



China Retail & E-commerce

Weekly Updates

17 April 2020 – 23 April 2020

 FUNG BUSINESS INTELLIGENCE
Asia Distribution & Retail

Teresa Lam

Vice President

E: 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



General retail p2

- NBS: Total retail sales of consumer goods drop by 15.8% yoy in March 2020
- MOFCOM: Average daily sales of key monitored retail enterprises in early April up 3.1% from late March
- NBS: Per capita expenditures on clothing drop by 17.8% in 1Q20

E-commerce p2

- Tmall Global aims to bring 1,000 new international brands onboard over the next 12 months
- Pinduoduo invests US\$200 million in GOME; the entire GOME product range to be available on Pinduoduo
- Mogujie retrenches 14% of staff due to the COVID-19 outbreak
- Trustdata: Number of MAU of Taobao tops the apps in terms of growth rate in March
- Suning.com's 2019 operating revenue amounts to 269.2 billion yuan, with net profit down 26.15% yoy
- Tmall Global, Cainiao announce subsidy scheme of 1 billion yuan for overseas merchants
- Jingxi to help 100,000 factories strengthen their C2M capabilities
- QuestMobile: Reliance on mobile Internet deepens amid the COVID-19 outbreak
- Alibaba to nurture 1,000 brand managers for homegrown brands
- Kuaishou drives 620 million yuan transactions in seven livestreaming shows on "Super Brands Day"
- Eburn: Online consumption structure in 1Q20 witnesses significant changes
- Xiaohongshu conducts public testing on livestreaming
- Beidian announces "Super Beidian" project to empower Beidian merchants

Department stores and shopping malls p5

- Printemps Department Store to close its branch in Hongkou, Shanghai

Supermarkets and hypermarkets p5

- Freshippo announces new headquarters in Shanghai's Pudong, comprising production base targeting annual revenue of over 10 billion yuan and Freshippo Villages
- Freshippo launches online flagship store on Tmall
- Suning Carrefour and nine grocers seal fresh food strategic partnership 2020

Convenience stores p6

- JD.com's Friends Shop and Fook convenience store chain enter into community group buying strategic partnership

Apparel p6

- Peacebird's 2019 operating revenue amounts to 7.9 billion yuan, with annual online GMV hitting 4.4 billion yuan

Miscellaneous p7

- Miniso to slash retail price and open 1,200 stores in 2020

General retail

NBS: Total retail sales of consumer goods drop by 15.8% yoy in March 2020

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 2,645.0 billion yuan in March 2020, down nominally by 15.8% yoy (18.1% yoy in real terms). Of which, retail sales of enterprises above a designated size stood at 998.4 billion yuan, down 15.0% yoy. By type of consumption, catering sales amounted to 183.2 billion yuan, dropped by 46.8% yoy. Retail sales of commodities were 2,461.8 billion yuan, down 12.0% yoy. In 1Q20, online retail sales dropped by 0.8% yoy to 2,216.9 billion yuan. Of which, online retail sales of physical goods increased by 5.9% yoy to 1,853.6 billion yuan, accounting for 23.6% of total retail sales. By retail format, retail sales of supermarkets above a designated size increased by 1.9% yoy, while retail sales of department stores, professional stores and specialty stores above a designated size dropped by 34.9% yoy, 24.7% yoy and 28.7% yoy, respectively¹.

MOFCOM: Average daily sales of key monitored retail enterprises in early April up 3.1% from late March

According to the Ministry of Commerce (MOFCOM), in March, sales of 5,000 key monitored retail enterprises nationwide rose 15.8 ppt mom, while in early April, average daily sales of the key retail enterprises grew 3.1% from late March, suggesting that China's consumer market has further picked up its growth momentum².

NBS: Per capita expenditures on clothing drop by 17.8% in 1Q20

According to the data released by the National Bureau of Statistics (NBS), China's per capita disposable income stood at 8,561 yuan in 1Q20, up 0.8% yoy in nominal terms; per capita nominal consumer spending fell 8.2% yoy to 5,082 yuan. Among which, per capita expenditures on clothing dropped by 17.8% yoy to 369 yuan; per capita expenditures on miscellaneous goods and services slumped by 11.4% yoy to 283 yuan³.

E-commerce

Tmall Global aims to bring 1,000 new international brands onboard over the next 12 months

On 16 April, Tmall Global announced a host of measures to help global brands expand their presence in the China market and accelerate the process of setting up online stores on its platform. These measures include further streamlining the set up process for online stores, rolling out an English-language customer-service and self-service registration system for brands, and supporting brands to set up new online storefronts within 30 days. Meanwhile, it will expand its brand-incubation plan to help new brands reach 1 million yuan each in gross merchandise volume in their first 90 days after setting up the online store. Tmall Global aims to bring 1,000 new international brands onboard over the next 12 months⁴.

Pinduoduo invests US\$200 million in GOME; the entire GOME product range to be available on Pinduoduo

On 19 April, Pinduoduo announced that it will subscribe to US\$200 million in convertible bonds issued by household appliance and electronics retailer GOME Retail Holdings Limited for a tenure of three years. If these bonds are converted, Pinduoduo will be

allotted approximately 1.28 billion GOME shares or about 5.6% of its existing issued share capital. Both parties also inked a strategic partnership such that Pinduoduo will help bring the entire GOME product range onto its e-commerce platform. Brands from GOME can also participate in Pinduoduo's "hundreds of billions of sales promotion scheme". In addition, GOME will integrate its logistics, delivery and assembly services, namely Anxun Logistics and Gome Housekeeper, with the Pinduoduo platform and serve merchants on Pinduoduo⁵.

Mogujie retrenches 14% of staff due to COVID-19 outbreak

According to an internal letter sent to employees by Mogujie, about 140 employees, or 14% of its total staff, will be retrenched. This layoff happened against the backdrop of huge loss in 4Q19. Mogujie's financial report showed that the company achieved revenue of 269.5 million yuan in 4Q19; a net loss of 1.635 billion yuan, up 377% yoy. Following the layoff, Mogujie will focus on developing livestreaming e-commerce business and strive to boost its sales conversion rate⁶.

Trustdata: Number of MAU of Taobao tops the apps in terms of growth rate in March

According to domestic research agency Trustdata, the number of monthly active users (MAU) of Taobao increased by 6.35% mom, ranking the first among the top ten apps of the highest MAU. Taobao also has the largest number of MAU among all integrated e-commerce apps, with 700 million MAU and doubling the total number of MAU of the other four players, namely, Pinduoduo, JD.com, Tmall and Suning. Experts said that the rapid growth of Taobao's MAU was attributable to Alibaba's initiatives to support merchants, its promotion activities, and the fast-growing

Taobao Live⁷.

Suning.com's 2019 operating revenue amounts to 269.2 billion yuan, with net profit down 26.15% yoy

Suning.com has recently announced its annual financial report for 2019. According to the report, the company's operating revenue increased by 9.91% yoy to 269.2 billion yuan, while net profit decreased by 26.15% yoy to 9.8 billion yuan. As of the end of December 2019, Suning.com owned 8,216 Internet stores of various types, of which Suning Cloud Store has accelerated expansion into lower-tier cities and scaled up its store network to 4,586 stores. Meanwhile, the company's online GMV also grew steadily to 238.8 billion yuan, of which the GMV of its open platforms rose 37.14% yoy to 80.3 billion yuan⁸.

Tmall Global, Cainiao announce subsidy scheme of 1 billion yuan for overseas merchants

Recently, Tmall Global and Cainiao announced a subsidy scheme for overseas merchants using their import logistics services. To help overseas merchants ride through the COVID-19 pandemic together, Tmall Global and Cainiao will help overseas merchants save 1 billion yuan logistics costs within the year by lowering the costs of processing bonded warehouse shipping by 15%; waiving inventory fees from April to June; and waiving warehousing fees for bonded warehouses in Fuzhou, Chongqing, Zhengzhou and Yiwu. Tmall Global and Cainiao aim to speed up the development of international logistics by 10% within this year by digitalizing the logistics value chain⁹.

Jingxi to help 100,000 factories strengthen their C2M capabilities

On 20 April, Jingxi, JD.com's group buying

platform which focuses on lower-tier cities, announced its upgraded direct-from-factory campaign. By cooperating with factories in various industrial clusters, Jingxi can push forward its C2M strategy, help factories sell in the domestic market, and digitalize operation of factories as well as the industrial. By the end of 1Q20, Jingxi has already set foot in 100 industrial clusters. Going forward, Jingxi aims to enable 100,000 factories to strengthen their C2M capabilities and better serve the consumption needs of lower-tier markets¹⁰.

QuestMobile: Reliance on mobile Internet deepens amid the COVID-19 outbreak

QuestMobile, a big data intelligence services provider, recently released the 1Q20 report on the development of the mobile Internet market in China. It found that people resort to the Internet to satisfy their various needs amid the COVID-19 outbreak. Number of monthly active users (MAU) of mobile Internet in 1Q20 increased by 1.5% yoy – 17 million more users have become MAUs compared to the end of 2019. Average time spent on the mobile Internet also increased by 28.6% yoy, signifying a deeper reliance on this medium. The report also suggested that WeChat Mini Programs have become more popular as people found it convenient to use. Total number of WeChat Mini Programs with over one million MAUs have increased from 1,054 in late 2019 to 1,518 in 1Q20, up 44%; among which 317 have over five million MAUs¹¹.

Alibaba to nurture 1,000 brand managers for homegrown brands

On 22 April, Alibaba announced that it will upgrade its “2020 Plan for New Chinese Brands” by assisting local brands to innovate and accelerate digital transformation in six areas. Specifically, Alibaba’s Tmall Innovation Centre will incubate one new product every day. Alibaba will also nurture 1,000 brand

managers for homegrown brands. Tmall Neo-Culture Creativity Plan will facilitate “cross-sector” cooperation between 1,000 Chinese brands and national and international companies focusing on intellectual property (IP) characters and content creation. In addition, Alibaba’s C2M initiatives will build 1,000 digital industrial zones and “super factories”. Juhuasuan, Alibaba’s platform for flash sales, will help 1,000 new Chinese brands expand and look for new clients. Other measures include facilitating the launch of livestreaming shows on Taobao for established merchants, setting up Tmall Chinese Art Museum and introducing global designers for Chinese brands¹².

Kuaishou drives 620 million yuan transactions in seven livestreaming shows on “Super Brands Day”

On 22 April, short video sharing platform Kuaishou released the results of its seven livestreaming shows on “Super Brands Day”. It facilitated 5.44 million deals with total sales reaching over 620 million yuan; the most popular SKU received 3.45 million sales orders. It is reported that the seven livestreaming shows together attracted 60 million views and the highest view for a single show exceeded 10 million. The “Super Brands Day” is an online marketing initiative developed by Kuaishou to help merchants boost sales by leveraging the capabilities of KOLs, KOCs, and guided shoppers as well as deploying online-to-offline initiatives such as online fashion shows¹³.

Ebrun: Online consumption structure in 1Q20 witnesses significant changes

According to Ebrun’s research unit Ebrun Zhiku, online sales of various product categories witnessed significant changes in 1Q20 due to the COVID-19 pandemic. In the past, apparel and bags, mobile and digital

products and home appliances have always been the most popular categories sold online; but the best-selling categories have shifted to food and beverages, and home products. Online sales for physical goods in March contributed 56.5% to total retail sales growth in the first quarter. Growth of online sales of all categories (except mobile and digital products and home appliances) reached over 20% yoy. Online sales of apparel even increased by 42% yoy in March compared with -8% yoy in January-February. In 1Q20, the growth of online sales was particularly apparent in Western China, with Qinghai, Ningxia, Inner Mongolia, Gansu, and Tibet recorded rapid growth of over 100% yoy¹⁴.

Xiaohongshu conducts public testing on livestreaming

It is reported that social commerce platform Xiaohongshu officially launched its online livestreaming channel on 23 April and conducted public testing on it. Online livestreaming is part of the development plan of Xiaohongshu. The goal is to enhance content and management, and focus on content originality and sales conversion. In addition to launching interactive livestreaming platform, Xiaohongshu will also develop brand cooperation platform and products recommendation platform, with an aim to connect brands and designers, introduce independent creators and creators from multi-channel network (MCN) and facilitate online transactions¹⁵.

Beidian announces "Super Beidian" project to empower Beidian merchants

Beidian, the social commerce platform of Beibei Group, announced a "Super Beidian" project to empower merchants on Beidian with its upgraded supply chain and online store managing services. Beidian will offer higher commissions for merchants which sell high-quality products. Beidian will also provide

various support for merchants in areas including supply chain, product selection, sales and marketing, store management and store operation. Meanwhile, Beidian will also launch a number of sales tools such as Beidian Livestreaming to help merchants generate sales. In the future, Beidian will invest more resources in product sourcing; it aimed to source over 20,000 SKUs of products from 2,000 brands internationally for merchants to sell via Beidian¹⁶.

Department stores and shopping malls

Printemps Department Store to close its branch in Hongkou, Shanghai

Recently, the Hongkou branch of Printemps Department Store in Shanghai published a notice on store closure. It stated that, due to the COVID-19 outbreak, the store will cease to operate on 30 April. Following the closure of the Hongkou branch, there will be eight other Printemps Department Stores in Shanghai. The Hongkou branch of Printemps is the third department store to be shut down by New World Department Store China Limited¹⁷.

Supermarkets and hypermarkets

Freshippo announces new headquarters in Shanghai's Pudong, comprising production base targeting annual revenue of over 10 billion yuan and Freshippo Villages

On 17 April, Freshippo announced that the company will set up a new headquarters in Pudong, Shanghai. Comprising automated

storage and retrieval system, automated warehouse transport and conveyor system, as well as a distribution center combining sorting and processing operations, the new headquarters is expected to kick start operation in 2022 and generate over 10 billion yuan in operating revenue per annum, serving all the Freshippo stores in Shanghai. In addition, Freshippo also plans to set up higher standard “Freshippo Villages” – partnered villages which grow farm products based on Freshippo’s orders; the villages will serve as a new benchmark for the integration between new retail and new agricultural businesses, and a role model for the distribution of farm products nationwide¹⁸.

Freshippo launches online flagship store on Tmall

On 21 April, Freshippo launched its online flagship store on Tmall as part of its key development goal in 2020. Those 700 million consumers on Taobao and Tmall can now order global fresh produce from Freshippo’s flagship store. A large part of the fresh produce comes from Alibaba’s 1,000 digital agricultural bases. Industry analysts said that the flagship store will facilitate integration between Freshippo’s O2O services and digital agriculture, thus improving the business ecosystem¹⁹.

Suning Carrefour and nine grocers seal fresh food strategic partnership 2020

Suning Carrefour, a merger between Suning and Carrefour, has recently entered into a fresh food strategic partnership with nine domestic grocers. Targeting annual sales of 3 billion yuan, the alliance will expand their product offerings to cover various categories, including meat, fruit, vegetable, seafood and dried food items. In addition, considering a spike in demand for fresh food products as more consumers prefer eating at home,

Suning Carrefour has stepped up its focus in fresh food businesses. In 2020, it aims to increase its sourcing volume by sixfold compared to last year. Meanwhile, by leveraging its omnichannel operations, Suning Carrefour will continue to strengthen its home delivery services²⁰.

Convenience stores

JD.com’s Friends Shop and Fook convenience store chain enter into community group buying strategic partnership

Friends Shop, the community group buying business under JD.com’s supermarket chain 7Fresh, has recently sealed a strategic partnership with Fujian-based convenience store chain Fook. It is reported that Friends Shop and Fook have worked together to trial a community group buying project since mid-March. As of today, the project has already covered over 100 Fook stores in around 500 residential communities. In the future, Friends Shop will fully collaborate with Fook in various areas, including fresh food supply chain, omni-channel IT technology solution and digital operations, in a bid to help the convenience store chain embark on omni-channel and digital transformation²¹.

Apparel

Peacebird’s 2019 operating revenue amounts to 7.9 billion yuan, with annual online GMV hitting 4.4 billion yuan

On 20 April, Chinese apparel firm Peacebird announced its financial report for 2019. During the reporting period, the company racked up 7.9 billion yuan in operating revenue, up 2.8% yoy, while net income attributable to

shareholders of the company was 552 million yuan. The company stated that it has leveraged smart technologies including big data and artificial intelligence to optimize its product lifecycle management and consumer demand forecasting and other areas, with a view to ensuring agile product management. In 2019, the total value of Peacebird's unsold inventory reduced by 5.08% yoy, marking a decrease in the value of unsold inventory for three consecutive years²².

Miscellaneous

Miniso to slash retail price and open 1,200 stores in 2020

Recently, discount retailer and variety store chain Miniso revealed that it will cap the price of 95% of its products within 29 yuan and reduce the price of its newly developed products by 20% to 30%. In addition, it has upwardly revised its global store opening plans for 2020 – from opening 600 new stores to 1,200 stores²³.

References

- ¹ “NBS: Total retail sales of consumer goods drop by 15.8% yoy in March 2020”, 17 April 2020. NBS.
http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417_1739331.html (in Chinese only)
- ² “MOFCOM: Average daily sales of key monitored retail enterprises in early April up 3.1% from late March”, 16 April 2020. MOFCOM.
<http://www.mofcom.gov.cn/xwfbh/20200416.shtml> (in Chinese only)
- ³ “NBS: Per capita expenditures on clothing dropped by 17.8% in 1Q20”, 17 April 2020. National Bureau of Statistics.
http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417_1739334.html (in Chinese only)
- ⁴ “Tmall Global aims to bring 1,000 new international brands onboard over the next 12 months”, 17 April 2020. Alibaba News.
<https://www.alibabanews.com/天貓國際擬未來一年引入1000新品牌/> (in Chinese only)
- ⁵ “Pinduoduo invests US\$200 million in GOME; the entire GOME product range to be available on Pinduoduo”, 19 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445875.shtml> (in Chinese only)
- ⁶ “Mogujie retrenches 14% of staff due to COVID-19 outbreak”, 19 April 2020. ebrun.
<http://www.ebrun.com/20200419/382725.shtml> (in Chinese only)
- ⁷ “Trustdata: Number of MAU of Taobao tops the apps in terms of growth rate in March”, 17 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445812.shtml> (in Chinese only)
- ⁸ “Suning.com’s 2019 operating revenue amounts to 269.2 billion yuan, with net profit down 26.15% yoy”, 18 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445832.shtml> (in Chinese only)
- ⁹ “Tmall Global, Cainiao announce subsidy scheme of 1 billion yuan for overseas merchants”, 21 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445993.shtml> (in Chinese only)
- ¹⁰ “Jingxi to help 100,000 factories strengthen their C2M capabilities”, 21 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445977.shtml> (in Chinese only)
- ¹¹ “QuestMobile: Reliance on mobile Internet deepens amid the COVID-19 outbreak”, 21 April 2020. ebrun.
http://www.ebrun.com/20200421/382994.shtml?eb=hp_home_lcol_tt6 (in Chinese only)
- ¹² “Alibaba to nurture 1,000 brand managers for homegrown brands”, 22 April 2020. ebrun.
http://www.ebrun.com/20200422/383170.shtml?eb=hp_home_lcol_ls1 (in Chinese only)
- ¹³ “Kuaishou drives 620 million yuan transactions in seven livestreaming shows on “Super Brands Day””, 22 April 2020. Beijing Business Today.
<http://www.bbtnews.com.cn/2020/0422/350413.shtml> (in Chinese only)
- ¹⁴ “Ebrun: Online consumption structure in 1Q20 witnesses significant changes”, 21 April 2020. Ebrun.
<http://www.ebrun.com/20200421/383071.shtml> (in Chinese only)
- ¹⁵ “Xiaohongshu conducts public testing on livestreaming”, 23 April 2020. Beijing Business Today.
<http://www.bbtnews.com.cn/2020/0423/350631.shtml> (in Chinese only)
- ¹⁶ “Beidian announces “Super Beidian” project to empower Beidian merchants”, 23 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446139.shtml> (in Chinese only)
- ¹⁷ “Printemps Department Store to close its branch in Hongkou, Shanghai”, 22 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446059.shtml> (in Chinese only)
- ¹⁸ “Freshippo announces new headquarters in Shanghai’s Pudong, comprising production base targeting annual revenue of over 10 billion yuan and Freshippo Villages”, 17 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445804.shtml> (in Chinese only)
- ¹⁹ “Freshippo launches online flagship store on Tmall”, 21 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445996.shtml> (in Chinese only)
- ²⁰ “Suning Carrefour and nine grocers seal fresh food strategic partnership 2020”, 22 April 2020. Longsok.
<https://www.longsok.com/dt/2020/0422/56099.html> (in Chinese only)
- ²¹ “JD.com’s Friends Shop and Fook convenience store chain enter into community group buying strategic partnership”, 21 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/446026.shtml> (in Chinese only)
- ²² “Peacebird’s 2019 operating revenue amounts to 7.9 billion yuan, with annual online GMV hitting 4.4 billion yuan”, 20 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445960.shtml> (in Chinese only)
- ²³ “Miniso to slash retail price and open 1,200 stores in 2020”, 16 April 2020. Linkshop.
<http://www.linkshop.com.cn/web/archives/2020/445762.shtml> (in Chinese only)

Fung Business Intelligence

Fung Business Intelligence collects, analyzes and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

