China Retail & E-commerce

Weekly Updates

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Retail in general

CNCIC: Total retail sales of China's 100 key large-scale retail enterprises down 0.3% yoy between January and November 2019

According to the statistics from the China National Commerce Information Center (CNCIC), the retail sales of the 100 key large-scale retail enterprises dropped by 0.3% yoy between January and November 2019, which remained largely unchanged from the period between January and October 2019. Compared to the previous ten months, the decline in retail sales of clothes, jewelries and home electronic appliances was narrowed; while retail sales of oil crops and food products, daily utilities and cosmetics continued to grow[1].

SIC: Total retail sales of consumer goods in 2020 to reach 8.0% yoy

According to a report released by State Information Center (SIC) on 6 January, it is expected that the economic growth in 2020 would be steady; total retail sales of consumer goods is forecasted to reach 8.0% yoy in 2020. The government will continue to work on promoting employment, help reduce debts of companies, strengthen social security measures, regulate the development of the services industry, and promote the steady growth of the consumer market[2].

E-commerce

JD.com-backed social e-commerce platform "FenXiang" completes multimillion-yuan funding round

By the end of 2019, JD.com-backed social e-commerce platform "FenXiang" completed a new multimillion-yuan funding round led by GSR Ventures and joined by Star VC. This is the third funding round completed by FenXiang in 2019. According to FenXiang's official website, founded by former JD.com's mobile e-commerce unit head Deng Zhengping, FenXiang is a money-saving shopping platform only offering JD.com's products; users can obtain shopping coupons from the platform or get rebates from it after making purchases. FenXiang runs a S2b2C model that leverages resources of merchants and JD.com's supply chain. Its members, i.e. various small businesses, will share products on the platform to users. FenXiang's revenues are generated from commission fees and merchants' services fees[3].

Xinhuanet and Xiaohongshu: Homegrown brands are increasingly favored by post-95 generation

On 6 January, news agency Xinhuanet and social commerce platform Xiaohongshu jointly published a report to analyze the lifestyle and consumption belief of the Generation Z or the post-95 generation based on data and their behavior on Xiaohongshu. The report showed that this group of consumers prefer high quality and reasonably priced products. Homegrown brands are increasingly favored by them, as reflected in the increases in number of new product release and searches of Chinese brands on Xiaohongshu. Niche products such as ancient Chinese clothing and blind box collectibles are gaining popularity among this generation[4].

Online outlet Beichang rolls out plans to incubate one million shopkeepers

On 4 January, Beichang, an online outlet for brands, rolled out a plan to groom a hundred merchandisers each with an income of over one million yuan by end of 2020 ("Weishang", or micro-retailers). Launched by Beibei Group,

Beichang is a S2B2C (supply to business to customer model) platform offering tools, community management and post-sales services to individual merchandisers when they launch their online shops. It also provides online merchandisers with single-item delivery, 7-day refund without reason, authenticity guaranteed and other services. For merchandisers who operated offline stores, Beichang will provide 45-day worry-free refund services[5].

Douyin's DAU exceeds 400 million

On 6 January, Douyin announced its number of daily active user (DAU) in January 2020 reached 400 million, up from 250 million in January 2019. Douyin also summarized the favorite content that different age groups like to shoot and watch – post-60s like to shoot dance videos and watch wedding-related videos; post-70s like to shoot food-related videos and watch handcraft videos; post-80s like to shoot videos with children and watch landscape videos; post-90s like to shoot landscape videos and watch videos of store visits; post-00s like to shoot ACG-related videos and watch pet videos[6].

Mogujie to boost livestreaming transactions with three new livestreaming channels

Mogujie has recently announced the sales rank on its platform in 2019. According to the company, livestreaming has become a major sales channel on the platform; livestreaming transactions of down clothing and home textile items surged by 198% yoy and 270% yoy respectively last year, with female shoppers showing stronger spending power. Considering the robust livestreaming transactions, Mogujie plans to pair up with 3rd party broadcast companies/ livestreaming teams to offer new livestreaming services. The new livestreaming business will have three major livestreaming channels respectively hosted by popular influencers, brands and merchants, while Mogujie will also provide support to the hosts of the three channels to help them differentiate and strengthen their brand identity[7].

Xiaohongshu handles 4.44 million fake reviews in 2019

On 7 January, Xiaohongshu's Anti-cheating Center released figures on fraudulent activities including fake reviews, view counts and user accounts. In 2019, the company handled a total of 4.44 million fake reviews, canceled 21.28 million of suspicious accounts and blocked 1.4 billion incidents of cheating activities. Xiaohongshu explained that since 2019, the company has been working closely with the Shanghai Public Security Bureau in combating fraudulent commercial activities. Using smart algorithms and precise tracking system, it has reported and dismantled a dozen of Internet service sites of fraudulent businesses[8].

MOFCOM announces first batch of digital commerce companies, with 60 domestic companies on the list including Alibaba, Meituan

The Ministry of Commerce (MOFCOM) has recently announced the first batch of digital commerce companies in the country; 60 domestic companies are qualified for the list, including e-commerce giants Alibaba, JD.com, Xiaomi, Pinduoduo and Suning.com, as well as Internet companies Meituan, NetEase and Ctrip. It is reported that the list was compiled by the MOFCOM in an effort to drive digital transformation, optimize resource allocation and improve operational quality and efficiency in the industry; the companies on the list were selected based on recommendations and reviews by experts nationwide[9].

JD.com launches home channel to develop business in home improvement

On 7 January, JD.com launched "JD Home" channel to offer home improvement solutions for customers. Employing real-time smart design software, online designer platforms, scene-based augmented reality (AR) shopper's guide, precise matching and recommendation, as well as social marketing, JD.com aims to build a new ecosystem for home-décor e-commerce business[10].

Tencent Mini-Program records 800 billion yuan of transactions in 2019; aims to create a closed business loop for merchants in 2020

On 9 January, Tencent revealed that total number of active users of its Mini-Program hit 300 million in 2019. The average number of Mini Programs used per person had doubled and a total amount of 800 billion yuan was transacted via all Tencent Mini Programs in 2019, up 160% yoy. The growth was particularly obvious for e-commerce operators. Tencent aims to create a closed business loop for merchants in 2020[11].

Community fresh produce platform Nice Tuan raises USD 88.3 million in the latest round of financing

Recently, community fresh produce platform Nice Tuan announced that it has successfully completed the latest round of financing and raised USD 88.3 million. Its investors include Joy Capital, INCE Capital, Qiming Venture Partners, Alibaba, ZhenFund and China Growth Capital. It is understood that the new funds will be used for supply chain and technology upgrading, as well as expanding into lower tier cities[12].

Tmall aims to cultivate 1,000 brands with sales over 100 million yuan in 2020

On 8 January, Tmall officially announced its 2020 business strategies, which aim to cultivate 300 new products with sales over 100 million yuan and 1,000 brands with new product sales exceeding 100 million yuan. It is reported that Tmall introduced more than 100 million new products in 2019, setting a new record and double that of its 2019 target. In 2019, Tmall nurtured over 500 brands with new product sales exceeding 100 million yuan, while new product success rate rose from 5% to 60%; development cycle for new products was shortened from two years to six months, while time spent on a new product from launch to becoming wildly popular in the market was reduced by one month[13].

Department stores and shopping malls

Winshang.com: 36 new shopping malls launch in Shanghai in 2019

According to Winshang.com, 36 new shopping malls were launched in Shanghai in 2019, covering a total floor space of 2.58 million sqm, as compared to 27 new shopping malls launched in the city in 2018, comprising a total floor space of 1.95 sqm. Among the 16 municipal districts in Shanghai, both Pudong District and Minhang District unveiled seven new shopping malls in 2019, remaining as top-ranked districts in terms of new shopping mall openings. Coming in next was Baoshan District, which had five new shopping malls opened last year[14].

Powerlong Commercial launches instant reward points program with WeChat Pay, available in 30-plus Powerlong malls in first stage

On 3 January, Chinese real estate developer Powerlong Commercial announced that the

company has launched a new instant reward points program with WeChat Pay. By opening Powerlong's Mini Program in one of selected Powerlong shopping malls and activating the reward function in the app, Powerlong's members can earn WeChat Pay reward points instantly on every purchase made with WeChat Pay in the shopping mall. Powerlong Commercial hopes that the new service will help drive digitalization in retail and support in-store digital transaction, while increasing shoppers' retention and loyalty to Powerlong's malls. It is reported that the new service will be available in some 30 Powerlong shopping malls in the first stage, including Xiamen PowerLong One Mall and Hangzhou Riverside PowerLong Plaza[15].

Parkson shuts down department store in Yantai

In December 2019, Parkson Retail Group shut down the department store branch in Yantai city, Shandong province, which has been operated for 15 years. According to Parkson, the company is still optimistic towards the China market and will continue to find suitable business opportunities in Yantai. From 2012 to the first half of 2019, Parkson closed over 20 stores in Xi'an, Zhengzhou, Tianjin, Beijing, Chongqing, Kunshan and other cities. Industry experts believe that Parkson adopts low proportion of catering service and entertainment-related elements in the department stores, which makes it difficult to satisfy the evolving consumer demands[16].

Intime Retail announces trending products development trends for 2019

Recently, Intime Retail Group announced for the first time trending products development trends for 2019. According to the report, post-90 generation was the major consumer group for trending sports products, and the ratio between male and female shoppers was 2:1.

Consumers cared more about quality and details of the products, rather than solely looked for conspicuous logos. They liked to mix and match products from different trendy brands. Couples/ lovers born after 1995 liked to buy matching couple outfits. Meanwhile, the reported also stated a few trends for trending products in 2020, including special color mix, Chinese elements, and sustainability elements[17].

Supermarkets and hypermarkets

Yonghui Superstores opens 46 stores in a month, focusing on "mini stores" and hypermarkets

Yonghui Superstores reportedly opened 46 branches in December 2019 and had 233 new stores in the pipeline. It plans to expand the network coverage of Yonghui Superstores Mini, and at the same time close some of Yonghui Life stores which focus on selling fresh food in convenience store format. According to Yonghui, its expansion strategy in 2019 was to focus on the core competence of Yonghui Superstores on supermarket operation and supply chain management[18].

Australia's supermarket chain Coles taps China market

Recently, Australia's leading supermarket chain Coles registered its trademark in China. Instead of opening stores directly in China, Coles chose to start its China business by selling beef to local supermarket though e-commerce platforms or distributors online and offline. According to industry experts, Coles can gain access of consumer data easier by cooperating with Chinese e-commerce platforms, thereby strengthening their understanding about China's retail market

landscape and government regulations[19].

Apparel

Bosideng reports 30% yoy sales growth for past nine months despite warm winter

Apparel company Bosideng recently announced the 2019/2020 fiscal report for the nine months ending on 31 December 2019. Despite the warm winter in 2019, Bosideng reported an increase of 30% yoy in total sales. Sales for its core Bosideng brand grew steadily while that for other brands went up by 40% yoy. For the six months ending on 30 September 2019, Bosideng recorded an income of 4.44 billion yuan and a net profit of 343 million yuan, up 28.8% yoy and 36.4% yoy respectively[20].

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