistics, second-hand mobile phones, insurance, and cloud services⁴.

Xiaohongshu pulled from China's Android app stores

On 29 July, Chinese social e-commerce platform Xiaohongshu was pulled from major Chinese Android stores for “unknown reasons” and it is unclear when the app will be made available again for download. Founded in 2013, Xiaohongshu is a content-based community with 85 million active monthly users and 250 million registered users. Some industry insiders believe the removal may be related to falsified “users notes” to hike product sales⁵.

Department stores and shopping malls

Winshang: 171 shopping malls open in 1H19, a new low in terms of GFA in three years

According to the statistics of Winshang.com, 171 new shopping malls were opened in 1H19, offering an additional gross floor area (GFA) of 14.77 million sqm. The number of newly opened shopping malls was down by 32, or 16% yoy, while newly added GFA of commercial building was down by 4.15% yoy and 7.11% yoy compared to 2017 and 2018 respectively, the lowest in three years⁶.

Convenience stores

First Suning Xiaodian 3.0 to launch in China in early August

Suning.com recently announced that its first Suning Xiaodian 3.0 will be launched in early August. This latest version of Xiaodian will provide catering services to boost instore traffic, extend customers' time spent and encourage purchases. Suning Xiaodian 3.0 will tailor its services and re-arrange its “convenience store + N” service modules according to the needs of the local communities and target customers. For example, it will provide courier or housekeeping services in traditional or family centric communities⁷.

FMCG

Suning.com and Yiguo Group reach strategic cooperation on building fresh produce supply chain

On 26 July, Suning.com's fast-moving consumer goods (FMCG) Group and Yiguo Group, a domestic fresh produce e-commerce platform, signed a strategic cooperation agreement. Both companies will establish comprehensive and in-depth cooperation in the field of fresh food supply chain for the development of Suning's multiple retail formats in fresh food businesses. Yiguo Group will leverage its advantages in fresh food supply chain and integrate domestic and overseas upstream sourcing capabilities; meanwhile it will also cooperate with Suning.com in fresh food supply chain services, as well as online operation of fresh food businesses. The two companies intend to push forward a 2-billion-yuan fresh food procurement plan in the next two years⁸.

Watsons launches first AI-equipped virtual spokesperson

After upgrading its mobile app and WeChat Mini Program, Watsons launched the first

virtual AI-equipped brand spokesperson "Wilson". Equipped with AI technologies, Wilson can recognize objects, texts, voices and images. It is also a virtual idol which can grow up together with consumers. Apart from being Watson's brand spokesperson and taking part in various marketing activities, Watson will also perform big data analysis, providing professional and personalized consultation to meet different preferences and needs of Watsons' customers⁹.

Apparel and shoes

HLA joins hand with Meituan-Dianping to launch WeChat Mini Program with one-hour delivery service

On 30 July, HLA announced that the company and Meituan-Dianping will jointly launch a WeChat Mini Program store with one-hour delivery service. Meituan-Dianping will deliver the goods within one hour after users place their orders at HLA's stores within 3-km's reach. It is reported that the Mini Program store will provide themed products such as quick-dry suits and sneakers, as well a wide range of product categories including short sleeves, jackets, pants and shoes. Currently, the Mini Program store provides services to more than 4,000 HLA stores in 300-plus cities across the country¹⁰.

Semir's childrenswear sub-brand Absorba opens first store in China

On 28 July, Semir's childrenswear sub-brand Absorba opened its first store in China at the MIXC Wenzhou. Absorba is a French brand under Kidiliz Group; Semir acquired all assets of Kidiliz Group in May 2018 and planned to introduce the brands under Kidiliz Group to the China market, while expanding Balabala's business overseas¹¹.

Balabala repositions as one-stop multi-category store

Recently, Semir stated in its announcement on investor relations activities that it will reposition its childrenswear brand Balabala as a one-stop multi-category store by expanding the age range and product categories for the brand and introducing new categories such as travel products and infant products. For its baby series, Semir hopes to sell through its mother-infant stores in the future. Founded in 2002, Balabala has reportedly had outstanding performances on its product series for kids and teens; the brand introduced new product series for infants starting from 2016¹².

Zadig & Voltaire partners with I.T to open 45 stores in China in five years

French fashion label Zadig & Voltaire steps up pace of store openings in China. Back in 2008, the brand forged a joint venture with the Hong Kong-based I.T Ltd. and started to sell at I.T boutique shops in China. In 2017, Zadig & Voltaire expanded its presence in China and launched its own stores. It currently has 11 stores across the country. The brand aims to operate 45 stores in China in the next five years and boost its shares to 10% to 15% of total sales¹³.

Asics opens Onitsuka Tiger's largest flagship store in Shanghai

Recently, Japanese sportswear group Asics opened its first Onitsuka Tiger flagship store in Shanghai, which is also its largest flagship store in the world. Covering an area of 470 sqm, the store provides a selection of 140 pairs of shoes and 175 clothing items; there is also an area dedicated for kids' shoes. Data shows that, in 2018, Onitsuka Tiger's sales in Greater China reached 18.5 billion yen, which

was about 1.2 billion yuan, accounting for 40% of the brand's total sales¹⁴.

La Chapelle forecasts to have a net loss of 500 million yuan; closes 2,400 stores in 1H19

On 30 July, La Chapelle released an announcement regarding its expected financial losses in 1H19. According to the announcement, La Chapelle estimated that the net profit of the shareholders of the listed company will turn into losses, ranging from -440 million yuan to -540 million yuan, down from about 288.6% yoy to 329.0% yoy compared with 1H18. Meanwhile, in 1H19, the company closed more than 2,400 stores. La Chapelle said that due to the continued sluggish performance of the domestic apparel market, the company decided to shut down stores to optimize its financial performance. La Chapelle expected its revenue to drop by more than 20% yoy in 1H19¹⁵.

Cosmetics

Elizabeth Arden signs strategic cooperation agreement with Tmall's Hey Box for new product launch

On 26 July, American cosmetics and skincare brand Elizabeth Arden signed a strategic cooperation agreement with Tmall's "Hey Box" such that it will use the latter as its exclusive platform to launch its latest antioxidant product, the PreVage Progressive Renewal Treatment. Launched in 2017, Tmall's "Hey Box" is a designated product-debut tool that offers brands consumer insights and data-driven strategies to increase the success rate of launching new products. In future, the Hey Box will continue to use its competitive advantages to offer one-stop sales and marketing solutions for brands. It will also strive to become the priority channel of

content and products for consumers¹⁶.

Home products

LOFT to open first self-operated store in China in Chengdu

Recently, Japanese household goods store LOFT announced its plan to open the first self-operated store in China in Chengdu in Spring 2020. It targets to open a total of six self-operated stores in Chengdu and Shanghai by 2023. In April 2019, LOFT formed a joint venture (JV) with Chengdu Ito-Yokado, and the JV paves the way for LOFT to tap the China market. LOFT is a Japanese-based multi-brand store offering stationeries, home products, apparel and shoes and home decorations, etc¹⁷.

Consumer electronics

China Center for Information Industry Development: JD.com ranks first among all distribution channels for home appliances

Recently, China Center for Information Industry Development released the "Report on China's Home Appliances Market in 1H19". The report shows that the market size of China's home appliances sector reached 429.7 billion yuan in 1H19. JD.com has a market share of 22.7%, ranking first among all other distribution channels for home appliances, followed by Suning, Tmall and Gome¹⁸.

Suning.com to launch first fully digitalized store in Nanjing in early August

Recently, during the press conference of 8.18

Shopping Festival, Suning.com announced that it will launch its first fully digitalized store in Nanjing in early August. The store reportedly occupies a total area of 60-plus sqm, and is supported by Suning.com's advanced technologies such as big data, artificial intelligence technologies, the Internet of Things, and Suning Financial's digital payment system and risk control platform for store operation. The store will leverage big data to carry out product selection, store location selection, precision marketing, predictive inventory replenishment and unconscious payment, etc., which will improve operation and management efficiency by 70%¹⁹.

Luxury

Coach to re-enter Tmall in September this year after exiting the platform twice

It is reported that U.S. affordable luxury brand Coach, which exited Tmall twice, will re-enter the e-commerce platform again in September this year. Industry insiders noted that luxury groups have shown a changing attitude towards Tmall considering the hyper-evolution of young consumers' buying behaviors and habits in China²⁰.

Designer brand KARL LAGERFELD launches first-ever online cross-over collection KARL LAGERFELD x JDX with JD.com's innovative lab JDX

KARL LAGERFELD, a designer label by world-renowned fashion icon Karl Lagerfeld, has recently launched its first-ever online cross-over collection KARL LAGERFELD x JDX in collaboration with JD.com's innovative lab JDX. Featuring the classic cartoon characters of legendary fashion designer Karl Lagerfeld, KARL LAGERFELD x JDX has

launched limited-edition T-shirts exclusively available on JD.com starting 26 July. It is the first time that KARL LAGERFELD jointly launches fashion items with an e-commerce player in China, marking the brand's bold move in embracing e-commerce for its expansion in the country²¹.

Shangpin suspends operation due to unsuccessful financial restructuring and operation failure

On 30 July, Shangpin.com, a Chinese luxury e-commerce platform founded nine years ago, announced in its mobile app that it is suspending both its official website and mobile app due to unsuccessful financial restructuring and operation failure, and will no longer be providing services to its users. Established in July 2010, Shangpin.com provides four major types of overseas stylish products including clothing, handbags, shoes and accessories. David Zhao, its founder and CEO, had established VANSKY Technology, Yazuo.com and Shangpin.com. The latter was backed by Lei Jun, co-founder of Xiaomi, as well as several venture capitals and private equity funds such as Morningside Venture Capital, Chengwei Capital and Hillhouse Capital²².

Shandong Ruyi-owned affordable luxury group SMCP posts stronger growth; sales in China surge over 30% yoy in 2Q19

Shandong Ruyi-owned affordable luxury group SMCP SAS registered stronger growth in 2Q19, with operating revenue surging 10.1% yoy to 265.7 million euros, representing an 8.9% growth at constant exchange rates compared with a 7.2% growth in 1Q19. International markets, which continue to drive the growth momentum in the company, delivered a 13.7% yoy sales growth at constant exchange rates; the growth was mainly driven by a spike in sales of over 30% yoy from China. SMCP also experienced

sales revival in its home country France despite challenges still facing local tourism consumption²³.

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