China Retail & E-commerce

Weekly Updates

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General retail

CNCIC: Number of online shoppers increase rapidly in tier-3 and below cities

Recently, China National Commercial Information Center (CNCIC) released a report saying that the growth of China's apparel market slowed down in 2019. Apparel sales of large retail enterprises in 2019 were lower than that in 2018 with a cumulative drop of 3.3% yoy. However, sales of kidswear, sportswear and down jackets were relatively better. The report also found that, with improved e-commerce infrastructure, more innovative online business models and enhanced logistics services, consumers in tier-3 and below cities are getting more used to buying clothes online[1].

JD Big Data: Book, fitness, work-related consumption among young people shows rapid growth

On 5 May, JD Big Data Research Institute released data on young people consumption in 2020. The data suggests that book, fitness and work-related category consumption among young people shows rapid growth, with young people most willing to spend on consumer electronics and gaming products. From January to April 2020, among the post-95 generation consumers, consumption of gaming products surged 270% yoy, while consumption of computers, smartphones and gaming accessories also increased by 35% yoy, 30% yoy and 40% yoy respectively[2].

Alipay reports consumption growth in 29 provinces during Labor Day holiday

Recent figures released by Alipay showed a growth in consumer spending in 29 provinces during Labor Day holiday. Among which, Inner Mongolia, Xinjiang and Qinghai reported over 60% yoy growth. Consumption vouchers have effectively driven spending in the western and north eastern parts of China. Of all provincial capitals and municipalities, consumption spending in Urumqi, Changchun, Xining grew at the highest pace. Among the ten cities with the highest growth rates, seven distributed Alipay consumption vouchers. Compared to the Labor Day holiday in 2019, 90% of night economic activities resumed; consumer spending also went up by 20% yoy[3].

100 enterprises from Beijing report 5.9% yoy drop in sales during Labor Day holiday

On 5 May, data from Beijing Municipal Bureau of Commerce showed that 100 Beijing enterprises made 3.96 billion yuan of sales in total during Labor Day holiday, down 5.9% yoy. Local shopping malls organized various sales promotion activities, including distribution of electronic consumption vouchers and flash sale to collect consumer information for precise marketing planning. They also explored different means to boost traffic. With all these efforts, both visitor traffic and sales have recovered, reaching 50% and 60% to 90% respectively of the levels in the same period last year[4].

E-commerce

JD.com may file for secondary listing in Hong Kong

According to media reports, Nasdaq-listed JD.com has lodged a confidential filing with the Hong Kong stock exchange and is seeking a secondary listing in Hong Kong as early as in June 2020. It is reported that JD.com is following in the footsteps of peer Alibaba Group Holding, which completed its secondary listing in Hong Kong in November 2019. JD.com would offer up to 5% of its shares and raise US$3.35 billion (approx. HK$26 billion) through the listing. It is said that the company has chosen UBS, Bank of America and CLSA to advise it on the listing. JD.com declined to comment on the matter[5].

Suning.com's total revenue amounts to 57.839 billion yuan in 1Q20, down 7.07% yoy

On 30 April, Suning.com released its 1Q20 financial results. In 1Q20, Suning.com's total revenue was 57.839 billion yuan, down 7.07% yoy; net loss attributable to shareholders of listed companies was 551 million yuan, compared with a net profit of 136 million yuan in the same period last year, down 505.45% yoy. GMV transacted on Suning.com was 61.040 billion yuan, up 12.78% yoy. According to Suning.com, sales of home appliances and consumer electronics during the COVID-19 outbreak were much affected, yet sales of FMCG, daily necessities, maternity and baby products, food and beverage increased rapidly in 1Q20[6].

Tencent launches new group buying platform "Xiao'e Pinpin" to benchmark against Pinduoduo

Recently, Tencent has launched a new group buying platform known as "Xiao'e Pinpin" in the form of WeChat Mini Program and official account. Developed by Shenzhen Tencent Computer System Co., Ltd, Xiao'e Pinpin offers similar shopping model as group buying e-commerce platform Pinduoduo. Products listed on Xiao'e Pinpin Mini Program are provided by merchants, and all pre-sales and after-sales services are provided by merchants and their designated services providers chosen by customers. Tencent is not involved in the business operation of any third-parties. It is reported that Xiao'e Pinpin is another attempt by Tencent to develop social commerce business[7].

Taobao runs 10,000 livestreaming shows to boost Shanghai's "5.5 Shopping Festival"

Recently, livestreaming program hosts on Taobao have run 10,000 shows non-stop in support of the "5.5 Shopping Festival" in Shanghai. In addition to livestreaming shows on Taobao, Freshippo, NetEase Kaola, Juhuasuan, Ele.me, Tmall Supermarket and other businesses of the Alibaba Group announced that it will offer 2 billion yuan worth of vouchers to boost domestic consumption. The 5.5 Shopping Festival is a massive consumption-boosting campaign organized by the Shanghai municipal government. Instituted on 4 May, the event will run through the entirety of 2Q20, and straddle key holidays such as Labor Day, Children's Day and the Dragon Boat Festival. E-commerce platforms, enterprises, brands and retailers from Shanghai will participate in the event[8].

State Council approves the establishment of CBEC comprehensive pilot zones in 46 cities

On 6 May, the State Council approved the establishment of cross-border e-commerce (CBEC) comprehensive pilot zones in 46 cities, including Xiongan New Area, Datong City, Manzhouli, Yingkou, Panjin, Jilin and Heihe. Together with the previously established 59 CBEC comprehensive pilot zones, there are totally 105 CBEC comprehensive pilot zones in China now, covering 30 provinces, autonomous regions and municipalities. The State Council will replicate the operating model of the existing CBEC comprehensive pilot zones, promote industrial transformation and upgrading, strengthen brand building, encourage innovation and development in CBEC business, and support high-quality development of international trade in these CBEC comprehensive pilot zones[9].

Yunji's net loss down by 121% yoy, recording a net loss for four consecutive years

Recently, Yunji filed its first Annual Report after listed on NASDAQ. Yunji's total revenue in 2019 was 11.67 billion yuan, down 10.3% yoy; net loss was 124 million yuan, down 121% yoy. Yunji recorded a net loss for four consecutive years. Revenue growth in 1-3Q19 decreased by 10.1% yoy, and it further dropped to 45.15% yoy in 4Q19. According to Yunji, the growth decline was attributable to the sluggish performance of its core membership program, and its own strategic adjustments[10].

Logistics

SF Express announces to buy competitor China Post

On 5 May, SF Express announced to buy state-owned postal service company China Post. Upon completion of the deal, the main operating entity of China Post will become a full subsidiary of SF Express' Shenzhen Hive Box Technology Co., Ltd. Entered into service in September 2012, China Post currently covers 79 cities, including all tier-1 cities, and maintains 94,000 locker units across China. The acquisition will help Hive Box boost its market share to 65% in the locker system market. It will become the dominant player with full coverage across all tiers of cities[11].

SPB: Mail volume of express delivery services sector exceeds one billion pieces during Labor Day holiday

Data from the State Post Bureau of China (SPB) showed that China's express delivery services sector collected 1.1 billion and delivered 1.04 billion pieces of mail during Labor Day holiday, up 41.8% yoy and 38.93% yoy respectively. The postal industry has recovered from the setback in January and is growing at a high rate of 30% or above[12].

Supermarkets and hypermarkets

13 major supermarket operators altogether open 73 new stores in 1Q20, notable decline in new store openings

According to incomplete statistics released by Linkshop Retail Research Centre, 13 major supermarket operators together opened at least 73 new stores in 1Q20. Among the new store openings, China Resources Vanguard took the lead by adding 31 new stores in 1Q20; Yonghui Superstores came in second by opening 16 new stores; Better Life hyper-mart and Qinghai Xinhua Department Store ranked third with seven new stores respectively, while the remaining nine supermarket operators each launched less than 10 new stores in 1Q20 respectively. Impacted by the COVID-19 pandemic, supermarket operators have postponed their store expansion plans, resulting in a notable decline in new store openings in 1Q20 compared with the same period last year[13].

Freshippo withdraws from Fuzhou market by closing the last two branches in Fuzhou

Recently, Fuzhou Freshippo announced that it will terminate the operation of the last two stores in Fuzhou from 7 May. Fuzhou Freshippo was launched by the joint venture of New Huadu and Alibaba in 2017, yet the development potential is not realized. Alibaba later repurchased the joint venture with 100 million yuan and gained the full control of all Fuzhou Freshippo stores. It is said that the decision to withdraw from Fuzhou is because of the fierce competition of retail industry in the city[14].

Convenience Stores

MOFCOM further encourages development of chained convenience stores

On 30 April, the General Office of Ministry of Commerce (MOFCOM) issued the "Notice on Accelerating the Development of Chained Convenience Stores", stating that all local governments should help convenience stores resume business under strict implementation of infection prevention control measures during the COVID-19 outbreak. Meanwhile, it also encourages the adoption of emerging business models such as online and offline integration, community group buying, and contactless delivery, in order to ensure residents can purchase daily necessities, rejuvenate community consumption, and further increase urban consumption[15].

Apparel

HLA's 1Q20 net profit down 75.59% yoy

On 28 April, HLA announced its financial report for 1Q20. Due to the outbreak of COVID-19, the company posted a sharp fall in both revenue and net profit. In 1Q20, the company generated 3.84 billion yuan in revenue, down 36.8% yoy, while its net profit plunged 75.59% yoy to 295 million yuan. Considering that the entire industry primarily focuses on clearance of obsolete inventory amid the pandemic, HLA has shifted the focus of its operating strategy from expansion to cash flow management, implying that the company will reduce resources for developing new brands this year[16].

U.S. streetwear brand Supreme secures its trademark in China

U.S. streetwear brand Supreme has successfully registered its trademark in China. It is reported that after Supreme U.S. took legal action against its copied brand Supreme Italia in 2019, the two registered trademarks of Supreme Italia have been revoked by the China Trade Mark Office. According to U.S. digital marketing firm SEMRush, Supreme has been the most searched fake and replica clothing brand for three straight years. Industry experts note that Supreme's success with its trademark registration will further solidify the position of its brand globally[17].

Luxury sector

Secoo holds 200-plus livestreaming events for international brands every day to promote "Brand and Quality Online Shopping Festival"

Luxury e-commerce platform Secoo has recently collaborated with 13 international brands, including Prada, Versace, Ferragamo, Tods, Roger Vivier, Armani and others to participate in the "Brand and Quality Online Shopping Festival ". During the festival, running from 28 April to 10 May, the platform launched sales promotions for different international brands every day and offered two-hour intra-city delivery services in selected cities. In addition, Secoo has also paired up with China Fashion Week to livestream fashion shows while selling their products online; the platform hosted over 200 livestreaming events each day during the festival[18].

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