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<https://www.wsj.com/articles/alibaba-takes-on-walmart-in-china-with-3-6-billion-investment-in-hypermarket-chain-11603107669>

BUSINESS

Alibaba Takes on Walmart in China With \$3.6 Billion Investment in Hypermarket Chain

The e-commerce giant plans to double its stake in Sun Art Retail Group, which operates stores in China under the RT-Mart and Auchan brands



An RT-Mart hypermarket in Shanghai on Monday. Sun Art Retail Group operates more than 480 large supermarket-department stores in China.

PHOTO: QILAI SHEN/BLOOMBERG NEWS

By [Stella Yifan Xie](#) and [Ben Otto](#)

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HONG KONG—Chinese e-commerce giant [Alibaba Group Holding Ltd.](#) [BABA -0.66% ▼](#) said it would pay \$3.6 billion to take control of China's largest big-box retailer and a major rival to [Walmart Inc.](#) [WMT -1.22% ▼](#) in the world's most populous nation.

Hangzhou-based Alibaba, currently China's most valuable company with a [market capitalization in excess of \\$800 billion](#), said Monday it plans to double its stake in [Sun Art](#)

Retail Group Ltd. [6808 19.17% ▲](#) , which operates more than 480 large supermarket-department stores in China.

Store Bought

Market share of China's top five hypermarket operators in 2019.

Sun Art Retail Group

14.1%

China Resources Holdings

12.8

Yonghui Superstores

10.4

Walmart China

10.3

Suning.com

4.1

Source: Euromonitor International

The coronavirus pandemic, which kept many people confined to their homes for long periods, has accelerated a shift by consumers to online shopping. Like in the U.S., supermarket sales in China have been one of the retail industry's bright spots, thanks to consumers stocking up on food and other household essentials during government-mandated closures of many restaurants and eateries. The country's supermarkets have seen rapid growth in online orders this year and are trying to capitalize on the change in consumer behavior.

Alibaba first bought a 36% stake in Sun Art for about \$2.9 billion back in 2017. The Hong Kong-listed company, which started off as a French-Taiwanese venture, operates stores in China under the RT-Mart and Auchan brands.

Following the latest deal, Alibaba will own about 72% of the business, which had revenue of 95.4 billion yuan, equivalent to \$14.2 billion, in 2019. In the first half of this year, Sun Art's revenue grew 5% to 53.2 billion yuan (\$7.9 billion) from the same period in 2019.

Sun Art isn't a household name in China, but the big-box stores it operates sell everything from groceries to clothing and toys, and had a 14.1% share of the country's hypermarket sales last year, according to Euromonitor International.

Walmart, in comparison, had a 10.3% market share of the category, which according to Euromonitor counts retail outlets with selling space in excess of 2,500 square meters, equivalent to 26,910 square feet. The American retailer back in 2016 sold its Chinese e-commerce website to JD.com Inc., Alibaba's main e-commerce rival. Walmart's chief financial officer said in the company's earnings call in August that recent sales in China were exceptionally strong.

Alibaba, which has a booming and fast-growing online retail business, has been building its presence in physical grocery stores in China, and using them to extend its e-commerce capabilities.

The company currently owns Freshippo, a growing supermarket chain with more than 220 stores across the country selling fresh produce and other groceries. Shoppers can visit the stores in person or make online orders that are delivered within hours. The Freshippo chain was the brainchild of Alibaba Chairman and Chief Executive Daniel Zhang, who said sales at its stores that have been open at least a year grew in double-digit terms during the three months to June, thanks in large part to increased online orders during the pandemic.

Taking control of Sun Art would help Alibaba further expand its "New Retail" strategy that integrates online and offline resources, the company said Monday. There could also be other synergies across Alibaba's other businesses, Mr. Zhang said in a statement.

The deal would allow Alibaba to "fast-track sales growth" in so-called fast moving consumer goods, analysts from Citigroup said in a research note Monday. They said Sun Art recently reported a jump in online sales, and the retailer's past collaborations with Alibaba—which include using Alibaba's delivery services—have already helped it gain new customers.

Having a bigger network of physical supermarkets will boost Alibaba's inventory space for groceries and its delivery capabilities, said Jason Yu, managing director of Greater China at Kantar Worldpanel.

Alibaba is boosting its stake in Sun Art by purchasing the majority of a holding company from France's Auchan Retail International SA. Shares of Sun Art jumped 19% on Monday, giving the retailer a market capitalization of about \$11.6 billion. The company is likely to remain listed in Hong Kong.

Foreign operators of hypermarkets in China have battled intense competition in recent years. Last year, Carrefour SA, one of Europe's largest grocery retailers, sold the bulk of its operations in China to a domestic retailer after struggling to compete with more nimble delivery providers.

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