

China Retail & E-commerce

Weekly Updates

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General retail

Local governments issue consumption vouchers to boost flagging consumer spending

To boost consumption affected by the COVID-19 outbreak, local governments issued consumption vouchers to stimulate consumers to spend. Some examples are listed below:

- **Beijing:** Launched a campaign with 300 retailers to facilitate consumption by offering consumption vouchers, flash sales and other goodies worth over 850 million yuan
- **Hangzhou:** Issued consumption vouchers worth of 1.68 billion yuan
- **Zhengzhou:** Issued consumption vouchers worth of 400 million yuan
- **Nanjing:** Issued consumption vouchers worth of 318 million yuan to citizens and needy groups, covering seven categories: catering, sports, book, rural travel, information, vouchers for poor people and union members
- **Jinan:** Issued consumption vouchers worth of 20 million yuan to boost cultural and tourism consumption
- **Qingdao:** Issued consumption vouchers worth of 340 million yuan to boost consumption in the sports and fitness sector
- **Ningbo:** Issued consumption vouchers worth of 100 million yuan to boost cultural and tourism consumption
- **Shaoxing:** Issued consumption vouchers worth of 180 million yuan
- **Hefei:** Issued consumption vouchers worth of 10 million yuan, focusing on catering business and department stores¹.

MOFCOM: Over 90% of hypermarkets and department stores resume operation

The Ministry of Commerce (MOFCOM) held a

regular press conference on 26 March. According to the MOFCOM, as of 22 March, the average rate of resumption of work reached 97% in large agricultural product wholesale markets, 96% in hypermarkets, 94% in wet markets, and 90% in department stores and shopping malls. The impact of COVID-19 on catering industry, hotel industry, housekeeping service industry is more obvious. Currently, 80% of catering business, 60% of hotel business and 40% of housekeeping services have resumed operation. According to the National Bureau of Statistics, income of catering services dropped by 43.1% yoy in January - February 2020. Data from the MOFCOM showed that income of hotel industry and housekeeping service industry dropped by over 75% yoy in February 2020².

E-commerce

CCA: Nearly 40% of surveyed consumers encounter problems when shopping via livestreaming

On 31 March, China Consumers Association (CCA) released the "Survey Report on Consumer Satisfaction of Livestreaming E-commerce". The report showed that the top four reasons for surveyed consumers to purchase via livestreaming were "value for money" (60.1%), "good products" (56.0%), "low price" (53.9%), and "limited-time offer" (43.8%). Major concerns of consumers about livestreaming e-commerce included "lack of guarantee on product quality" and "poor after-sales services". 37.3% of surveyed consumers encountered problems when shopping via livestreaming. Surveyed consumers said that exaggerated and false propaganda by livestreaming hosts are some common problems³.

Youzan's loss in 2019 enlarges by 26.1% yoy to 916 million yuan

Social network-based SaaS provider China Youzan Limited recently released its financial report for 2019. According to the report, Youzan's operating revenue and gross profits amounted to 1.17 billion yuan and 608 million yuan, up by 99.7% yoy and 206.5% yoy respectively. Loss for the year was enlarged by 26.1% yoy to 916 million yuan. As at 31 December 2019, the number of paying merchants was 82,343, increased by 39.5% as compared with the number of 58,981 as at 31 December 2018. GMV generated by merchants through Youzan's SaaS products reached 64.5 billion yuan in 2019, representing a substantial increase of 95% yoy⁴.

Meituan Dianping's total revenue for 2019 reaches 97.5 billion yuan, up 49.5% yoy

On 30 March, Meituan Dianping announced its financial report for the quarter and year ended 31 December, 2019. In 2019, total revenue of Meituan Dianping increased by 49.5% yoy to 97.5 billion yuan, gross transaction value increased by 32.3% yoy to 682.1 billion yuan. Number of transacting users reached 450 million by the end of 2019. Number of food delivery transactions increased by 36.4% yoy to 8.7 billion. Meituan Dianping actively expanded in lower-tier cities during the reporting period, the transaction value from users in lower-tier cities increased by 45% yoy in 2019. Meituan Dianping expected that its business in 1Q20 onwards would be affected by the COVID-19 outbreak⁵.

Livestreaming sales on Taobao Live increase by 150% yoy for three consecutive years

Official data released by Taobao showed that livestreaming sales on Taobao Live have

increased by 150% per annum for three consecutive years. While its hosts are aged between teenage and 109, over 50% come from the post-90s generation. More than 100 professions debuted their Taobao livestreaming events in February 2020. Merchants who ran their first Taobao livestreaming shows in February increased by 719% from the previous month⁶.

"First generation KOL" Luo Yonghao hosts first livestreaming session on Douyin

On 1 April, founder of Chinese technology company Smartisan and "first generation KOL" Luo Yonghao hosted the first livestreaming session on Douyin. In his 3-hour livestreaming show, the number of viewers reached over 48 million; 110 million yuan transaction value was generated, which is the highest amount ever generated in a livestreaming session on Douyin⁷.

Duoduo Live opens up to third-party MCNs

Recently, Pinduoduo's livestreaming tool Duoduo Live has officially opened up to third-party Multi-Channel-Network (MCN) organizations. Some MCNs have already received invitation to join Duoduo Live, while individual hosts and KOLs will have to wait for the next round. Some industry experts believed MCNs would not be able to generate much profit as the profit margin of merchants on Pinduoduo is fairly low. Yet, the huge traffic of Pinduoduo is still very attractive for MCNs⁸.

WeChat Pay rolls out installment payment credit service

Recently, WeChat Pay has rolled out installment payment credit service. Users can choose "Fen Fu" on the WeChat Pay page and the bill will be settled by installments, similar to a credit card installment plan. "Fen

Fu” calculates interests based on actual number of days. Users can designate their preferred pay back date and pay off their debt early at any amount without administration fees. However, once users miss a payment due date by 30 days, this installment payment credit service will be disabled⁹.

Xiaomi Youpin launches new section selling luxury products

Xiaomi Youpin, an e-commerce platform under Xiaomi, has recently launched a new section featuring discounted products from well-known luxury brands. The section officially released its products for sale starting midnight on 1 April. By pairing up with Zhenpinwang, footwear e-commerce platform S.cn and other vertical e-commerce companies, Xiaomi Youpin can secure its product supply, while providing its partners a sales platform with high volume of traffic¹⁰.

Logistics

Cainiao fully acquires on-demand logistics services provider Dianwoda

On 26 March, Cainiao Network Technology Co., the logistics arm of Alibaba Group, completed the full acquisition of domestic on-demand logistics services startup Dianwoda. Founded in June 2015 as a crowdsourcing logistics platform, Dianwoda specializes on-demand last-mile delivery services. It also provides outsourced services for other logistics providers to complete their last-mile deliveries to customers. Currently, Dianwoda’s on-demand delivery services cover 350 cities in China. Its corporate clients include Ele.me, YTO Express, ZTO Express and major supermarket and shopping mall operators such as Freshippo and Bailian¹¹.

Department stores and shopping malls

Shirble Department Store's revenue for 2019 reaches 794 million yuan; ten department store branches upgrade to Freshippo stores

On 30 March, Shirble Department Store announced its financial results for fiscal 2019. Its revenue dropped by 18.2% yoy to 794 million yuan; operating profit was 333 million yuan, up 152.8% yoy. Shirble entered into a strategic cooperative framework agreement with Hema Shenzhen in June 2018 to upgrade most of its department store spaces for traditional supermarket business into Freshippo stores. The upgrading and renovation of ten department store spaces has been completed. One department store space is under renovation and the renovation is expected to be completed in 2020. Meanwhile, Shirble also cooperated with Hema Shanghai to build a new store brand “Hemali Shirble”. The first store was launched in November 2019 in Shenzhen¹².

Wumart Xinjiekou Department Store accelerates O2O strategy with livestreaming

Recently, Wumart Xinjiekou Department Store in Beijing joined hands with 100 brands, including Chow Tai Fook, L'Oréal, BeLLE, Kiss Cat, Uniqlo, Youngor, etc., as well as KOLs to organize online shopping activities. According to figures released by Wumart Xinjiekou, as of 29 March, it had organized approximately 100 livestreaming events together with over 180 brands. During this period, online sales increased by 300% and total online traffic reached 30,000 visits. This O2O strategy has helped Wumart Xinjiekou boost sales by 30%¹³.

Wanda Plaza plans to give out 3.84 million yuan worth of consumption vouchers in 200 cities

Wanda Group recently announced that it will give out consumption vouchers in its 320 plazas (except Beijing CBD, Qingdao Taidong, Changchun Chongqing Road, Nanchang Bayi and Danzhai Wanda Village) from 1 to 30 April. Each plaza will give away 400 e-vouchers each worth 50 yuan on a daily manner for redemption in all participated restaurants, apparel and accessory shops in the plaza. Wanda said that the group will be responsible for the costs of the vouchers and related expenses¹⁴.

Supermarkets and hypermarkets

Aeon records three consecutive years of losses in China operations; plans to add seven new stores this year

Aeon Stores (Hong Kong) Co., Ltd. has recently announced its annual financial report for the year ended 31 December 2019. In 2019, the company's revenue from its China operations was slightly down by 0.8% yoy to HK\$5.3 billion, while recording a loss of HK\$80.6 million. Aeon's China operations have so far recorded three consecutive years of losses, which expanded incrementally each year. As of 31 December 2019, the group operated a total of 33 stores in Guangzhou and Shenzhen. In 2020, the group plans to add seven news stores in China, including opening small-format supermarkets in Guangzhou¹⁵.

Convenience stores

Sinopec Easy Joy Guangdong branch launches online vegetables shopping platform

Recently, Sinopec Easy Joy (Guangdong branch) launched an online vegetables shopping platform, offering 29 SKUs of fruits, seafood, meat and "vegetables gift pack". Apart from buying products from Sinopec Easy Joy stores, customers can also order online or via app and receive the goods within 36 hours if they opt for home delivery service. It is reported that this shopping platform runs an O2O model where gas station staff will put the grocery pack in customers' car trunk when they drive to pick up the products¹⁶.

Apparel

La Chapelle's 2019 net loss attributable to shareholders amounts to 2.05 billion yuan, due mainly to store closures and decrease in same store revenue

On 30 March, Shanghai La Chapelle Fashion Co., Ltd. announced its unaudited annual results for the year ended 31 December 2019. According to the annual results announcement, the company's revenue in 2019 fell 24.9% yoy to 7.64 billion yuan; net loss attributable to shareholders of the company amounted to 2.05 billion yuan, representing an increase in loss of 1.89 billion yuan compared with the corresponding period last year; gross profit also dropped 33.96% yoy to 6.65 billion yuan in 2019. La Chapelle stated that the loss was due primarily to the company's additional discount for offseason goods, which caused a significant yoy decrease in its gross profit margin; and store closures by the company as well as decrease in same store revenue. During the reporting

period, the number of retail points of the company decreased to 4,878 by the end of 2019, down from 9,269 for the same period last year¹⁷.

GXG's parent company records 44.4% yoy slump in 2019 net profit, with 513 stores shut down last year

Mulsanne Group, the parent company of Chinese menswear brand GXG, has recently released its unaudited annual results announcement for the year ended 31 December 2019. According to the announcement, the group's total revenue in 2019 decreased by 1.7% yoy to 3.72 billion yuan, with gross profit margin standing at 48.3%; net profit plunged 44.4% yoy to 208 million yuan. During the reporting period, the group's online business maintained a healthy sales growth of 5.6% yoy, while sales revenue of its gxg.kids brand also jumped 54.4% yoy to 598 million yuan. In 2019, Mulsanne Group operated a total of 1,737 stores, a decrease of 513 stores from 2018¹⁸.

Kids products

Babytree's revenue for 2019 drops 53% to around 357 million yuan; MAUs on mobile apps increases by 7.9%

On 30 March, online parenting platform Babytree Group released its financial results for fiscal 2019. According to the report, Babytree's revenue amounted to 357 million yuan, down by 53.1% yoy. The company attributed the loss to reduced budgets from major advertising clients, the more technically complicated than expected e-commerce system development, and the increasingly intense competition for its content monetization business. Number of average total monthly active users (MAUs) for 2019 reached 139 million, among which 24.5 million

came from mobile apps, representing an increase of 7.9% yoy. Average retention rate of the app was 64%, up by 2 percentage points¹⁹.

Consumer electronics

Gome Retail records total revenue of 59.48 billion yuan for 2019; total GMV hits 136.11 billion yuan

On 31 March, Gome Retail released its unaudited annual results for fiscal 2019. Total GMV and revenue of Gome amounted to 136.11 billion yuan and 59.48 billion yuan respectively. Consolidated gross profit margin was approximately 17.91%, up by 1.11 percentage points from the previous year. During the reporting period, the GMV of ME Shop, Gome's social commerce business, increased by approximately 101% yoy²⁰.

Xiaomi's revenue reaches 205.8 billion yuan in 2019, up 17.7% yoy

On 31 March, Xiaomi Corporation announced its financial results for fiscal 2019. Total revenue was 205.8 billion yuan, up 17.7% yoy; adjusted net profit was 11.5 billion yuan, up 34.8% yoy. In 2019, revenue from its IoT and lifestyle products segment reached 62.1 billion yuan, up 41.7% yoy. Xiaomi's overseas revenue grew significantly and accounted for 44.3% of total revenue in 2019²¹.

Cosmetics

Huda Beauty taps China market by launching on Tmall Global

On 25 March, Huda Beauty, one of the most-followed online celebrity beauty brands in the

world, officially launched its overseas online flagship store on Tmall Global, a move to ramp up its presence in the China market. On the first day of its launch on Tmall Global, one of the brand's popular eyeshadow palettes were sold out in just one second, attracting more than 300,000 shoppers visiting the online store and getting over 20 million views²².

Number of beauty merchants on Kwaishop.com with over 100,000 followers increases by 36 times

Kwaishop.com's GMV, number of active merchants, active consumers, and products in the beauty sector recorded rapid growth in 2019. Number of merchants with over 100,000 followers increased by 36 times. Consumers aged 18-36 were the major consumer group, and the proportion of consumers spending over 200 yuan per order continued to increase. Data show that in 2019, the number of short videos uploaded by merchants in the beauty sector exceeded 30 million in 2019, and number of views for videos of merchants in the beauty sector reached 853.7 billion²³.

Luxury sector

Bain & Company: Global luxury industry to lose 70 billion euros in sales

Bain & Company predicts that due to the COVID-19 outbreak, global luxury market's sales will contract by 25% to 30% yoy in 1Q20, amounting to a decline of approximately 60 billion euros to 70 billion euros for the whole year of 2020. The decline was due mainly to a sudden slowdown in China's consumption market when Covid-19 spread through the country, whose citizens accounted for 90% of global luxury market growth in 2019. The company also expects that the pandemic will

continue to reverberate through the industry in 2021. China and the broader Asian market could experience the strongest recovery, while Europe and the U.S. could feel a more prolonged impact²⁴.

Louis Vuitton picks Xiaohongshu for broadcasting its first live product launch in China

Louis Vuitton has recently broadcasted its first live product launch video on Xiaohongshu, marking the first time that the brand livestreams its new product release via an online platform since its debut in China 30 years ago. The livestreaming session lasted for just an hour, attracting 15,000 views²⁵.

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