

China Retail & E-commerce

Weekly Updates

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General retail p2

- NBS: Total retail sales of consumer goods increase by 8% yoy in 2019
- MOFCOM voices support for employee sharing and contactless delivery services
- Beijing Municipal Bureau of Commerce to increase subsidies on rental fees for breakfast shops, fresh food stores and convenience stores

E-commerce p2

- NetEase's revenue amounts to 59.2 billion yuan in FY19, with net profit reaching 13.3 billion yuan
- JD.com's net revenue reaches 576.9 billion yuan in FY19, up 24.9% yoy
- JD.com launches 150 million yuan program to help merchants resume operation
- Aurora Mobile: Taobao ranks first in terms of penetration rate among integrated e-commerce platforms apps in December 2019
- Number of newly joined merchants on Taobao Live increases by 719% mom
- Suning Pinggou orders grow 866% in February
- Toutiao adds "Play at Home" section on its app
- ANA launches cross-border online flagship store on Tmall Global, with the contract signing ceremony held via video conference

Department stores and shopping malls p4

- Linkshop and CRR: Four shopping centers/ department stores hit 10 billion yuan sales in 2019
- Rainbow Department Store's 2019 operating revenue slightly up 1.33% yoy, with net profit down 5% yoy
- Grandbuy Group and Guangzhou Friendship Group merge to form a 15 billion yuan entity
- Wangfujing makes 30 million yuan online sales in February

Supermarkets and hypermarkets p5

- Better Life establishes fresh food subsidiary Hunan Xiaobu Youxian Commercial Co., Ltd.

Apparel p5

- Shanghai Fashion Week Fall / Winter 2020 to be held online for the first time
- DAZZLE, JNBY and other apparel brands add new distribution function to their WeChat Mini Programs
- Italian fashion brand MSGM launches on JD.com
- Ruyi Group records revenue of 1.15 billion yuan in 2019; net profit reduces by 50% yoy

Cosmetics p6

- Shiseido's China sales plunge 55% yoy during Lunar New Year holiday

Luxury sector p6

- Belgian luxury brand Delvaux launches on JD.com
- Chanel partners with Tencent Video for livestreaming fashion show, getting over 3.5 million views
- Secoo to livestream Ontimeshow and take online orders

General retail

NBS: Total retail sales of consumer goods increase by 8% yoy in 2019

On 28 February, National Bureau of Statistics (NBS) released the Statistical Communiqué in 2019. Total retail sales of consumer goods in 2019 were 41.16 trillion yuan, up 8.0% yoy. Online retail sales of physical goods totaled 8.52 trillion yuan, up 19.5% yoy, and accounted for 20.7% of the total retail sales of consumer goods, up 2.3 ppts over 2018¹.

MOFCOM voices support for employee sharing and contactless delivery services

The General Office of the Ministry of Commerce (MOFCOM) recently published a notice related to COVID-19 prevention. To reduce people movement, it encouraged traditional supermarkets to launch online shopping business and coordinate with suppliers to provide group buying and delivery services for communities that were locked down. It also voiced support for contactless delivery services and the setup of temporary roadside markets and fresh produce trolleys to supply people's daily needs. In addition, it backed the idea of employee sharing to protect the job market and the circulation industry. It encouraged understaffed big supermarkets and delivery centers to set up employee sharing mechanism with enterprises in the catering and cinema business².

Beijing Municipal Bureau of Commerce to increase subsidies on rental fees for breakfast shops, fresh food stores and convenience stores

On 4 March, Beijing Municipal Bureau of Commerce released the "Notice on Application for Projects in Lifestyle Services Industry, 2020", corresponding to the promulgation of the "Measures to Promote the

Development of Small and Micro-enterprises amid the COVID-19 outbreak" earlier in February. As specified in the Notice, the government will increase the subsidies on rental fees for breakfast shops, fresh food stores and convenience stores from 50% to 70% of total rental fees. Individual branch of fresh food supermarkets can enjoy a maximum subsidy of 1.5 million yuan, while individual branch of community fresh food stores can enjoy a maximum subsidy of 700,000 yuan³.

E-commerce

NetEase's revenue amounts to 59.2 billion yuan in FY19, with net profit reaching 13.3 billion yuan

On 27 February, NetEase announced its financial report for 4Q19 and the fiscal year ended 31 December 2019. According to the report, the company's net revenue for fiscal year 2019 was 59.2 billion yuan, up 15.75% yoy; net income from continuing operations attributable to the company's shareholders for fiscal year 2019 surged 60.1% yoy to 13.3 billion yuan, while net income for 4Q19 also increased by 9.2% yoy to 15.7 billion yuan. It is worth noting that following Alibaba's acquisition of NetEase's cross-border e-commerce platform Kaola for US\$2 billion on 6 September 2019, NetEase currently only operates e-commerce site Yanxuan⁴.

JD.com's net revenue reaches 576.9 billion yuan in FY19, up 24.9% yoy

On 2 March, JD.com announced its unaudited financial results for 4Q19 and FY19 ended 31 December, 2019. JD.com reported net revenue of 576.9 billion yuan in FY19, up 24.9% yoy. Net income attributable to shareholders for FY19 was 12.2 billion yuan,

compared to net loss attributable to ordinary shareholders of 2.5 billion yuan for FY18. Annual active customer accounts increased by 18.6% yoy to reach 362.0 million in December 2019. Amid the COVID-19 outbreak, JD.com still maintains steady growth; it expects revenue growth in 1Q20 to reach over 10% yoy⁵.

JD.com launches 150 million yuan program to help merchants resume operation

On 4 March, JD.com announced the launch of a 150 million yuan program to help merchants resume normal operation. The program targets to support key product categories on its integrated platforms; provide more resources for brands and retailers that have serious inventory problem; help offline retailers to resume businesses online with its omni-channel strategies; lower the threshold for entry of its platforms, etc. It is hoped that these measures can quickly help retailers having inventory problem and help all parties along the supply chain to resume operation⁶.

Aurora Mobile: Taobao ranks first in terms of penetration rate among integrated e-commerce platforms apps in December 2019

Recently, Aurora Mobile released the "Report on Mobile Internet Industry Data, 4Q19". The report shows that as of December 2019, Taobao ranked the first in terms of penetration rate among integrated e-commerce platforms apps, with a penetration rate at 60.8%; followed by Pinduoduo at 46.1%. For fresh food e-commerce, the penetration of Dmall was the highest at 2.4% as of December 2019, followed by Freshippo at 1.7%. Meituan ranked the first among on-demand delivery platforms with a penetration rate at 34.5%; further widening the gap with Dianping, which had a 10.5% penetration rate as of December

2019⁷.

Number of newly joined merchants on Taobao Live increases by 719% mom

According to Taobao statistics in February, there were over 1 million merchants opened online stores on Taobao. Meanwhile, the number of newly joined merchants on Taobao Live increased by 719% mom. These merchants are mostly from Guangdong, Zhejiang and Jiangsu. Statistics also showed that the number of orders generated from merchants using Taobao Live increased by 20% week-on-week in February, while the transaction amount in February also doubled compared to last year⁸.

Suning Pinggou orders grow 866% in February

It is reported that Suning Pinggou, the group-buying business arm of Suning.com, recorded 866% yoy and 2061% yoy growth in sales orders and GMV respectively in February, despite market adversity. During the COVID-19 outbreak, Suning Pinggou has assisted 600 peasant households in selling over 10 million kilograms of agricultural products. It has also provided over 20 million yuan loans to 214 merchants. Suning Pinggou supports the idea that everyone can become a merchant. By leveraging livestreaming marketing tactics, it has helped merchants, in particular peasants, to close 230,000 deals and draw 140 million views⁹.

Toutiao adds "Play at Home" section on its app

Toutiao, a news and information content platform, recently launched the "Play at Home" section on its app to offer ten categories of content and services for people staying at home, including cooking, gymnastics, learning, delivery, etc. It also provides an access point

to on-demand delivery services providers such as Meicai, Dingdong and Meituan. This new section not only will direct traffic to those delivery services platforms, but will also increase visitors' average time spent on the app and boost exposure for Toutiao and its merchants. This new section is aimed to help Toutiao's transformation from an information platform to a lifestyle services provider¹⁰.

ANA launches cross-border online flagship store on Tmall Global, with the contract signing ceremony held via video conference

ANA Cargo Direct, a cross-border e-commerce unit under Japan's major airline company All Nippon Airways (ANA), has recently sealed a partnership with Tmall Global to launch its cross-border online flagship store on Tmall Global; the contract signing ceremony was held through video conference due to the COVID-19 outbreak. According to Tmall Global, a growing number of foreign brands like ANA have entered the China market via Tmall Global; over the past three months, more than 200,000 new products were launched on Tmall Global, while the growth rate of new store openings on the platform also surged 327% yoy¹¹.

Department stores and shopping malls

Linkshop and CRR: Four shopping centers/ department stores hit 10 billion yuan sales in 2019

On 3 March, Linkshop and Commercial Real Estate & Retail (CRR), a research and news publisher, jointly released a 2019 performance review of 16 department stores, 150 shopping centers and 11 outlets in mainland China. Spanning across 18 cities, these 177 malls

made a total of 412.5 billion yuan in sales in 2019. Among them, four generated over 10 billion yuan sales: Beijing SKP (15.3 billion yuan), China World Mall (11.7 billion yuan), Nanjing Deji Plaza (close to 12.24 billion yuan) and Hangzhou Tower (over 10.5 billion yuan)¹².

Rainbow Department Store's 2019 operating revenue slightly up 1.33% yoy, with net profit down 5% yoy

Rainbow Department Store Co., Ltd. has recently announced its financial report for fiscal year 2019. According to the report, the company generated 19.4 billion yuan in operating revenue, up 1.33% yoy; net income attributable to shareholders of the company decreased by 5% yoy to 859 million yuan. In 4Q19, the company's operating revenue grew 0.26% yoy, while gross profit fell 10.96% yoy. Rainbow Department Store expressed that the fall in gross profit was due mainly to increased expenses incurred from new store openings¹³.

Grandbuy Group and Guangzhou Friendship Group merge to form a 15 billion yuan entity

On 28 February, Guangzhou Grandbuy Group and Guangzhou Friendship Group merged and restructured to form Guangzhou Business Investment Holding Group Co., Ltd, which maintains 33.6 billion yuan of operation scale, 15 billion yuan of assets and 1.3 billion yuan of profits. The new entity will retain the brand trademarks of "Grandbuy", "Friendship" and "Xindaxin" and will adopt multi-brand and differentiated brand marketing strategies. In the future, the company will strive to build a mega platform for business services and facilitate the upgrading of trade services in Guangzhou. It aims to become one of the top ten players for integrated trade circulation business and reach an operation scale of 60 billion yuan by 2025¹⁴.

Wangfujing makes 30 million yuan online sales in February

On 4 March, the Wangfujing Group revealed its online sales data, which showed that WeChat malls operated by its 20 department stores made approximately 30 million yuan of sales and drew 5.3 million of visits in February, while monthly sales of individual malls hit the 10 million yuan benchmark. Sales generated through livestreaming amounted to 4.6 million yuan in February and got 460,000 views in a single month. The most popular livestreaming session brought 2 million yuan of sales. Cosmetics was the most popular product category on the online platform¹⁵.

Supermarkets and hypermarkets

Better Life establishes fresh food subsidiary Hunan Xiaobu Youxian Commercial Co., Ltd.

Better Life Commercial Chain reportedly invested in the establishment of a fresh food subsidiary Hunan Xiaobu Youxian Commercial Co., Ltd. with a registered capital of 2 million yuan. Better Life holds 100% of the shares of the new subsidiary. The business scope of the new subsidiary mainly includes supermarket operation, development of e-commerce platform, delivery service for catering, fresh meat, frozen meat, as well as agricultural products¹⁶.

Apparel

Shanghai Fashion Week Fall / Winter 2020 to be held online for the first time

Amid the COVID-19 outbreak, Shanghai Fashion Week decided to join hands with

Tmall to hold its Shanghai Fashion Week Fall / Winter 2020 fashion show online for the first time during 24-30 March. While viewers can watch the fashion show online, designers can also sell their clothes online. Viewers can purchase products directly through the livestreaming platform, allowing it to achieve commercialization¹⁷.

DAZZLE, JNBY and other apparel brands add new distribution function to their WeChat Mini Programs

It is reported that Chinese apparel brand d'zzit and its sub-brand DAZZLE have added a new distribution function to their WeChat Mini Programs amid the outbreak of COVID-19. The new function enables the brands to leverage product marketing events, WeChat Private Groups, WeChat Moments, forwarded Mini Program codes, livestreaming broadcasts, etc., to sell their products directly on their WeChat Mini Programs. Data shows that sales of DAZZLE and d'zzit topped 4 million yuan on the day the new function was launched. JNBY also announced that through capitalizing on the existing online traffic on its WeChat Mini Program, the brand has hit a new daily GMV record of 1 million yuan¹⁸.

Italian fashion brand MSGM launches on JD.com

Italian high-end streetwear brand MSGM has recently launched an authorized flagship store on JD.com. All products available on the flagship store are directly supplied by MSGM, while JD.com's luxury buyer teams will go to Italy every season to select products of the brand before placing orders. It is reported that through leveraging JD.com's supply chain and logistics networks, MSGM can speed up time-to-market, allowing the brand to reach out to its customers and deliver on their needs in a timely manner¹⁹.

Ruyi Group records revenue of 1.15 billion yuan in 2019; net profit reduces by 50% yoy

Shandong Ruyi Group recently released the financial report for 2019, which showed that the company generated 1.15 billion yuan of operating revenue, down 13.43% yoy. Net profit attributable to owners of the company amounted to 50.04 million yuan, down 49.46% yoy. The company explained that some of its subsidiaries faced great business challenges owing to unfavorable macroeconomic condition, growing uncertainty in market demands and more stringent environmental regulations in the reporting period²⁰.

Cosmetics

Shiseido's China sales plunge 55% yoy during Lunar New Year holiday

It is reported that Shiseido's China sales, after posting a strong growth of 47% yoy for the first three weeks in January, plunged 55% yoy during 24-30 January due to the outbreak of the COVID-19, while in Japan, the company's overall sales fell 16% yoy as sales from foreign tourists dropped 40% yoy. According to the company's financial report, China is the strongest growth driver and the second largest market for Shiseido just after Japan. In 2020, Shiseido will continue to increase its investment in product innovation and marketing in a bid to maintain growth momentum for the company²¹.

Luxury sector

Belgian luxury brand Delvaux launches on JD.com

On 5 March, Belgian luxury brand Delvaux

officially launched its online store on JD.com. It is the first time that the Belgian brand opens its online flagship store in partnership with a Chinese e-commerce platform. After opening its first China store in Beijing in 2013, Delvaux has gradually expanded its retail network across the country and set up offline stores in Shanghai, Hong Kong, Chengdu, Hangzhou and other Chinese cities. The brand so far owns less than 10 stores in China²².

Chanel partners with Tencent Video for livestreaming fashion show, getting over 3.5 million views

Affected by the COVID-19 outbreak, luxury brand Chanel joined hands with Tencent Video to livestream its Chanel Fall-Winter 2020/21 Collection fashion show at 5pm on 3 March, marking the brand's first-ever livestreaming show, which has drawn great attention of many in the fashion industry. The show reportedly got 358 million viewers, three times more of viewers than those of Gucci, Prada and other luxury brands²³.

Secoo to livestream Ontimeshow and take online orders

Fashion trade show Ontimeshow recently announced that, due to the COVID-19 outbreak, it would postpone its Autumn/Winter 2020 show and launch an online ordering system for all merchants. To help brands digest their inventory and free up cash, it has designated Secoo as its exclusive e-commerce platform. Meanwhile, Secoo offers 2-hour guaranteed delivery services to all Ontimeshow's business partners located in Beijing, including merchants, designer brands and buyer (multi-brand) stores. Ontimeshow is one of the largest by-invitation only trade shows in China, connecting brands with industry professionals from across the globe but specializing in the unique Chinese market²⁴.

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