


China Retail & E-commerce

Weekly Updates

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General retail

Guangzhou intends to form the first “Night-time Shopping League” in China and launches the first “Night-time Shopping Festival”

Recently, the Municipal Government of Guangzhou published the “Measures to Boost Consumption and Enhance Prosperity” and proposed a set of innovative business formats with “Lingnan” characteristics. These include forging a young and upbeat night-time shopping brand of Guangzhou City, promoting old and famous shops, building night-time shopping streets and zones as well as luring brands to set up their first stores in the city. Also, the Bureau of Commerce of Guangzhou intends to form a “Night-time Shopping League” to coordinate efforts and effectively consolidate resources of various commercial circles. The League will help to design featured shopping activities, roll out policies to boost night-time consumption and facilitate consumption upgrade¹.

Beijing unveils 22 measures to boost consumption, including implementing the “Beijing at Night” plan version 2.0

On 10 June, the Beijing Municipal Bureau of Commerce published the “Action Plan to Boost Consumption and Improve the Quality of Life in Beijing”. It proposed 22 measures to facilitate consumption upgrade and ensure the stable operation of the consumption market. These measures include:

- Nurturing new consumption models and promoting smart living: The government will facilitate the cooperation between e-commerce players and new media companies and promote the adoption of new business models such as social commerce, livestream commerce and online shopping. It will also guide the cooperation between e-

commerce players and commercial districts and communities in the promotion of store-front warehouses and groceries shopping apps.

- Reconstructing governance to better serve the people: The government will improve community business planning, aiming to set up or improve 1,000 convenient services points by end of 2020. It will also establish community and business services centers.
- Creating international shopping centers by improving supplies: The government aims to attract first store and first launch business from quality brands by providing funds to their property landlords and e-commerce partners. To boost the consumption of imported goods, it will support the construction of cross-border e-commerce bonded warehouses and experiential stores. To boost automobile consumption, it will implement plans to phase out high emission and old vehicles. In addition, the government will launch “Beijing at Night” plan version 2.0 and design around 10 night-time travelling routes.
- Strengthening the supply of essential goods and developing infrastructure to facilitate distribution: The government will build a smarter, greener and more intensified logistics and supply chain system.
- Deepening “reforms to delegate power, streamline administration and optimize government services” and improve business environment of the consumption market: The government will provide more financial and other necessary support².

ShopperTrak: Store traffic in China picks up significantly in May

ShopperTrak, a global retail analytics provider, released the store traffic data in China in May. Data showed that overall store traffic resumed to around 80% of the level recorded a year ago. Compared with April 2020, the store

traffic in May was up by 31.6% mom, showing that the retail market is gradually picking up. Meanwhile, the store traffic for the apparel sector was up by 39.5% mom, indicating that the apparel market is gradually resuming³.

E-commerce

JD.com passes listing hearing, to start trading on HKEX on 18 June

JD.com, Inc. has recently passed the listing hearing held by the Hong Kong Stock Exchange (HKEX); the company will be listed on the HKEX's Main Board on 18 June. According to the company's IPO prospectus, JD.com is transforming from a leading technology driven e-commerce company to a leading supply chain-based technology and service provider. In addition, JD.com's chairman and chief executive officer Richard Liu will own 15.1% of the ordinary shares in JD.com, while Tencent-owned Huang River Investment Limited and Walmart will own 17.8% and 9.8% shares in the company, respectively⁴.

JD.com turns Wangfujing Pedestrian Street into smart commercial district

On 6 June, Beijing's commercial district Wangfujing and JD.com unveiled their jointly developed Mini Program "Meili Wangfujing" ("Meili" means fascinating in Chinese). The Mini Program, drawing on 5G, IoT, AI and other advanced digital technologies, brings the whole Wangfujing Pedestrian Street online. Users can search the information of retail stores in the commercial district – including supermarkets, shopping malls, restaurants, hotels, heritage brands and other stores – through the Mini Program, which also integrates membership systems of various merchants in Wangfujing Pedestrian Street to

encourage exchange of traffic across retail stores within the district. According to analysts, JD.com's current moves suggest that the company is actively seeking a deeper collaboration with brick-and-mortar retailers⁵.

Suning unveils Pinduoduo look-alike "Yizhimai" app

Recently, Suning launched a new app "Yizhimai" to take aim at Pinduoduo. Focusing on bargain deals, Yizhimai aims to sell via social media with livestreaming to accumulate user base in a short period of time. Users can gain rebates by sharing goods on the app and making orders. The first batch of selected products included cosmetics, food, fresh food, FMCG, as well as consumer electronics. It is expected that Yizhimai will further penetrate into lower-tier cities⁶.

Guangzhou holds the first "Livestreaming Festival", joined by 2,000 merchants

On 6 June, Guangzhou held the first ever "Livestreaming Festival" using the livestreaming function on WeChat Mini Program. Lasted for three days, the festival drew participation from over 2,000 merchants. Statistics showed that there has been a surge in the usage of WeChat Mini Program's livestreaming function by merchants since its internal testing. From March to April, the number of merchants livestreamed on WeChat increased by 90% and their total broadcasting time doubled; 220% more users ordered during livestreaming. On 1 May, the total livestreaming hours on WeChat Mini Program hit 5,000⁷.

Alibaba signs the "Spring Thunder" framework agreement with Sichuan to promote digital transformation in companies

On 9 June, the Sichuan Provincial Department

of Commerce signed the “Spring Thunder” framework agreement with Alibaba to strengthen cooperation in eight areas: promoting products made in Sichuan to the world; organizing online exhibition shows; helping companies to transform through adopting livestreaming commerce; facilitating digital transformation of the commercial sector; promoting the upgrade of Sichuan agricultural and specialty products; cultivating talents for e-commerce business; helping small merchants to develop digital capabilities; helping export-oriented manufacturers in Sichuan to sell domestically. Since the re-launch of the “Spring Thunder Initiative” on 7 April, Alibaba has inked strategic agreements with more than a dozen of municipal governments including Zhejiang, Hubei and Wuhan⁸.

Sales of C2M goods go up by 2.6 times during JD.com’s “618” Shopping Festival

JD.com’s big data analytics showed that, from 1 to 4 June, sales of customer-to-manufacturer (C2M) goods went up by 2.6 times yoy. Sales of JD.com mobile phones on the first day of the festival were eight times higher compared to the average daily sale figures in May. JD.com launched its C2M business with 3C products and gradually expanded to home electronic appliances. JD.com’s C2M products differ from its other new products in that the time spent on research and development was reduced by 75% and the time needed for the launch stage was decreased by 67%. C2M products also have a higher chance of success. JD.com is aggressively developing the supply chain for the C2M business. Its group buying platform Jingxi launched a “direct-from-factory” campaign to enable customers to buy direct from factories and track the source of origin, facilitate export-oriented companies to sell domestically, and push forward the

construction of industrial and sourcing bases. As of the end of 1Q20, it has already established over 100 industrial and sourcing bases all over China⁹.

Logistics

NDRC and MOT announce measures to further reduce logistics costs

On 2 June, the National Development and Reform Commission (NDRC) and the Ministry of Transport (MOT) jointly issued the “Implementation Opinions on Further Reducing Logistics Costs”, which aim at strengthening measures to reduce logistics costs with 24 measures in six aspects. Some of the measures include promoting the convenience of customs clearance; broadening financing channels; implementing preferential tax for logistics industry; reducing railway freight and air freight charges; promoting the sharing of logistics information; accelerating the development of smart logistics; and facilitating the development of green logistics¹⁰.

JD Logistics upgrades delivery service to lower-tier cities

On 8 June, JD Logistics announced to upgrade its campaign of “providing delivery service to thousands of counties and towns within 24 hours”. It plans to continue to lay out new logistics infrastructure and adopt innovative warehousing models in lower-tier cities and major counties and towns to increase logistic efficiency. JD Logistics will utilize 12 “Asia No.1” warehouses to serve tier-2 to tier-5 cities. Meanwhile, JD Logistics will accelerate the penetration of its supply chain, express delivery, cold chain delivery service in lower-tier cities to promote the development of regional economy by helping

the industrial clusters and agricultural products go online¹¹.

Department stores and shopping malls

Wangfujing Group secures duty-free licence

On 9 June, Wangfujing Group Co.,Ltd. announced that the company has been granted a duty-free licence to operate duty-free retail businesses in China. Wangfujing Group is the eighth company possessing a duty-free licence in China, joining all seven duty-free companies in the country, namely China Duty Free Group, Sunrise Duty Free, Hainan Duty Free, Zhuhai Duty Free, Shenzhen Duty Free, CNSC and Zhongqiao Duty Free Shopping Mall¹².

Supermarkets and hypermarkets

Wanda to shut down self-operating e-commerce platform Feifan

Wanda is reportedly shutting down its self-operating e-commerce platform Feifan by dissolving Shanghai Xinfeifan E-Commerce Co., Ltd., after operating for five years. Industry experts believe that it is difficult for retailers to run their own self-operating e-commerce platforms as they often face various challenges, including lack of talents, low logistics efficiency and high investment but low profit. Apart from Feifan, other self-operating e-commerce platforms such as RT-Mart's Feiniu and Better Life's Yunhou also see sluggish development. Some of the early adopters have already exited the self-operating e-commerce business; instead, they

partnered with third-party e-commerce platforms to run their online businesses¹³.

Convenience Stores

Suning Xiaodian recruits franchisees, aiming to open 10,000 stores in three years

On 8 June, Suning Xiaodian announced an open recruitment of franchisees. It sets the goal to launch 10,000 stores in three years. The uniqueness of Suning Xiaodian is that it emphasizes both product sales and community services. Each Suning Xiaodian stocks up the shelves according to the special features and design of the store. In addition to pre-sale services, Suning Xiaodian also offers a range of other services, including self-pick up of fresh produce, repairment of home appliances, courier, financial planning, property sale and participation in sports events. Suning provides comprehensive support to all franchisees from planning, market research, order placement to training on store operation¹⁴.

Apparel

CCFA: Top 100 fashion retail enterprises in China record sales increase of 12.47% yoy in 2019

Recently, China Chain Store and Franchise Association (CCFA) released the list of "Top 100 Fashion Retail Enterprises in China, 2019-2020" (Top 100s). Fashion retail enterprises on the list include apparel, cosmetics and jewelry enterprises. Total revenue of the Top 100s reached 732.84 billion yuan, up 12.47% yoy; the growth was higher than that of total retail sales of consumer goods growth of 8.0% yoy in 2019.

According to the CCFA, market concentration of the segment continued to increase – around 66% of the total revenue were contributed by enterprises with revenue over 1 million yuan. Over 70% of the Top 100s had their headquarters in Guangdong, Shanghai, Zhejiang and Beijing. The Top 100s have increased cooperation with shopping malls and other offline retail formats, especially outlets. Amid the COVID-19 pandemic, 42% of the surveyed companies expected that sales in 2020 would be similar to the level in 2019; 33% of them expected there would be an increase in sales and 25% expected a decrease in sales in 2020¹⁵.

Apparel supply chain e-commerce platform “Yishou” completes a US\$40-million series C funding round

According to media reports, Chinese apparel supply chain e-commerce platform “Yishou” has recently completed a US\$40-million series C funding round led by CMC Capital and joined by existing investor Huaxing Growth Capital. The new funding will mainly be used for iterative algorithms for big data analysis, support services for live-streaming sales, and marketing and promotion services to help platform users further expand in the market. Founded in 2016 in Guangzhou, Yishou is currently working in partnership with some 10,000 suppliers, serving around 3 million registered users; the company introduces 2,000-3,000 new SKUs each day, with monthly GMV exceeding 200 million yuan¹⁶.

Semir to open community living complex “Shenghuozhijia” in July

Semir reportedly will open the first store of its new community living complex “Shenghuozhijia” in Wenzhou in July 2020. Developed by Semir’s subsidiary Zhejiang Semir Modern Agriculture Development Co., Ltd, the community living complex will house a

modern wet market, a community center, and a children’s center. Shenghuozhijia has already partnered with various agricultural production bases to ensure the quality of fresh produce and to reduce the costs of purchase. It will adopt various innovative technologies to enhance customer experience and introduce new “smart” retail formats for fresh produce. Semir expected to open at least 10 Shenghuozhijia stores in Wenzhou within one year¹⁷.

Cosmetics

Taobao’s cosmetics sales continue to rebound in May

According to Taobao’s data provided by Hua Chuang Securities, Taobao’s overall GMV for skincare products jumped 32% mom in May, while GMV for some makeup products even surged 39% mom, suggesting cosmetics sales continue to rebound as the COVID-19 pandemic starts to wind down in China. Estée Lauder, Shiseido and SK-II took the lead in the sales rebound and recorded GMV of 165 million yuan, 62 million yuan and 131 million yuan in May respectively, up 37.9% yoy, 65.5% yoy and 89.3% yoy. Contrary to the growth momentum delivered by foreign brands, domestic brands including Perfect Diary, Pechoin and Herborist recorded a yoy decline in GMV in May¹⁸.

Innisfree becomes first cosmetics brand to launch on Ele.me

South Korean cosmetics brand Innisfree has recently launched on Chinese online food delivery platform Ele.me, making it the first cosmetic brand to offer products via the platform, while the move also marks a significant step for Innisfree to upgrade its smart retail service in China and create

seamless O2O shopping experience in the market. With the new launch, customers can order Innisfree's products on Ele.me and enjoy two-hour intra-city delivery services, or they can choose to collect their orders at Innisfree's offline stores. The new shopping service is currently available in Shanghai, Beijing, Guangzhou, Hangzhou, Shenzhen and other Chinese cities¹⁹.

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Fung Business Intelligence

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