

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

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# General retail

## MOFCOM: Sales of automobile and consumer electronics pick up significantly during Labor Day holiday

According to figures from the Ministry of Commerce (MOFCOM), sales of major retail enterprises during 1-5 May increased by 32.1% compared with Ching Ming Festival holiday in April. Online retail sales of physical goods increased by 36.3% yoy, some major online platforms recorded sales increase of over 40% yoy. Sales of automobile and consumer electronics picked up significantly. During 1-5 May, sales of automobile in Shanghai, Chongqing and Zhejiang increased by 49.6% yoy, 28.5% yoy, and 8.8% yoy, respectively. Some e-commerce platforms recorded sales of home electronics doubling the sales from last year. The MOFCOM organized a “Brand and Quality Online Shopping Festival” during the Labor Day holiday and generated over 58 billion yuan of sales during 1-5 May.

Performance of retail enterprises of selected cities are listed below:

- **Beijing:** Retail sales of 100 major retailers reached 3.96 billion yuan, down only by 5.9% yoy and resumed to 94.1% of the sales of the same period in 2019. Catering sales of major enterprises reached 102 million yuan, resumed to 50.9% of the sales of the same period in 2019.
- **Shanghai:** During 1-4 May, average daily retail sales of major enterprises increased by 30.1% compared with the sales in the previous week.
- **Guangzhou:** Consumer foot traffic resumed to 60-70% of the same period in 2019. Grandbuy Department Store and Guangzhou Friendship recorded sales of 200 million yuan during 1-5 May, doubling the sales of the same period in April 2020 and reaching the same levels in the same

period in 2019.

- **Chongqing:** Retail sales of major enterprise reached 3.28 billion yuan.
- **Hangzhou:** Retail sales of 28 major enterprise reached 346 million yuan, similar to the levels in the same period in 2019.
- **Nanjing:** Retail sales of 10 out of 32 major enterprise recorded positive yoy growth.
- **Suzhou:** Retail sales of 23 major enterprise reached 870 million yuan, up 2.78% yoy<sup>1</sup>.

## MOFCOM: Over 19 billion-yuan worth of consumption vouchers have been issued nationwide since COVID-19 outbreak

On 8 May, China’s Ministry of Commerce (MOFCOM) announced that since the outbreak of COVID-19, over 19 billion-yuan worth of consumption vouchers have so far been handed out by 170-plus local government coordinators across 28 provinces and cities nationwide. In addition, the MOFCOM has also implemented a slew of measures to boost domestic consumption, including speeding up the reopening of cities and industries, promoting consumption upgrading across cities, filling the consumption gap between rural and urban areas, stabilizing the consumption of major commodities, reviving and expanding service consumption, nurturing new consumption modes, and so on<sup>2</sup>.

## NDRC launches “Action Plan for Digital Transformation Partnership (2020)” to help MSMEs transform

On 13 May, National Development and Reform Commission (NDRC), together with 145 units including Internet companies, leading industry players and industry associations, launched an “Action Plan for Digital Transformation Partnership (2020)”, aiming to help micro, small and medium-sized enterprises (MSMEs) lower their costs of digital transformation and shorten the

transformation period. A first batch of 500 supportive measures will be provided to MSMEs, covering areas such as resources matching, software and hardware support, supply chain support, consulting services, professional training services, among others<sup>3</sup>.

### AliResearch: Transaction value generated at night on Alibaba's marketplaces accounts for 39.8% of the total during Labor Day Holiday

Recently, AliResearch released a report on night-time economy. According to the report, night-time consumption in 12 major cities in China including Beijing, Harbin, Xian, Chengdu, Chongqing, Jinan, Shanghai, Wuhan, Changsha, Hangzhou, Guangzhou and Shenzhen accounted for 43% of the total consumption. During the Labor Day Holiday in 2020, the transaction value generated at night on Alibaba's marketplaces accounted for 39.8% of the total, up 3.9 pts from the same period in 2019. Orders made on Ele.me at night accounted for 33.55% of the total number of orders<sup>4</sup>.

## E-commerce

### China launches first public service platform of product quality and safety for CBEC goods

China's first public service platform of product quality and safety for cross-border e-commerce (CBEC) goods was officially launched on 13 May. The platform was jointly developed by Hangzhou CBEC Comprehensive Pilot Zone, Hangzhou Customs, Hangzhou Municipal Market Supervision Bureau, Tmall Global, JD.hk, etc. The platform will provide products traceability inquiry service, educational information on product quality for CBEC goods, import and export data for CBEC goods in Hangzhou,

monthly bestselling CBEC items, etc<sup>5</sup>.

### Tmall: Nearly 500 brands post accumulated operating revenue of over 100 million yuan between January and April; over 70% are homegrown brands

On 7 May, Tmall reported that for the first four months this year, nearly 500 brands on its platform posted accumulated operating revenue of over 100 million, an increase of around 200 brands from the same period last year. Among the nearly 500 brands, over 70%, representing 318 brands, are homegrown brands, suggesting domestic brands are experiencing rapid growth<sup>6</sup>.

### Tencent records revenues of 108.07 billion yuan and net profit of 28.90 billion yuan in 1Q20

On 13 May, Tencent announced the unaudited consolidated results for 1Q20. Total revenues reached 108.07 billion yuan, up 26% yoy; net profit hit 28.90 billion yuan, up 6% yoy. Combined MAU of Weixin and WeChat was 1,202 million, up 8.2% yoy and up 3.2% from the previous quarter<sup>7</sup>.

### GMV of Youzan reaches 20.8 billion yuan in 1Q20, up 119% yoy

On 11 May, Chinese e-commerce service provider Youzan announced its financial results for 1Q20. In 1Q20, its GMV reached 20.8 billion yuan, up 119% yoy; its revenue reached 373 million yuan, up 48.9% yoy. As of 31 March 2020, the number of paying merchants increased 48% yoy to 91,209; and the number of new paying merchants amounted to 13,987, up 84% yoy. Since the outbreak of COVID-19, Youzan has provided a lot of multi-channel supportive tools including livestreaming solutions and "salesperson" plug-ins for merchants, leading to the huge increase in its number of paying

merchants<sup>8</sup>.

## Logistics

### SF Express tests food-delivery market

SF Tongcheng, a subsidiary of courier giant SF Express, recently launched a WeChat Mini Program known as “Fengshi”, or “abundant food” in English, to provide food-delivery service targeting business clients buying in bulk. Currently corporate and individual users can order food in the Mini Program. Fengshi has partnered with dozens of restaurant brands, including Pizza Hut, Dicos, Real Kungfu, Yoshinoya and Domino's Pizza. It is reported that SF Tongcheng will develop courier business in catering, supermarkets, medical, fresh produce and services in tier 1 and 2 cities, challenging the dominance of Meituan Dianping in the market<sup>9</sup>.

### Chinese delivery platform Dada Nexus files for U.S. IPO

On 13 May, Dada Nexus, an on-demand retail and delivery platform, filed with the U.S. Securities and Exchange Commission to raise up to US\$100 million in an initial public offering on the Nasdaq. Dada Nexus operates two delivery platforms, namely JD-Daojia and Dada Now. The company recorded rapid growth in the past three years, with net operating income reaching 1.22 billion yuan, 1.92 billion yuan and 3.1 billion yuan in 2017, 2018 and 2019 respectively. In 1Q20, Dada Nexus reported net operating income of 1.1 billion yuan, up 108.9% yoy<sup>10</sup>.

## Department stores and shopping malls

### WinData: Visitor traffic of shopping malls in tier 1 to 4 cities bounces back to 66% of pre-COVID-19 levels

Research center WinData recently released data on visitor traffic of shopping malls in April. The data showed that visitor traffic of shopping malls in tier 1 to 4 cities has bounced back to 66% of the pre-COVID-19 levels (using the average daily visitors in November and December 2019 as base). The full business recovery of shopping malls has been hindered by the prolonged closure of cinemas and KTVs, which were the traffic boosters in normal times. In terms of cities, shopping malls in Shanghai resumed faster than those in Beijing and Guangzhou; in terms of commercial districts, shopping malls in regional commercial districts and emerging commercial circles outperformed those in municipal and matured business centers<sup>11</sup>.

### 16 Wanda Plazas record 470 million yuan of sales and 4.54 million visitors during Labor Day holiday

During the Labor Day holiday, 16 Wanda Plazas in nine cities including Nanjing, Xuzhou, Yancheng, Lianyungang, Taizhou, Suqian, Zhenjiang, Yangzhou and Huaian showed clear signs of recovery. From 1 to 5 May, they recorded 4.54 million visitors and 470 million yuan of sales, resuming to 90% and 101% of the number of visitors and sales level of the same period in 2019 respectively. These 16 shopping malls leveraged online livestreaming shows, government events and consumption vouchers to revitalize local consumption<sup>12</sup>.

## Convenience Stores

### Convenience store chain OurHours to close all shops in Beijing and Tianjin

Since its massive store closures in Tianjin in late April, convenience store chain OurHours has recently announced that it will shut all its stores in Beijing by end of May. Established in 2011, OurHours once operated the largest shop fleet in Beijing at its peak and was running 350 stores in 2017. In an asset sale in February 2019, Lawson China acquired 94 OurHours branches in East China and the southwestern city of Chongqing; while Beijing Shanhaitantu maintained operations of OurHours stores in Beijing, Tianjin and Chengdu. Although Shanhai Lantu has made adjustments in the chain's operation strategy and staffing structure, OurHours struggled to stay afloat<sup>13</sup>.

## Apparel

### Eco-outerwear brand LangerChen plans to launch first global flagship store in China in 2H20

Eco-outerwear clothing brand LangerChen has recently announced that it will open its first global flagship store in China in 2H20, hoping to promote the concept of environmentally friendly and sustainable lifestyle among more consumers through its retail stores. The brand will also roll out self-operated stores gradually across local fashion cities such as Shanghai, Chengdu, Beijing and more over the next five years<sup>14</sup>.

## Cosmetics

### Shiseido's 1Q20 sales in China down 15.2% yoy

On 12 May, Shiseido announced its financial report for 1Q20. During the reporting period, Shiseido's total sales dropped 17.1% yoy to 226.89 billion yen (approximately 15 billion yuan), while net profit plunged 95.8% yoy to 1.4 billion yen (approximately 92.32 million yuan). Among which, sales in China fell 15.2% yoy to 2.94 billion yuan, and operating net profit down sharply by 59.3% yoy to 350 million yuan. It is worth noting that it is the first double-digit sales decline posted by Shiseido in nearly ten years, and the decline is also beyond those of L'Oréal and Estée Lauder for the same period of the year<sup>15</sup>.

## Luxury sector

### Bain & Company: Global personal luxury goods market to contract by 20%-35% yoy in 2020

On 8 May, Bain & Company and Italian luxury goods manufacturers' industry foundation Fondazione Altagamma jointly announced the "Bain & Company Luxury Study 2020 Spring Update". According to the report, the global personal luxury goods market, after posting a sales decline of 25% yoy in 1Q20, is expected to accelerate its sales slowdown in 2Q20 and experience an estimated contraction of between 20% and 35% yoy for the entire 2020, depending on the speed of the recovery. The report also noted that China has begun to lead the way toward a recovery and Chinese consumers are set to cement their status as crucial drivers of the industry, accounting for nearly 50% of the market by 2025. In addition, luxury purchases made online have increased throughout the crisis; the online channel is

expected to capture more market share and represent up to 30% of the market by 2025. This goes hand-in-hand with the Gen Y and Gen Z becoming the majority of the luxury market<sup>16</sup>.

### Gucci launches on Douyin

Italian luxury brand Gucci, owned by French luxury group Kering, has officially launched on Douyin. Since its debut on the platform around a week ago, the brand has already seen over 390,000 fans and received 1.1 million likes on the platform. It is reported that beginning this year, Gucci has been accelerating its push into Chinese social media platforms, including Xiaohongshu, WeChat's short video channel, Douyin and others, suggesting that the brand is attaching more importance to the China market and speeding up its local expansion<sup>17</sup>.

### Alibaba launches new luxury platform "Luxury Soho" to shed excess inventory

On 6 May, Alibaba announced the launch of its new luxury platform "Luxury Soho" to target young consumers aged under 25 in tier-2 and 3 cities. The platform is an online outlet store which aims to help high-end brands shed excess inventory built up during the global coronavirus lockdown. It will run alongside its Tmall Luxury Pavilion. Tmall Luxury Pavilion offers new collections from luxury brands, while Luxury Soho offers luxury deals<sup>18</sup>.

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