



China Retail & E-commerce

Weekly Updates

22 May 2020 – 28 May 2020

 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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General retail

NDRC to launch multiple measures to boost consumption

On 24 May, the National Development and Reform Commission (NDRC) affirmed that there is a growing trend of “revenge spending”. In the next step, the NDRC will take multiple measures to further promote consumption.

1. Promote consumption upgrade, strengthen the supervision of brands, product quality, industry standard and improve the consumption environment.
2. Further expand service consumption, accelerate the development of service consumption in culture, tourism, sports, elderly-care, childcare, housekeeping, and education.
3. Accelerate the cultivation of new consumption models in areas for digital consumption, online consumption, information consumption, etc.; promote the integration of online and offline consumption; promote the transformation and upgrade of traditional offline retail formats.
4. Promote green consumption.
5. Strengthen the construction of urban and rural logistics networks to facilitate consumption; promote the construction of smart lockers¹.

E-commerce

Alibaba's revenue up 35.3% yoy in FY20; number of annual active consumers on its China retail marketplaces reaches 726 million

On 22 May, Alibaba announced its financial results for the quarter and fiscal year ended 31 March, 2020. In FY20, Alibaba's revenue reached 509,711 million yuan, up 35.3% yoy.

In 4Q20, Alibaba's revenue reached 114,314 million yuan, up 22% yoy; net income attributable to ordinary shareholders was 3,162 million yuan, down 88% yoy. In FY20, Tmall's online physical goods GMV grew 23% yoy. As of 31 March, 2020, the number of annual active consumers on Alibaba's China retail marketplaces reached 726 million, an increase of 72 million from last year. Over 70% of the new annual active consumers were from less developed areas².

Pinduoduo's 1Q20 revenue surges 44% yoy; number of active buyers hit 628 million

On 22 May, Pinduoduo announced its financial results for 1Q20. During the reporting period, the company's total revenue reached 6,541 million yuan, up 44% yoy, while operating loss was 4,397.2 million yuan, compared with 2,120.5 million yuan in the same period last year. For the twelve months ended 31 March 2020, Pinduoduo's GMV amounted to 1,157.2 billion yuan, up 108% yoy; the number of active buyers hit 628 million, up 42% yoy; annual spending per active users was 1,842.4 yuan, up 47% yoy³.

Meituan Dianping records 16.75 billion yuan in revenue in 1Q20, down 12.6% yoy

On 25 May, Meituan Dianping announced its financial results for the quarter ended 31 March, 2020. According to the announcement, Meituan's revenue amounted to 16.75 billion yuan, down 12.6% yoy; operating loss hit 1.72 billion yuan, up 31.6% yoy; adjusted net loss was reduced by 79.4% to 216 million yuan. Meituan stated that the COVID-19 pandemic has caused severe disruptions to the daily operations of its merchants, including restaurants, hotels and other local services merchants, which in return has exerted downward pressure on its own operations for 1Q20⁴.

Vipshop's revenue for 1Q20 amounts to 18.8 billion yuan; net income up 20.8% yoy

On 27 May, Vipshop Holdings Ltd. announced its unaudited financial results for the first quarter ended 31 March 2020. The company's total net revenue for 1Q20 was 18.8 billion yuan, while GMV amounted to 28.9 billion yuan; non-GAAP net income attributable to shareholders increased by 20.8% yoy to 986.1 million yuan, posting profit for 30 consecutive quarters. The number of active customers for 1Q20 reached 29.6 million. According to VipShop, its business has started to see healthy recovery since March. Going forward, it will continue to help its suppliers monetize on their excess inventory, while offering its customers the best deals, particularly in apparel-related categories⁵.

Alibaba to nurture 100,000 livestream broadcasters in 2020

On 21 May, Alibaba Local Service University officially came into operation. It aims to nurture 100,000 livestream broadcasters in 2020 and help 100,000 merchants launch their livestreaming channel. It will educate broadcasters basic broadcasting skills, styling, data analytics, fans management, etc. Meanwhile, Alibaba Local Life Service will cooperate with merchants to provide livestreaming scenarios to broadcasters, and offer training to merchants⁶.

GMV of Tmall's "618" Shopping Festival pre-sale increases by 515% yoy

On 15 May, Tmall launched "618" Shopping Festival pre-sale. Within an hour, its GMV went up by 515% yoy. In the first seven minutes of the pre-sale, GMV of consumer electronics and home decoration products hit 100 million yuan while that of beauty products

reached 500 million yuan. GMV of Lancôme, L'Oréal and Whoo products exceeded 100 million yuan in just two hours of the pre-sale⁷.

Tmall Global launches "Smart Matching Platform of Service Providers" for overseas brands

On 26 May, Tmall Global officially launched the "Smart Matching Platform of Service Providers" for overseas brands to facilitate their entry into the China market. Merchants can enter the brand information and filter the list of service providers by industry, company scale, language ability, etc. The platform has been trialed for one month and 1,800 cases were successfully matched so far; brands and service providers can reach cooperation as soon as within two weeks⁸.

Tmall Club launches "livestreaming + store visit" campaign with store managers of 100 leading brands in ten sectors

On 28 May, Tmall Club, a marketing unit of Tmall, launched a "livestreaming + store visit" campaign with store managers of 100 leading brands in ten sectors to stimulate consumption. Currently, Huawei, L'Oréal, Sephora, VANS, Lululemon, FILA, Xinhua Bookstore, CITIC Bookstore, Kohler, Siemens, Nestlé, Remy Martin, Budweiser, etc. have joined the campaign. Tmall hopes that the campaign can help offline retailers rebound in the post-COVID-19 era⁹.

Tmall rolls out 3D shopping during "618" Shopping Festival for the first time

On 28 May, Tmall announced the launch of 3D shopping for the "618" Shopping Festival – it is the first time that the 3D shopping technology is being used for commercial purposes in such a large-scale. Customers can shop via mobile app and enjoy the same shopping experience as if they are visiting

physical stores. With the 3D shopping function, customers can view products with a 360° image, along with product prices; they can add the products to shopping cart with just one-click. Moreover, customers can mix-and-match home products such as sofas, coffee and side tables, mattresses virtually. It is reported that Ikea and Kuka Home are among the first batch of 100 brands to pilot this technology¹⁰.

JD.com launches “try before you buy” online shopping service

On 25 May, JD.com announced the launch of its “try before you buy” online shopping service dubbed “Jing Pin Shi”; around 110,000 products covering womenswear, cosmetics, childrenswear and sportswear categories are offered under the new program. Users can login JD.com’s app and search with keywords “Jing Pin Shi” or “try before you buy” to shop for the products. There is no upfront payment required when users placing their orders online. After receiving the products, users have seven days to try them and decide if they want to keep them or simply return them to the sellers without any cost¹¹.

JD Retail and Kuaishou Technology form strategic partnership

On 27 May, JD Retail, the retail business unit of JD.com, announced a strategic partnership with Kuaishou Technology, China’s leading video sharing and livestreaming platform. The two companies will deepen collaboration to help Kuaishou Xiaodian, the sales platform within the Kuaishou video app, enhance supply chain capabilities, brand marketing and data capabilities. JD Retail will provide selected self-operated products to Kuaishou Xiaodian; consumers will be able to make purchases directly from Kuaishou without being redirected back to JD.com, and enjoy the delivery and after-sales services provided

by JD.com. Meanwhile, JD Retail will analyze data on product sales and Kuaishou will provide an analysis of the livestreaming metrics to improve sales performance together. The partnership will kick off during JD.com’s “618” Shopping Festival and Kuaishou’s “616” Shopping Festival. From 16-18 June, selected self-operated products from JD.com will be available to Kuaishou’s livestreaming KOLs for selling¹².

Jingxi forms strategic cooperation with Nantong Dieshiqiao home textile industry cluster

Recently, JD.com’s group buying platform Jingxi signed a strategic cooperation agreement with Nantong Dieshiqiao home textile industry cluster to build a “direct-from-factory demonstration base” in Dieshiqiao. Dieshiqiao is the largest home textile industry cluster in China. Jingxi will help with the transformation and upgrading of factories in Dieshiqiao and assist manufacturers to go online¹³.

Logistics

Dmall further shortens delivery time to 60 minutes

Recently, Dmall has further shortened delivery time by launching 60-minute delivery service in Beijing, Tianjing, and cities in Eastern China. By enhancing its intelligent dispatch system and optimizing turnover, storage and efficiency of its storefront warehouse, the time needed for pick and pack can be shortened by 76%, while delivery time can be reduced by 66%¹⁴.

Department stores and shopping malls

Win Data: Lease termination in shopping malls reaches alarming level

Win Data, the research arm of Winshang media, reported that only 61 shopping malls opened in 1Q20, and all were launched in January. No shopping mall was added in the subsequent two months due to the COVID-19 outbreak. It forecasted that new mall opening rate will drop to 40% or below in 2020 as mall owners' plans to launch new malls will be delayed by nine months on average. In addition, Win Data found that the tenancy termination rate of ordinary shopping malls hit 21.1% amid the COVID-19 outbreak, up 5.4 ppts from 2H19 and exceeded the 20% warning threshold in the industry. In the upcoming recovery period, shopping malls should seize the opportunity to refine tenant mix and introduce new formats according to market needs¹⁵.

Winshang.com: Department store sector continues to lose market share

According to Winshang.com, among 48 listed department store chains in China, 25 of them posted revenue growth in their FY19 financial results, while 23 of them reported a decline in revenue, same as the number reported in the previous year. In 2019, total operating revenues of the 48 listed department store chains amounted to 414.4 billion yuan, down 2.24% yoy, with an average growth rate of -4.7%, suggesting that the department store sector continued to lose its market share. Total net profits of the department store chains grew 7.29% yoy to 13.6 billion yuan; operating losses reduced significantly with an average growth rate of -6.01%. In 2019, there were 11 department store chains with operating revenues of over 10 billion yuan,

compared with 14 chains in 2018¹⁶.

Parkson's 1Q20 operating revenue falls 36.6% yoy

On 21 May, Parkson Retail Group Limited announced its financial results for the three months ended 31 March 2020. During the reporting period, the company generated 881 million yuan in operating revenue, down 36.6% yoy; same store sales dropped 44.9% yoy; loss from operations was 31.8 million yuan, while gross sales proceeds amounted to 2,249 million yuan, down 46.3% yoy. Parkson stated that the decline of gross sales proceeds was due mainly to a fall in same store sales in the wake of the COVID-19 outbreak since early 2020, which has severely affected customer traffic. As of 31 March 2020, Parkson operated and managed 40 stores in 28 cities¹⁷.

Supermarkets and hypermarkets

Wumei considers Hong Kong IPO

Wumei Holdings Inc. is reportedly considering an initial public offering in Hong Kong. Deliberations are an early stage and details of the fundraisings could still change. Wumei did not respond to requests for comment. Wumei Holdings owns Wumart Stores Inc. and the local operations of home-improvement chain B&Q. Founded in 1994, Wumei Holdings operates nearly 1,500 stores across China, including hypermarkets, supermarkets, convenience stores, department stores and home improvement chain. Its subsidiary Wumart Stores was listed in Hong Kong until Wumei took the unit private in a deal completed in 2016¹⁸.

Apparel

Douyin: Number of accounts set up by apparel firms up by 5.36 times since March 2019

Douyin has recently announced its “White Papers on Douyin Accounts Opened by Apparel Companies 2020”. According to the report, since late March 2019, the number of Douyin accounts set up by apparel firms has so far increased by 5.36 times, with the click-through rate up by 1.96 times, the number of videos posted on the platform up by 5.18 times, interactions between users (likes, comments and views) up by 1.84 times, and the number of followers up by 3.13 times. Apparel companies launching on Douyin are mainly from Guangdong, Jiangsu and Zhejiang¹⁹.

Recently, British designer brand Christopher Kane officially opened its online flagship store on JD.com and announced that it will participate in JD.com’s “618” Shopping Festival. It is reported that the products sold on the online flagship store are directly supplied by Christopher Kane, and are selected by JD.com’s buyers according to Chinese consumers’ preferences²¹.

Cosmetics

Roger & Gallet to shutter flagship store on Tmall

French cosmetics brand Roger & Gallet has recently announced that it will shut down its flagship store on Tmall on 30 June, with all member services only available until 31 July. Meanwhile, the flagship store has already started its store-closing sales. Featuring perfume, cosmetics and skincare products, Roger & Gallet launched its first China store in Beijing in May 2016; the store closure on Tmall suggests that the brand is likely to exit the China market²⁰.

Luxury sector

British designer brand Christopher Kane opens online flagship store on JD.com

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