



China Retail & E-commerce

Weekly Updates

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 FUNG BUSINESS INTELLIGENCE

Asia Distribution & Retail

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General retail

Hangzhou government's issuance of consumption vouchers generates 2.226 billion yuan sales

According to Hangzhou Municipal Commission of Commerce's data as of 6 April, the Hangzhou government already distributed the first round of consumption vouchers worth 145 million yuan to consumers and generated sales of 1.805 billion yuan; it further distributed the second round of consumption vouchers worth 57.36 million yuan and generated sales of 421 million yuan. After issuing the consumption vouchers, 30 major department store in Hangzhou recorded increase in average daily sales from 40 million yuan to 60 million yuan, which was around 85% of the normal levels in the same period last year¹.

Alipay launches seven initiatives to give services sector a leg up; Hubei Wuhan to implement first

Alipay has recently launched seven initiatives to boost the pandemic-hit offline services sector. These initiatives focus on facilitating the digital upgrade of offline stores, offering low cost financing and promoting services consumption. Alipay will first implement these initiatives in Wuhan of Hubei. When China ended its lockdown of Wuhan on 8 April, Alipay set up a special section on its app to promote local merchants in the city. Alipay will also join hands with local governments in Zhejiang, Guangxi, Nanjing of Jiangsu, Foshan of Guangdong, Hefei of Anhui, etc. in the distribution of electronic consumption vouchers to boost domestic consumption².

E-commerce

Yaok Institute: More Beijing merchants shift online amid the COVID-19 outbreak, with over 70,000 online flagship stores and debut stores set up during the pandemic

According to research and consulting firm Yaok Institute, brick-and-mortar retailers in Beijing set up over 350,000 new online accounts on major Internet services platforms in 1Q20, representing over 50% of the total number of online accounts registered in 2019 and taking the lead in terms of the number of newly registered online accounts nationwide. Among the newly registered online accounts, around 70,000, or 20% of them are set up as online flagship stores and debut stores. Meanwhile, it is expected that a string of physical store closures will take place between April and June; around 25% of brick-and-mortar stores will be shut down temporarily or permanently, with restaurants and children education centers taking the majority³.

Tencent invests US\$50 million more in Pinduoduo

On 3 April, documents submitted by Tencent and Pinduoduo to the U.S. Securities and Exchange Commission (SEC) indicated that Tencent subscribed for Pinduoduo's 6,155,740 Class A ordinary shares at a total price of approximately US\$50 million on March 31 (a total of 1,538,935 ADS). As of now, Tencent holds approximately 793 million Class A ordinary shares of Pinduoduo, accounting for 29.2% of the total number of Class A ordinary shares in issue and is still the second largest shareholder. Tencent will continue to leverage Pinduoduo to develop the middle to lower end and C2C e-commerce business and contend against Taobao and

Taobao Tejia⁴.

Wahaha Group accelerates digital revolution by forming two e-commerce entities in a month

Company registration information showed that beverage producer Wahaha Group has recently set up two e-commerce entities, with registered capital of 200 million yuan and 5 million yuan. According to the registration records, business scopes of these companies cover a variety of products, including Internet, the sale of general merchandise, telecommunication, electronics, cosmetics, apparel and accessories, mother and childcare, etc. As online shopping has become mainstream, industry analysts believed that Wahaha has to step up its e-commerce efforts in order to maintain its tens of billions of turnover and consumer base⁵.

China to set up 46 new integrated pilot zones for cross-border e-commerce

On 7 April, the State Council's executive meeting chaired by Premier Li Keqiang announced that China is going to build 46 new integrated pilot zones for cross-border e-commerce (CBEC) around the country to proactively respond to the impact of the COVID-19 outbreak and help revive its pandemic-hit foreign trade. On top of 59 existing CBEC zones, companies in the 46 new integrated pilot zones will enjoy support policies including exemption of value-added tax and consumption tax on retail exports and more favorable corporate tax rates. In addition, the government is encouraging companies to jointly build and share overseas warehouses⁶.

Jingxi offers specific measures to help export-oriented enterprises sell in domestic market

Jingxi, JD.com's group-buying social commerce, offered a number of measures to help enterprises operating in the external trade business. It will provide support in financing, government-and-enterprise-led industrial transformation, online store setup, free training, online traffic boosting, cash allowance, livestreaming show production, etc., in order to help export-oriented enterprises sell in the domestic market⁷.

Youzan raises US\$100 million via share placement for system upgrade and service enhancement

On 8 April, SaaS provider for e-commerce China Youzan Ltd. announced that it has raised US\$100 million through share placement. The proceeds will be used for system upgrade and service enhancement for merchants. It is reported that Youzan recorded widening losses due to high selling and R&D expenses incurred during business expansion. Its loss attributable to owners of the company for 2019 amounted to 592 million yuan, up 37.2% yoy. In 2020, Youzan will continue to help merchants to do business in multi-channels and provide livestreaming e-commerce solutions. It hopes to generate more income and drive profits through scaling up and offering additional services⁸.

Sichuan releases the first provincial-level development plan on livestreaming e-commerce

Recently, Sichuan Provincial Department of Commerce released the "Action Plan for Development of Livestreaming E-commerce for Sichuan products, 2020-2022". The plan aimed that by 2022, total sales generated from livestreaming e-commerce will reach 10 billion yuan; it also expected that livestreaming would drive 100 billion yuan sales of other related industries. It targeted to set up 10 livestreaming e-commerce industry

clusters, foster the development of 100 key service providers in livestreaming industry, and incubate 1,000 KOL/online celebrity brands and 10,000 live commerce influencers. This is the first provincial-level development plan on livestreaming e-commerce in China⁹.

Tmall World offers free worldwide shipping and launches a new "global distribution platform" for merchants engaging in foreign trade to go overseas

On 8 April, Tmall World, an e-commerce platform launched by Alibaba in 2016 which targets Chinese consumers living overseas, started to offer free worldwide shipping and launch a new "global distribution platform" for merchants engaging in foreign trade to reduce the costs of operating abroad. Overseas customers purchasing selected products and choosing Tmall's authorized delivery method can enjoy free worldwide shipping. Meanwhile, Tmall World launched a new global distribution platform which enables small and-medium sized enterprises engaging in foreign trade to sell via the platform to overseas consumers without opening any physical stores. Merchants can simply post their products on the platform, and the platform will then match them with suitable distributors to promote the products overseas. Once an overseas order is placed, merchants only need to ship the products to the transit warehouses of Cainiao in China. It is reported that Tmall World is lining up with various cross-border e-commerce comprehensive pilot zones to help merchants go overseas. Fujian, Sichuan, Shenzhen, Yiwu, Quanzhou, Xiamen, Suzhou, Wenzhou and other provinces and cities have already started the cooperation with Tmall World¹⁰.

Department stores and shopping malls

Beijing asks shopping malls not to organize any promotional activities amid COVID-19 outbreak

On 4 April, the Beijing Municipal Bureau of Commerce issued a notice to respective District Bureaus of Commerce, asking large commercial facilities including malls, shopping centers, hypermarkets, etc. not to organize any offline promotional activities amid the COVID-19 outbreak. To reduce public health risks of mass gatherings, managers of large commercial facilities should implement crowd control measures during public holidays, practise the "one meter" social distancing requirement, and adopt disease preventive measures at all entrances and exits, cashier counters, escalators, etc¹¹.

Linkshop Retail Research Center: Digitalization of shopping malls to accelerate in 2020

Linkshop Retail Research Center has recently published a report on the development of shopping malls in China in 2020. It showed that more than 500 new shopping malls had been launched every year across the country for the past 5 years, though the growth has slowed. As of late 2019, the total number of shopping malls in China hit 6,000. The report also suggested that digital transformation of shopping malls will accelerate in 2020. There will also be three major trends of development: the business scope of shopping mall will extend beyond its premises; data driven precision membership marketing will become the focus of competition; and more shopping malls will build private online traffic ecosystem for their members¹².

Supermarkets and hypermarkets

JD Daojia issues consumption vouchers worth 250 million yuan

JD Daojia, JD.com's O2O delivery platform, will issue consumption vouchers worth 250 million yuan to commemorate its fifth anniversary during 5 - 16 April. It will line up with retailers and brands including Walmart China, Yonghui Superstores, China Resources Vanguard, Yili, Mengniu, Unilever, Pepsi and others to give out consumption vouchers to consumers in over 700 counties. Consumers can login to JD Daojia's platform to redeem the vouchers from 5 April and use when ordering on the platform¹³.

Consumer electronics

Xiaomi Youpin app unveils new live commerce channel "Youpin Live"

Xiaomi Youpin app has recently launched a new live commerce channel called "Youpin Live". The new channel comprises three major sections – "Suggested Live Videos", "Videos on Live" and "Live Preview"; photos of products featured in the live commerce videos along with the number of products currently being livestreamed on the platform are visible on the right hand side of the channel portal page, letting users to browse livestream content and discover products before entering the channel. Currently, merchants hosting livestreaming sessions on Youpin Live are mainly brands under Xiaomi ecosystem and some third-party brands¹⁴.

Sports

Supreme Court rules against Qiaodan Sports in a trademark dispute after eight years of legal battle; company's IPO plan to be held up further

After eight years of legal battle, on 8 April, China's Supreme Court made a final decision on the trademark dispute between Fujian-based Qiaodan Sports and NBA champion Michael Jordan. It ruled that Qiaodan Sports had used the "Qiaodan + silhouette" logo illegally. A notice published by Qiaodan Sports immediately after the verdict explained that the ruling did not affect the legitimate usage of its core trademark. However, industry analysts believed that the ruling will deal a heavy blow to the company's marketing strategy as well as its IPO plan¹⁵.

Cosmetics

U.K. multi-brand beauty retailer Space NK completely withdraws from China market

U.K. multi-brand beauty retailer Space NK reportedly will shut down all its stores in China by the end of May. According to the company's WeChat account, Space NK currently operates 10 stores in China, including four in Shanghai, two in Beijing and one each in Chongqing, Chengdu, Hangzhou and Shenzhen. The company will also cease its online business in China, implying that its Space NK Tmall flagship store, just unveiled to the public on 2 February, will be closed as well¹⁶.

CBNData: Female consumers of new generation show strong demand for makeup products

CBNData has recently announced the insight

report on “Female Consumer Trends in Quality of Life 2020”. According to the report, female consumers of the new generation show a strong demand for makeup products; 55% of female respondents said they apply makeup products every day, while 64% stated that they own more than 10 makeup items. 55% of those polled spent over 3,000 yuan on skincare per year, with over 50% spending more than 20 minutes on their daily skincare routines. The report also suggested that nearly 80% of female consumers of the new generation have made exercise a regular part of their life, with over 40% of respondents exercising at least three times a week¹⁷.

Miscellaneous

Loft to open first store in Shanghai in July 2020

On 3 April, Japanese household goods specialty store Loft signed a contract with Shanghai Metro City to open its first store in China in Shanghai Metro City in July 2020. With an operating area of around 1,046 sqm, the store will focus on selling stationery goods, household products, health-related products – each category will account for around 30% of its total product offerings. As of today, Loft operates over 100 stores in Japan and is very popular among young consumers. Loft said that it chose to open in Shanghai Metro City because it is very confident towards the overall development of Shanghai and the consumer traffic in Xujiahui commercial district – where Shanghai Metro City is located¹⁸.

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