

China Retail & E-commerce

Weekly Updates

24 April 2020 – 29 April 2020

 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Teresa Lam
Vice President

E: teresalam@fung1937.com
T: (852)2300 2466

Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com



General retail p2

- CNCIC reveals five major trends for the development of retail market in 2020

E-commerce p2

- CNNIC: Number of Internet users in China reaches 904 million; number of online shoppers up 10 million compared with previous year
- MOFCOM to organize "Brand and Quality Online Shopping Festival", with 109 e-commerce platforms and enterprises participating the event
- Pinduoduo's GMV exceeds 1 trillion yuan in FY19; becomes the second largest e-commerce platform in terms of buyer base
- Dada Group pairs up with merchants to offer one-hour delivery service for live-commerce shoppers
- Shanghai government to help foreign trade enterprises sell domestically via Pinduoduo and BL.com
- Tmall Global to set up the first "National livestreaming base for CBEC bonded imports" in Hangzhou

Logistics p4

- SPB: Revenue of express delivery industry down 0.6% yoy to 153.4 billion yuan in 1Q20

Department stores and shopping malls p4

- Wangfujing Group's 2019 net profit down 20% yoy
- Rainbow Department Store restructures to remove direct sales business team

Supermarkets and hypermarkets p4

- Metro completes majority stake sale in Metro China to Wumei
- Carrefour to open the first boutique supermarket "Carrefour Select" in Chongqing
- Yonghui Superstores' 1Q20 revenue amounts to 29.26 billion yuan; sales growth of its on-demand delivery business up 239% yoy
- Beijing Hualian Group's 2019 revenue up 3.43% yoy to 11.99 billion yuan

Apparel p5

- Semir's 2019 net profit down 8.52% yoy
- Adidas' revenues in Greater China drop by 58% yoy in 1Q20, showing signs of improvement in April
- Lululemon to unveil its largest China store in Hangzhou Hubin Yintai in77shopping mall
- Danish sports brand Hummel to launch its first China store in Shanghai Aegean Plaza
- French sporting goods retailer Decathlon launches on Ele.me

General retail

CNCIC reveals five major trends for the development of retail market in 2020

On 28 April, China General Chamber of Commerce (CGCC) and China National Commercial Information Center (CNCIC) held a press conference to announce the sales statistics for various product categories, and to reveal five major trends for the development of retail market in 2020:

1. Optimize high-quality commodity supply

Consumers demand high quality goods and services and are eager for more high-quality domestic brands and products. Retail enterprises will further enrich product offerings, improve shopping environment and services, promote brand consumption and quality consumption.

2. Leverage information technology to meet new consumption demands

Retail enterprises will further leverage information technologies such as the Internet of Things, cloud computing, 5G technology, artificial intelligence, and big data to launch more innovative new retail formats, new business models, and new consumption scenarios in a bid to satisfy consumers' diversified and personalized needs.

3. Smart products will become the new hotspot in retail market

Smart products, health-related products and green products will become the new consumption hotspot, which will drive the fast recovery for the growth of the retail market.

4. Facilitate the integration of services and various retail formats

Various retail formats will further integrate with services sub-sectors including catering, tourism, sports, culture, entertainment, health, and service for the elderly to drive footfall, as retailers can promote the sales of related products while meeting service consumption needs of customers.

5. Focus on community retailing

Community stores will further diversify according to the demographic and various needs of consumers in respective communities, and continue to provide personalized and differentiated shopping experience to consumers¹.

E-commerce

CNNIC: Number of Internet users in China reaches 904 million; number of online shoppers up 10 million compared with previous year

On 28 April, China Internet Network Information Center (CNNIC) released the "45th Statistical Report on Internet Development in China". As of March 2020, there were 904 million Internet users in China, with a penetration rate of 64.5%, up 4.9 ppts from December 2018. 897 million people used mobile phone to access the Internet; the proportion of Internet users accessing the Internet through mobile phone was as high as 99.3%. The number of online shoppers in China reached 710 million, increased by 10 million compared with December 2018 and accounted for 78.6% of the total Internet population; the number of mobile shoppers reached 707 million and accounted for 78.9% of the total mobile shopping population².

MOFCOM to organize “Brand and Quality Online Shopping Festival”, with 109 e-commerce platforms and enterprises participating the event

On 25 April, the Ministry of Commerce (MOFCOM) announced that it will organize a “Brand and Quality Online Shopping Festival” with the Ministry of Industry and Information Technology (MIIT), the State Post Bureau (SPB) and China Consumers’ Association during 28 April and 10 May to promote brand consumption and quality consumption. Over 109 e-commerce platforms and enterprises will participate in the event. Meanwhile, the MOFCOM also actively promotes the resumption of production and business operation of enterprises. According to the MOFCOM's monitoring data on 3.5 million online merchants, the business resumption rate reaches nearly 90% currently³.

Pinduoduo's GMV exceeds 1 trillion yuan in FY19; becomes the second largest e-commerce platform in terms of buyer base

On 25 April, Pinduoduo announced its FY19 financial report. In 2019, Pinduoduo's GMV reached 1,006.6 billion yuan; total revenue reached 30.14 billion yuan, with number of active buyers reaching 585.2 million in the twelve-month period ended 31 December, 2019. Pinduoduo had 5.1 million active merchants in 2019, up 41.7% yoy. Four and a half years after its founding, Pinduoduo has become the second largest e-commerce platform in terms of buyer base⁴.

Dada Group pairs up with merchants to offer one-hour delivery service for live-commerce shoppers

On 25 April, Dada Group, a Chinese on-demand delivery service provider, joined hands with Unilever and OCJ.com to offer one-hour delivery service for live-commerce

shoppers. With the new service, consumers, after placing orders from JD Daojia’s live-commerce platform, can have their ordered items sent from a store that is 3-5km away from them and delivered home within one hour by Dada’s couriers. With the new service, each live-streaming shopping show on the platform attracted over 358,000 viewers on average⁵.

Shanghai government to help foreign trade enterprises sell domestically via Pinduoduo and BL.com

Recently, the Shanghai Municipal Commission of Commerce revealed that it is planning to set up a special product display page for foreign trade enterprises on e-commerce platforms Pinduoduo and BL.com and help them open online stores. Pinduoduo and BL.com will provide training and assistance in page design, sales & marketing as well as logistics and delivery. They will also share data analytics and traffic resources to these enterprises such that they can adapt to online sales operations quickly. The first batch of export goods for domestic consumption will be available online on 28 April⁶.

Tmall Global to set up the first "National livestreaming base for CBEC bonded imports" in Hangzhou

Recently, Tmall Global announced the set up its first "National livestreaming base for cross-border e-commerce (CBEC) bonded imports" in Hangzhou. Tmall Global will explore the new business model for selling CBEC bonded import goods via livestreaming, together with Hangzhou CBEC Comprehensive Pilot Zone, Hangzhou Qiantang New Area and Qianjiang Customs. It will host 4-6 livestreaming sessions on a monthly basis. Consumers can place orders when they are watching livestreaming shows; staff in the bonded warehouse will immediately pick and pack the

goods. After customs clearance, the goods will be delivered to customers as fast as within the next day⁷.

Logistics

SPB: Revenue of express delivery industry down 0.6% yoy to 153.4 billion yuan in 1Q20

On 24 April, China's State Post Bureau (SPB) announced that in 1Q20, impacted by the COVID-19 outbreak, China's express delivery industry experienced a significant slowdown in growth; total express delivery volume grew 3.2% yoy to 12.5 billion items, while revenue of the industry slid 0.6% yoy to 153.4 billion yuan⁸.

Department stores and shopping malls

Wangfujing Group's 2019 net profit down 20% yoy

On 24 April, Wangfujing Group Co Ltd released its financial results for FY19. According to the announcement, its operating revenue amounted to 26.79 billion yuan, up 0.29% yoy; net profit attributable to owners of the company was 961 million yuan, down 19.98% yoy. Revenue from its core department store business, which accounted for 70% of total revenue, dropped 3.52% yoy in FY19 as a result of store closures and temporary business shutdown during renovation. Wangfujing's outlet business made rapid stride in 2019 and has become the main growth driver⁹.

Rainbow Department Store restructures to remove direct sales business team

On 26 April, Rainbow Department Store Ltd announced to remove the direct sales business team under its department store business and allocate the work to its South China office. Rainbow explained that restructuring aims to strengthen management, enhance operation efficiency and maximize resources usage. Rainbow has recently released its 1Q20 financial results. Its net loss attributable to shareholders of the listed company was estimated at 45 to 55 million yuan, down 114.33% and 117.52% respectively¹⁰.

Supermarkets and hypermarkets

Metro completes majority stake sale in Metro China to Wumei

On 23 April, Metro announced that the sale of a majority stake in Metro China to Wumei Technology Group has been successfully completed. Currently, Metro retains a 20% stake in Metro China, while Wumei holds 80% stake in the company. Metro China continues to operate under the original brand name. Wumei will further increase its investment in Metro China to increase operation efficiency, and to provide better shopping experience to customers¹¹.

Carrefour to open the first boutique supermarket "Carrefour Select" in Chongqing

Carrefour will open its first boutique supermarket "Carrefour Select" on 1 May in Chongqing, which is also the first store it opens after being acquired by Suning.com. With a store size of around 8,000 sqm, Carrefour Select positions itself as a community store which targets new middle class and young consumers. It offers over

10,000 SKUs, which is only half that of traditional Carrefour supermarkets. Comparing with traditional Carrefour stores, Carrefour Select offers similar number of SKUs of fresh food and other food categories, but less SKUs of apparel and other home products. It focuses more on high-end goods, imported goods, as well as most recently trending items¹².

Yonghui Superstores' 1Q20 revenue amounts to 29.26 billion yuan; sales growth of its on-demand delivery business up 239% yoy

On 29 April, Yonghui Superstores announced its financial report for 2019 and financial results for 1Q20. In 2019, the company's operating revenue increased by 20.36% yoy to 84.87 billion yuan, while net profit attributable to shareholders of the company amounted to 1.56 billion yuan, up 5.63%. As for 1Q20, it racked up 29.26 billion yuan in operating revenue, up 31.57% yoy, while net profit increased by 39.47% yoy to 1.57 billion yuan. Revenue of Yonghui Superstores' on-demand delivery business rose 239% yoy to 2.09 billion yuan in 1Q20; its Yonghui Life app saw significant increase in usage, with 56.86% of on-demand delivery business reportedly generated from the app in March¹³.

Beijing Hualian Group's 2019 revenue up 3.43% yoy to 11.99 billion yuan

On 28 April, Beijing Hualian Group released its financial report for 2019. During the reporting period, the group's operating revenue increased by 3.43% to 11.99 billion yuan; its net profit attributable to shareholders of the company amounted to 84.26 million yuan, up 1.03% compared to last year. The group opened a total of eight stores in 2019¹⁴.

Apparel

Semir's 2019 net profit down 8.52% yoy

On 26 April, Zhejiang Semir Garment Co., Ltd. announced its financial report for 2019. According to the report, the company's operating profit grew 23.01% yoy to 19.3 billion yuan in 2019; net profit attributable to shareholders of the company decreased by 8.52% yoy to 1.5 billion yuan. Semir Garment stated that the company will shift toward online platforms for brand marketing, improve its omnichannel retailing strategies, and embrace social commerce by launching livestreaming platforms for its brand products¹⁵.

Adidas' revenues in Greater China drop by 58% yoy in 1Q20, showing signs of improvement in April

Recently, Adidas released its financial performance for 1Q20. Due to the outbreak of COVID-19, Adidas' revenues were down by 19% yoy in 1Q20. Sales in Greater China declined by 58% yoy to EUR 800 million. However, the company's top line continued to sequentially recover in Greater China in the first three weeks of April¹⁶.

Lululemon to unveil its largest China store in Hangzhou Hubin Yintai in 77 shopping mall

Canadian sportswear brand Lululemon has recently announced that it will open a new branch in Hangzhou Hubin Yintai in 77 shopping mall on 30 April. It is reported that the new branch will be the largest Lululemon store in China and jointly operated by the brand and Space fitness center, with a Lululemon retail store on the first floor and Space on the second floor. Lululemon has so far launched 34 stores in China, including those in Shanghai Xintiandi, Beijing Sanlitun,

Shenzhen The MixC, Chengdu Sino-Ocean Taikoo Li and Guangzhou Taikoo Hui. The brand's e-commerce sales growth in China hit 70% yoy in 2019¹⁷.

Danish sports brand Hummel to launch its first China store in Shanghai Aegean Plaza

Century-old Danish sports brand Hummel has recently announced that it will debut in China by opening its first local flagship store in Shanghai Aegean Plaza. The debut store reportedly will cover around 600 sqm and be followed by more Hummel stores in core commercial districts in tier-1 and tier-2 cities across the country, covering Shanghai, Guangzhou, Jiangsu, Zhejiang, Chongqing, Jiangxi, Henan, Shandong, Jilin, Liaoning and others¹⁸.

French sporting goods retailer Decathlon launches on Ele.me

On 24 April, French sporting goods retailer Decathlon officially launched on Ele.me. It is reported that some of Decathlon stores in Beijing and Shenyang have already offered delivery services through Ele.me. More than 200 selected Decathlon products, including dumbbells, yoga wear, kite thread, etc., are now available on Ele.me platform; customers can have their purchases delivered home in as little as 30 minutes after placing the orders from the platform¹⁹.

References

- ¹ “CNCIC reveals five major trends for the development of retail market in 2020”, 28 April 2020. CNCIC.
<http://www.cncic.org/?p=2599> (in Chinese only)
- “CNCIC reveals five major trends for the development of retail market in 2020”, 28 April 2020. CNCIC.
<http://www.cncic.org/?p=2608> (in Chinese only)
- ² “CNNIC: Number of Internet users in China reaches 904 million; number of online shoppers up 10 million compared with previous year”, 28 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446526.shtml> (in Chinese only)
- ³ “MOFCOM to organize “Brand and Quality Online Shopping Festival”, with 109 e-commerce platforms and enterprises participating the event”, 26 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446305.shtml> (in Chinese only)
- ⁴ “Pinduoduo's GMV exceeds 1 trillion yuan in FY19; becomes the second largest e-commerce platform in terms of buyer base”, 25 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446270.shtml> (in Chinese only)
- ⁵ “Dada Group pairs up with merchants to offer one-hour delivery service for live-commerce shoppers”, 26 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446410.shtml> (in Chinese only)
- ⁶ “Shanghai government to help foreign trade enterprises sell domestically via Pinduoduo and BL.com”, 23 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446160.shtml> (in Chinese only)
- ⁷ “Tmall Global to set up the first “National livestreaming base for CBEC bonded imports” in Hangzhou”, 27 April 2020. Ebrun.
<http://www.ebrun.com/ebrungo/zb/383770.shtml> (in Chinese only)
- ⁸ “SPB: Revenue of express delivery industry down 0.6% yoy to 153.4 billion yuan in 1Q20”, 24 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446233.shtml> (in Chinese only)
- ⁹ “Wangfujing Group's 2019 net profit down 20% yoy”, 27 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446429.shtml> (in Chinese only)
- ¹⁰ “Rainbow Department Store restructures to remove direct sales business team”, 26 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446425.shtml> (in Chinese only)
- ¹¹ “Metro completes majority stake sale in Metro China to Wumei”, 23 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446171.shtml> (in Chinese only)
- ¹² “Carrefour to open the first boutique supermarket “Carrefour Select” in Chongqing”, 29 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446633.shtml> (in Chinese only)
- ¹³ “Yonghui Superstores’ 1Q20 revenue amounts to 29.26 billion yuan; sales growth of its on-demand delivery business up 239% yoy”, 29 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446594.shtml> (in Chinese only)
- ¹⁴ “Beijing Hualian Group’s 2019 revenue up 3.43% yoy to 11.99 billion yuan”, 28 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446587.shtml> (in Chinese only)
- ¹⁵ “Semir’s 2019 net profit down 8.52% yoy” 27 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446454.shtml> (in Chinese only)
- ¹⁶ “Adidas’ revenues in Greater China drop by 58% yoy in 1Q20, showing signs of improvement in April”, 28 April 2020. Winshang.
<http://news.winshang.com/html/067/1912.html> (in Chinese only)
- ¹⁷ “Lululemon to unveil its largest China store in Hangzhou Hubin Yintai in77shopping mall”, 28 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446521.shtml> (in Chinese only)
- ¹⁸ “Danish sports brand Hummel to launch its first China store in Shanghai Aegean Plaza”, 28 April 2020. Winshang.
<http://news.winshang.com/html/067/1905.html> (in Chinese only)
- ¹⁹ “French sporting goods retailer Decathlon launches on Ele.me”, 24 April 2020. Ebrun.
<http://www.ebrun.com/ebrungo/zb/383459.shtml> (in Chinese only)

Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

