What's now and next in China's e-commerce sector:

A brief account of key things happening now and outlook in the post COVID-19 era

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Introduction

4 things happening in China's e-commerce sector amid COVID-19 outbreak

1. E-commerce players offer support to brands and retailers
2. Livestreaming becomes an indispensable sales and marketing tool
3. Social commerce gains traction
4. An on-demand delivery boom

What's next in the post COVID-19 era
Introduction

COVID-19 is having a severe impact on retailers in China, especially offline retailers. To compensate the suffer in losses offline due to significant drop in foot traffic, many retailers are eyeing the online market — selling online, leveraging digital marketing tools, digitalizing their supply chain, etc. — to weather the crisis. Meanwhile, some leading e-commerce platforms have taken various initiatives to help merchants tide over the challenging times, such as providing financial support and subsidies, and helping them to roll out their online strategies.

This report summarizes four key things happening in China’s e-commerce sector amid the COVID-19 outbreak and demonstrates how retailers survive and thrive in difficult times. It also envisages some possible post COVID-19 developments in the sector.

Editor’s note: China is presently experiencing widespread economic disruption owing to the outbreak of the coronavirus disease 2019 (COVID-19) and stringent government measures to contain it. This in turn is taking a toll on China’s retail and distribution sector. While comparisons are inevitable with the economic toll taken by another coronavirus, SARS (2002-03), the difference for China, now, is that its economic fundamentals are more robust, its retail sector more vibrant, as illustrated by its thriving e-commerce sector, its technology more advanced, and its consumers more resilient. These present ample opportunities for retailers to transform and recover from the loss of business in physical retail.
4 things happening in China's e-commerce sector amid COVID-19 outbreak

1. E-commerce players offer support to brands and retailers

2. Livestreaming becomes an indispensable sales and marketing tool

3. Social commerce gains traction

4. An on-demand delivery boom
1. E-commerce players offer support to brands and retailers

In order to help merchants weather the crisis, some major e-commerce platforms have provided financial support to merchants, and offered them different online marketing tools to reach consumers. They have also provided special logistics solutions during the disease outbreak to help merchants better handle delivery orders.
Reduce or waive platform fees; give out subsidies to merchants; offer low-interest loans

To relieve the cash flow burden of merchants suffering losses due to the COVID-19 outbreak, major e-commerce platforms have reduced service fees or provided subsidies to merchants, while others have offered interest-free / low-interest loans to merchants.

**Selected e-commerce platforms which reduce fees for merchants**

<table>
<thead>
<tr>
<th>E-commerce platform</th>
<th>Selected measures to help and support merchants</th>
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| Alibaba Group       | **Tmall:** Waives service fees for the first half of 2020 and offers free services to eligible merchants registered in Hubei, the epicenter of the coronavirus outbreak.  
**Cainiao:** Offers two months of waived fees for warehouse rentals before the end of March.  
**Koubei:** Waives commissions for merchants until the end of February, or until the end of March for Wuhan-based businesses.  
**Tmall Global:** Offers a six-month waiver on the annual service fees for some merchants, and free use of its online shop setup tool; reduction or exemption of warehouse rent.  
**Taobao Live:** Waives entrance (service) fees for all brands and retailers. |
| JD.com              | Launches an expedited channel for SME merchants to open stores on JD.com, enabling enrollment in as fast as six hours. |
Selected e-commerce platforms which reduce fees for merchants (Cont’d)

<table>
<thead>
<tr>
<th>E-commerce platform</th>
<th>Selected measures to help and support merchants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinduoduo</td>
<td>Provides subsidies (2-3 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. There is no upper limit on the subsidies; Pinduoduo has already set aside the first batch of 1 billion yuan subsidy funds rewarding merchants for maintaining services during the outbreak.</td>
</tr>
<tr>
<td>Suning.com</td>
<td>Suning Supermarket waives the annual service fees for merchants who join/renew contract in February.</td>
</tr>
<tr>
<td>Meituan</td>
<td>Launches seven measures, including a 350 million yuan fund to support restaurants and commission fee waivers in Wuhan, the center of the outbreak.</td>
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</table>
## Selected e-commerce platforms which offer low-interest loans for merchants

<table>
<thead>
<tr>
<th>E-commerce player</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td><strong>Alibaba Group</strong></td>
<td>Ant Financial’s online bank brand MYbank offers interest-free and low-interest loans to Taobao and Tmall merchants registered in Hubei. The one-year loans will total 10 billion yuan and be interest-free for three months, after which the rate will be reduced by 20% from current levels. Another 10 billion yuan in one-year loans will be available to merchants outside Hubei with interest rates 20% below current levels. From now until March, payments will also be issued to merchants free of charge as soon as an order has been fulfilled.</td>
</tr>
<tr>
<td><strong>JD.com</strong></td>
<td>JD Digits reduces interest rates for loans and allows merchants to delay repayment; it also provides low interest or interest-free loans to merchants.</td>
</tr>
<tr>
<td><strong>Meituan</strong></td>
<td>Meituan works with various financial organizations to provide no less than 10 billion yuan low interest loans for merchants.</td>
</tr>
</tbody>
</table>
Provide support in digital marketing (e.g. livestreaming)

Some e-commerce platforms have offered supportive measures to encourage brands and retailers to engage with their target audience online via various digital channels. Among which, livestreaming is one of the most commonly used channels.

Case: JD.com offers financial support to merchants using its livestreaming platform

- Recently, JD.com has rolled out a number of measures to support merchants using its livestreaming platform JD Live, such as reducing commissions of using JD Live to as low as 1%; removing threshold of joining the platform; supporting new hosts by providing online traffic; subsidizing merchants which sell agricultural products; subsidizing hosts with 50 yuan per show for selling major product categories such as fresh food, daily necessities, etc. until 29 February.
Taobao Live, Alibaba’s livestreaming platform, has waived the entrance fees for brands and retailers joining the platform. It also provided free tools for brands and retailers to help them market and sell their products via livestreaming, and offered training sessions for using these tools.

Case: Taobao Live waives entrance fees for new entrants

Taobao Live reduces fees for using livestreaming service
Some e-commerce operators have ramped up efforts to offer “contactless delivery” and deployed autonomous vehicles or drones to deliver orders in a bid to prevent the spread of the COVID-19 through human-to-human contact.

Some O2O delivery platforms, including Meituan Waimai, Freshippo, Ele.me, Missfresh, Suning Xiaodian and JD Daojia, as well as restaurants which offer takeaway service 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.

Meituan Waimai allows customers to choose “contactless delivery” on its ordering platform.
Recently, Meituan autonomous vehicles team joined hands with Meituan Maicai to pilot driverless delivery in Beijing.

Once customers – whose addresses are covered by the autonomous delivery service – place orders on the Meituan Maicai platform, the system will assign the orders to respective autonomous vehicles. Staff of Meituan Maicai will place goods into the vehicles before they pull out and begin deliveries. Customers can pick up their goods at the designated points in the neighborhood. The vehicles exempt them from making direct human-to-human contact.

Currently the vehicles serve customers living in a 10km radius with orders exceeding 20kg and communities contracted with the COVID-19 disease.
Soon after the COVID-19 outbreak, JD Logistics has deployed autonomous shuttles and drones to deliver medical and commercial cargo throughout coronavirus quarantine zones in Wuhan and other cities in Hubei.

Since most people in the region order goods online to minimize human contact in offline stores, JD Logistics' autonomous warehouses have reportedly fulfilled nearly double their usual number of daily orders, from 600,000 to 1 million between 24 January and 2 February.
2. Livestreaming becomes an indispensable sales and marketing tool

Livestreaming is a very popular tool for brands and retailers to engage with and market their products to potential customers. During the COVID-19 outbreak, even more brands and retailers are leveraging livestreaming platforms to continue their business.
Livestreaming platforms see sharp increase in brand activities

Many e-commerce platforms have already developed their own tools for livestreaming before the COVID-19 outbreak. During the crisis, even more many merchants have turned to these tools as a way to connect with target customers. Many livestreaming platforms saw a sharp increase in the number of brands and retailers using livestreaming to attract new customers and increase user engagement.

**Case: Taobao Live sees sharp increase in brand activities**

- Taobao Live, Alibaba Group’s livestreaming platform, saw a sharp rise in brand activities in the past month as merchants partially resumed their operations and looked for ways to reach consumers in the midst of the COVID-19 outbreak. In early February, livestreaming sessions on the platform had increased by 110% yoy, according to Taobao Live.

- Example: Sportswear brand Adidas hosted an exclusive online debut of its limited-edition Superstar sneaker during its Super Brand Day in February. Its “See Now, Buy Now” stream, which lets viewers make real-time purchases of featured items from their mobile phones, drew 2.23 million viewership and generated more than 200 million yuan in sales in 10 hours.
Livestreaming platforms see sharp increase in brand activities (Cont’d)

Case: Tencent’s Kandian Zhibo enables brands to host livestreaming activities around the clock

Through Kandian Zhibo, Tencent’s live commerce Mini Program, brands and retailers can keep on engaging with customers and promoting their products 24x7 amid the COVID-19 outbreak; such move can ease the operation pressure on brands and retailers during the tough times, while allowing users to shop for daily necessities, fresh food, fruits, clothing items and other products from home.

Example: On 14-16 February, a number of well-known brands and retail chains including Watsons, OPPEIN Home Group, Rainbow Department Store and Pagoda lined up with Kandian Zhibo to hold livestreaming activities around the clock.
3. Social commerce gains traction

Social selling or social commerce has been trending in recent years, especially popular among individuals and small or micro enterprises. During the COVID-19 outbreak, more large-scale retailers have tapped social commerce, especially WeChat Mini Programs, to sell products and drive sales.
Brands and retailers sell with WeChat Mini Programs

During the COVID-19 outbreak, increasing numbers of offline brands and retailers have launched WeChat Mini Programs to market and sell their products. With its comprehensive functions and “use-to-go” convenience, WeChat Mini Programs offer a quick solution for brands and retailers to go online immediately instead of developing their own online selling platforms.

**Case: Wanda Plaza leverages WeChat Mini Program to sell**

- During the COVID-19 outbreak, Wanda Plaza launched an online sales and marketing scheme to promote home shopping. The scheme leverages Wanda Plaza’s WeChat Mini Program to help 60,000 merchants across China to go online from 19 February.

- Customers can select goods and place orders online through the Mini Program, and they can be directed to brands’ e-commerce platforms to confirm orders. Customers can also add the contact of shopping guides of merchants (sales associates) into their WeChat contact to receive real-time assistance. Customers can enjoy home delivery services.
Brands and retailers urge staff to turn into salespersons online and sell via WeChat Mini Programs

For some brands and retailers, one common way to sell via Mini Program is by turning their sales associates of brands into online shopping guides or salespersons to interact with customers.

Case: Youzan helps retailers turn their sales associates into shopping guides on WeChat Mini Program

▷ Youzan, the largest service provider of WeChat stores, recently offered free trial of its latest “sales assistant” software solution to WeChat enterprise account users. The solution is designed to enable enterprises to turn their employees or customers into salespersons to boost client acquisition rate and sales.

▷ Example: TeenieWeenie’s WeChat Mini Program adopted Youzan’s “sales assistant” software solution to drive sales. TeenieWeenie’s staff can create their own “stores” and share TeenieWeenie's products to target customers. They can earn a commission for every sales generated through the Mini Program. Since the launch of the WeChat Mini Program on 14 February, TeenieWeenie has reportedly made over 10 million yuan in sales within two days.
Individuals leverage social-commerce platforms to sell

For individuals, social-commerce platforms also allow them set up businesses by creating their own “online stores” easily. Amid the COVID-19 outbreak, the number of individuals setting up their own businesses online also saw sharp increase.

Case: Sharp increase in number of merchants joining Tao Xiaopu

► “Tao Xiaopu” is a social-commerce platform developed by Alibaba in May 2019. Individual users or merchants can easily create their own “stores” on the platform; they can source products from Taobao and earn commissions by sharing the products on their “stores”. Tao Xiaopu provides merchants with convenient tools for store management, marketing, etc.

► Tao Xiaopu is particularly popular among small and micro enterprises. According to statistics from Taobao, around 30,000 new merchants opened stores on the platform every day in the first two weeks of February 2020.

Merchants select products and share product link on their own Tao Xiaopu store.
4. An on-demand delivery boom

The COVID-19 outbreak is driving larger-than-usual demand for fresh food, groceries and other daily necessities on on-demand delivery platforms such as JD Daojia, Yonghui Daojia and Dmall. These platforms enable customers to place orders online easily and have their groceries delivered to designated addresses quickly.
Supermarket chains expand on-demand delivery services

Before the outbreak of the COVID-19, some supermarket and department store operators have already partnered with third-party on-demand delivery platforms to promote and sell their products online. In the midst of the disease outbreak, these traditional retailers have strengthened their partnership with delivery platforms. For retailers that have their own delivery capabilities, many have further expanded their on-demand delivery services. For example, some supermarket chains have significantly increased the frequency of fresh food replenishment; they have also assigned more staff to pick and pack online orders and increased the number of part-time couriers.

On 26 February, 2020, the General Office of the Ministry of Commerce (MOFCOM) released the “Notice of the Typical Measures Ensuring the Supply of Daily Necessities for COVID-19 Prevention”. The Notice encouraged traditional supermarkets to launch online shopping business; to coordinate with suppliers to provide group buying and delivery services for communities that were locked down during the COVID-19 outbreak; to offer “contactless delivery” service, etc. This demonstrates that the government highly recognizes the important role played by on-demand delivery platforms amid the COVID-19 outbreak.
Supermarket chains expand on-demand delivery services (Cont’d)

Case: Yonghui Superstores expands capacity for Yonghui Daoji to handle the surge in online orders

Yonghui Superstores recorded 150% yoy increase in order volume for its O2O delivery service Yonghui Daojia during 1-10 February in Fuzhou. To cope with the increase in order volume, Yonghui added over 200 staff from different departments to handle online orders. It also adopted an “employee-sharing scheme” and lined up with several catering enterprise to onboard more staff temporarily. Its on-demand delivery platform also launched “contactless delivery” feature to prevent direct contact of couriers and customers. Both customers and couriers can use the app to decide where to drop off the order.
Supermarket chains expand on-demand delivery services (Cont’d)

Case: Supermarket chains partner with JD Daojia to expand on-demand delivery service

► JD Daojia is a popular on-demand platform in China. Seeing the huge online demand for fresh food and groceries amid the COVID-19 outbreak, JD Daojia has launched a program to ensure stable supply of fresh food everyday during 7-10am. Over 40 supermarket chains including Walmart China, Yonghui, Better Life, Aeon, 7Fresh, CP Lotus, and Lianhua have joined the program and allowed customers to order their food and groceries on JD Daojia’s platform. To streamline the ordering and delivery process, the supermarket chains have added more staff to pick and pack the orders and increased communication with JD Daojia. Meanwhile, JD Daojia has also increased the number of couriers to handle the increasing number of orders.

► During 24-30 January 2020, JD Daojia saw a 470% yoy increase in sales amid the outbreak of COVID-19.
More older consumers use on-demand delivery platforms

The COVID-19 outbreak has altered the way people shop, especially for the middle-aged consumers or some older consumers. They now shop more on on-demand delivery platforms for daily necessities and fresh food, as they have to stay at home to prevent the spread of the disease.

According to a report from QuestMobile, among the users of on-demand delivery platforms, in February 2020, 20.8% were aged above 41, up from 19.4% in January 2020. A popular fresh food e-commerce platform Missfresh also said that its users aged 40 or above grew by 237%, among which 90% learned online fresh produce shopping with the help of their children.

Meanwhile, many people have volunteered to teach elderly people in communities to make orders online via on-demand delivery platforms. This also helps boost the adoption of on-demand delivery service in communities, especially among elderly people.

An elderly customer collects his order in designated spot in community.
What’s next in the post COVID-19 era

There is an old saying, “In the midst of every crisis, lies great opportunities.” The COVID-19 outbreak not only brings challenges to China’s retail and e-commerce market, but also opportunities. It also helps unfold a new market landscape. Meanwhile, we also see changes of consumer behavior as Chinese consumers are more used to shop via O2O channels during the disease outbreak.

When the COVID-19 outbreak ends, Fung Business Intelligence expects the following to happen in China’s e-commerce sector.

1. **Online retail sales as a proportion of total retail sales will expand at a faster pace.** China’s online retail sales accounted for 20.7% of total retail sales of consumer goods in 2019. With more brands and retailers selling through different online channels, the share of online retail sales in total retail sales of consumer goods is expected to expand at a faster pace.

2. **Partnership between e-commerce platforms and merchants will strengthen.** Providing financial, technology, marketing and logistics support to merchants on their platforms during the COVID-19 outbreak is a win-win for both e-commerce operators and merchants. Since merchants are important business partners of the e-commerce platforms, their success will enable the platform operators to drive sales growth and gain market share. When the COVID-19 ends, we expect the partnership between merchants and e-commerce platform operators to become more solid and stable.
What’s next in the post COVID-19 era (Cont’d)

3 Digital transformation will accelerate. The pursuit of O2O strategies has long been a key priority for both offline retailers and e-commerce players. The COVID-19 outbreak has further reinforced the need for companies to embark digital transformation, which now becomes a matter of survival in the digital economy. To ensure seamless integration of online and offline businesses, brands and retailers will further deploy state-of-the-art technologies, while strengthening supply chain management and customer relationship management. On the other hand, e-commerce giants will harness their digital capabilities to increase their offline presence and further expand their business ecosystems.

4 Social commerce, especially live-commerce will become mainstream; yet challenges will remain. Livestreaming started to gain traction, particularly among young generation, well before the COVID-19 outbreak. What we are seeing now is that more offline retailers are leveraging social media platforms or livestreaming functions provided by e-commerce operators to sell their products as a way to offset losses from physical businesses. As O2O integration continues to gain steam, live-commerce, along with WeChat Mini Programs, is set to become a major sales and marketing channel for brands and retailers. They will continue to pour resources to build their social e-commerce capabilities.

That said, adopting live-commerce is not without challenges. Issues such as sustainability of the business model, consumers’ intention to continue using live-commerce in the post-COVID-19 period, and whether or not livestreaming hosts such as KOLs can sustain and expand their influence are among some of the major concerns.
On-demand delivery will scale up; “smart” pick-up options and services will come to the fore. During the COVID-19 outbreak, we are seeing huge demand for on-demand delivery services – from surgical masks to fresh food to groceries and daily necessities. This provides a silver lining for the already fast-growing on-demand delivery market. In the post COVID-19 period, we expect on-demand delivery to continue to expand in scale and scope. At the same time, the advent of new “smart” pick-up and delivery methods during the COVID-19 outbreak such as contactless delivery, autonomous vehicles, drones delivery and “smart” lockers will continue to grow in popularity.
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