

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
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# General retail

**NBS: Total retail sales of consumer goods drop by 2.8% yoy in May 2020**

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3,197.3 billion yuan in May 2020, down nominally by 2.8% yoy (3.7% yoy in real terms) and 4.7 pts higher than April 2020. Of which, retail sales of enterprises above a designated size amounted to 1,166.4 billion yuan, up 1.3% yoy. By type of consumption, catering sales amounted to 301.3 billion yuan, dropped by 18.9% yoy. Retail sales of commodities amounted to 2,895.9 billion yuan, down 0.8% yoy. In January – May 2020, online retail sales further picked up and increased by 4.5% yoy to 4,017.6 billion yuan. Of which, online retail sales of physical goods increased by 11.5% yoy to 3,373.9 billion yuan, accounting for 24.3% of total retail sales<sup>1</sup>.

**Beijing Municipal Bureau of Commerce: Offline events of “Beijing Shopping Festival” to be cancelled or postponed**

According to a notice on disease prevention issued by the Beijing Municipal Bureau of Commerce, offline activities of “Beijing Shopping Festival” such as ceremonies, press conferences, exhibitions are to be cancelled or delayed. It highlighted the risk of infection stemming from mass group gatherings. The notice asked enterprises to uphold employee health management measures and personal hygiene practices. In view of a fresh cluster of COVID-19 cases linking to the Beijing wholesale food market emerged, the authority demanded those who have visited the market to take nucleic acid tests<sup>2</sup>.

**Shenzhen Huaqiangbei tops the commercial districts in terms of customer traffic**

Recently, Alibaba released the popularity ranking of major commercial districts according to the customer traffic captured by Gaode Map. The top three most popular commercial districts were Shenzhen Huaqiangbei, Chengdu Chunxi Road, and Beijing Guomao. According to Gaode’s data, offline customer traffic in core commercial districts including Shanghai Nanjing Road, Guangzhou Zhujiang New Town, Chengdu Chunxi Road, Nanjing Xinjiekou, Chongqing Jiefangbei, and Hangzhou Wulin Road have already resumed to the pre-COVID-19 levels; customer traffic in Shenzhen Huaqiangbei even increased by 20% yoy<sup>3</sup>.

# E-commerce

**Tmall 618: Over 200 new brands post tenfold yoy sales increase; brands turning to livestreaming on the rise**

According to Tmall’s 618 shopping festival data, between 1 June and 9 June, the number of new brands reaching transaction values of 10 million yuan to 50 million yuan increased by 40% yoy, while the number of those hitting transaction values of 50 million yuan to 100 million grew 25% yoy; over 600 new brands doubled their sales growth yoy and over 200 new brands had their yoy sales growth up tenfold. During the period, 60% of Taobao Live’s top 10 livestreaming sessions were hosted by brands, including 3C (computer, communications, consumer electronics) and home appliance brands such as Huawei, Suning, Haier, Honor and Gree<sup>4,5</sup>.

### Ding Lei's first livestreaming session generates 72 million yuan in GMV, receiving over 200,000 orders

On 11 June, NetEase's founder and CEO Ding Lei hosted his first livestreaming session on Chinese video sharing app Kuaishou and shopping app NetEase Yanxuan. Viewers could watch the livestream and place orders on NetEase Yanxuan's shopping website. The livestreaming session generated over 72 million yuan in GMV from Kuaishou and NetEase Yanxuan app, while reaching over 16 million viewers and up to one million concurrent viewers, and receiving over 200,000 orders. To capitalize on the robust growth momentum of livestreaming in 2020, a number of Chinese billionaire entrepreneurs including Dong Mingzhu (Chairperson of Gree Electric Appliances), Liang Jianzhang (Chairman of Ctrip) and Lei Jun (Co-founder of Xiaomi) have made livestreaming a major marketing strategy for their brand<sup>6</sup>.

### JD.com and Kuaishou jointly dole out massive subsidies to fund the "618" Shopping Festival

On 15 June, JD.com and Kuaishou announced the offer of 20 billion yuan of subsidies to fund sales promotion activities during the "618" Shopping Festival. Users of Kuaishou can watch livestreaming shows with the "10 billion yuan subsidized" and "JD.com exclusive" tags and enjoy the offer. JD.com and Kuaishou previously inked a strategic cooperation agreement such that JD.com will supply quality goods such as 3C products for KOLs of Kuaishou to promote in the Kuaishou app. Kuaishou users will be able to purchase products provided by JD.com without leaving the Kuaishou app, and enjoy fast delivery and after-sales service provided by JD.com<sup>7</sup>.

### Alipay to distribute 10 billion yuan worth of consumption vouchers on 1 July

On 15 June, Alipay revealed that it will distribute nationwide consumption vouchers worth of 10 billion yuan. The distribution will start on 1 July and will be lasted for 17 days. Merchants from all over China can now apply to participate in the redemption scheme in Alipay. The minimum spending requirement for this round of consumption vouchers was reduced. For instance, consumers can get two yuan off in a ten-yuan purchase. Alipay has also introduced digital tools for merchants to release extra consumption vouchers. It hopes these will help small-sized stores accelerate digitalization and boost sales<sup>8</sup>.

### National livestreaming commerce complaint platform launches

The New Media branch of People's Daily has recently joined hands with livestreaming commerce players including Alibaba, JD.com, Pinduoduo, Douyin and Kuaishou to set up a national complaint platform. Consumers encountering fraudulent acts while purchasing through livestreaming shows can lodge their complaints on the platform. Platform administrators will disseminate the messages to respective e-commerce operators or broadcasters, follow-up on their responses and inform the consumers the results or actions. It is believed that the complaint platform will help safeguard the rights and interests of consumers<sup>9</sup>.

### Zhihu adds livestreaming commerce function, allowing users to host livestreaming sessions for products from Taobao, JD.com, Pinduoduo

According to media reports, Zhihu, China's largest question-and-answer platform, has added e-commerce function on its platform, allowing users to host livestreaming sessions

to sell products on its platform. It is reported that in October 2019, Zhihu rolled out livestreaming and product recommendation functions on its platform; users could display and recommend products from JD.com, Taobao, Pinduoduo and Meituan on their Zhihu accounts and embed web links directing viewers to the 3rd party e-commerce platforms to purchase the products. Users, in return, can get a percentage on the sale. Integrating livestreaming and product recommendation functions on its platform has transformed Zhihu into a live-commerce player<sup>10</sup>.

### ByteDance restructures to put more focus on e-commerce business

It is understood that ByteDance has recently completed the latest round of restructuring and formed an e-commerce department to coordinate e-commerce business operation of its various content platforms, including Douyin, Jinri Toutiao and Ixigua. The restructuring signifies that e-commerce has become ByteDance's strategic business, and Douyin will play a core role in implementing the business<sup>11</sup>.

### Tencent adds new "group mini store" function to group buying Mini Program

Tencent's newly launched group buying Mini Program Xiao'e Pinpin just added a new tool to help users of WeChat to open online stores. The new function, known as "group mini store" or "Qun Xiaodian", will be activated when WeChat users share the link of Xiao'e Pinpin to their private chat groups. Members of the group can follow the link and purchase on the Xiao'e Pinpin Mini Program. The one who shares the link first will become the mini store manager of that private group and will earn commissions, cash rebates or subsidies from their members' transactions. Industry analysts said that this function allows people who may

not have the capability to develop own Mini Programs to become online merchants<sup>12</sup>.

### JD.com debuts in HKEX with shares 5.75% higher than issuing price

JD.com officially listed on the Hong Kong Stock Exchange (HKEX) on 18 June, leaping 5.75% higher on its debut. The total market value reached HK\$738.598 billion. JD.com raised HK\$29.771 billion for the listing and exceeded NetEase to become the largest listing on HKEX of the year. The proceeds will be used in business operations, including retail, logistics, and customer engagement, enhancing customer shopping experience and operation efficiency, and providing logistics support for other retail brands<sup>13</sup>.

## Logistics

### Hangzhou pushes forward the development of express delivery industry; aims at providing express delivery service to major cities in the world within three days by end-2035

Recently, Hangzhou Municipal Government issued the "Implementation Plan for the Pilot Project of Promoting Express Delivery Industry in Hangzhou", aiming to transform Hangzhou into a world-class city for express delivery logistics. The plan showed that by the end of 2035, an industrial interconnected express delivery service network and an international express delivery network will be ready, providing delivery services to domestic cities within one day, to neighboring countries within two days, and to other major cities in the world within three days<sup>14</sup>.

### WeChat launches Mini Program to offer courier services

Recently WeChat has launched a Mini

Program known as “WeChat Courier” and lined up four courier services providers including Yunda Express, Best Express, ZTO Express and JD Logistics to provide courier services to users. The Mini Program is still undergoing testings. Industrial analysts opined that services provided by WeChat Courier is not as refined as those offered by Alibaba’s Cainiao Guoguo app. Also, the retention rate of Mini Program is relatively low. Therefore, they saw no serious threat posed by WeChat Courier to the business of Cainiao Guoguo at this stage<sup>15</sup>.

## Home products

### First Mini Ikea store to open in Shanghai downtown

Ikea reportedly will open the first Mini Ikea store in Shanghai downtown in late-June 2020. This is the first attempt by Ikea to open a store in downtown Shanghai. With a size of around 3,000 sqm, the Ikea store spans over three floors – the first floor for home products, second floor for home design solutions and third floor for catering and social activities. The store adopts O2O (online-to-offline) business model, allowing customers to customize their own furniture, or they can ask designers to tailor-make for them<sup>16</sup>.

## Apparel

### British fashion brand Superdry reportedly to exit China in July

According to media reports, British fashion brand Superdry will likely withdraw from the China market in July. Superdry’s local partner Trendy Group, the parent company of Ochirly, expressed that the brand is currently undertaking a review of its business in China

and operating normally in the country. In 2015, Superdry entered the China market through setting up a joint venture company; however, the brand has been stuck in adapting to the local market over the past four years. In FY19, Superdry recorded losses of up to 3.7 million pounds in the China market, while the outbreak of COVID-19 also disrupted the brand’s adjustments in its distribution, supply chain, design and marketing plans<sup>17</sup>.

### Semir plans 600-800 childrenswear stores in tier 3 and 4 cities

Zhejiang Semir Garment recently announced that the company plans to open 600-800 new stores in tier 3 and 4 cities to expand its childrenswear business. Founded in 2002, Semir’s childrenswear brand Balabala targets boys and girls aged 0-14, with self-operated stores mainly in tier 1 cities and franchise stores across tier 2 and 3 cities. Considering the increasingly saturated tier 1 and 2 cities, Balabala decides to expand into tier 3 and 4 cities in pursuit of new growth<sup>18</sup>.

### Muji China unveils convenience retailing concept store Mujicom in Beijing

Muji China has recently launched its convenience retailing concept store Mujicom in Beijing. Unlike other Muji stores, Mujicom is smaller in size and mainly offers minimalist style apparel and essential daily goods, along with dining services. Following the launch of Muji Hotel and Muji Infill (home renovation services offered by Muji), the opening of Mujicom marks the company’s foray into convenience retailing in China. The company is reportedly set to launch the second Mujicom store in Shanghai later this year<sup>19</sup>.

# Luxury sector

## Dior enters Tmall, attracting 12,000 followers

Dior reportedly opened a Tmall flagship store recently, offering its flagship products including Miss Dior fragrance and Rouge Dior Lipstick. Dior did not launch any promotion events for the opening of the store yet, but the store still attracted 12,000 followers<sup>20</sup>.

## Dior becomes first luxury brand to launch on Bilibili

Dior has recently posted video advertisements for its 2020 fall collection on Bilibili, making it the first luxury brand to launch on Bilibili; yet, the brand's Bilibili account currently has less than 500 followers. While sharing videos on Bilibili, Dior has also silently launched on Tmall and Douyin<sup>21</sup>.

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