

China Retail & E-commerce

Weekly Updates

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 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



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General retail

MOFCOM supports foreign trade and investments, circulation and e-commerce enterprises to resume normal production and operations in an orderly manner

On 18 February, the General Office of the Ministry of Commerce (MOFCOM) printed and issued the “Circular on Responding to the COVID-19 Outbreak by Stabilizing Foreign Trade and Investments and Facilitating Consumption”. The MOFCOM asked local government to coordinate with verification departments to speed up procedures such that foreign trade, foreign investments, commerce and circulation businesses as well as e-commerce enterprises can resume normal production and operations in an orderly manner. The circular also reaffirms support for the circulation industry to explore innovative business model, accelerate pedestrian street transformation and upgrading, enhance the development of services consumption in terms of quality and content, unleash new consumption potential, and develop convenience stores as well as wet markets¹.

UIBEBS’s survey shows 70% of enterprises in China maintain cash flow beyond three months

On 17 February, the Business School at the University of International Business Economics (UIBEBS) released a report on the survival and development of enterprises in China amid the COVID-19 outbreak. Of the companies surveyed, 69% said they could maintain cash flow for more than three months and 44% could sustain business for more than half a year. This shows that most companies are still able to survive the COVID-19 outbreak. However, if the epidemic is not effectively contained within three months,

there will be a risk of bankruptcy for some. Data show that online-based businesses have an advantage in maintaining their funds. Among firms operating offline, about 68% said they could maintain cash flow for more than three months, compared with 73% for enterprises that operate mainly online².

E-commerce

Alibaba's revenue up 38% in December quarter; mobile MAUs reach 824 million

On 13 February, Alibaba announced its financial results for the quarter ended 31 December, 2019. In the quarter, Alibaba's revenue was 161,456 million yuan, up 38% yoy. Net income attributable to shareholders was 52,309 million yuan, up 58.4%. Mobile monthly active users (MAUs) on its China retail marketplaces reached 824 million in December 2019, an increase of 39 million over September 2019. Annual active consumers on Alibaba's China retail marketplaces reached 711 million, of which, 60% of the new consumers were from lower tier cities. It is noteworthy that "Taobao Live", Taobao's livestreaming unit, has become one of the fastest-growing marketing tools and effective selling channels. In December 2019, GMV generated from Taobao Live and the number of MAUs who watched Taobao Live both grew over 100% year-over-year. Meanwhile, revenue of Alibaba's on-demand delivery and local services platform Ele.me increased by 47% yoy in the quarter. In response to the COVID-19 outbreak, Alibaba's CEO Daniel Zhang said that it will mobilize Alibaba ecosystem's powerful forces of commerce and technology to fully support the fight against the outbreak and ensure steady supply of daily necessities for communities, while introducing practical relief measures for Alibaba's merchants³.

WeChat: O2O delivery Mini Programs record stunning growth amid the COVID-19 outbreak

Recently, WeChat announced a report on statistical data on the companies' Mini Programs amid the outbreak of the coronavirus disease 2019 (COVID-19). The report showed that O2O delivery Mini Programs recorded stunning growth. Vegetables, fruits, meat and eggs, grain and oil, as well as instant food are the most popular products customers bought through O2O delivery WeChat Mini Programs. As of 14 February, the number of visitors on Mini Programs of supermarkets increased by 115% yoy; the number of visitors on fresh food Mini Programs increased by 168% yoy; the number of visitors on community e-commerce Mini Programs increased by 83% yoy; the number of visitors on logistics-related Mini Programs also increased by 68% after the resumption of work⁴.

30,000 new merchants join Taobao platform every day since February 2020

Amid the COVID-19 outbreak, many offline retailers turn their focus to online to maintain their business. According to statistics from Taobao (as of 14 February), around 30,000 new merchants joined the Taobao platform every day since February 2020. Its one-click store startup platform "Tao Xiaopu" has also attracted large numbers of merchants to open stores on the platform; the number of new users on the platform (as of 14 February) saw a 300% increase compared with the number of merchants using the platform on 3 February 2020⁵.

Ele.me expects 50,000 stores to join its platform by end-February

Ele.me revealed that, as of 16 February, more

than 20,000 small-scale stores and restaurants across the country have been added to Ele.me's platform to offer food delivery services. It is reported that daily revenue of the stores increased by 250% qoq. Ele.me expected to have 50,000 stores open on its platform by the end of February. Ele.me will also accelerate the approving time for stores launching on its platform⁶.

Tencent's live commerce Mini Program Kandian Zhibo partners with offline brands on livestreaming shopping activities

It is reported that Tencent's live commerce Mini Program Kandian Zhibo paired with a host of selected offline brands and retailers including Watsons, OPPEIN Home Group, Rainbow Department Store, Pagoda and others to hold a range of livestreaming shopping activities around the clock on 14-16 February. Through the livestreaming function of Kandian Zhibo, partnered brands can keep on engaging with customers and promote their products even amid the COVID-19 outbreak; such move has eased the operation pressure on the brands during the tough times, while allowing users to shop for daily necessities, fresh food, fruits, clothing items and other products from home⁷.

WeChat Mini Program to launch livestreaming function

Recently, WeChat Mini Program is reportedly testing the new in-app livestreaming function, and some merchants have already received invitation for the beta test. This is a built-in function of WeChat app. Merchants can broadcast live videos in the Mini Program without using third-party tools. Viewers can directly interact with merchants and place orders without leaving the app. The new function is still under testing and the model has yet to be finalized⁸.

Meituan Maicai sets up “contactless delivery shelves” in Shenzhen and Shanghai

Recently, Meituan Maicai, a grocery e-commerce platform, has set up “contactless delivery shelves” in some communities in Shenzhen and Shanghai. Many communities across China have imposed lockdowns, with tight entry restrictions to control the spread of the COVID-19. Such measures have caused inconvenience to consumers as delivery personnel were denied access to the residential estate. Meituan Maicai therefore set up such shelves in 100 communities in Beijing, Shanghai and Shenzhen to enable people in the communities to conveniently pick up their orders⁹.

WeChat sets up “Smart Retail” Mini Program, joined by Missfresh, Uniqlo and other retailers

On 18 February, WeChat set up a “Smart Retail” Mini Program; WeChat users in Shenzhen can enter the Mini Program through their WeChat accounts. A host of brands and retailers, including Missfresh, Yonghui Superstores, Uniqlo and Walmart, have already launched on the Mini Program. In the future, the Mini Program will be gradually rolled out in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing; users in these cities, by clicking on the service section on their WeChat Pay pages, can enter the Smart Retail Mini Program and receive information about products and sales activities of nearest store-front warehouses operated by partnered retailers and brands on the Mini Program, and complete a closed-loop purchase process without ever leaving WeChat¹⁰.

Zhihu connects with Pinduoduo to sell online

Recently, Zhihu, a domestic Chinese

question-and-answer website, connects with Pinduoduo on its “Zhihu Recommendation” channel. Content creators on Zhihu can add product links from Pinduoduo when posting articles or answering questions; they can earn a commission when readers purchase products via specific links. Previously, Zhihu only connects with Taobao and JD.com for the service. It is expected that the move will further accelerate Zhihu's commercialization pace to become another Xiaohongshu¹¹.

Youzan tests its latest “sales assistant” software solution on WeChat enterprise accounts; aims to help everyone become a salesperson

Youzan, the largest service provider of WeChat stores, recently offered free testing for its latest “sales assistant” software solution on WeChat enterprise accounts. The solution is designed to turn employees, shopping guides and customers of merchants into salespersons in order to boost client acquisition rate and sales. Statistics showed that in 2018, the solution helped merchants achieved 18.58 million orders and 2.92 billion yuan of transactions. Brands like FXX and TeenieWeenie have become users of this “sales assistant” solution. The brands reportedly made over 10 million yuan in sales on their WeChat Mini Program within three days. It is reported that footwear brand Red Dragonfly and sportswear brand ANTA have also participated in this testing¹².

Retail logistics

SPB: Mail volume of express delivery services sector exceeds 63 billion pieces in 2019

According to the State Post Bureau of China (SPB), China's express delivery services sector handled over 63 billion pieces of mail in

2019, representing 45 pieces of mail sent per person on average. SF Express, EMS and JD Logistics received the highest customer satisfaction scores. Currently, the postal industry has gradually resumed operations; as of 16 February, 69.2% of employees from major mailing companies returned to work, while the express delivery services sector restored over 40% of its regular production capacity¹³.

Department stores and shopping malls

Win Data: Average daily footfall of shopping malls in January reached double-digit fall compared with December 2019

Recently, Win Data released a report on the footfall of shopping malls amid the COVID-19 outbreak. As many shopping malls adjusted operating hours and temporarily closed in late-January, the average daily footfall of shopping malls in January reached double-digit fall. Of which, the decrease in footfall of shopping malls in tier-1 and tier-2 cities in January 2020 was more obvious, down by 24.89% and 20.77% compared with December 2019 respectively. The footfall decreased by 11.03% in tier-3 and tier-4 cities compared with December 2019¹⁴.

Wanda Plaza rolls out online sales and marketing scheme to help 60,000 merchants

On 18 February, Wanda Plaza announced the launch of an online sales and marketing scheme to promote home shopping. The scheme leverages Wanda Plaza's Mini Program to help 60,000 merchants across the country to go online. Customers can select goods and place orders online through the

Mini Program, and they can be directed to brands' e-commerce platforms to confirm orders. Customers can all also add the contact of shopping guides of merchants into their WeChat contact to receive real-time assistance. Moreover, customers can enjoy home delivery services. In addition to WeChat, Wanda also uses Douyin and other online platforms to provide business support to merchants¹⁵.

Supermarkets and hypermarkets

Costco to open second China store in Shanghai Pudong Kangqiao

It is reported that Pudong Warehouse Development Limited, a company under one of the subsidiary companies of Galaxy Holding Group, and Costco Wholesale Corporation jointly acquired a piece of industrial land in Shanghai Pudong Kangqiao Industrial Zone for 898 million yuan. This is where the second Costco China store will likely be located, which is just one subway station from Shanghai Disney Resort. Costco is the largest membership warehouse club in the U.S. Its first store in China was opened in Minhang District, Shanghai last August¹⁶.

Carrefour China extends intra-city express delivery service to customers living within 10 km of Carrefour stores

Recently, Carrefour China further extended its intra-city express delivery service. Previously, Carrefour has already connected to Suning.com to offer one-hour delivery services within 3 km for orders made on Suning.com; now it extended the delivery service to consumers within 10 km. Customers living within 10 km of the Carrefour stores are guaranteed to receive their

products within half a day upon order placement on the Suning.com app. Currently, Carrefour China operates 209 stores in 51 cities in China¹⁷.

Convenience stores

Chinese smart convenience store chain Bianlifeng to expand into Jinan, Shandong

Chinese smart convenience store chain Bianlifeng has recently registered its company name as Shandong Bianlifeng Trading Co., Ltd., with a registered capital of 10 million. Operating over 1,000 stores across China in 2019, the company is set to expand its footprint into Jinan, Shandong. However, considering that the convenience store market in Jinan is highly competitive, industry insiders are less optimistic about the expansion and expect that Bianlifeng will face different challenges in the market including intensive competition from a host of strong rivals, lofty store opening costs and other problems¹⁸.

Sinopec Easy Joy launches “worry-free online vegetables shopping” services in multiple cities including Beijing and Hangzhou

On 15 February, the Sinopec Beijing Oil Products Company of the Sinopec group launched “worry-free online vegetables shopping” services, leveraging the extensive network of the Easy Joy convenience stores at its gas stations to provide fresh produce at favorable price. Customers in Beijing can select “vegetables gift pack” on the Easy Joy mobile app when they place the order. Gas station staff will put the grocery pack in the car trunk when they drive to pick up. Consumers need not to get off their vehicles or make any body contact with the staff. Sinopec Beijing has offered this service at 340 gas stations and is selling approximately 600 boxes of

vegetables per day. In addition, Sinopec Zhejiang also announced to join hands with Freshippo to sell fresh produce packs at its gas stations in Hangzhou¹⁹.

Apparel and Shoes

Apparel companies switch to produce protective clothing; stock prices go up

Recently, a number of apparel companies including Hodo, Threegun, Saint Angelo, LILANZ and Mercury Home Textile, are switching to manufacture protective medical clothing to ease the current shortage amid the COVID-19 outbreak. The news gave a boost to their share prices. From 4 to 6 February, the closing prices of Hodo and Mercury Home Textile had accumulated 20% and 22% increments respectively. The share price of Saint Angelo surged 9.86% upon opening on 10 February. Meanwhile, the local government rolled out policy measures and provided tax incentive to support these enterprises²⁰.

Daphne International sees sales down 20% for core brands and a net closure of 2,288 stores in 2019

Daphne International Holdings Limited, a company engaged in the manufacture, distribution and retailing of footwear products and accessories, recently released the financial statement for the year ended 31 December 2019. Its core brands business recorded a decline of approximately 20% yoy. It also had a net closure of 2,288 stores, including 2,174 directly-managed stores and 114 franchised stores. Upon the completion of store closure, Daphne operates a total of 360 stores under its core brands business. At present, due to the various restrictions and measures imposed within mainland China, only less than 10% of stores for core brands

are open for business²¹.

Home products

Miniso launches new Mini Program to allow customers to purchase through codes shared by sales associates

Miniso has recently launched a new Mini Program “Internal Sales from Miniso Employees” on WeChat, allowing users to purchase Miniso’s products through the Mini Program codes or Miniso’s WeChat group links shared by Miniso’s sales associates. Currently, the Miniso’s products available on the Mini Program cover various categories, including general merchandise, digital, beauty, accessories, and baby and maternal products. Miniso hopes to leverage WeChat’s ecosystem to turn its WeChat group into a primary communication channel to engage with its members and fans; through the “WeChat group + Mini Program model”, the company can enable its customers to get easy access to daily essentials amid the COVID-19 outbreak, while driving social fission and online purchases among the group²².

Luxury sector

Chanel postpones Beijing fashion show and Burberry cancels Shanghai runway show amid the COVID-19 outbreak

Due to the outbreak of the COVID-19 disease in China, French luxury brand Chanel, following the instructions of Chinese authorities, has decided to postpone its fashion show – Métiers d'art 2019/20 Paris – 31 rue Cambon show – scheduled for May in Beijing to a later and more appropriate time. Meanwhile, British luxury brand Burberry has confirmed to cancel its Burberry

Autumn/Winter 2020 fashion show scheduled to be held in Shanghai on 23 April. Besides, Burberry has also called a halt to the opening of its Shenzhen social retail store jointly developed with Tencent²³.

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