

China Retail & E-commerce

Weekly Updates

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General retail

Nielsen: 44% of surveyed retailers record growth in sales during COVID-19 outbreak

According to a recent report by Nielsen, 42% of surveyed retailers said that their sales during the COVID-19 outbreak fell compared to the same period last year, and 29% of them said that the decline was significant. However, the other 44% of surveyed retailers said they recorded an increase in sales during the period, among which 28% reported a significant increase. By retail format, supermarkets and hypermarkets saw higher sales growth, while convenience stores reported moderated sales growth. Personal care professional stores and baby and maternity stores were greatly affected, but those stores which have proactively expanded online and engaged in social-commerce still recoded significant sales growth¹.

O2O Consulting: Number of livestreaming sessions increases by 77.7% mom

According to O2O Consulting, total number of livestreaming sessions hosted across China in February 2020 reached 805,000, up 77.7% mom; the number of products shown in the livestreaming sessions reached 2.119 million, up 36.4% mom; the number of merchants hosting livestreaming sessions reached 246,000, up 51.3% mom. Among all provinces in China, Guangdong came first in terms of total number of livestreaming sessions hosted – with a total of 157,000 livestreaming sessions in February 2020².

E-commerce

Pinduoduo: Female consumers favor sharing products with friends and joining group-buying activities

Recently, Pinduoduo New Consumer Research Institute, China Women's News, and China Women's Network jointly released a report titled "Women on New E-commerce Platforms". The report showed that post-90 female consumers have become the major consumers on new e-commerce platforms and accounted for more than 50% of consumers on Pinduoduo. Female consumers like to share their online shopping list with friends – 93% of female users have taken the initiative to share products with friends and have joined group-buying activities. Meanwhile, 48% of female consumers considered “value for money” as the major reason for buying³.

Pinduoduo's 2019 operating revenue amounts to 30.1 billion yuan, with GMV exceeding 1 trillion yuan

On 11 March, Pinduoduo announced its financial report for 4Q19 and the fiscal year ended 31 December 2019. According to the report, the company's GMV for FY19 hit 1,006.6 billion yuan, a remarkable growth of 113% from 471.6 billion yuan for FY18. As of 31 December 2019, the company had 585 million active buyers, an increase of 48.9 million active buyers compared with 3Q18 and 167 million compared with FY18. In 4Q19, Pinduoduo app's average monthly active users reached 481.5 million, an increase of 51.9 million users compared with 3Q18 and 209 million compared with FY18⁴.

Pinduoduo launches Mini Program “Kuaituantuan” to foray into community group-buying business

Pinduoduo recently announced to launch WeChat Mini Program “Kuaituantuan” to assist merchants in assembling the demands of local communities and placing orders online. Through the Mini Program, merchants can upload product information to the group buying landing page and let community

shoppers initiate group buying requests. When the minimum number of buyers for an order is reached, merchants will proceed the order and arrange for contactless delivery as required by the epidemic prevention authorities⁵.

Aikucun launches supermarket channel

On 5 March, Aikucun, an online platform for distributing off-price products, added supermarket channel on its multi-channel platform, allowing individuals and small business owners to establish their online supermarket. Currently, the channel covers 200 brands and 1,000 categories of products including fresh produce, mother and childcare, daily household and personal care products. Data from Aikucun showed that, on the launch date of this supermarket channel, the transaction volume and number of orders on the Aikucun app went up by 30%⁶.

Vip.com's 2019 operating revenue amounts to 93 billion yuan; number of active users up 14% yoy

On 5 March, Vip.com announced its unaudited financial results for 4Q19 and FY19 ended 31 December, 2019. In FY19, Vip.com's operating revenue grew 10% yoy to 93 billion yuan; net income attributable to shareholders of the company surged 88.7% yoy to 4 billion yuan. In 4Q19, the company's operating revenue increased by 12.4% yoy to 29.3 billion yuan, with GMV topping 47.6 billion yuan, up 14% yoy. Vip.com has remained profitable for 29 quarters in a row, while the number of the company's active users also jumped 19% yoy to 69 million in FY19⁷.

JD Big Data: Proportion of spending on cosmetic, baby and maternity products by female customers continue to grow

On 8 March, JD Big Data Research Institute released a report on "Consumption Trends of

Female Consumers 2020". According to the report, in 2019, spending on 3C, home electronic, baby and maternity and cosmetic products by female consumers continued to increase in China. At the same time, they also show greater interest in health and fitness products. Female shoppers have clear shopping intention and they tend to look for information of brands and products by searching with relevant keywords online. Besides, they pay more attention to product experience⁸.

Jingxi launches "Spring Thunder Campaign" to help merchants clear inventory

On 11 March, JD.com's social commerce platform Jingxi launched a "Spring Thunder Campaign" to help merchants by providing support in capital, platform entrance, operation and human resources. The campaign aims to help merchants offload excessive inventory. Jingxi will continue to waive the platform fees for merchants and offer a low commission rate at 0.6%. It will also shorten the approval time for merchants to set up stores on Jingxi to as fast as within six hours after submitting application. Meanwhile, Jingxi will launch continuous promotional activities to stimulate consumption⁹.

Retail logistics

Xiaohongshu adds sales channels by allowing enterprise account users to synchronize with their Mini Programs on the app

It is reported that Xiaohongshu is conducting internal tests on the Mini Program synchronization function of the enterprise account for merchants. The in-app Mini Program would provide an additional sales

channel for merchants on top of the existing Xiaohongshu social commerce platform. Merchants who received an invitation for testing could synchronize their Mini Program with their enterprise account on the operation menu, or attach a link on their blog, such that their customers can call out the Mini Program and place orders¹⁰.

Taobao recreates “Tao Xiaopu” and launches a sister version of “Taohua”

Recently, Taobao has launched a product called “Taohua”, which is currently in the beta test invitation phase. Taohua is positioned as a marketing guide platform based on interpersonal network relationships. It adopts an operating model similar to that of “Tao Xiaopu”, i.e. users can purchase for themselves or recommend the products to others and earn commissions either way. According to an industry insider, Taohua is in fact a rebate platform under Rural Taobao and was launched to boost sales in lower tier cities¹¹.

Cainiao and Ele.me pilot joint smart locker project in Shanghai

On 5 March, Cainiao Logistics and Ele.me piloted a joint smart locker project in Shanghai in response to the rising demands for “contactless delivery” service. The service is mainly available for instant delivery orders – orders that can be completed within 12 hours such as takeaways. In the future, Cainiao will consider extending the service in other tier 1 cities based on user feedback and demand¹².

Department stores and shopping malls

Beijing Capital Grand’s 2019 turnover up 53% yoy to around 7.83 billion yuan

Beijing Capital Grand Ltd. has recently announced its annual fiscal results for the year ended 31 December 2019. According to the announcement, the company generated 1.86 billion yuan in revenue, up 52% yoy. With outlet businesses as its major growth driver, the company launched a total of 12 outlet projects in 2019, realizing a total turnover of 7.83 billion yuan, up 53% yoy; customer visits amounted to 41.29 million, up 32% yoy¹³.

New Huadu records loss of 700 million yuan in 2019

Recently, department store and supermarket operator New Huadu Industrial Group released its 2019 financial results, which show that the group made an operating income of 6 billion yuan, down 11.95% yoy. Its net profit moved from a surplus to a deficit of 700 million yuan, down 1396% yoy. The company attributed its poor performance to buy-outs at a high premium, disposals of loss-making stores and business suspension. Also, its multi-format development strategy has met some setbacks. Sports was the only product category that delivered positive sales and profits¹⁴.

Convenience stores

Lawson China increases capital by 8.5%; plans to operate 10,000 stores by 2025

Lawson (China) Investment Co., Ltd, the operating entity of convenience store chain Lawson in China, has recently filed for a change in company registration. The latest record showed that its register capital has increased by 8.5% from 2.35 billion yuan to 2.55 billion yuan. As of June 2018, Lawson operated 1,642 convenience stores in China. The company is accelerating expansion in the country and plans to operate a total of 10,000

stores by 2025¹⁵.

Apparel

U.K. designer brand Self-Portrait launches flagship store on Tmall

U.K. designer brand Self-Portrait has recently launched its flagship store on Tmall. It is reported that the brand made debut in China in 2016 by opening a standalone store in Beijing's Galeries Lafayette department store, and set up its official WeChat account in February 2020. Self-Portrait so far operates less than five stores in China. Founded in the U.K. by Malaysian designer Han Chong in 2013, the brand is renowned for its lace dress¹⁶.

Yunji leverages 3 million members as online shopping guides to help apparel retailers clear stock

On 10 March, membership e-commerce platform Yunji announced a new campaign to help apparel retailers clear stock. It will leverage 3 million members as online shopping guides to share and recommend products to their friends and help apparel retailers clear excess inventory during the COVID-19 outbreak. Yunji has strong ability to generate sales via sharing and recommending products; for example, Yunji's members together generated 34.42 million yuan commission on a single day on 3 March. According to Yunji, it has 12.3 million members as of September 2019¹⁷.

Home products

IKEA expands online presence in China with launch on Tmall

On 10 March, IKEA announced the launch of its online flagship store on Tmall, marking the company's first-ever official online flagship store opened on a third party e-commerce platform. Currently, IKEA's Tmall flagship store carries some 3,800 SKUs, covering best-selling products under living room, bedroom and other categories; the new e-commerce service, now only available to consumers in Shanghai, Jiangsu, Zhejiang and Anhui, will be rolled out gradually in other cities across the country. Meanwhile, IKEA and Tmall have also integrated their membership systems so that IKEA's members can use their existing IKEA membership accounts to access and make purchase on IKEA's Tmall flagship store and pay the same prices¹⁸.

Cosmetics

L'Oréal China's 2019 sales surge 35% yoy, strongest growth rate in 15 years

L'Oréal China has recently announced that the company's sales soared 35% yoy in 2019, the strongest growth rate in 15 years since 2007 and contributing 8% to L'Oréal Group's overall sales growth. The group emphasizes that it will transform into a digital-driven company to ensure swift response to customers' needs and meet their expectations¹⁹.

NOISY Beauty targets 300 new stores in two years

Chinese multi-brand cosmetics store NOISY Beauty has recently secured over 10 million yuan from a Pre-Series A funding round led by ZhenFund and joined by Fosun RZ Capital. Since its establishment in 2018, NOISY Beauty has received money from two funding rounds and opened 20-plus stores in China,

with total sales hitting 100 million yuan in 2019. In the future, the retailer will set sights on tier 2 to 4 cities and aim for 300 new stores by the end of 2021, with self-operating stores taking the majority²⁰.

Luxury sector

Secoo expands in-city express delivery service to Shanghai, Xiamen and Qingdao

On 5 March, Secoo announced that its in-city express delivery service has expanded from Beijing to Shanghai, Xiamen and Qingdao. Originally launched in February in Beijing, the in-city express delivery service guarantees two-hour delivery upon online order placement. Customers who place their orders on Secoo's e-commerce platform or through partnered brands' livestreaming shows are entitled to this service, which now covers clothes, bags, jewelries, belts, nutritional supplements, etc. In future, Secoo plans to further expand this service to eleven more cities including Guangzhou, Wuhan, Chongqing and Hangzhou²¹.

Louis Vuitton becomes the first luxury brand to open WeChat video account

It is reported that luxury brand Louis Vuitton officially opened a WeChat video account and its first video has drawn over 100,000 views. Tencent opened its video channel for enterprises to conduct internal testing in January. Unlike Douyin's vertical full screen playback and Kuaishou's double column information flow, WeChat's video clips are arranged according to update time, similar to Weibo video²².

Ruyi yet to secure financing to complete Bally deal

It is reported that Shandong Ruyi has failed to secure financing for its US\$600 million acquisition of Swiss luxury brand Bally, more than two years after the deal was finalized with Bally shareholder JAB Holding Co. and related parties in February 2018. Analysts believed that Shandong Ruyi has been facing increasing refinancing pressure of the debt it took on for a series of acquisition deals, some of which did not fit into its overall development strategies²³.

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