

China Retail & E-commerce

Weekly Updates

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General retail

Guangdong rolls out 20 measures to boost commercial consumption

On 1 June, it is understood from the Guangdong Bureau of Commerce that a policy paper entitled “Political Measures to Accelerate Circulation and Boost the Development of Commercial Consumption in Guangdong Province” was published. The paper proposed 20 measures, including formulating an implementation plan to develop international shopping cities in Guangdong; developing clusters of global brands; supporting qualified cities to set up duty-free shops; supporting enterprises to conduct “bonded display transactions” in areas under special customs supervision; allowing bonded display transactions of premier consumer goods such as automobiles in CBDs; facilitating the development of cross-border e-commerce integrated pilot zones; and expanding retail imports by cross-border e-commerce players¹.

China releases master plan for Hainan free trade port; to optimize custom duties and boost tourism and consumption

On 1 June, the CPC Central Committee and released a master plan for the Hainan free trade port, aiming to build the southern island province into a global free trade port. It proposed to boost tourism and consumption by optimizing tax schemes: talents enjoy a personal income tax of 15%; enterprises in the encouraged industries are entitled to a reduced corporate income tax rate of 15%; manufacturing equipment imported for self-usage are exempt from import tariffs, value-added and consumption taxes; import tariffs, value-added and consumption taxes of imported goods are waived for residents of Hainan; categories of offshore duty-free

consumer goods are expanded and quota is raised to 100,000 yuan per person per year; enterprises in tourism, modern service and high-tech industries enjoy tax exemption for income from newly increased overseas direct investment before 2025; import tariffs and sales taxes are exempt for displayed offshore goods².

CCFA: Suning, GOME Retail and Red Star Macalline Group top the list of “the Top 100 Retail Chain Operators in China”

On 2 June, the China Chain Store and Franchise Association (CCFA) released its annual list of “the Top 100 Retail Chain Operators in China” (the Top 100s). Total sales of the Top 100s in 2019 were 2.6 trillion yuan, up 5.2% yoy and accounted for 6.3% of total retail sales of consumer goods. Total number of stores of the Top 100s reached around 144,000, up 5.9% yoy. By retail format, the growth of retail sales of convenience stores was the highest at 16.5% yoy, followed by professional stores (10.4% yoy), supermarkets (4.0% yoy) and department stores (0.7% yoy). Online sales growth of the Top 100s was 28.7% yoy, much higher than the growth of total retail sales of consumer goods of 9.2% yoy. Suning topped the list with retail sales of 378.7 billion yuan in 2019, followed by GOME Retail and Red Star Macalline Group with retail sales of 127.6 billion yuan and 125.6 billion yuan respectively. The Top 100s also showed the following trends in 2019: significant growth for online retail sales; provision of on-demand delivery services became the norm; enrichment of sales channels through embracing group buying and livestreaming commerce³.

Municipal governments relax restrictions to bolster the “street-stall economy”

Recently, Chinese Premier Li Keqiang vowed government support for street vendors as part

of efforts to ease unemployment. He made the comment in a press conference on the closing day of the annual parliamentary session. Subsequently, the Office of the Central Spiritual Civilization Steering Committee and the State Council published articles in support of the “street-stall economy”. Municipal governments of Chengdu, Shanghai, Hangzhou, Jiangxi, Nanjing, Dalian, Shaanxi, etc., implemented new measures to allow street vendors to do business legally. Take Chengdu as an example. In the past two months, the Chengdu government set up 2,234 temporary vending berths and zones, 17,748 temporary street vending spots, 82 sales promotion spots in mega malls and 20,891 operating spots for mobile street vendors, and created 100,000 job opportunities in total⁴.

Beijing to organize 400 consumption promotion activities; Shanghai to hold the first “Night Life Festival”

On 3 June, the Beijing municipal government introduced the “Beijing Shopping Season”, a four-month sales promotion event starting on 6 June. Each district of Beijing will leverage its own resources and strength to launch featured activities in ten areas covering catering, shopping, culture, travel, leisure, etc. The Shanghai municipal government also announced to hold the first “Night Life Festival” from 6 to 30 June. Over 180 featured activities will be organized to boost consumption upgrade and employment⁵⁶.

E-commerce

Tmall provides additional 4 billion yuan of consumption coupons for “618” Shopping Festival

On 29 May, Alibaba announced that, given the popularity of the “618” Shopping Festival pre-

sale, Tmall will distribute additional 4 billion yuan of consumption coupons during the festival. It is reported that 23 brands have recorded over 10 million yuan of GMVs within four days of the pre-sale. On 19 May, Tmall already announced that it will cooperate with local governments and brands to release over 10 billion yuan of cash consumption coupons and allowance, the largest ever in this year⁷.

GMV made on Tmall during the first ten hours of the “618” Shopping Festival up 50% yoy

On 1 June, Tmall kicked off the “618” Shopping Festival this year. The GMV made on Tmall in the first ten hours increased by 50% yoy. In less than half a day, the GMV made has already exceeded that of the first day of the festival last year. In the first day of the event, the GMV for cosmetics, large-sized home appliances, laptop computers, and electric vehicles doubled the GMV made last year. The “618” Shopping Festival this year is the first large-scale shopping event after the COVID-19 pandemic. The number of merchants participating the event doubled compared with last year, offering over 10 million SKUs at discount prices; the scale is similar to the “11.11 Global Shopping Festival” in 2019⁸.

JD.com buys US\$100 million convertible bonds in GOME Retail

On 28 May, 2020, JD.com announced that it will buy US\$100 million worth of convertible bonds in household appliances and electronics retailer GOME Retail Holdings Limited. The strategic cooperation between JD.com and GOME Retail is a further deepening of the cooperation between the two sides after GOME’s official flagship store launched on JD.com in March 2020. According to the agreement, the two companies will leverage their online and

offline advantages over the years to achieve synergies and supply chain integration, as well as product purchases and sales such as joint procurement and joint marketing, as well as resource sharing in logistics services, assemble services, financial services and other related services⁹.

Taobao Special Offer Edition app conducts internal testing for livestreaming shows at factories

It is reported that Alibaba will launch its second livestreaming platform on Taobao Special Offer Edition app (also known as Taobao Tejia) during the “618” Shopping Festival. Positioned as the first livestreaming platform dedicated to manufacturers, it is undergoing internal testings. By selling OEM products and surplus at factory prices, the platform helps manufacturers relieve inventory pressure. Audience will see the words of “Factory Direct” during the broadcast. Within two months of the launch, the app has recruited over 500,000 factories to set up online stores. In April, the number of export-oriented factories setting up stores on the app increased by 30% and total sales went up by 300% from the previous month¹⁰.

NetEase carries out secondary listing in Hong Kong, to start trading on HKEX on 11 June

According to media reports, NetEase launched its initial public offering in Hong Kong on 2-5 June after carrying out its Hong Kong secondary listing on 1 June. The company will start trading on the Hong Kong Stock Exchange (HKEX) on 11 June. NetEase passed its Hong Kong secondary listing hearing held by the HKEX on 28 May. The company reportedly priced its Hong Kong secondary offering at HK\$126 per share, raising up to HK\$2.6 billion, with CICC, Credit Suisse and JPMorgan as the joint sponsors of

the listing¹¹.

MOGU's 4Q20 revenue plunges over 45% yoy

MOGU Inc. recently announced its unaudited financial results for 4Q20 and fiscal year 2020 ended 31 March 2020. Its revenue for 4Q20 amounted to 119 million yuan, a decrease of 45.3% yoy. Net loss attributable to the company's ordinary shareholders in fiscal year 2020 was 2.224 billion yuan, up 105% yoy. Live video broadcast business continued to grow strongly with associated GMV for 4Q20 increasing 54.1% yoy to 1.58 billion yuan, accounted for 65.4% of total GMV for 4Q20¹².

QuestMobile: Monthly mobile Internet consumption per capita up 12.9% yoy, with major players BATT stepping up platform strategies

According to QuestMobile's data, over the past year, despite the sluggish growth in the number of mobile Internet users, monthly mobile internet consumption per capita increased by 12.9% yoy to 144.8 hours in April 2020, up from 128.2 hours in April 2019. With online traffic becoming the key to in-depth platform operation, major players BATT (Baidu, Alibaba, Tencent and Toutiao) have stepped up their platform strategies by leveraging mini programs to drive traffic across apps and mini programs. Pioneering in the development of mini programs, WeChat Mini Program hosts a large variety of mini programs encompassing multiple sectors; Alipay Mini Program focuses on lifestyle services, while Baidu Smart Mini Program features a wide variety of services. Lifestyle services, mobile TV, mobile shopping, etc., are types of popular mini programs attracting investments from major Internet giants¹³.

JD.com's "618" Shopping Festival sees half-day transaction volume up 74% yoy

Transaction volume of JD.com's "618" Shopping Festival transaction volume surged 74% yoy within the first 14 hours from midnight to 2 pm on 1 June, while JD Logistics' half-day outbound shipment volume on 1 June also exceeded the total volume of the same day last year. During the "618" Shopping Festival period, JD Logistics will adopt a "store-front warehouse" model in 20 major cities across the country. The model leverages big data analysis to generate demand forecast and speeds up fulfillment processes by shipping high-demand products to distribution stations in advance¹⁴.

WeChat Pay announces digital initiatives to help micro and small-sized merchants

On 2 June, WeChat Pay announced the launch of a new plan to support the digital transformation of the 50 million micro and small-sized merchants on its platforms. By providing online and offline integration capabilities, subsidies, business guidance and marketing support, the plan aims to help micro and small-sized businesses sail through difficult times and increase revenue. WeChat Pay will also introduce low-threshold types of digital tools to boost the transformation of the "street-stall economy" and "night-time economy" and facilitate the sustainable operation of micro and small-sized merchants¹⁵.

Logistics

Dada Nexus updates its IPO prospectus; aims to raise up to US\$303 million

On 1 June, on-demand retail and delivery platform Dada Nexus filed its updated initial

public offering (IPO) prospectus with the U.S. Securities and Exchange Commission. According to the updated prospectus, Dada Nexus aims to raise up to US\$303 million, up from its previous target of US\$100 million. Dada Nexus may become the first Chinese enterprise to be listed on U.S. stock exchanges since the Senate legislation of the "Holding Foreign Companies Accountable Act" on 20 May¹⁶.

Supermarkets and hypermarkets

JD Supermarket launches subscription service during "618" Shopping Festival

According to media reports, JD Supermarket will launch a subscription service during the "618" Shopping Festival. By subscribing products on the platform and scheduling regular delivery of the products, users can avoid stocking up large quantities of products and end up expiring on them. When placing a subscription order, users can select the quantity of products and schedule either weekly or monthly delivery. JD Supermarket will arrange the delivery accordingly and offer free shipping on all subscription orders¹⁷.

Convenience Stores

Suning invests two billion yuan into the "Night-time Shopping Partners" plan

Recently, Suning launched a project dubbed "Night Shopping Partners" to offer two-billion-yuan fund for night-time businesses. It will also help merchants address their supply chain issues by introducing them to 100 billion qualified local suppliers. In addition, Suning will make 1,000 refrigerators at Carrefour and

Suning Xiaodian available for these merchants. At the same time, Suning will cultivate more street vendors and KOLs for small shops and offer a range of support including training, sharing, traffic boosting, free livestreaming and sales tools such that merchants can gain both online and offline traffic and grow revenue¹⁸.

Apparel

Ruyi Group's FY19 net profit plunges more than 51% yoy

On 28 May, Shandong Ruyi Technology Group Co. Ltd. announced its financial report for FY19. During the reporting period, the company's operating revenue fell 13.39% yoy to 1.15 billion yuan; net profit plunged 51.35% yoy to 48.17 million yuan, while net profit after deduction of non-recurring profit or loss was 16.28 million yuan. Ruyi Group stated that the decline in revenue was due mainly to adverse impact of the microeconomic conditions, increased market demand uncertainty, tightened environmental policies and adjustment in the company's internal product structure¹⁹.

Italian luxury menswear brand Canali resumes control of 10 stores in China

Recently, Italian luxury menswear brand Canali announced that the company has already taken back control of 10 of its stores in China from a local franchise partner; the 10 stores are located in Changsha, Changchun, Hangzhou, Kunming, Nanning, Taiyuan and Xi'an respectively. Canali expressed that the acquisition signifies the brand's long-term commitment to this strategic market and marks an important cornerstone of the next phase of Canali's growth in China²⁰.

Luxury sector

Qudian invests in Secoo for up to US\$100 million and becomes Secoo's biggest shareholder

On 3 June, Chinese fintech company Qudian announced the purchase of a total of up to 10.2 million newly issued Class A ordinary shares of Secoo for a price up to US\$100 million. After completion of the transaction, Qudian will hold approximately 28.9% of Secoo's shares and become the largest shareholder. Previously in March 2020, Qudian launched a luxury online shopping website "Wanlimu", offering products from well-known luxury brands such as Gucci, Berberry, Louis Vuitton, La Mer, and so on. Qudian's investment in Secoo signifies the further expansion of Qudian in the luxury e-commerce sector²¹.

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