

China Retail & E-commerce

Weekly Updates

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Asia Distribution & Retail

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General retail

Chinese cities release measures to mitigate the impact of coronavirus outbreak on SMEs

This week, various Chinese local governments in Beijing, Shanghai, Guangdong, Sichuan, Chongqing, Suzhou, Fujian, etc. have rolled out policies to support small and medium-sized enterprises (SMEs) to help reduce their burden amid the coronavirus outbreak. The measures include suspending some administrative and institutional fees; reducing or exempting rents and lowering electricity tariffs for SMEs; deferring tax payments and social security payments for SMEs with operating difficulties; reducing financing costs, among others¹.

Growing numbers of foreign retailers temporarily close their stores in China amid the escalation of the coronavirus outbreak

Many foreign retailers have temporarily shuttered their stores in China in the wake of the large-scale outbreak of coronavirus in the country.

- On 1 February, Apple announced on its official website that it has temporarily closed all its official retail stores in China with immediate effect; all the stores will remain closed until 9 February as a precautionary measure due to current coronavirus situation
- Google has temporarily shuttered all its offices in China, Hong Kong and Taiwan.
- H&M has temporarily closed 45 stores in China; although the retailer has sourced high volume of raw materials in China, its supply chain network has yet been affected
- Fast Retailing has temporarily closed

- some 270 Uniqlo stores in China
- McDonald's, which currently operates around 3,300 stores restaurants in China, has temporarily shut down several hundred restaurants in the country
- Starbucks has already closed more than half of its stores in China and postponed the updating of its fiscal 2020 forecast, expecting that the coronavirus outbreak will have a temporary impact on its local business
- Levi Strauss has temporarily shuttered around half of its stores in China, including its largest Asian flagship store newly opened in Wuhan; in addition, the group expects to take a near-term financial hit as a result of the epidemic, considering that China currently contributes around 3% of its annual sales
- Ikea has temporarily closed all its 30 branches in China².

E-commerce

Pinduoduo launches beta test for its new short-video feature "Duoduo Video"

Recently, Pinduoduo launched a beta test for its new short-video feature "Duoduo Video" on its Pinduoduo app. Similar to other short-video apps, Duoduo Video enables users to give "likes" to videos, share videos and follow any video uploaders they like. Notably, Duoduo Video provides incentives to users for watching videos – viewers can gain a few hundred virtual coins which can be exchanged for cash. This can hopefully increase user stickiness and the duration of using Duoduo Video. Also, viewers can click on a button on the video to search for the same products appeared in the video to facilitate e-commerce³.

ofo becomes a cashback e-commerce platform

Recently, ofo, a bicycle-sharing company, updated its smartphone app to reposition as a cashback shopping platform. The app no longer sets bicycle sharing as its core function and integrates multiple e-commerce and food delivery platforms, including Tmall, Taobao, JD.com and Koubei Ele.me into its single portal. Users can search all kinds of discount vouchers and products, ranging from lifestyle, daily consumer goods, cosmetic and skincare, digital electronics, etc., offered by those platforms⁴.

Livestreaming becomes one of the key strategies amid the coronavirus outbreak

According to Ebrun's recent survey of 50 mainland companies, majority of the surveyed companies have stepped up online efforts to compensate the fall of offline retail as a result of the coronavirus outbreak. Livestreaming is increasingly becoming one of the major online strategies. Some companies have launched livestreaming business to increase interaction online with consumers. Meanwhile, some livestreaming platforms stated that they have proactively launched some events to support retailers and merchants during their livestreaming sessions such as providing advice on product mix⁵.

Mogujie announces measures to help merchants that sell via livestreaming to lift sales

Mogujie, together with livestreaming hosts, launched a number of measures to help merchants that sell via livestreaming. These measures aim to provide all-rounded services for merchants including helping them to match with leading livestreaming hosts; supporting them with viewer traffic; broadening the

variety of goods merchants can sell via livestreaming; waiving commissions for using Mogujie platforms and commissions for livestreaming hosts if merchants' sales generated before end-March are below 10 million yuan. Besides, Mogujie has also waived the deposits for merchants setting up businesses on its platform, extended the delivery period for merchants that have problem in maintaining regular delivery, and provided financial support for those having difficulties in repaying loans⁶.

JD Daojia solicits business from all categories including apparel and cosmetics

On 6 February, JD Daojia, JD.com's online-to-offline (O2O) e-commerce platform, made a public post to solicit business from offline retailers including supermarkets, convenience stores, shopping malls and shops selling fresh produce, home textile, cosmetic and personal care, apparel and sports, digital 3C, flowers, bakery, etc. JD Daojia plans to expand its business from selling fresh produce to offering O2O digital solutions for retailers and facilitating their transformation⁷.

Supermarkets and hypermarkets

Carrefour offers one-hour delivery services within three miles for orders made on Suning.com

Recently, Carrefour launches one-hour delivery service on Suning.com's mobile app such that users can obtain their daily necessities when they stay at home. Carrefour is operating 209 stores in 51 cities in China. Upon launching on the Suning.com app, customers living within three miles of the Carrefour stores are guaranteed to receive

their products within one hour upon order placement on the app. In terms of product category, this home delivery services cover fresh produce, grain, food oil and seasoning, beverages, snacks, mother and childcare, personal care and cleaning supplies, household miscellaneous and all types of imported goods⁸.

Apparel and Shoes

Winshang.com: 17 apparel and footwear brands announce preliminary results, with over 70% of brands expecting decrease in net profit

Winshang.com recently revealed preliminary results announcements made by 17 apparel and footwear companies, of which, up to 13 companies, or 76.47% of them are less optimistic about their results and expect decrease and loss in their net profit.

- La Chapelle expects net loss attributable to shareholders of the company for the year ended 31 December 2019 to range between 1.6 billion yuan and 2.1 billion yuan. During the period, the company intentionally reduced its scale and concentrated its resources on the development of core women business, which as a result accelerated the closure of loss-making and low efficient stores. The number of self-operated stores of the company reduced from 9,269 at the beginning of 2019 to approximately 4,800 by the end of the year.
- Ribo Group expects net profit attributable to the equity shareholders of the company in 2019 to decrease by 25.9 million yuan to 33.5 million yuan, down 67% to 87% yoy. During the period, the company actively optimized

and made adjustment to its sales channels, resulting in a decline in revenue and gross profit of some of its brands, while the company also speed up clearance of its excess inventory of last year, which also led to a significant drop in its gross profit margin.

- Annil also expects net profit attributable to the equity shareholders of the company in 2019 to range between 33.4 million yuan and 50.0 million yuan, down 40% to 60% yoy. During the period, the company stepped up its efforts on inventory clearance by offering greater discounts on products, which as a result led to a considerable decrease in its gross profit margin. In addition, the company also accelerated its offline store openings, with many of the new stores launched in shopping malls, resulting in higher rental and renovation costs⁹.

Cosmetics

iiMedia: Men's cosmetics market becomes "new blue ocean"

On 3 February, iiMedia published the "China's Cosmetics Industry Monthly Monitoring Report for December 2020". According to the report, between January 2019 and November 2019, China's cosmetics retail sales amounted to 270.8 billion yuan, up 12.7% yoy, a remarkable yoy growth compared with total retail sales of consumer goods. Increasing numbers of male shoppers in China showed their interest in male cosmetic products, making the men's cosmetics market a "new blue ocean". Data from the report suggested that in 2018, among the annual total sales of male cosmetic categories, sales of men's color makeup products delivered a notable growth of 89% yoy, the highest growth rate

among male cosmetics categories. Social commerce platforms, including Xiaohongshu, Douyin, Bilibili and Taobaolive, have become popular distribution channels for cosmetics products. The report also projected that in the future, consumers will tend to rely more on recommendations from key opinion leaders (KOLs), while social commerce platforms, which take up majority of Internet traffic, will become a major sales channel for the cosmetics market¹⁰.

Luxury sector

Farfetch gets USD 125 million investment from Tencent

On 30 January, online fashion marketplace Farfetch announced it had raised USD 125 million from Tencent. Through share placement and the issuance of convertible senior notes, Farfetch has separately raised USD 125 million from Tencent and San Francisco-based investment firm Dragoneer. The company aims to leverage Tencent's technological strength and Dragoneer's experience in driving the growth of tech companies to expand and push its presence in China. It is reported that Farfetch already has plans to scale up and achieve mid-term profits. Founded in 2007, Farfetch received USD 397 million investment from JD.com in July in the same year. It was listed on New York Stock Exchange in September 2008. JD.com remains the largest shareholder of the company¹¹.

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Fung Business Intelligence

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