

# China Retail & E-commerce

## Weekly Updates

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 FUNG BUSINESS INTELLIGENCE  
Asia Distribution & Retail

**Teresa Lam**

Vice President

E: [teresalam@fung1937.com](mailto:teresalam@fung1937.com)

T: (852)2300 2466

Fung Business Intelligence

10/F LiFung Tower

888 Cheung Sha Wan Road

Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)



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## General retail

### NDRC, CAC promotes the development of new digital business models

On 10 April, the National Development and Reform Commission (NDRC) and Cyberspace Administration of China (CAC) together issued an action plan for cultivating the development of a new economy. It targets to nurture digital enterprises, create digital supply chain solutions, and build digital ecosystems. It encourages the development of sharing economy, digital trade and gig economy, while supporting the development of new retail business models, online shopping, contactless delivery services, online medical services, online education, new mobility services, co-employment, remote office solutions, stay-at-home economy and other new business models. Meanwhile, it also aims to remove policy barriers for the development of such new business models<sup>1</sup>.

### Shanghai releases action plan for promoting digital economic development

On 13 April, Shanghai Municipal Government issued the "Action Plan for Promoting Digital Economic Development in Shanghai, 2020-2022". By 2022, it aims to gather over 100 innovative enterprises, launch over 100 online application scenarios and create over 100 brands and services related to the new economy; and develop over 100 key technologies for the digital economy. It will also focus on 12 areas of development, namely, unmanned factories, industrial Internet, remote office solutions, online finance services, online entertainment, virtual exhibition services, fresh food e-commerce, contactless delivery services, new mobility services, online education, online research and design, and online medical services<sup>2</sup>.

## E-commerce

### Number of new merchants joining Taobao Livestreaming increases threefold in March 2020

According to Taobao, its average number of daily active users (DAU) in March 2020 surpassed the peak in December 2019; average number of orders daily increased by 12 million compared with December 2019. In March 2020, the number of orders generated from Taobao Livestreaming increased by over 160% yoy; the number of new merchants joining Taobao Livestreaming increased threefold and the number of livestreaming sessions on Taobao increased by 190% yoy. Content-driven and community-based shopping scenarios play an important role in driving consumption during the COVID-19 outbreak<sup>3</sup>.

### Tmall to incubate 1,000 new brands each with annual sales topping 10 million yuan

On 13 April, Tmall announced that the company will step up the incubation of 1,000 new brands each with annual sales topping 10 million yuan. Meanwhile, some beauty brands on Tmall will also join the platform's new brand incubation initiative; 12 beauty brands including Proya and Johnson & Johnson will form a long-term partnership with Tmall to jointly set up a new base for brand incubation and the R&D of new products. Through leveraging the networks of Taobao app, Alipay and Ele.me, Tmall will also provide local order fulfillment solutions, including one-hour delivery, intra-city delivery, home delivery and other delivery services, to the partnered brands<sup>4</sup>.

### Taobao Special Offer Edition app supports factories focusing on foreign trade to sell in domestic market

In response to the excess inventory of factories focusing on foreign trade due to the epidemic in Europe and the U.S., Taobao Special Offer Edition (literally translated as "Taobao Tejia"), an app for discounted products, released ten measures on 14 April to support these factories to turn their focus to sell in the domestic market. These measures include creating a "green channel" for entry for foreign trade factories selling through the app, launching a special section on the app for foreign trade factories, holding special promotion events monthly for various product categories, directing precise Internet traffic of 1 billion visits to these factories, and giving out subsidies worth 100 million yuan directly to consumers to purchase products from these factories<sup>5</sup>.

### JD Digits upgrades local lifestyle services in campus

Recently, JD Digits upgraded its local lifestyle services app for campus "Li Wo" which targets college students. Li Wo app offers various functions ranging from offering discounts to users, allowing users to earn coupons by answering research questions, voting, and joining discussions, and enabling them to know new friends with similar interests. JD Digits hopes to cultivate shopping habits of college students on the Li Wo app with more usage of JD Pay, while nurturing more potential users for JD.com and JD.com's local lifestyle services and financial services<sup>6</sup>.

### Pinduoduo launches WeChat Mini Program Duoduobiyou to tap high-quality market segments

Pinduoduo has recently launched a new social commerce WeChat Mini Program

"Duoduobiyou". Through the new launch, Pinduoduo aims to position itself as an online marketplace offering high quality and exquisite products, while addressing users' negative perceptions about the company, such as selling counterfeit and substandard products, so as to cash in on the social commerce boom in the country<sup>7</sup>.

### Wangfujing Commercial Street leverages Alibaba to develop online business

On 15 April, brands and shopping malls on Wangfujing Commercial Street in Beijing jointly organized online promotion activities and participated in Taobao's livestreaming shows. Taobao Live assisted merchants in Wangfujing Commercial Street to sell online by helping them to set up online livestreaming studios and provide host training. Alibaba Local Services Company also created a special section featuring Wangfujing merchants on its lifestyle services platform Koubei.com and invited KOLs to do livestreaming shows and other sales activities. In addition, Ele.me, Alibaba's online delivery arm, offered express and free online store opening services for restaurants and catering companies in Wangfujing<sup>8</sup>.

## Logistics

### JD Logistics expands last-mile delivery services to villages

Recently, JD.com and JD Logistics joined hands with 11 courier services providers and e-commerce enterprises to propose the construction of smart logistics and supply chain facilities in lower-tier cities. JD.com aimed to offer last mile delivery services in villages and accelerate the implementation of 24-hour guaranteed delivery services in thousands of counties and towns. JD Logistics

believed that through infrastructure improvement and penetration of logistics services, consumption potential of villages can be unleashed and agricultural commerce can be promoted and upgraded<sup>9</sup>.

## Department stores and shopping malls

### CCAGM: Over 80% of retail enterprises resume business fully

On 13 April, China Commerce Association for General Merchandise (CCAGM) released a survey on the resumption of work rate for retail enterprises. The results showed that the work resumption situation of retail enterprises has been improving, i.e. 81% said they have resumed business fully; 77% recovered half or more of their normal traffic. Sales figures are also picking up as 75% of the surveyed respondents said their sales have grown back to 50% of their normal levels. Because of stricter pandemic control measures, the work resumption rate of retail enterprises in Beijing is lower than the national average<sup>10</sup>.

### Linkshop Retail Research Centre: 26 new commercial projects kick-start operation in 1Q20 nationwide, down 65% yoy

According to Linkshop Retail Research Centre, as of 31 March 2020, 26 new commercial projects (each with gross floor area  $\geq$  20,000 sqm) kick-started operation in 1Q20 nationwide, down 65% yoy and the lowest level over the past five years. The new commercial projects created more than 1.8 million sqm of new floor area in total, or around 70,200 sqm on average by each project<sup>11</sup>.

### Parkson Group closes five underperforming stores and records a 3.9% drop in same store sales in 2019

Department store operator Parkson Group has recently released its financial statement for 2019. According to the statement, Parkson recorded total gross sales proceeds of 14.18 billion yuan, a decline of 6.7% compared to last year. The drop was mainly due to the closure of underperforming stores in 2019 and the decline in same store sales. Total operating revenues of Parkson increased by 3.7% yoy to 5.03 billion; profit from operations increased by 179.3% yoy to 474.5 million; same store sales decreased by 3.9%. Parkson closed five underperforming stores in 2019. The company launched its self-owned fast fashion brand “evry-D” and set up sales counters last year. It will continue to expand the scale of “evry-D” counters in 2020 to enhance its brand influence<sup>12</sup>.

## Supermarkets and hypermarkets

### Walmart China to invest 3 billion yuan in Wuhan over the next five years

On 8 April, Walmart China announced to invest 3 billion yuan over the next five years to expand its presence in Wuhan. Walmart China will open four Sam’s Club membership stores, 15 new shopping malls and more community stores around Wuhan, to better serve the consumers and members in Wuhan<sup>13</sup>.

### JD Supermarket incorporates over 10,000 offline supermarket branches

On 15 April, JD Supermarket announced that its omni-channel business has reached in-depth cooperation with JD Daojia and Dada

Express; over 10,000 offline supermarkets on JD Daojia platform –with nearly 3 million SKUs – will be incorporated into JD Supermarket. Offline stores that have joined this program include branches from Walmart China, Yonghui Superstores, Better Life, Beijing Hualian, etc. Meanwhile, JD Supermarket will introduce over 10,000 "one-hour living circles"; customers living within these "one-hour living circles" can enjoy one-hour delivery service upon placing orders on JD Supermarket<sup>14</sup>.

## Apparel

### Mulsanne Group becomes international distributor for Paul & Shark

GXG's parent company Mulsanne Group has recently announced that it has paired up with Yiyoumi Brand Management (Ningbo) Co., Ltd. to engage in the distribution business of international brands, which include Paul & Shark, an Italian high-end leisure clothing brand founded in 1976. Mulsanne Group currently owns a number of fashion brands including GXG, gxxg.jeans, gxxg.kids, Yatlas and 2XU<sup>15</sup>.

## Luxury sector

### Bulgari to launch on Tmall in May, bolstering its e-commerce push in China

On 13 April, Bulgari, an Italian fine jewelry brand under LVMH Group, and Tmall officially sealed a strategic partnership; under the deal, the brand will launch its store on Tmall in May, offering perfume and cosmetics on the platform. Previously, a number of brands under LVMH Group including Rimowa, Guerlain, Benefit, Givenchy, Zenith, Moët

Hennessy and others have already set up their online stores on Tmall<sup>16</sup>.

## Miscellaneous

### Tsutaya Bookstore to open 1,100 stores in China

On 10 April, Japanese bookstore chain Tsutaya Bookstore announced its expansion plan in China. It plans to set up a regional headquarters in Xuhui District, Shanghai and invest a total amount of 1.4 billion yen. In 2020, it will open Tsutaya Bookstores in Hangzhou and Shanghai. It also plans to have 1,100 stores in China in its medium-term plan<sup>17</sup>.

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