



China Retail & E-commerce

Weekly Updates

21 February 2020 – 27 February 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



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General retail

Deloitte Global Powers of Retailing 2020: Walmart secures the first place and Alibaba makes it to the top 250

Deloitte recently released the Global Powers of Retailing report. Based on publicly available data for FY2018 (fiscal years ended through 30 June 2019), the report identified the 250 largest retailers around the world. With the largest number of companies (136) on the list, the fast-moving consumer goods (FMCG) sector was the main contributor to the top 250 metrics. The top 10 retained their rankings from last year, with Walmart consistently leading the list. 14 China-based retailers were on the list. Among them, JD.com and Suning were ranked the highest at the 15th and 32nd respectively. Alibaba was a new entrant and placed at 179th¹.

MOFCOM: Covid-19 brings greater short-term impact on consumption

On 20 February, the Ministry of Commerce (MOFCOM) commented on the impact of the outbreak of COVID-19. It expected that the outbreak will have bigger impact on consumption in 1Q20, and that the consumer market will gradually recover in 2H20. The MOFCOM expected restaurants, hotels, travel, cultural and entertainment sectors, etc. to be impacted the most. By product category, consumer durables such as automobiles, home appliances, gold, silver and jewelry, clothing, shoes, hats and textiles and textiles will be more impacted than daily necessities like food and daily use products, while certain health and personal care products such as face masks, hand sanitizers and infrared thermometer guns will see significant sales growth. By retail format, sales of department stores, shopping malls, specialty stores and

professional stores will have a greater impact, while sales of supermarkets and convenience stores will continue to grow amid the COVID-19 outbreak. In general, offline consumption will face greater challenges, while online consumption will grow steadily².

Linkshop: Retail sales growth in January - February 2020 might be lower than 4% yoy

On 25 February, Linkshop Research released the "Report on Impact of COVID-19 on Retail Sector". According to the report, growth of China's retail sales of consumer goods in January - February 2020 might be lower than 4% yoy. Of which, sales of department stores would be the most impacted, while supermarkets would be less affected and they might even record an increase in sales. Meanwhile, around 70% of the restaurants had temporarily suspended their operation, and their revenues decreased by 50-80% compared with the same period in 2002. The report highlighted three major challenges facing brands, namely sharp decline in sales performance, tight cash flow, and problem with excess inventory and labor³.

MOFCOM supports the continuous development of new business formats and models; aims to launch the second batch of pilot pedestrian streets

Recently, the Ministry of Commerce (MOFCOM) held an online policy briefing on stabilizing foreign trade and investments and facilitating consumption. During the briefing, it proposed 20 policy measures, among which seven were foreign investments related, to assist enterprises in resuming normal production and operations. The MOFCOM was aware that new business formats and models have emerged and grew amid the COVID-19 outbreak. It will keep an eye on their development and provide necessary

administrative facilitation for enterprises. Also, according to the MOFCOM, the first batch of pilot pedestrian streets launched in 2019 had drawn over 900 million visitor traffic. It aimed to roll out the second batch of the project once the epidemic is mitigated⁴.

E-commerce

Alibaba Local Services Company acquires software provider Keruyun

On 24 February, Alibaba Local Services Company announced its acquisition of Keruyun, an intelligent catering management solutions provider. The acquisition price is reported to have reached 800 million yuan. The deal will form an integrated product and service matrix that combines the offerings of Koubei, Ele.me and its logistics sub-service Fengniao Delivery, as well as the software-as-a-service (SaaS) restaurant management solutions developed by Keruyun. Established in 2012, Keruyun provides local lifestyle services industry merchants with integrated software, hardware and cloud-based POS + SaaS solutions. It also aims to connect upstream and downstream players in the catering industry and offer data value-added services⁵.

Miss Fresh sees 237% increase in number of new middle-aged and older users

Fresh food e-commerce startup Miss Fresh recently released some sales and performance figures for the month after the COVID-19 outbreak. During the period, it had sold 200 million pieces of goods and 30,735 tons of vegetables. Users aged 40 or above grew by 237%, among which 90% learned online fresh produce shopping with the help of their children. Miss Fresh pioneered

contactless delivery and pick up services earlier, and had received over 18,000 applications in just two weeks after its launch⁶.

Over 2.4 million new products launch on Tmall in the past two weeks amid the COVID-19 outbreak; brands host product launch events online

According to Taobao statistics, over 2.4 million new products have launched on Tmall over the past two weeks amid the COVID-19 outbreak. In the past, brands often launched new products at trade shows or product launch events; but now, they host these events online via Taobao Live, the live-streaming unit of Alibaba. The number of participants watching these product launch events has increased significantly. As an example, Adidas held an online product launch event for adidas Superstar 50th anniversary model on Taobao Live for the first time, and attracted 2.23 million viewers joining the event. Korean cosmetics brands 3CE launched a new lipstick model 3CE Slim Velvet Lip Color on Tmall and sold nearly 120,000 within a day⁷.

Alibaba introduces new version of Ding Ding and social app “Real Like Me”

Recently, Alibaba launched version 5.0 of its enterprise communication app Ding Ding. In addition to basic function upgrade, the new version offers four grouping models – internal, online teaching, business networking and social communities, enabling enterprises and organizations to better manage their communities and interact with upstream and downstream business partners, students, stores and followers. Alibaba also released a social networking app for young people named “Real like Me” to encourage them to share authentic social lives. It is reported that the app is still in testing phase in university campus⁸.

Jumei enters into a definitive agreement for going-private transaction

On 25 February, fashion and lifestyle e-commerce platform Jumei International Holding Limited announced that it has entered into a definitive agreement with its parent company Super ROI Global Holding Limited to sell all its outstanding class A ordinary shares. The acquisition price is estimated to be around US\$118 million. Upon completion of the transaction, Jumei will be delisted from the New York Stock Exchange and become a private entity of Super ROI, which is ultimately wholly-owned by Jumei CEO Leo Chen Ou. Since 2015, Jumei has recorded stagnant growth in its core product sale business. Income generated from platform fees and services charges has been sluggish and monthly active users as well as number of merchants have also been declining⁹.

Kwaishop.com helps at least 500,000 offline retailers restore their businesses

Chinese live-commerce platform Kwaishop.com has recently announced that the company has so far assisted at least 500,000 offline retailers in restoring their businesses. The number of live broadcasts on the platform has increased by more than 200% from last week, with the number of daily live viewers exceeding 100 million; the number of retailers making sales on the platform has grown more than 300% from last week, with active retailers broadcasting more than 5 hours of live video content per day on average. In addition, Kwaishop.com has also offered rebates and support measures, which include removing entry threshold, lowering technical support and service fees, offering livestreaming training courses and others, to help partnered retailers reduce their operation costs amid the COVID-19 outbreak¹⁰.

Retail logistics

Meituan Maicai pilots driverless delivery in Beijing

Recently, Meituan autonomous vehicles team joined hands with Meituan Maicai to pilot driverless delivery in Beijing. Once customers – whose addresses are covered by the autonomous delivery service – place orders on the Meituan Maicai platform, the system will assign the orders to respective autonomous vehicles. Staff of Meituan Maicai will place goods into the vehicles before they pull out and begin deliveries. Customers can pick up their goods at the designated points in the neighborhood. The vehicles exempt them from making direct human-to-human contact. According to Meituan Maicai, currently the vehicles serve customers living in a 10km radius with orders exceeding 20kg and communities contracted with COVID-19¹¹.

SF Holding's revenue amounts to 112.2 billion yuan in 2019, with net profit reaching 5.8 billion yuan

On 24 February, SF Holding announced its 2019 annual financial results. Total revenue of the company in 2019 reached 112.193 billion yuan, up 23.37% yoy; of which, the revenue of new businesses such as express delivery and supply chain grew rapidly. Net profit was 5.797 billion yuan, up 27.24% yoy. In addition, despite the impact of the COVID-19 outbreak, SF Holdings maintained a steady growth in January 2020, with revenue (including supply chain business) topping 11.628 billion yuan, up 14.40% yoy; the order volume reached 566 million, up 40.45% yoy¹².

Department stores and shopping malls

Parkson Retail Group to open two department stores and expand fast fashion business in 2020

On 24 February, Parkson Retail Group released its financial report for 2019. According to the report, it recorded 14.18 billion yuan of sales in 2019, down 6.7% yoy; and 5.03 billion yuan of operating income, up 3.7% yoy. In 2020, Parkson will continue its plan to develop fast fashion private label “evry-D” and expand the scale of sales counter to increase market share. It also aims to open two new department stores, one in Datong city of Shanxi province and the other in Tongren city of Guizhou province¹³.

New World Department Store China Limited's 1H20 revenue drops nearly 25% yoy

On 25 February, New World Department Store China Limited (NWDS) released an interim report for 1H20. For the six months ended 31 December 2019, NWDS recorded HK\$1,361 million in revenue, down 24.82% yoy. Profit attributable to shareholders of the company was amounted to HK\$142 million, up 58.8% yoy. The “New Lab” online shopping platform has accumulated up to 250,000 registered VIP members as of the end of 2019. Cosmetics sales proportion took up close to 70% of the overall sales of “New Lab”, with female customers forming the majority. In future, NWDS will consider setting up regional and iconic flagship cosmetics stores in Shanghai Huaihai Branch Store and Chongqing New World Department Store¹⁴.

Supermarkets and hypermarkets

Alipay launches “Maicai” Mini Program, joined by Yonghui Super Species, Carrefour, SF Dadangjia and other retailers

Alipay has recently announced the launch of its “Maicai” Mini Program, which allows Alipay users, by searching with keywords “Maicai” on the Alipay interface to enter the Mini Program, to shop for fresh food items at lower prices. Currently, Meicai.com, Fresh Hema, SF Dadangjia, Meiwei Xinxuan, Yonghui Super Species, Carrefour, Ele.me Supermarket, RT-Mart, Tmall Supermarket, FreshMarket and other retailers have already launched on the Mini Program¹⁵.

Sun Art Retail Group's 2019 net profit up 14.4% yoy; adds seven new hypermarket complexes

On 20 February, Sun Art Retail Group, which operates RT Mart and Auchan, announced its financial results for 2019. As of 31 December 2019, the company generated 95.4 billion yuan in revenue, down 4% yoy, while gross profit increased by 2.4% yoy to 25.7 billion yuan. In 2019, Sun Art Retail Group opened seven new hypermarket complexes under RT-Mart banner and shut down five money-losing stores. As of 31 December 2019, the company had a total of 486 hypermarket complexes in China; approximately 70% of the stores operated as leased space and 29.7% of the stores were in self-owned properties. By city tier, 16.5% of the stores were tier-2 cities, while 46.3% of the stores were in tier-3 cities and 21.6% in tier-4 cities¹⁶.

7Fresh launches five smart vending machines to sell fresh produce in Tongzhou, Beijing

On 20 February, JD.com's 7Fresh supermarket set up five smart vending machines, reportedly developed by X Division of JD Logistics, in Tongzhou, Beijing, allowing residents to purchase fresh food offered by 7Fresh without the needs to make human-to-human contacts. To make purchase, customers need to scan the QR code on the screen of the selected cabinet door and order with their mobile phone. The door will then be opened for customers to take out the product. Payment will be made automatically once the door of the cabinet is closed¹⁷.

Walmart China upgrades home delivery services, seeing fourfold increase in revenue

On 24 February, Walmart China announced that it has upgraded its Walmart Daojia O2O delivery service, which is now being piloted in Wuhan. The new delivery service is no longer restricted to customers living within 3km of Walmart stores; instead, it is now available to selected residential areas and communities identified by LBS technology. Walmart Daojia delivers products twice a day to the communities and the products are distributed by property management personnel. Meanwhile, statistics showed that the revenue of Walmart Daojia during Lunar New Year holiday in 2020 increased four times compared with last year¹⁸.

Yonghui Superstores sets up smart fresh food lockers in Binjiang District of Hangzhou to support contactless delivery

Yonghui Superstores has recently set up smart lockers for fresh food delivery in Binjiang District of Hangzhou, Zhejiang. Featuring multiple functions, the smart lockers

can keep fresh food parcels warm or chilled. After receiving customers' orders placed via Yonghui Life app, Yonghui Logistics will deliver the fresh food to designated smart lockers for customers to pick up their online orders, supporting contactless delivery and pickup services¹⁹.

Tesco to complete exit from China with disposal of its local joint venture stake

On 25 February, Britain's largest retailer Tesco PLC announced that the company will sell its 20% stake in Gain Land, a joint venture company formed with China Resources Holdings (CRH) in 2014, to a CRH's subsidiary for 275 million pound (US\$357 million). Upon completion of the transaction, Tesco will officially withdraw from the China market. Through the disposal, the British retailer can further streamline its businesses and redirect its focus on the company's core businesses²⁰.

Suning-Carrefour China integration achieves significant progress; Carrefour China posts first quarterly profit gain in seven years in 4Q19

On 26 February, Carrefour China revealed that through embracing in-store digital transformation and accelerating its integration with Suning's ecosystem, the company posted its first quarterly profit gain in seven years in 4Q19. Meanwhile, Suning has also taken steps to facilitate its integration with Carrefour, including merging corporate cultures and teams of the two companies, strengthening its assessment and incentive systems, and combining its supply chain network as well as online and offline traffic with Carrefour China²¹.

Apparel and Shoes

JNBY's Mini Program average daily GMV exceeds 1 million yuan, up 500% yoy

JNBY has recently released the GMV and traffic data of its online clothing subscription services Mini Program "Buzhihezi". The data on 10 February showed that the Mini Program had over 36,000 users, while average daily GMV for three days exceeded 1 million yuan, up 500% yoy. JNBY launched the Mini Program in August 2018, making it one of the domestic fashion groups pioneering in online clothing subscription services which allow online shoppers to try on clothes before buying them. With an annual membership fee of 199 yuan, users of the Mini Program can enjoy six times of one-on-one personalized styling services a year, letting them try on customized clothing items before buying them²².

Luxury sector

EIB expects 40% yoy sales drop in China's luxury sales in 1Q20

According to the European Investment Bank (EIB), in the wake of the ongoing outbreak of the COVID-19 disease, global luxury sales are expected to contract by 8% yoy on average in 1Q20, while China, considered as a major growth driver for the market, is projected to record a 40% yoy drop in luxury sales. According to an industry analyst, luxury down clothing brand Moncler has logged a sales slump of 80% yoy from its outlets in China; LVMH, Kering Group and other luxury giants have also announced store closures of nearly half of their retail stores in the country. According to Ladymax, the stock price of LVMH has fallen by 4.7% over the past five days, while those of Moncler and Swatch have

also declined by 6% respectively²³.

Prada's Tmall flagship store goes online

On 24 February, Prada officially launched its online flagship store on Tmall. According to the customer service team of the flagship store, the online store is currently under a trial operation stage. Tmall is the authorized operator of the store; all the products are distributed from a warehouse in Jiaying and orders are delivered by SF Express. For new product releases, new products available online may be different from those at physical stores, implying that the brand may offer online exclusive products. Some industry insiders expressed that compared with Tmall, which is not a luxury-dedicated platform targeting upscale consumers, Secoo and JD.com seem to be a better fit for Prada online distribution. Prada launched on Secoo and JD.com in May and June 2019 respectively²⁴.

Ruder Finn: Tier-3 cities show higher purchasing power than tier-1 and tier-2 cities in luxury purchases

Recently, Ruder Finn and Consumer Search Group (CSG) together released the report "China Luxury Forecast 2020". The report showed that consumer confidence in purchasing luxury products in Mainland China and Hong Kong has weakened in general, but purchasing power in lower-tier cities remained strong. Annual spending on luxury items in tier 3 and below cities amounted to 393,900 yuan in the past 12 months, which was higher than that of 344,100 yuan in tier-1 cities and 275,000 yuan in tier-2 cities. As the Chinese government has reduced tariffs on various luxury products in the past two years, the price gap between China and overseas countries continued to narrow, leading to rising domestic luxury consumption. 64% of

the survey respondents said that they purchased luxury goods in Mainland China in the past 12 months²⁵.

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