China Retail & E-commerce
Weekly Updates
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General retail

Research suggests that the impact of COVID-19 outbreak on China’s economy would be less severe than SARS

Recently, China Commercial Real Estate Research Institute released a report estimating the impact of COVID-19 outbreak on the macro-economy of China. It suggested that, in comparison with the Severe Acute Respiratory Syndrome (SARS) in 2003, the blow dealt by COVID-19 would be less devastating since the robust online market is likely to offset some business damage. However, considering the higher transmission rate of COVID-19 and dynamic people-flow via China’s comprehensive transportation network, the report concluded that COVID-19 will pose a great deal of uncertainty and affect a much broader area.

MOFCOM: 95% of large supermarket chains and less than 40% of shopping malls resume operations

On 9 February, the Department of Market Operation of the Ministry of Commerce (MOFCOM) revealed that enterprises are short in labor and customer traffic amid the COVID-19 outbreak. Many are also busy sorting out logistics disruptions. In general, enterprises have delayed resuming operations compared to last year – only 95% of large supermarket chains and 35% of large department stores and shopping malls have resumed operations. Retailers close to residential areas, such as fresh food markets, community and agricultural markets, all delayed work resumption.

Contactless services become more popular amid COVID-19 outbreak

Amid the escalation of the COVID-19 outbreak, contactless services become more popular in the retail scene. Some O2O delivery platforms, including Meituan Waimai, Freshippo, Ele.me, Missfresh, Suning Xiaodian and JD Daojia, adopt "contactless delivery" strategy to avoid direct contact between delivery staff and customers. For safety concerns, customers can request delivery staff to put the parcel or food at designated places such as company’s front desk or doorstep for pick up.

E-commerce

Xiaohongshu offers livestreaming service for merchants and brands

On 11 February, Xiaohongshu announced that it will offer free livestreaming service to selected merchants, and assist them with featured livestreaming content to increase their viewers' traffic. Xiaohongshu has launched its beta livestreaming function for long, previously focusing on Key Opinion Consumer (KOC), Key Opinion Leader (KOL) and Multi-Channel Network (MCN). It will extend the service to merchants and brands, and allow them to create their own livestreaming content. It works similarly to Taobao Livestreaming.

Suning.com rolls out new program to help small and medium-sized merchants

On 12 February, Suning.com announced the launch a new program and provision of millions of yuan of allowance to help small and medium-sized merchants. Set up in a 10-day cycle, the program aims to boost traffic for merchants, improve their efficiency and sales by offering a range of tools and services, including livestreaming support, product marketing and traffic monitoring services, sales opportunities on social commerce.
platforms, membership scheme, customer services and other perks.

Alibaba unveils 20 relief measures for online merchants affected by the COVID-19 outbreak

On 10 February, Alibaba Group and its subsidiary Ant Financial Services rolled out 20 relief measures in six areas to help small and medium-sized enterprises affected by the outbreak of coronavirus disease 2019 (COVID-19), especially those in Hubei province. All online stores operating on its flagship Tmall will be exempt from service fees. Alibaba will also offer flexible job opportunities, a delivery and logistics allowance up to one billion yuan, digital services and remote work tools, among others.

Weimob offers livestreaming Mini Program service to merchants for free to help merchants sell online

On 11 February, Weimob Inc., a WeChat-based CRM solution provider, announced the offering of its livestreaming Mini Program service to merchants for free during the COVID-19 outbreak. Merchants can create their own livestreaming channel on Weimob’s platform to sell their products. Viewers can watch livestreaming via Weimob’s livestreaming Mini Program and can directly click links to purchase products. Weimob also introduced measures such as waiving traffic fees, fees for using the storage space of Weimob, and commissions. It also promised to provide support and guidance to merchants to help them create and operate their own livestreaming channel, and sell on the channel.

Meituan launches “Reassurance Card” app to display names and body temperature of staff

On 9 February, Meituan launched a “Reassurance Card” app, which can be downloaded from its POS machine’s app store. Merchants using Meituan’s restaurant management system can print out information including names and body temperature of staff including chefs, staff who pack the meals and couriers handling the delivery on the receipts and show them to consumers. This is another initiative launched by Meituan, following its earlier “contactless delivery” service to help merchants fight against the coronavirus disease.

Pinduoduo announces 1 billion-yuan subsidy funds rewarding merchants for maintaining services amid the COVID-19 outbreak

On 9 February, Pinduoduo announced the provision of subsidies – 2 to 3 yuan per order – for merchants on its platform who take on the costs for offering logistics services at subsidized prices and keep on operating and delivering orders amid the COVID-19 outbreak. According to Pinduoduo, there is no upper limit on the subsidies, while its platform has already set aside the first batch of 1 billion-yuan subsidy funds rewarding merchants for maintaining services during the outbreak.

Pinduoduo introduces new product review function “Ping Xiaoquan” on its platform

On 9 February, Pinduoduo launched a new product review function named “Ping Xiaoquan” (Ping means reviews while Xiaoquan refers to circle – a group of people who are connected) on its platform, allowing users, after writing a review on the product they purchased, to decide if they want to share the product review with their friends, who can use it as a reference when making buying decisions. Pinduoduo said it launched the new function due to the following reasons: first, amid the COVID-19 outbreak, users lack
reliable references for making buying decisions when shopping for infection prevention products and other medical supplies on the platform; and second, it is hard for users to find out if the product reviews left by complete strangers on traditional e-commerce platforms are trustworthy or not.\(^\text{10}\)

**WeChat Mini Program: Number of orders handled by community e-commerce Mini Programs increases by 322% yoy during the first seven days of Lunar New Year holidays**

According to WeChat Mini Program, "contactless delivery" drove the strong growth of the number of orders on O2O delivery Mini Program. During the first seven days of Lunar New Year holidays, the number of orders on fresh food Mini Programs increased by 149% yoy; number of orders of community e-commerce Mini Programs increased by 322% yoy. For instance, domestic fresh food e-commerce platform Missfresh's Mini Program recorded increase in number of orders by 309% yoy during the first six days of Lunar New Year holidays, while transaction increased by 465% yoy.\(^\text{11}\)

**Supermarkets and hypermarkets**

**Freshippo recruits 32 enterprises and 1,800 staff for its employee-sharing scheme**

Recently, Freshippo and a number of catering brands jointly launched an employee-sharing scheme, which was subsequently joined by 32 other enterprises from catering, hotel, cinema, department store, shopping mall, leasing and car rental businesses. Freshippo has already onboarded more than 1,800 staff and delegated duties to them. It hopes that the scheme can bring a win-win solution by connecting labor who are underemployed due to the COVID-19 outbreak with supermarkets and consumer businesses that are understaffed and under high cost pressure.\(^\text{13}\)

**Department stores and shopping malls**

**Chengxi Intime City in Hangzhou sells via WeChat group**

Recently, department store Chengxi Intime City in Hangzhou announced that it will take its offline business online to reduce business loss during store closure. Customers can scan the QR code provided in Intime’s WeChat official account to join a WeChat group, from which they can get product and sales information from merchants. Intime will assign sales timeslots to the merchants beforehand and make announcements in the WeChat group. Users can access the WeChat group according to the schedule to review product information and reference photos as well as obtain a QR code for purchase. Once the customers confirm the order, merchants will dispatch the products directly by post.\(^\text{12}\)
accelerate business growth, while allowing more consumers to enjoy various delicacies across the country by ordering online. Currently, more than 100 restaurants including Haidilao, Xibei and Donglaishun have joined the alliance. It is reported that the primary aim of the alliance is to motivate catering brands to develop semi-finished products and distribute the products through JD’s omni-channel networks. JD Fresh expressed that when it comes to a situation when dine-in and takeout services are restricted, omni-channel marketing of semi-finished products presents a new opportunity for the catering industry to survive and grow.14

JD.com supports Wuhan with new online fresh food delivery project and community-based group-buying service

On 13 February, JD.com launched a new online fresh food delivery project “Yidong Cailanzi” (Yidong means mobile while Cailanzi refers to fresh-food basket) to serve more than 10 cities in Hubei province including Wuhan, Xiangyang and others. After receiving orders from community residents, JD Logistics will send fresh vegetables and fruits directly from wholesale markets to the gate of the community; the move is expected to help solve the fresh food shopping problems faced by more than 100,000 families, and at the same time alleviate the pressure related to slower sales of farm products. In addition, JD.com has also launched a community-based group-buying service in Wuhan through its community-based Mini Program “Youjiapuzi”. After receiving orders from its users, Youjiapuzi will arrange delivery for pickup at a designated location in the community, while the sales transaction will be conducted on the Mini Progra; such contactless delivery services can help limit the spread of the COVID-19 disease among customers and merchants.15

Wumart and Dmall open “anti-epidemic stations” in communities

Recently, Wumart and Dmall launched “anti-epidemic stations” in a number of communities in Beijing. The stations act as logistics hubs to serve communities and help consolidate online orders made by residents, while providing contactless services for parcel collection and online payment. This initiative will be further extended to 4,000 communities in Beijing.16

QuestMobile: Fresh produce e-commerce platforms see sharp increase in users as contactless delivery service gains traction

According to QuestMobile data, the overall performance of lifestyle service sector, especially food delivery business, appeared pale during the Lunar New Year holidays in 2020 due to the COVID-19 outbreak. In contrast, recipe apps saw a strong growth in number of users as people cook more frequently at home. Fresh produce e-commerce platforms became the preferred choice for buying food ingredients. Their contactless home delivery services gave them a boost in number of users. Offering limited quantity and flash sale of face masks, Dmall successfully drew new users to its platform. Suning.com and Dingdong Maicai also witnessed significant growth in number of users in their WeChat Mini Programs. Youpin Lite and NetEase Yanxuan showed similar growth only after they put face masks on shelf.17

Cosmetics

Estée Lauder Companies to build world-class R&D center in China

On 11 February, Estée Lauder Companies Inc. announced that it will set up a world-class
R&D center in China, utilizing cutting-edge technologies and equipment to promote beauty innovation in China, Asia-Pacific and even the world. Meanwhile, due to the outbreak of the coronavirus disease in China, Estée Lauder has cut its full-year profit forecast; yet, the company remains upbeat about the market outlook in China and expects the company will further regain growth momentum once the COVID-19 outbreak is gradually brought under control.

## Luxury sector

**French luxury fashion brand Lanvin launches on Secoo**

On 10 February, Secoo announced that French luxury fashion brand Lanvin has officially launched on its platform. Lanvin will open a flagship store on Secoo app, on which the brand will launch its spring/summer 2020 collections created by its creative director Bruno Sialelli. It is reported that the launch on Secoo was jointly planned and motivated by Lanvin and the e-commerce unit of Fosun Fashion Group. The move marks an important step in the partnership between Secoo and Fosun Fashion Group. The two companies expect to carry out extensive partnership in the future.
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