



China Retail & E-commerce

Weekly Updates

20 March 2020 – 26 March 2020

 FUNG BUSINESS INTELLIGENCE

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General retail

Beijing launches funding support for 11 areas in the commercial sector; funding ceiling for each area is 5 million yuan

On 25 March, the Beijing Municipal Commission of Commerce issued a notice regarding the application for 2020 commercial circulation development project fund. The Commission aims to bolster the development of the commercial sector in 11 areas: standardized development of chain store and franchise business; establishment of “Internet + circulation” innovative demonstration projects; promotion of modern trade and logistics business; setting up of public services platforms for headquarters; development of traceability projects for meat and vegetables; development of first store for brands; upgrading and transformation of traditional malls; installation of barrier free facilities; reduction of energy consumption; and development of wholesale market for agricultural products. Each area is entitled to a maximum of 5 million yuan of funding support¹.

Jiangsu province to promote return of goods purchased offline for no reason

On 25 March, Jiangsu Provincial Administration for Market Regulation announced the launch of an initiative to promote the return of goods purchased offline for no reason in Jiangsu, in order to improve the integrity of merchants and consumption environment. Currently, there are 8,505 retailers and merchants taking part in this initiative, covering shopping malls, supermarkets and other retailers. Any enterprise that operates offline retail business in Jiangsu Province can participate in the initiative².

E-commerce

Tmall Global conducts product testing and inspection at its Ningbo warehouse

On 19 March, Tmall Global and the Ningbo Customs jointly launched a project to test product samples at Tmall’s bonded warehouse in Ningbo. A separate zone has been set up inside the warehouse. Under the full supervision and management of the Ningbo Customs, product samples from all bonded goods are selected and passed to third parties for testing and inspection. This project was pioneered by Tmall Global and the Customs of Hangzhou Qianjiang in March 2019, aiming to improve product quality supervision of cross-border e-commerce. In the past year, such product testing and inspection covered over 10,000 pieces of goods from 160 categories; over 2,700 pieces were tested and inspected³.

Viya ranks the top in terms of transaction value generated in Taobao Live Shopping Festival

Taobao announced the transaction data of its Taobao Live Shopping Festival held on 21 March. In terms of transaction value generated, Viya and Austin Lee ranked the top among KOLs; while Suning Tmall flagship store and Huawei Tmall flagship store ranked the top among merchants⁴.

Mogujie’s “321 Live Streaming Shopping Festival” records 299% growth in average daily GMV

On 24 March, Mogujie announced the sales performance of its “321 Live Streaming Shopping Festival”. During the shopping festival, the company’s average daily GMV surged 299%, while the number of average daily users also increased sharply by 158%, with daily average turnover volume even

jumping 296%. Through adopting a producers-to-KOLs-to-consumers (P2K2C) business model in the festival, Mogujie was able to offer supply chain management services to the hosts on its platform, allowing them to focus on selecting and marketing products, and recommending products to their fans on behalf of merchants⁵.

Taobao Tejia app to consolidate B2B resources for unlabeled goods

It is reported that Taobao Tejia, an e-commerce app for discounted products, is going to revamp and recruit more suppliers directly from manufacturers or industrial zones. To reduce its reliance on existing Taobao merchants and offer more unlabeled goods, Taobao Tejia will recruit former merchants from Tian Tian Te Mai that provided customized products and those from 1688.com, a B2B sourcing platform of Alibaba⁶.

Yunji's total revenue reaches 11.672 billion yuan in 2019

On 24 March, Yunji Inc. announced its unaudited financial results for 4Q19 and FY19. In FY19, GMV reached 35.2 billion yuan; total revenues were 11.672 billion yuan. Adjusted net income was 4.4 million yuan, compared with the adjusted net loss of 2.0 million yuan in FY18. Total number of transacting members in the twelve months ended 31 December, 2019 increased by 57.4% yoy to 9.6 million. Yunji expected its operating costs to further reduce with the gradual expansion of its marketplace and improvement of its operating model⁷.

Sina Weibo invests in online KOL e-commerce service platform "Pinliang"

It is reported that Sina Weibo has recently acquired a 5% stake in online KOL e-

commerce service platform "Pinliang". Founded in 2017, Pinliang is a S2B2C (supplier to business to consumers) e-commerce platform that provides traffic conversion services for KOLs on Taobao, Douyin, Kuaishou, Weibo, etc. It has signed up with 97,000 KOLs, 600 MCN (multi-channel network) service providers or associations and 7,000 brands. Once Pinliang on-boards a KOL, it will recommend and supply products for the KOL according to his/her attributes, characteristics of fans and other relevant information⁸.

WeChat plans to bring Mini Program livestreaming to WeChat Moments

It is reported that WeChat Ad is testing a new format that allows merchants to bring Mini Program livestreaming to multiple advertising spaces including Moments, Official Accounts and Mini Programs. Analysts believe that this new format not only can enable merchants to leverage users' private connection to boost traffic, but can also reach out to more potential consumers by advertising with WeChat Ads⁹.

Guangzhou aims to become livestreaming e-commerce capital of China, planning to incubate 1,000 KOL/online celebrity brands

Guangzhou Municipal Commerce Bureau has recently announced the "Guangzhou Livestreaming E-commerce Development Plan 2020-2022", setting out 16 policies and measures to promote the development of livestreaming e-commerce (or live commerce) and innovative business models in the city. The Plan predicted that in 2022, Guangzhou will become the livestreaming e-commerce capital of China through setting up a batch of livestreaming e-commerce industry clusters, fostering the development of 10 livestreaming institutes that can serve as a role model and 100 influential MNC (multi-channel network)

service providers, and incubating 1,000 KOL/online celebrity brands and 10,000 live commerce influencers¹⁰.

Department stores and shopping malls

Rainbow Department Store's revenue reaches 19.393 billion yuan in 2019; online sales up 42% yoy

On 19 March, Rainbow Department Store released its financial report for 2019. Its revenue reached 19.393 billion yuan, up 1.33% yoy; net profit attributable to shareholders of listed company was 859 million yuan, down 4.98% yoy. As of end-2019, Rainbow Department Store has around 23.55 million digital members, and the sales contributed by digital membership accounted for 73.6% of the total sales. Online sales of Rainbow Department Store in 2019 increased by 42% yoy. Rainbow Department Store accelerated the expansion of its shopping mall business in 2019; it opened 11 new shopping malls and operated a total of 24 shopping malls as of end-2019¹¹.

Supermarkets and hypermarkets

Yonghui Superstores to merge its O2O lifestyle service platforms; Yonghui Maicai to shut down by the end of March

Yonghui Superstores is reportedly merging its two O2O lifestyle service platforms - Yonghui Maicai launched by Yonghui Superstores, and Yonghui Life Daojia platform launched by Yonghui Yunchang. Yonghui Maicai may shut down by the end of March. The integration of the two platforms can save costs as it reduces

the overlapping of business; meanwhile, the COVID-19 outbreak has also accelerated the need for the integration. Yonghui Maicai was launched in October 2019 and has been operated for less than a year¹².

Watsons China posts first comparable store sales growth in five years

On 19 March, CK Hutchison Holdings Ltd., the parent company of Watsons, announced its financial report for the year ended 31 December 2019. According to the report, Watsons China generated 22.5 billion yuan in sales in 2019, up 3% yoy. Watsons China's comparable store sales growth increased by 2% yoy in 2019; taking into account loyalty members' sales generated by new stores, it is worth noting that comparable stores sales rose 5.5% yoy in 2019, marking the first time that Watsons China's comparable sales growth has turned positive after posting four straight years of negative growth and suggesting the company's digital transformation initiatives underway have paid off¹³.

Dingdong Maicai to tap Beijing market

Fresh food e-commerce platform Dingdong Maicai is reportedly tapping the Beijing market. Launched in May 2017, Dingdong Maicai enables customers to order fresh food via its mobile app; the orders will then be delivered from its store-front warehouses within 29 minutes. As of end-2019, Dingdong Maicai has set up 550 store-front warehouses in 6 cities including Shanghai, Hangzhou, Ningbo, Suzhou, Wuxi and Shenzhen¹⁴.

Sales of Walmart private label products grow 40% yoy

On 26 March, Walmart announced that it has recorded 40% yoy growth in the sales of private label products since January 2020.

Sales growth of its self-branded rice, noodles, flour, vegetables, etc. even hit 60% yoy. Currently, the company is rapidly developing private label products for the China market, with total SKUs reaching nearly 4,000. Previously, Walmart announced on its official WeChat account that it will open a Sam's Club flagship store in Shanghai by 2021¹⁵.

Apparel

JNBY Group's revenue reaches 2.136 billion yuan for the six months ended 31 December, 2019, up 5.3% yoy

On 21 March, JNBY Group released its interim report for the six months ended 31 December, 2019. During the period, its total revenue reached 2.136 billion yuan, up 5.3% yoy. The increase in the revenue was mainly attributable to the upgrading of the company's retail network and the continuous growth of its revenue from online channels. However, certain brands recorded unsatisfactory performance due to overall weather conditions. The total number of its standalone retail stores globally decreased from 2,018 as of end of June 2019 to 1,993 as of end of December 2019¹⁶.

Sports

Anta's 2019 operating revenue hits 33.9 billion yuan, continuing robust growth for six years straight

On 24 March, Anta Sports Products Ltd. announced its financial report for the year ended 31 December, 2019. According to the report, in 2019, the company's operating revenue surged 40.8% yoy to 33.9 billion yuan; profit attributable to equity shareholders jumped 30.3% yoy to 5.3 billion yuan,

suggesting that the company continued robust growth for six consecutive years. The company's revenue was mainly generated from its core brand Anta, which accounted for 51.4% of the overall revenue, while another major brand Fila also racked up 14.7 billion yuan in revenue, up 73.9% yoy; the growth was mainly attributed to a broader market recognition built by Fila brand and its products¹⁷.

Nike's 3Q20 Greater China revenue sees rare decline of 5% yoy, impacted by temporary store closures in late January

Recently, Nike Inc. announced the fiscal 2020 financial results for its third quarter ended 29 February 2020. As most of its stores were forced to shutter temporarily in late January amid the COVID-19 outbreak, the company's Greater China revenue for 3Q20 posted a rare decline of 5% yoy to US\$1.5 billion, compared with a surge of 24% yoy for the same period last year and a growth of 12% yoy to US\$5 billion for the first nine months of fiscal 2020. However, a Nike spokesperson expressed that following the adoption of digital sales initiatives by its Greater China team, local consumers have shifted online through Nike app; such move has triggered a spike in the company's local e-commerce sales, which soared up by 30% yoy and boosted Nike's overall e-commerce sales growth by 36% yoy¹⁸.

Luxury sector

Qudian Group launches luxury shopping website Wanlimu

Qudian Group, a Chinese fintech company listed on the NYSE, has recently launched its luxury online shopping website "Wanlimu", mainly offering cosmetics, ready-to-wear

items, bags and accessories from 38 well-known luxury brands including Gucci, Burberry, Louis Vuitton, La Mer and so on. According to the company, Wanlimu is a self-operated platform; products on the platform are directly sourced by the company's overseas buyer teams and are 100% authentic. The platform also teams up with China Certification and Inspection Group in product quality inspections and promises to pay ten times the listed price for any counterfeit sold by the platform¹⁹.

Giorgio Armani, Alexander Wang unveil online stores on Tmall

On 20 March, Italian luxury fashion brand Giorgio Armani officially launched its online stores on Tmall and Tmall's Luxury Pavilion, while another luxury designer brand Alexander Wang has also unveiled its online flagship store on Tmall recently, marking the brand's first online flagship store opened on a Chinese e-commerce platform. During the COVID-19 outbreak, which has led to massive temporary store closures by brands and retailers worldwide, over 12,000 brands and retailers have expanded their online presence by launching on Tmall²⁰.

US affordable luxury brand Kate Spade opens flagship store on Tmall

On 22 March, Kate Spade, a brand under U.S. affordable luxury group Tapestry, opened a store on Tmall. It is the third brand from Tapestry that has opened a flagship store on the platform. The other two are Coach and Stuart Weitzman²¹.

Ruder Finn, Consumer Search Group: Consumers' appetite for luxury items weakens

On 21 March, Ruder Finn and Consumer Search Group jointly released the 2020 China

Luxury Forecast Report amid the COVID-19 outbreak. According to the report, the percentage of consumers expecting to spend more on luxury items during the next 12 months fell 8 pts compared with three months ago, with merely 6% of respondents saying they will spend more on luxury items during the next 12 months, while the percentage of those polled expecting to cut their luxury spending rose from 10% to 19%, nearly double in ppt growth. The report also showed that there has been a distinct increase in the number of consumers from different age groups planning to spend less on luxury items, of which 23% of respondents aged 36-45 planning to cut their luxury spending, the highest percentage among all age groups, showing that consumer confidence of survey consumers has further weakened²².

WeChat Ad: Ad placement in luxury industry surges over 90% per annum in the past five years

WeChat Ad revealed recently that, in the past five years, ad placement in the luxury industry has increased over 90% per annum. Performance-based advertising has increased by 80% and the usage of smart ad optimization tools has increased fivefold. These ads mainly served to direct traffic to brands' official websites/ e-commerce platforms and boost the number of fans for their WeChat accounts. WeChat Ad also found that Mini Programs have become a crucial social media marketing and sales channel. As of the end of 2019, over 90% of major luxury brands had set up their own Mini Programs to promote online sales and services as well as manage their members²³.

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