

# China Retail & E-commerce

## Weekly Updates

13 March 2020 – 19 March 2020

 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

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# General retail

## NBS: Total retail sales of consumer goods drop by 20.5% yoy in January-February 2020

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 5,213.0 billion yuan in January-February 2020, down nominally by 20.5% yoy (23.7% yoy in real terms). Of which, retail sales of enterprises above a designated size amounted to 1,695.0 billion yuan, down 23.4% yoy. By type of consumption, catering sales amounted to 419.4 billion yuan, dropped by 43.1% yoy. Retail sales of commodities amounted to 4,793.6 billion yuan, down 17.6% yoy. Online retail sales dropped by 3.0% yoy to 1,371.2 billion yuan. Of which, online retail sales of physical goods increased by 3.0% yoy to 1,123.3 billion yuan, accounting for 21.5% of total retail sales<sup>1</sup>.

## NDRC and 22 other departments jointly reveal 19 measures to improve consumption environment and boost domestic market

On 13 March, National Development and Reform Commission (NDRC) and 22 other departments jointly released the “Opinions on Promoting Consumption Expansion, Improving Consumption Quality and Accelerating the Development of a Strong Domestic Market”. It revealed 19 measures covering six areas to improve consumption environment and boost domestic market. Key initiatives include:

1. Optimize domestic market supply – to enhance competitiveness of domestic brands, goods and services; to strengthen the development of Chinese brands; to improve the supply of imported goods; to optimize policies of the duty-free industry.
2. Promote the upgrading of cultural, tourism,

and leisure consumption – to enrich the variety of cultural and leisure-related experiential events; to improve shopping environment in tourist spots; to encourage innovations for tourism promotion.

3. Construct an integrated urban-rural consumption network – to establish “consumption centers” according to regional development plans; to optimize urban and rural commercial network; to strengthen the construction of logistics infrastructure.
4. Accelerate the construction of a “smart” ecosystem in consumption sector – to accelerate the development of infrastructure for information technology; to encourage the development of new online and offline consumption business models; to encourage the use of green and smart products; to develop the “Internet + service” consumption model.
5. Improve consumption power of residents – to increase the income of major consumer groups to stimulate consumption; to stabilize and increase property income of residents.
6. Create a safe consumption environment – to strengthen market supervision; to promote credit system in the consumer sector; to enhance consumer rights protection<sup>2</sup>.

## CCA, People’s Daily: Nearly 60% of surveyed consumers spend more online than offline

Recently, the China Consumers Association (CCA) and People’s Daily released a survey report on shopping behavior of Chinese in 2020, covering a sample size of 6,502. The report showed that nearly 60% of surveyed consumers spent more online than offline; 70.6% increased their ratio of online consumption compared with last year. Due to the explosion of online consumption, many shopping malls that previously focused on

offline consumer experience have also launched various online shopping channels and leveraged livestreaming to increase sales<sup>3</sup>.

### Nanjing issues over 300-million-yuan worth consumption vouchers

On 13 March, the municipal government of Nanjing announced that it would issue consumption vouchers worth of 318 million yuan to citizens and needy groups. These vouchers mainly cover seven categories: catering, sports, book, rural travel, information, vouchers for poor people and union members<sup>4</sup>.

### Suning.com Beijing to issue consumption vouchers worth of 30 million yuan

As part of the consumption facilitation campaign organized by the Beijing Municipal Bureau of Commerce, Suning.com Beijing will become the first company to issue consumption vouchers, reportedly worth 30 million yuan. The campaign, which will last for a month from 18 March, has recruited 300 companies to offer consumption vouchers, flash sales and other goodies. In addition to Suning.com Beijing, Ele.me, Freshippo, JD.com, Yangmatou (Ymatou), B&G baobeigezi.com and others have also participated. Consumers can redeem their vouchers from Suning.com's official social media accounts and offline stores within March<sup>5</sup>.

### CCFA: 91.6% of chain restaurants to launch food delivery services after the COVID-19 outbreak

The China Chain Store & Franchise Association (CCFA) has recently released the "Research Report on the Impact of COVID-19 Outbreak on China's Catering Industry", which is based on an online survey conducted by the CCFA on its chain restaurant business

committee members. The survey revealed that the catering industry, as one of the COVID-19 hard-hit industries, experienced a sharp decline in turnover between January and February 2020. In January, sales of the industry dropped 0%-30% yoy, while sales in February even plunged 80%-100% yoy; 5% of surveyed enterprises expressed that they have no cash on hand to support their business operations; 79% of respondents said they are short of cash flow to sustain their business operations for another three months. Besides, 91.6% of polled enterprises said they will gear up to launch food delivery services when the COVID-19 outbreak is over<sup>6</sup>.

## E-commerce

### Online store opening becomes hot as 12,000 offline brands make presence on Tmall

Figures from Alibaba showed that 12,000 offline brands have recently opened flagship stores on Tmall and one million merchants have made presence on Taobao. These brands and merchants included home furnishing giant IKEA, HEYTEA, football club Bayern Munich, Datang Xishi Museum, fashion brand Bape, etc. Also, during the International Women's Day on 8 March, over 20,000 brands doubled their sales on these two platforms. Some livestreaming promotions on Taobao lifted transactions by 650% the highest on that day<sup>7</sup>.

### Over half of merchants on Tmall use livestreaming to bolster sales

Taobao figures suggested that there has been exponential growth among offline stores to sell through livestreaming shows. In the past month, over half of merchants on Tmall used livestreaming shows to bolster sales. The

number of merchants who ran livestreaming programs were five times higher; the number of shopping guides and livestreaming hosts had grown tenfold and kept doubling every week. Taobao is planning to launch the first “Livestreaming Shopping Festival” on 21 March, during which 10,000 offline stores will run their shows<sup>8</sup>.

### Douyin launches new marketing tool which can support group buying

On 18 March, Douyin launched a new marketing tool which can support group buying; it targets to serve mainly merchants in the catering industry, hospitality industry, as well as tourism industry. Authorized merchants can add a group buying icon in the short videos on Douyin platform; viewers can join the group buying events when watching the videos. Douyin will not charge a fee or commission for the service<sup>9</sup>.

### Fanli.com: Female consumers become major driving force for Women’s Day sales, contributing 74.84% of total sales

Chinese shopping rebate platform Fanli.com has recently released data about online sales on the Women’s Day in China. According to the platform, female consumers have become a major driving force for the Women’s Day sales, contributing 74.84% of the total sales. Compared with the same period last year, Taobao and JD.com remain the leading platforms in terms of turnover, followed by Vmall.com and Nike.com.cn respectively in the 3rd and 9th places, while Oppo.com is the newcomer on the top 10 list, showing the strong growth momentum of online stores by retailers and brands<sup>10</sup>.

### WeChat Pay offers one stop payment solution for e-commerce

On 12 March, WeChat Pay offered a one-stop

payment solution tailored for e-commerce players. The solution is designed to provide financial security for merchants and combined payment convenience to consumers. This solution also enables multiple functions on e-commerce platforms, including bill splitting, standardized undertaking of platform fees, subsidizing marketing fee deficiencies, refund of advance payments, etc<sup>11</sup>.

### Tencent’s 2019 total revenues reach 377.2 billion yuan; WeChat hits 1.17 billion MAU

On 18 March, Tencent announced its financial results for 4Q19 and FY19. In 4Q19, total revenues amounted to 105.77 billion yuan, up 25% yoy; net profit was 21.58 billion yuan, up 52% yoy. In FY19, total revenues totaled 377.29 billion yuan, up 21% yoy; net profit was 93.31 billion yuan, up 19% yoy. As of end-2019, WeChat had 1.17 billion monthly active user (MAU), up 6.1% yoy. However, the number of MAU of QQ dropped 7.5% yoy to 647 million<sup>12</sup>.

### Mogu records revenue decrease in 3Q20; GMV from live video broadcast business contributes 53.2% of total

On 12 March, Mogu Inc. announced its unaudited financial results for 3Q20 ended 31 December, 2019. In 3Q20, its GMV reached 6,299 million yuan, up 8% yoy. Live video broadcast (LVB) business grew by 99.5% yoy to reach 3,352 million yuan, and GMV from LVB business contributed 53.2% of the total GMV. Number of active live stream buyers in the twelve-month period ended 31 December, 2019 grew 32.4% yoy to 3.2 million. In the quarter, Mogu also added 5,000 new hosts and 2,000 new supply chain vendors to support the fast expansion of its LVB business. Meanwhile, total revenue for the quarter amounted to 269.5 million yuan, decreased by 26.6% yoy. Mogu’s total number of active

buyers in the twelve-month period ended 31 December, 2019 reached 26.6 million, down by 22.9% compared to the same period last year<sup>13</sup>.

### Suning.com's net profit drops 17% yoy in FY19

Suning.com recently released its financial results for FY19. The report showed that Suning.com's total revenue amounted to 270.32 billion yuan, up 10.35% yoy; its product sales reached 379.67 billion yuan, up 12.74% yoy; net profit was 11.02 billion yuan, down 17.34% yoy. Since 2014, Suning.com has sold company assets to improve short-term book profits. However, the latest financial report suggested that this kind of financial operation is not sustainable. In the past year Suning.com increased its offline presence by acquiring Wanda Department Stores and setting up self-operating stores. Yet industrial analysts doubt whether this would boost its overall sales and profits<sup>14</sup>.

## Supermarkets and hypermarkets

### Hema Stations to transform to Hema Mini in 2020

Recently, Freshippo revealed that it will accelerate the expansion of its Hema Mini stores in 2020 and transform at least 100 Hema Stations, the storefront business of Freshippo, to Hema Mini. According to Freshippo, despite the fact that Hema Stations can be set up quickly with low costs and can be replicated easily, efficiency is not high enough and it is difficult to gain a profit<sup>15</sup>.

### Carrefour launches upgraded delivery program "Fu Shequan"

On 12 March, Carrefour announced the launch of its upgraded delivery program "Fu Shequan", which offers multiple delivery services including one-hour delivery service for customers living in a 3km radius, half-day delivery service for those in a 10km radius and dedicated afternoon, evening and mid-night delivery services for orders placed in the morning, afternoon and evening. Besides, the program also offers imported goods including fresh food, red wine and so on, as well as home services including cleaning, maintenance and housekeeping services; such services are currently available to 350,000 residential communities within a 10km radius<sup>16</sup>.

### Sun Art Retail Group's revenue reaches 101.868 million yuan in 2019; fresh food e-commerce business achieves profitability ahead of schedule

On 17 March, Sun Art Retail Group, which operates RT Mart and Auchan, announced its financial results for 2019. In FY19, Sun Art Retail Group's revenue reached 101.868 million yuan, up 0.5% yoy. Operating profit increased by 4.1% to 4.89 million yuan. In 2019, Sun Art Retail Group opened seven new hypermarket complexes and shut down five money-losing stores. As of 31 December 2019, the company has a total of 486 hypermarket complexes in China. Meanwhile, Sun Art's fresh food e-commerce business achieved profitability in 2019 ahead of schedule<sup>17</sup>.

### Country Garden to launch community fresh food store

Property developer Country Garden will launch its new community fresh food store "Country Garden Select" in 2020. With a size of around 300-1,000 sqm, the store will mainly offer vegetable, fruits, meat, grain and oil, as well as daily necessities; most of the goods

are private label products. “Country Garden Select” targets residents living within 1-3 km radius of the store. Country Garden believes that people living in its residential properties nearby can drive more foot traffic to the community fresh food store. It plans to open more than 600 such stores in the Greater Bay Area in 2020<sup>18</sup>.

## Apparel

### GU unveils virtual fitting model “YU”

Uniqlo’s sister brand GU has recently announced on its official Weibo account that the brand has developed a virtual model “YU”, which can freely alter its body shape to show products on different sizes and recommend better-fit products and more outfit combinations for diverse consumers. The virtual model, developed based on average body measurement data of 200 females aged 17-33, is a 20-year old short-haired university student of 158 cm tall. Possessing a cheerful personality, YU is highly trend-sensitive and has a strong appetite for fashion and gourmet food<sup>19</sup>.

## Home products

### IKEA and Tmall: Younger generations are getting used to buy furniture online

On 18 March, IKEA and Tmall jointly released a home living guide that analyzed the changing home living habits and trends of young consumers in China. It suggested that the home furnishing industry has been developing steadily over the past few years, with a compound growth rate of 7% per annum. Young consumers are getting used to shop online for home furniture. It expected that trendy home items, smart home,

personalized home solutions and worry-free decoration services would become the four major trends of the home furnishing industry in China<sup>20</sup>.

## Consumer electronics

### Gome launches online flagship store on JD.com

On 13 March, Gome officially launched its online flagship store on JD.com. According to Gome, the partnership marks a strong alliance of both companies’ supply chain systems. Apart from enriching its product mix of mid- to high-end home electronic products on the new flagship store, Gome also offers JD.com’s users logistics services including delivery and assembly services for medium and large items. Through the partnership, the two companies have integrated their technological capabilities and knowhow. It is reported that the new online store is Gome’s second online flagship store launched on third party e-commerce platforms over the past two years following its opening on Pinduoduo<sup>21</sup>.

## Luxury sector

### Prada unveils online flagship store on Tmall

On 14 March, Prada officially opened its online flagship store on Tmall, offering clothing, bag, footwear and other fashion items for men and women. Prada’s sister brand MiuMiu will also launch its online storefront on Tmall soon<sup>22</sup>.

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