

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

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## Retail in general

### State Council issues “Guiding Opinions on Promoting the Development of High-Quality Trade”

On 28 November, the State Council issued the “Guiding Opinions on Promoting the Development of High-Quality Trade”, aiming at optimizing the trade structure with higher efficiencies by 2022. The Opinions target to accelerate innovation to foster trade development and optimize trade structure; promote balanced and sustainable trade; nurture new retail formats; build platforms to facilitate trade; deepen reform and open up trade environment; strengthen trade cooperation along the Belt and Road, etc. The Opinion also mention that the government will further lower import tariffs and other institutional costs in a timely manner, and will launch more comprehensive pilot zones for cross-border e-commerce<sup>1</sup>.

### NBS: Wholesale and retail industry continues to expand fast in terms of numbers of enterprises and employees

Recently, the National Bureau of Statistics (NBS) said that, according to the 4th National Economic Census, there were 6.499 million wholesale and retail enterprises in China by the end of 2018, up 131.2% from the end of 2013, when the 3rd National Economic Census was conducted. There were 40.082 million employees in the wholesale and retail industry, up 20.9% from 2013. In terms of numbers of enterprises and employees, the wholesale and retail industry ranked the first among all other industries in the tertiary sector. The scale of the wholesale and retail industry has also been expanding fast<sup>2</sup>.

## E-commerce

### MOFCOM: Global online retail sales to reach US\$5 trillion by 2021

Recently, the E-Commerce Research Institute of the Ministry of Commerce (MOFCOM) released the “Report on Global Cross-border E-commerce Development, 2019”. According to the report, global online retail sales are estimated to reach US\$4.878 trillion by 2021, accounting for 17.5% of the total global retail sales. Of which, online sales in Asia Pacific region will account for around 70% of the total global online retail sales. The number of global netizens continues to increase, providing a strong growth momentum for e-commerce development. New trends are evolving – mobile-commerce sees explosive growth; application of smart technologies gets more common; use of data analytic becomes more evident; social platforms become important e-commerce channels; and higher awareness and respect of intellectual property rights<sup>3</sup>.

### China cracks down on 100 apps illegally collecting personal information

Recently, the Ministry of Public Security has launched a crackdown on illegal collection of personal information by apps, taking offline 100 violating apps – mainly apps without privacy agreements, apps without clear description of the scope and use of personal information, and apps that excessively and unnecessarily collect person personal data. Twenty-seven apps were asked to correct wrongdoing, 63 received warnings, 10 were fined and two were put under investigation as criminal cases. Among apps taken offline include Weidian, Weilaijishi, Kaola Haigao and Feiniu<sup>4</sup>.

### China Economic Information Service, JD Big Data Research Institute: Numbers of shoppers buying through WeChat increase steadily

On 4 December, China Economic Information Service and JD Big Data Research Institute jointly released the “2019 Social Commerce Development Trend Report”. According to the report, the numbers of shoppers buying through WeChat have increased steadily between 2017 and 2019; of which, the numbers of shoppers increased 42% yoy in 2018. The five most popular product categories bought by new shoppers via WeChat during the 2019 11.11. Global Shopping Festival period are luggage and leather goods, household cleaning / paper products, jewelry, kitchenware, and household products. The report also stated that social commerce is more popular among female shoppers, especially mature females<sup>5</sup>.

### JD.com’s “Community Group-buying Alliance” launches collaborative sourcing warehouse in Shandong Jining

On 30 November, JD.com’s newly formed “Community Group-buying Alliance” joined force with Shandong Aikeduo to launch a collaborative sourcing warehouse in Jining city, Shandong province. The warehouse will reportedly provide one-stop supply chain solutions and support for companies participating in JD.com’s group buying services, including warehousing services, and allowing companies to sell the products first before product procurement and enjoy free return for unsold products. As of October 2019, JD.com’s “Community Group-buying Alliance” has 290 group-buying partners from 224 cities and 480,000 group-buying initiators<sup>6</sup>.

### Pinduoduo rolls out “Staff Purchase Promotion Program”; Amazon is the exclusive supplier

On 28 November, Pinduoduo rolled out a “Staff Purchase Promotion Program”, via its Mini Program, for nine participated merchants, including Pinduoduo, Huawei, OPPO, VIVO, Tongcheng-Elong, Ctrip, Bilibili and Ping An Insurance. It is reported that the program focuses on high-priced 3C products and cosmetics, as well as consumer products with high purchase rates. All products are exclusively supplied by Amazon. Staff of the participated merchants can enjoy subsidies of up to 15-30%, as part of Pinduoduo’s “10-billion yuan subsidy scheme”<sup>7</sup>.

### Pinduoduo sells train tickets, tapping online travel market

Recently, Pinduoduo has launched train ticket selling service on its app and Mini Program. It is reported that Pinduoduo aims to tap the online travel market by firstly luring customers to buy train tickets on its platform, and then attracting them to buy other travel products and services<sup>8</sup>.

### Mogu’s total revenues in 2Q20 reaches 198 million yuan; GMV for live-video broadcast business up 115.2% yoy to 1,629 million yuan

On 29 November, Mogu Inc. announced its unaudited financial results for the quarter ended 30 September 2019 (2Q20). Total revenues were 197.9 million yuan, a decrease of 15.3% yoy. Commission revenues grew 3.3% yoy to reach 101.3 million yuan and accounted for 51.2% of the total revenue. Marketing revenues decreased 30.8% yoy to 63.1 million yuan and accounted for 31.9% of the total revenue. Gross merchandise value (GMV) of Mogu Inc. reached 4,167 million yuan in 2Q20, up 8.1% yoy. Of which, live-

video broadcast business continued to grow strongly with associated GMV for the quarter increasing 115.2% yoy to 1,629 million yuan. Mogu commented that the increase in commission revenues is attributed to the robust growth of live-video broadcast business. It is expected that live-video broadcast business will account for a more significant portion of Mogu's business in the future<sup>9</sup>.

### Yunji's GMV in 3Q19 up 70% yoy to 9.2 billion yuan

On 2 December, China's membership-based social e-commerce platform Yunji announced its unaudited financial report for 3Q19. According to the report, Yunji's GMV surged by 69.8% yoy to 9.2 billion yuan in 3Q19, a sharp increase from 5.4 billion yuan in 2018, while the GMV related to its marketplace business launched in 1Q19 also maintained strong growth momentum. Meanwhile, Yunji's membership base continued to grow during the period; its number of members increased by 14.2% yoy to 12.3 million in 3Q19, up from 10.7 million as of 30 June 2019<sup>10</sup>.

## Supermarkets and hypermarkets

### Carrefour China launches online flagship store on Suning.com to focus on high-end imported goods

On 29 November, Carrefour China officially launched its online flagship store on Suning.com. The online flagship store focuses on high-end imported goods, including food, red wine, milk, and other personal care products. Ordering from the online flagship store, consumers can enjoy rapid delivery service provided by Carrefour China and Suning's self-operated logistics unit<sup>11</sup>.

## Apparel

### Esprit and GXG's owner Mulsanne Group form JV company

On 1 December, Esprit Holdings Limited announced that effective as of 2 December 2019, its indirect wholly-owned subsidiary company Million Success Resources Limited entered into a joint venture agreement with Mulsanne Group Holding Limited. According to the agreement, Mulsanne Group and Million Success have agreed to establish a joint venture (JV) company in China for the purpose of engaging in apparel, apparel accessory and such other business that both parties may agree for the Esprit brand. The registered capital of the JV company will be 100 million yuan, of which Mulsanne Group will contribute 60 million yuan for 60% of the equity interest in the JV company, while Million Success will contribute 40 million yuan for 40% of the equity interest in the JV company<sup>12</sup>.

## Consumer electronics

### Panasonic launches first flagship store in China in Hangzhou

Recently, Japanese electronics manufacturer Panasonic launched its third Panasonic Center in Hangzhou after opening two centers in Tokyo and Osaka in Japan. With a total floor space of 1,033 sqm spanning across two floors, the Panasonic Center offers home electronic products and showcases its black technologies. It has a "elderly area" to display various home products for seniors. It also has various experiential zones such as cooking

studio, as well as a cross-over café with Chinese coffee chain Fisheye café, and a spa operated by Shiseido. Brands can also hold workshops and seminars in its multi-functional space<sup>13</sup>.

## Luxury sector

### Gucci teams up with Tencent to create a framework for digital strategies

On 2 December, Gucci announced that it has signed a cooperation agreement with Tencent. The two companies will work together to establish a framework that will stimulate innovation and leadership in digital strategies spanning the Internet of Things (IoT), artificial intelligence, data science, smart retail, content generation and digital thought leadership. In October, the companies launched a series of short films titled “Gucci Inspiration Map”. The series has racked up over 64 million views on Tencent video and Gucci China office website, and yielded more than 440 million results for “Weibo hot search” so far<sup>14</sup>.

### Christian Louboutin Beauty opens first online flagship store on Tmall

Christian Louboutin Beauty, the beauty line of French luxury footwear brand Christian Louboutin, opened its first online flagship store on Tmall recently. The brand announced that its key products will first be sold at the Tmall flagship store. Christian Louboutin launched its first lipstick series in 2012 and soon gained popularity; the lipsticks are now sold at 880 yuan on the Tmall flagship store<sup>15</sup>.

### Bain & Company: Global luxury sales to hit US\$310 billion, with 35% sales contributed by Chinese customers

On 28 November, Bain & Company released the 18th edition of its Luxury Study report.

According to the report, global luxury sales in 2019 are expected to reach 281 billion euros (approximately US\$310 billion), up 4% yoy at constant exchange rates, falling to the low range of the estimated 4-6% yoy growth and marking a slower growth rate compared with the 6% yoy growth last year. Bain & Company stated that Chinese customers accounted for 90% of the constant growth of the market in 2019, reaching 35% of the value of luxury goods. And jewelry is estimated to be the top luxury growth category in 2019, with a growth rate of 9% yoy<sup>16</sup>.

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## Fung Business Intelligence

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