

Contents

Contents	1
Key findings	2
1. China's retail industry develops through exploration and innovation	4
1.1 Current development of China's retail and consumer markets	4
1.2 Development drivers for China's consumer market	9
1.3 Future trends of China's retail and consumer products industries	11
2. Acceleration of digital transformation of the consumer products & retail industries	14
2.1 Overall analysis of enterprises on the list	14
2.2 Online sales of consumer products enterprises	16
2.3 Online sales of different retail formats	18
3. Tips for consumer products & retail enterprises to navigate the digital-driven Now Consumer era	22
3.1 Design and promote business model transformation according to scenario-based consumer experience	22
3.2 Identify changes in consumer shopping habits through precise marketing	23
3.3 Improve the operational capabilities of consumer products & retail enterprises via digital methods	24
3.4 Respond proactively to the new market changes during the pandemic to optimize retained earnings	24
Ranking methodologies for the Top 100 Enterprises by Online Sales	26
Appendix (the Top 100 list)	28
Contact us	31

Key findings

- The Chinese consumer market is in a V-shaped recovery after the Covid-19 outbreak. With China's pandemic prevention and control turning for the better, China's consumer products and retail industries are accelerating the pace of resuming work and production. The decline in total retail sales of consumer products continues to narrow, as online consumption drives overall consumption and physical retail and food & beverage consumption gradually recover. Under the threat of a "second wave", long term challenges still exist for traditional offline-oriented consumer products & retailers.
- Effective policies, diverse consumption demand as well as retail technology development will continue to drive the development of China's consumer market. After the outbreak the Chinese government proactively released a variety of supply side and consumption side policies to boost consumption, quality upgrading, and capacity expansion. In addition, with the continuous release of diverse consumer demand in the post-pandemic era, as well as infrastructure support provided by China's new infrastructure for digital transformation in retailing, China's consumer market will see recovery growth.
- Chinese consumers are increasingly turning to healthy, convenient, and cost-effective products. Since the pandemic outbreak, consumers have paid significantly higher attention to health and safety, adding to their willingness to buy healthy and safe products. In terms of purchasing channels, single-channel shoppers have turned to taking convenient and efficient purchasing channels as their preferred choice. Consumers' purchasing behavior is changing as some consumers are beginning to pay attention to more cost-effective product categories.
- The total sales of China's top 100 enterprises (by online sales) continue to grow, with sales in 2019 exceeding RMB1.24 trillion. The sales threshold of the top 100 enterprises has reached RMB100 million. To be specific, those with sales of billions of RMB accounted for the largest proportion, with 44 enterprises in total, followed by 41 enterprises with sales of hundreds of millions, 13 enterprises with sales of tens of billions, and 2 enterprises with sales of hundreds of billions. Of all the enterprises on the list, 15 of them are e-commerce enterprises, and their sales take up 68.5% of the total sales of the top 100 enterprises. The rest 85 non-e-commerce enterprises account for only 31.5% of the total sales value.
- The top 100 enterprises have a wide geographical distribution, and a high concentration in eastern China. Specifically, northern China has the largest number of e-commerce enterprises and the largest share of online sales (52.1%). Eastern China boasts a larger number of enterprises on the list than other areas and a greater number of retail and consumer products enterprises. Enterprises in southern China have the most diverse retail formats, including supermarket, e-commerce, department store, convenience store, specialty store, and so on. Central China has 8 enterprises on the list, most of which have sales of hundreds of millions of RMB. Both the number of enterprises on the list and their online sales in western China are lower than that in other areas, with most of the enterprises' online sales value being hundreds of millions of RMB. The online sales of multinational enterprises in China are mainly around billions of RMB, and the multinational consumer products & retail enterprises on the list include those from the U.S., Japan, Germany, France, Switzerland and Thailand.

- The market share distribution is being reshaped. Under the impact of Covid-19, and with the emergence of 5G life, consumers have entered the "Now Consumer" era. Function-oriented consumer demand has expanded to cover emotions and experience. To better serve consumers, enterprises' market mindset needs to shift from products, places and channels to 24-hour consumer moments. In the future, consumer products & retail enterprises will need to win consumers' time, share of mind and wallet both online and offline through 24-hour services.
- Enterprises shall consider the "Now Consumer" as the core of their business transformation and build the strategic framework for their transformation on that basis. They can gradually shift the consumer market paradigm, gain insights into Now Consumer, design a Now Consumer purchasing journey, and build robust and flexible supporting infrastructure to turn data into insights and hereby promote management and establish a tech-driven organizational structure and corporate culture that are boundless and fit for the "Now Consumer" era.



1. China's retail industry develops through exploration and innovation

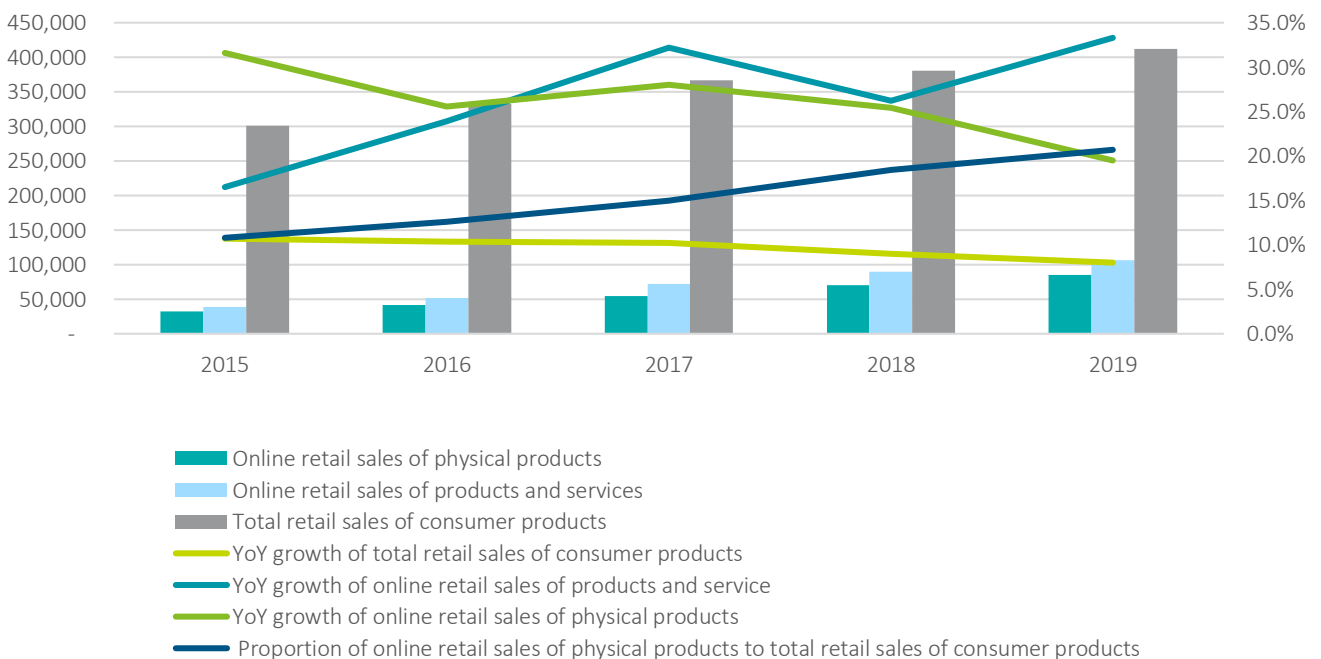
1.1 Current development of China's retail and consumer markets

1.1.1. The consumer market and online retail market in 2019

With China's economy entering into a new normal, China's consumer market is also facing a new normal of shifting from high-speed growth to high-quality development. In 2019, total retail sales of consumer products exceeded RMB40 trillion, with a YoY growth of 8%. The digitalization level of China's consumer products and retail industries has been on a continuous rise. Online retail sales of physical goods exceeded RMB8.5 trillion, with growth slowed to 19.5%. Meanwhile, physical goods' share of retail sales kept increasing, reaching 20.7% by the end of 2019.

Figure 1: China's consumer market and online retail market

Unit: RMB100 million

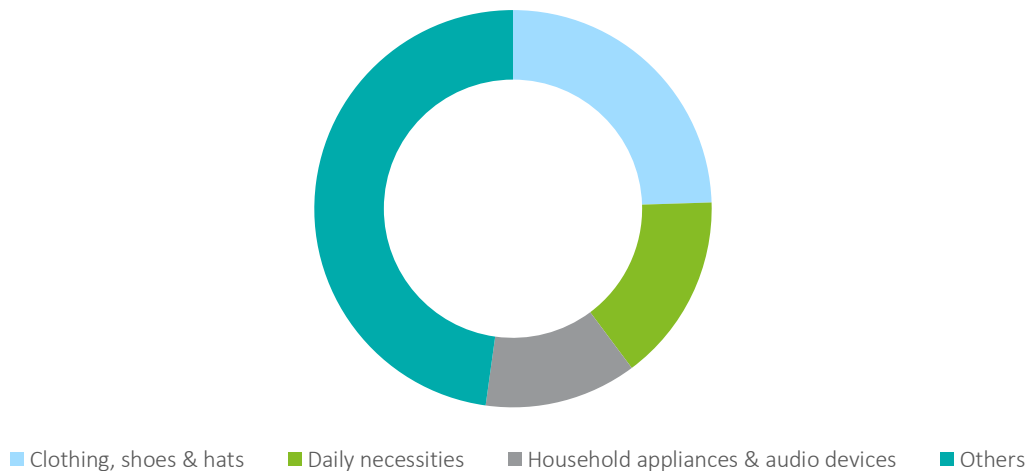


Source: National Bureau of Statistics, Deloitte Research

* Online retail sales=Online retail sales of physical products+ Online retail sales of services

According to statistics of the Ministry of Commerce, clothing, shoes & hats; daily necessities; household appliances; as well as audio & visual products have become the best selling categories in terms of online retailing. In 2019, the growth rate of online sales of Chinese and Western medicine, cosmetics, tobacco and alcohol products, furniture, beverages, construction and decoration materials, gold and silver jewelry, household appliances and audio devices, food, and automotive products all exceeded the growth rate of online sales of physical products.

Figure 2: Proportion of different categories in terms of online retail sales of physical goods

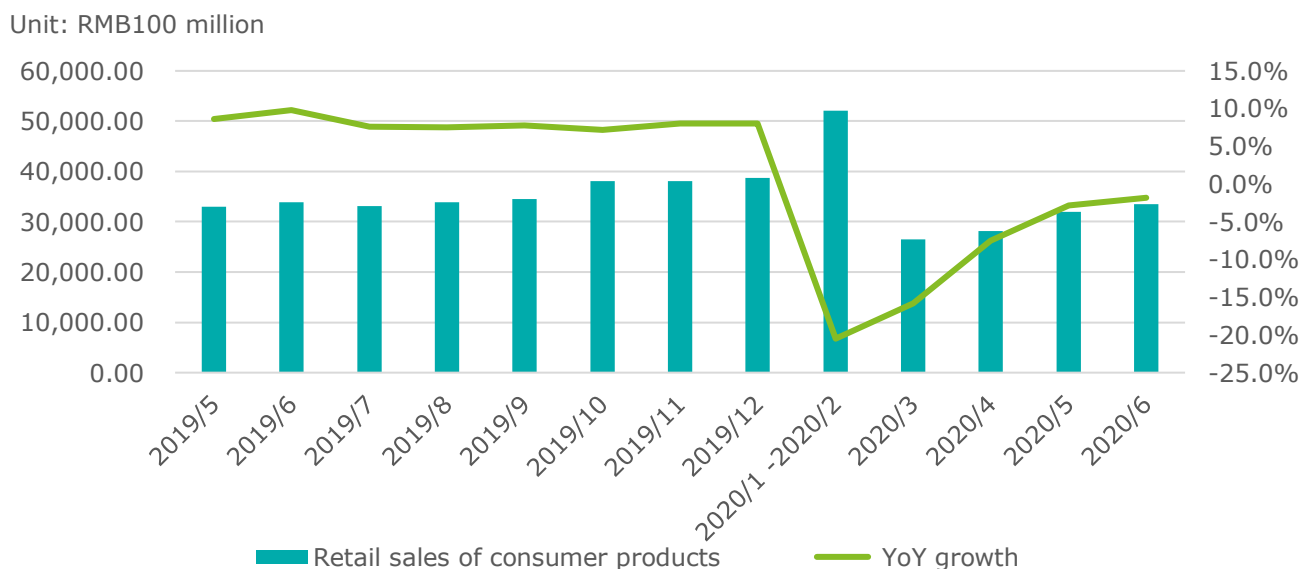


Source: National Bureau of Statistics, Deloitte Research

1.1.2. The retail & consumer products markets under Covid-19

At the beginning of 2020, Covid-19 swept through the whole world. The consumer products and retail markets were severely hit as the 'black swan' event impacted the steady and robust growth momentum of China's consumer market. With China's consumer market being heavily impacted, the development pattern of the industry is also changing quietly due to the pandemic. After the Covid-19 outbreak, China's consumer market experienced a sharp decline in January and February, yet significant progress was made in containing the pandemic in China afterwards, and the resumption of work and production in different industries were promoted in an orderly manner. China's retail market has taken the lead to pick up as of March, with the YoY decline of retail sales of consumer products narrowing, and the retail sales of China's consumer products showing a V-shaped recovery.

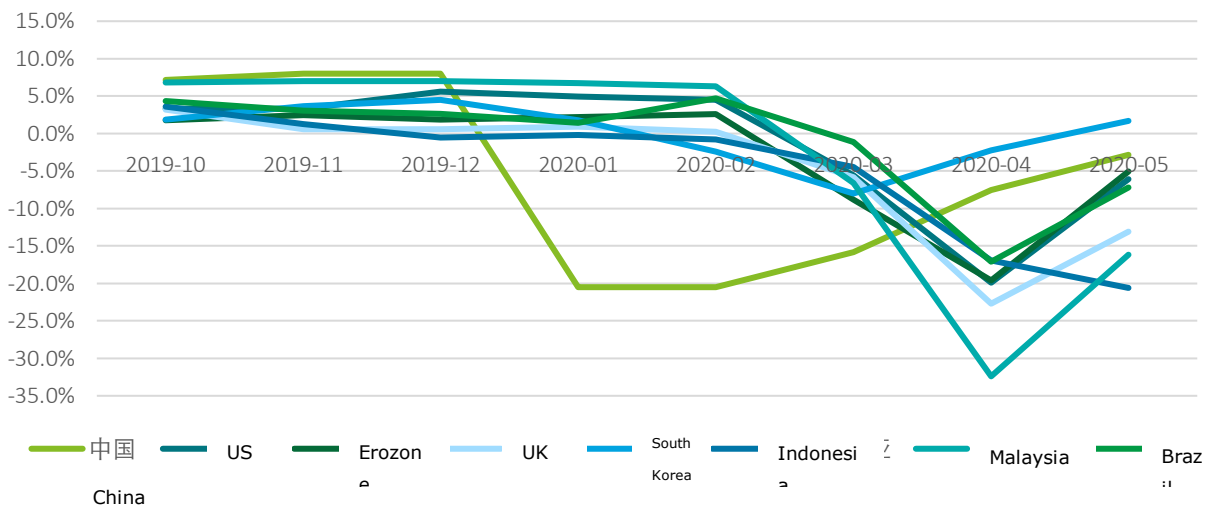
Figure 3: China's consumer market performance after the Covid-19 outbreak



Source: National Bureau of Statistics, Deloitte Research

From a global perspective, with the spread of Covid-19 across the world, the retail sales data of the US, Eurozone, UK and various countries in Southeast Asia began to fall sharply since March and continued to drop in April. By the end of May, the retail market worldwide began to pick up gradually. As the global pandemic is getting better, the retail industry will speed up the resumption of work and production, and the recovery path of China's retail industry will be an important guide for the recovery of the global retail industry.

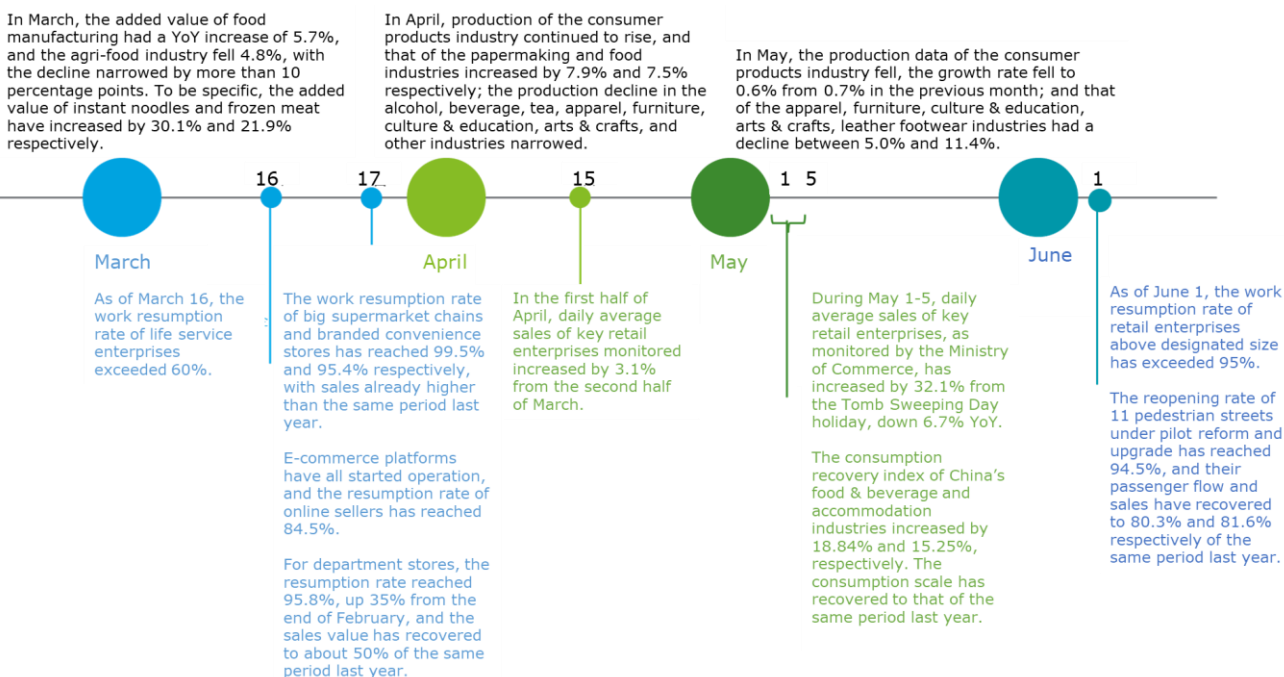
Figure 4: YoY growth of retail sales in different countries



Source: Statistics Bureau or State Bank of different countries

With the gradual improvement of pandemic prevention and control, the offline retail industry also speeds up the resumption of work and production. According to public data from the Ministry of Commerce, as of June 1, the work resumption rate of retail enterprises above designated size has exceeded 95%. Nevertheless, given that the pandemic might recur, for traditional offline-oriented consumer products & retail enterprises, long-term challenges still exist for their business development due to the pandemic.

Figure 5: Work and production resumption in the retail and consumer products industries



Source: National Bureau of Statistics, Deloitte Research

- **Slow recovery of physical retailing under the normalization of pandemic prevention**

Since the Covid-19 outbreak, China's retail industry has undergone heavy damage. Particularly, the physical retail industry faces operational difficulties including the decline of consumer numbers and pressure on cash flow. Apart from supermarkets, the sales of department stores, specialty stores and exclusive shops have all declined sharply and are hard to recover even after the pandemic. According to data from the National Bureau of Statistics, in the first half of 2020, YoY growth of supermarkets, specialty stores, exclusive shops and department stores is 3.8%, -14.1%, -14.4%, and -23.6% respectively. Considering the many uncertainties about the pandemic around the world, the prevention of the pandemic has been normalized. However, with the normalization of pandemic prevention, the sales of specialty stores, exclusive shops and department stores may remain sluggish.

Figure 6: Comparison of YoY sales growth of major physical retail formats in the first half of 2019 and 2020



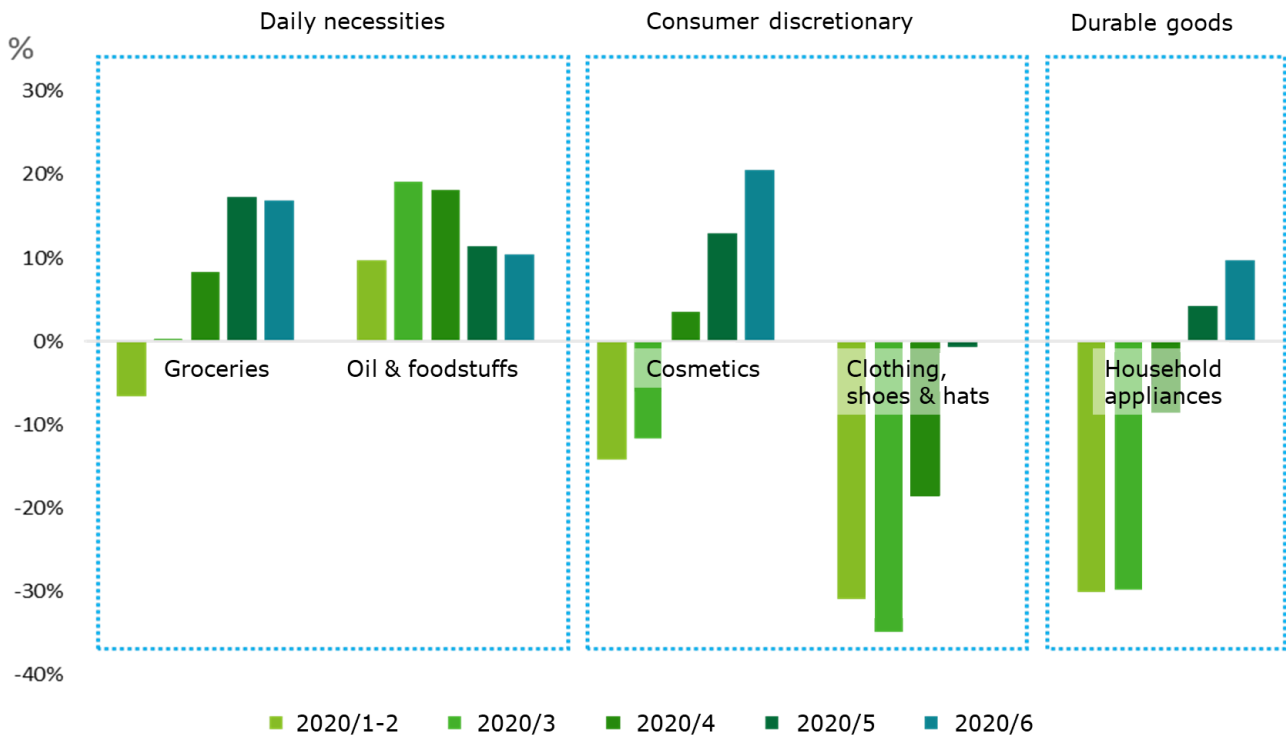
Source: National Bureau of Statistics, Deloitte Research

- **Demand for daily necessities returned to normal, and the demand for consumer discretionary gradually increased**

During the pandemic, many changes have taken place in the consumer products market. In terms of demand, according to data from Deloitte's global Consumer Tracker, most consumers' consumption of daily necessities has resumed to that prior to the pandemic. At the same time, as the pandemic is gradually brought under control, plus the promotion of emerging online sales models such as e-commerce promotion and livestream e-commerce, the demand for consumer discretionary and high-priced durable consumer products is gradually rising. The sales data of the consumer products of retail enterprises above designated size from the National Bureau of Statistics also reflected the demand increase.

Since March, the YoY growth rate of daily necessities represented by food continued to fall. Meanwhile, the decline rate of consumer discretionary such as cosmetics and clothing, shoes & hats is narrowing, with the growth rate of cosmetics continued to rise from April and reached 20.5% in June. In addition, the sales growth rate of high-priced consumer products has been on the rise since it turned positive in May and it reached 9.8% in June.

Figure 7: Sales change of consumer products of retail enterprises above designated size since the Covid-19 outbreak



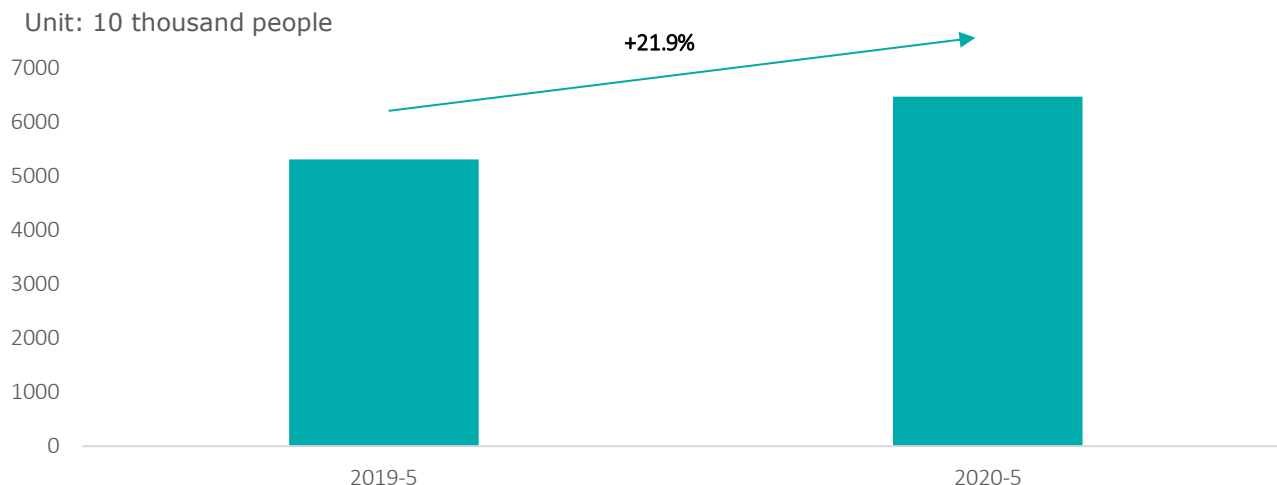
Source: National Bureau of Statistics, Deloitte Research

From the supply side, at the beginning of the pandemic, affected by the shutdown of shopping malls and department stores, multiple fast-moving consumer goods (FMCG) industries including the clothing & footwear and cosmetics industries were affected. Facing challenges from the supply chain such as material shortages, production stagnation, and delayed product R&D, offline stores that focus on experience and services are having difficulty operating. In terms of stock, as most enterprises' survival depends on the two quarters' destocking and the withdrawal of funds, many industries are facing a reshuffle and integration. Under the operational pressure, certain brands might need to temporarily shut down or even close some of their stores, which is also an opportunity for them to reorganize their distribution structure and store network. In addition, consumer products enterprises have started to accelerate their digital transformation, and are giving discounts and expanding their online sales channels. By the later period of the outbreak, the majority of sales data of consumer products enterprises have recovered. The Chinese market' supply is generally stable. Take the food manufacturing industry as an example: in the first half of the year, the added value of the food manufacturing industry was close to that of the same period last year, and the decline was 0.8 percentage points lower than that of the added value of industrial enterprises above designated size in the same period.

- **Significant increase in active users of new digital technology-based retail formats**

The online retail market shows strong resilience and vigor during the pandemic, becoming a key driver of consumption. Benefited from the disruption of offline channels, online retail sales of physical goods grow against the trend. More and more consumers choose to purchase through e-commerce platforms or digitalized department stores and supermarkets. At the same time, driven by contactless consumption demand, new business formats and models from fresh food e-commerce to community group buying and livestream e-commerce were put into use quickly, and are warmly welcomed by consumers. After the Covid-19 outbreak, the number of monthly active users increased significantly and the retention rate remains high after the pandemic.

Figure 8: Number of monthly active users of fresh food e-commerce



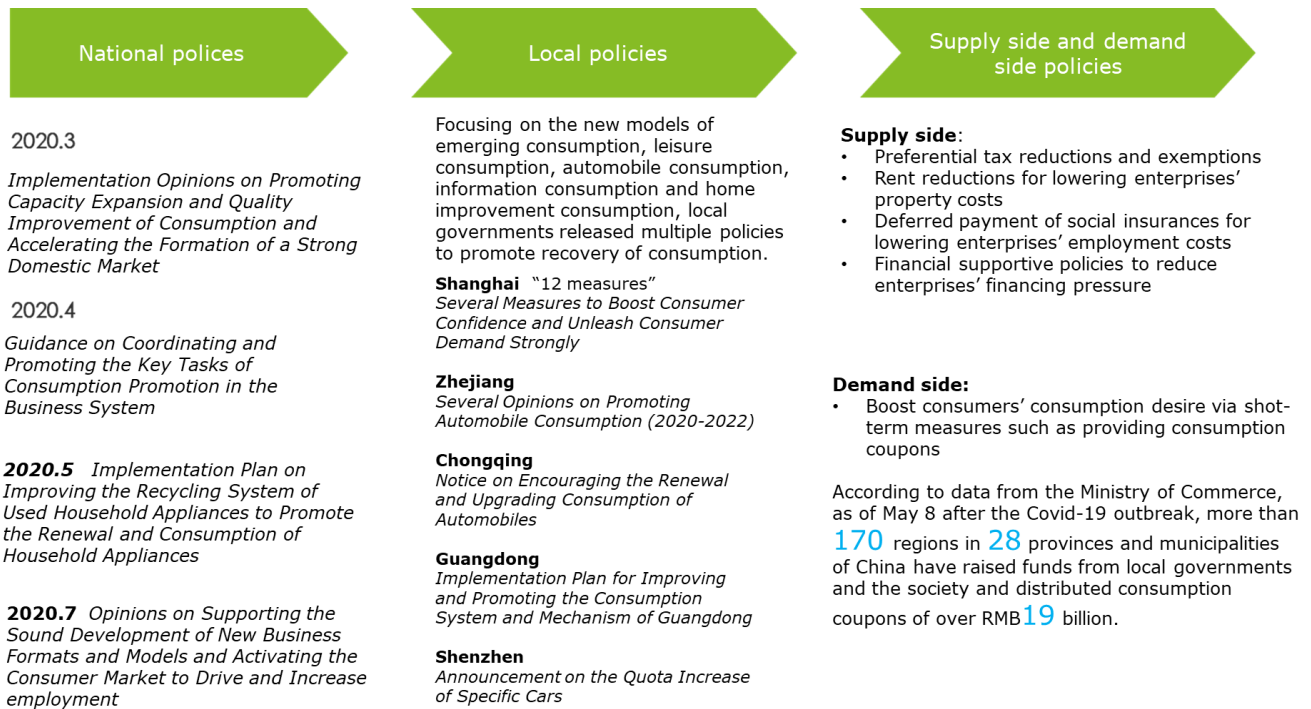
Source: Questmobile, Deloitte Research

1.2 Development drivers for China's consumer market

China is one of the world's largest consumer markets. Thanks to robust domestic demand, as well as supportive policies and technologies, China's consumer market recovered quickly after the outbreak. In the future, active and effective policies, diverse consumer demands and the popularization of retail technologies will continue to drive the development of China's consumer market.

New policies were released to promote consumption expansion and quality improvement. In the context of continuous promotion of quality improvement and capacity expansion, a number of policies and measures were issued to accelerate the formation of a strong domestic market, and further promote the development of the retail industry. To begin with, by vigorously developing the housing rental market, strengthening the transformation of urban old residential areas for creating a more convenient age-friendly environment, as well as other measures, the policies will improve consumers' overall consumption level by promoting the optimization and upgrading of commodity consumption. In addition, the government strongly supports service consumption in the fields of culture, tourism, sports, elderly care, housekeeping, and the like, which will add further benefit to retail formats and brands that provide consumption services for communities. What's more, the policy-driven green, healthy, energy-saving, and environmental-friendly consumption mode will accelerate the improvement of the recycling network and promote the renewal of vehicles, household appliances as well as electronic devices. Under the new circumstances, durable consumer products like household appliances will see new market opportunities. Additionally, the policies actively promote the optimization of the planning and layout of commercial retail enterprises, such as the development of small shop economy and night economy, which will accelerate the activation of offline consumption scenarios.

Figure 9: China's pro-consumption policies



Source: Public data, Deloitte Research

Continuous release of diverse consumer demands in the post Covid-19 era. Since the pandemic outbreak, consumers of more diverse age groups other than the post 80s & 90s have accepted and gradually got used to online consumption. According to IResearch's¹ comparison data of online shoppers by age group in the first quarter of 2019 and 2020, the proportion of users under the age of 24 rose from 25.3% in 2019 to 28.3% in 2020, and that of users over the age of 40 increased from 5.2% to 6.8%. At the same time, during the pandemic, the digitalization trend kept penetrating into lower tier markets, rapidly unleashing the consumer demand of the lower tier areas. With the continuous development of the consumer market, third-tier and lower-tier cities, as well as rural areas became new sources of growth for the consumer market. Based on the comparison of online consumption statistics before and after the pandemic in lower tier markets, the proportion of online shopping in third-tier or lower-tier cities has risen from 43.1% in the first quarter of 2019 to 47.4% in the first quarter of 2020.

Popularization of digital technologies. Thanks to the opportunities brought by new infrastructure, the innovation and popularization of retail technologies which are based on 5G, cloud computing, Internet of Things (IoT), big data, AI and other underlying technologies are pushing the whole retail ecosystem towards more digitalized, intelligent and efficient development, and providing retail market participants the opportunities to seamlessly connect and constantly interact with consumers via omnichannel touchpoints. As a result, these retail market participants can optimize and integrate their supply chains based on real-time and multi-dimensional data, and therefore greatly improve their operational efficiency and service abilities, making them more competitive while reshaping their value chain. As of April 2020, China's three major telecommunications network operators have opened up 240 thousand 5G base stations. With 5G gradually put into operation, the consumer products and retail industry is expected to have faster service and response in the future.

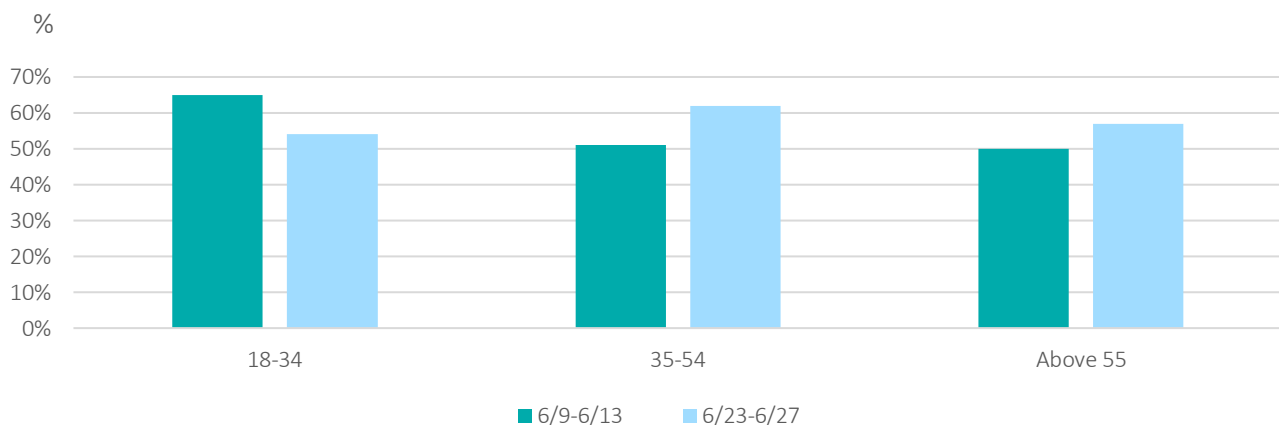
¹ Data Report for China's E-commerce Market, 2020Q1&2020Q2e.

1.3 Future trends of China's retail and consumer products industries

In the new consumption era, new models, new business formats and new scenarios that integrate online and offline services will further develop. Whether through social platforms, e-commerce livestreaming channels, or offline stores, consumers' consumption desire can be activated anywhere, anytime of the day. Based on the impact of the pandemic, the retail & consumer products industries' trends in the demand side and supply side are as follows:

- Chinese consumers are increasingly turning to healthy, safe and cost-effective product categories.** Consumers' health & safety awareness has increased. They've shown a keen interest in products that are safe and can improve immunity and protect health, and have shown strong willingness to purchase these categories even after the pandemic subsided. In the future, consumers will show varied purchasing behaviors, with some consumers showing retaliatory consumption, yet most of them paying more attention to cost-effective product categories as their purchasing power has been directly or indirectly weakened by the economic downturn. According to Deloitte's global consumer survey, among Chinese consumers, the willingness of middle-aged and elderly consumers to purchase highly discounted consumer discretionary continues to grow, while the preference of young people aged 18-34 for cost-effective products is relatively weak and continues to weaken with the abating of the pandemic.

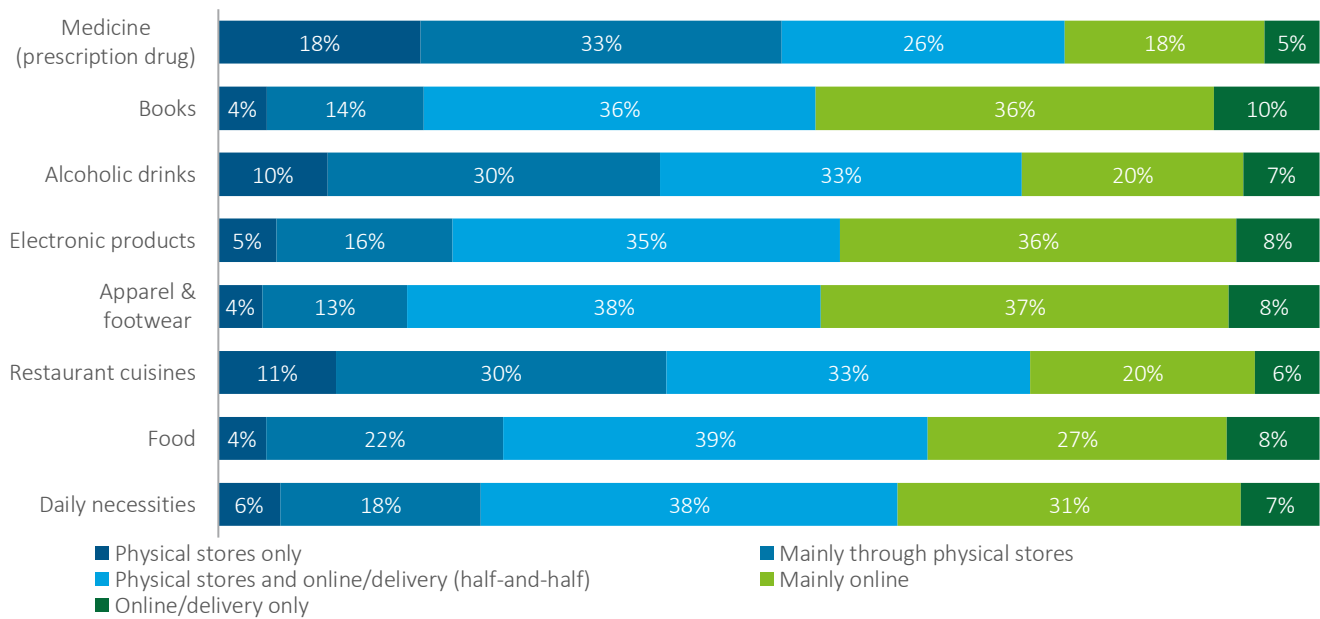
Figure 10: Middle-aged and elderly consumers have a higher preference for discounted products than young consumers



Source: Deloitte Research
Survey date: June 9, 2020 - June 27, 2020

- Diversification and facilitation of consumers' shopping channels:** Due to bargain hunting pressure and more leisure time, consumers no longer stick to a single shopping channel but are more willing to explore and try a variety of purchasing methods. According to Deloitte's global consumer survey, Chinese consumers' preference for online channels and online stores continues to increase. The main reasons behind the change is the convenience and rapid delivery services provided by online shopping. From most visited comprehensive e-commerce platforms, to emerging social platforms and vertical channels as well as brands' official websites and smartphone applications that used to have relatively low traffic, increases of online traffic can be noted. As the pandemic wanes, consumers will gradually increase their time out to enjoy shopping at physical stores. Meanwhile, the online shopping habit formed during the pandemic will be kept to some extent, giving rise to higher expectations on omnichannel shopping experience.

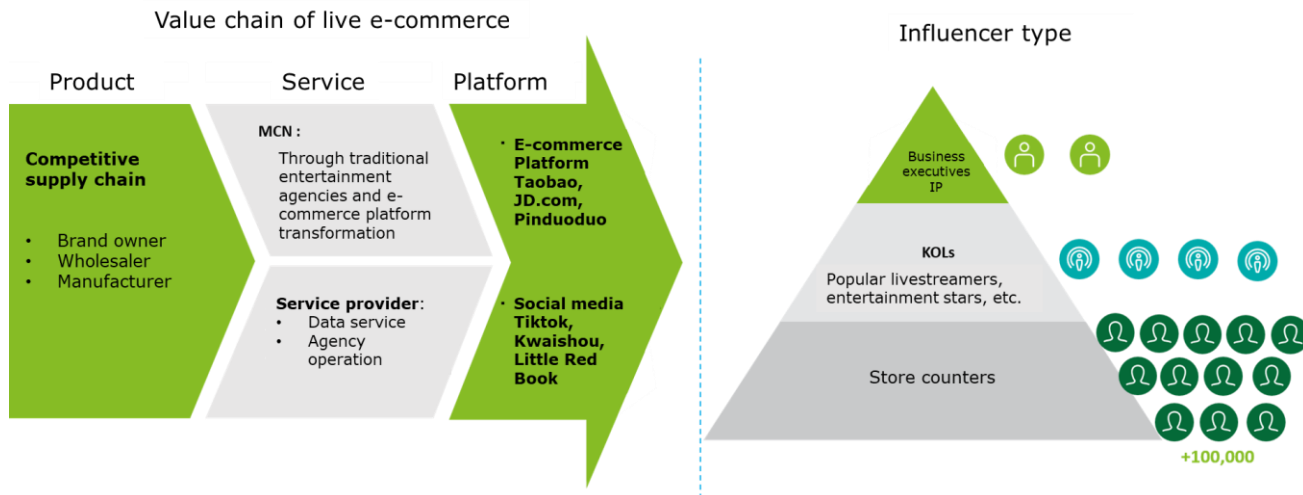
Figure 11: Consumers prefer consumption scenarios that integrate online and offline services



Source: Deloitte Research
 Survey date: April 29, 2020 – May 1, 2020

- Development opportunities for domestic products brought by the pandemic:** China has formed a complex industrial ecosystem that integrates polymerized industrial products, high value-added industrial products, retail & consumer products manufacturing, and other industry clusters. China's consumer internet market and abundant underlying digital infrastructure, as well as robust domestic demand growth and the temporary absence of overseas brands provided room for the growth of domestic consumer brands. In addition, the proportion of millennials that pursue individuality and uniqueness keeps increasing. Due to the above-mentioned factors, domestic brands will usher in new development opportunities after the pandemic.
- Enterprises' future competitiveness lies in data-driven consumer insights and customer reach:** With offline businesses rapidly moving online, consumers' consumption habits have drastically changed, and the ways to reach consumers are quietly changing as innovative marketing approaches spring up. Under such context, real-time understanding of consumer demands and customer insights will be one of the core competitiveness of enterprises in the future. Enterprises will use data-driven insights to reach consumers. Apart from traditional channels, new channels for reaching customers such as WeChat and livestreaming will continue to develop and will be an important way to reach consumers, not only for the cosmetics industry where the new channels are already well established, but also for the snacks, personal care, consumer electronics, fitness, and other industries. Meanwhile, facing sales pressure, offline stores will actively adopt private domain marketing such as community group buying to retain customers with sound O2O services, and the industry will accelerate the development of new communication channels.

Figure 12: Value chain of live e-commerce



Source: Deloitte Research

- Digitalization enables future business design for enterprises.** The underlying technologies of the retail industry such as 5G, data center, industrial internet of things (IIoT), AI, and other new technologies will drive the digital and intelligent development of the retail & consumer product industries. On one hand, for consumer products enterprises, digital operation will promote data connection between consumption and production processes, boost personalized and customized development as well as intelligent and flexible production, and improve their competitiveness and risk resistance by driving them to upgrade their traditional operation model through digital transformation. In addition, enterprises of different retail formats rely on retail technologies to speed up their digital operation. The physical retail industry will also accelerate the pace of digital operation, especially the exploration of the O2O and community mode. In the future, enterprises will actively build standardized, comprehensive online services and accelerate the digital and intelligent transformation of stores. For example, expanding intelligent terminal distribution facilities and promoting the layout of intelligent retail terminals such as intelligent vending machines, unmanned vending machines, intelligent micro grocery stores and intelligent recycling stations to promote the development of a contactless economy.



2. Acceleration of digital transformation of the consumer products & retail industries

2.1 Overall analysis of enterprises on the list

After several years of development, the boundary of the retail industry has broken. Over the past year we have seen physical retail enterprises and consumer products enterprises actively developing their online digital business and traditional e-commerce enterprises proactively exploring new business formats and models. Deloitte has joined hands with China Chain Store & Franchise Association (CCFA) to conduct a survey about China's online retailing, and released a list of 2020 China Top 100 Enterprises by Online Sales based on the survey outcome. The list aims to record and show the digital development trend and development course of China's consumer products and retail industries. (See Appendix for the full list.)

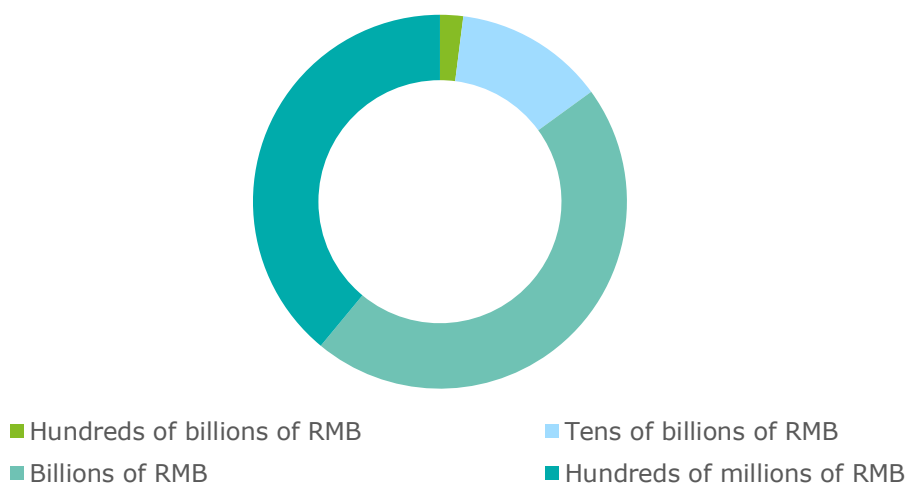
An overview of the top 100 enterprises in 2019 is as follows:

- **Online sales of enterprises on the list continue to grow**

In 2019, the sales value of the top 100 enterprises exceeded RMB1.24 trillion. The sales threshold of the top 100 enterprises has reached RMB100 million. Specifically, 2 enterprises' online sales exceeded RMB100 billion, and their sales account for 53.8% of the total online sales of the top 100 enterprises; 13 enterprises had sales of tens of billions, with their sales accounting for 34.5% of the total sales; 45 enterprises had sales of billions of RMB, with their sales accounting for 10.7% of the total sales; and 40 enterprises had sales of the hundreds of millions, with their sales accounting for 1.2% of the total.

Figure 13: Distribution of enterprises by online sales value

Unit: No. of enterprises

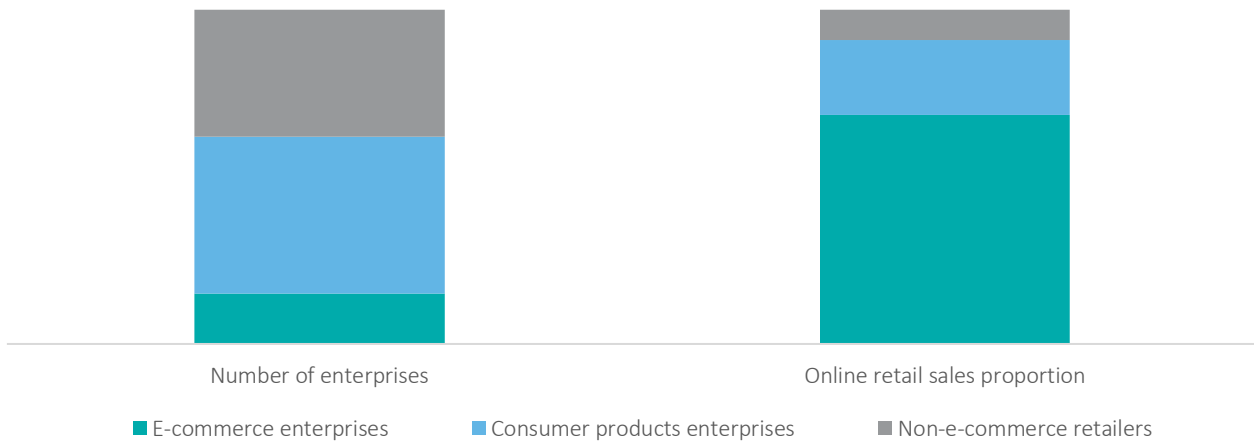


Source: Deloitte Research

• **Proportion of consumer products and physical retail enterprises reached 85%**

Of all the enterprises on the 2019 list, 15 of them are e-commerce enterprises, with their online sales accounting for 69.3% of the total sales of the top 100 enterprises; the rest 85 enterprises are non-e-commerce enterprises. In addition, there are 48 consumer products enterprises and 38 non-e-commerce retailers, with their sales accounting for 21.5% and 9.1% respectively of the total online sales.

Figure 14: Number and online sales proportion of different types of enterprises



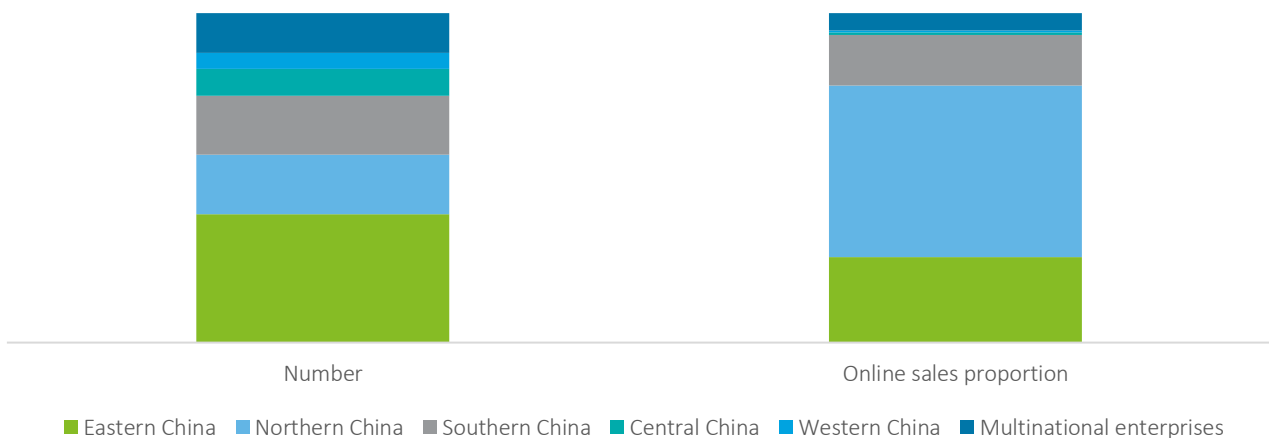
*For the purpose of the report, non-e-commerce retailers refer to physical retailers that mainly operate through department stores, supermarkets, specialty stores and convenience stores.

• **The Top 100 enterprise have a wide geographical distribution, and a high concentration in eastern China.**

The top 100 enterprises by online sales are widely distributed across the country. There are 40 enterprises in eastern China, 19 enterprises in northern China and southern China respectively, 8 in central China, 4 in western China, and 10 are multinational enterprises. In terms of online sales, enterprises in northern China take up the highest proportion, accounting for 52.9% of total online sales, followed by enterprises in eastern China and southern China, which account for 27.5% and 14.4% respectively; multinational enterprises account for 3.6%; and enterprises in central and western China take a relatively low proportion of 1.3% and 0.4% respectively.

Figure 15: Number of enterprises on the list and proportion of their online sales by region

Unit: No. of enterprises



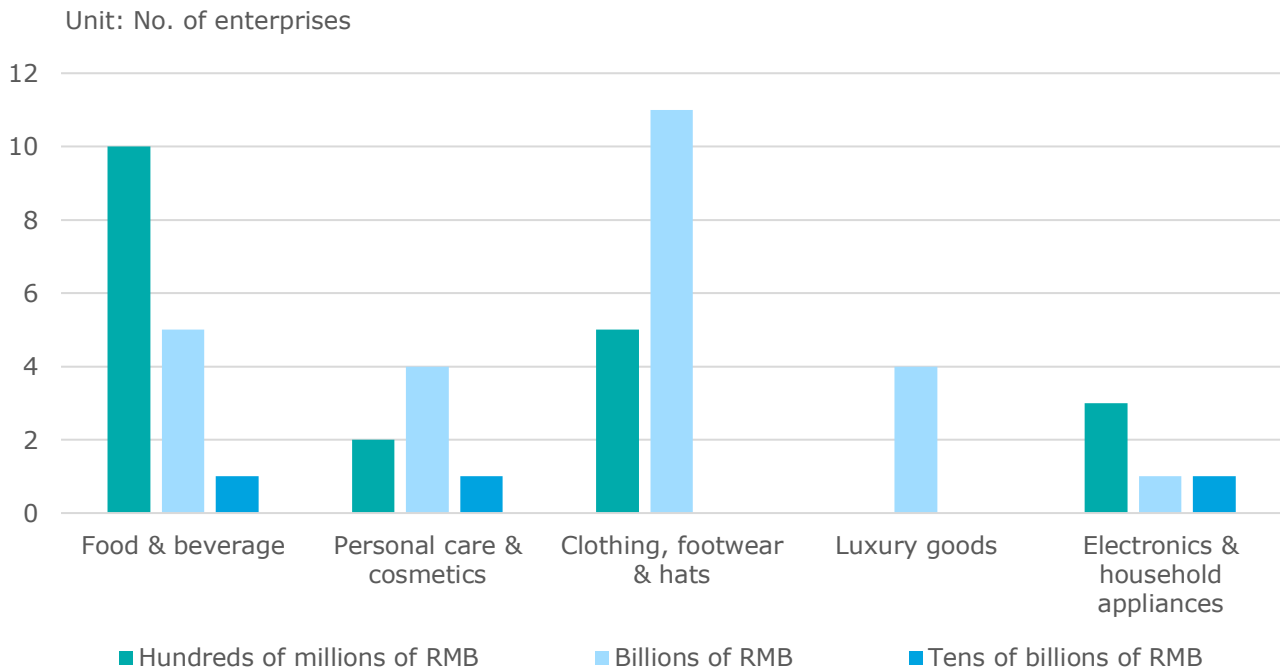
Source: Deloitte Research

2.2 Online sales of consumer products enterprises

There are 48 consumer products enterprises on the Top 100 Enterprises list, including those in the food & beverage, personal care & cosmetics, clothing, shoes & hats, luxury goods, and electronics & household appliances fields. Details about these enterprises are as follows:

- The enterprises with online sales of billions of RMB account for the highest proportion
Of all the consumer products enterprises on the list, 16 enterprises are in the clothing, shoes & hats field, and most of them have online sales of billions of RMB; another 16 are in the food & beverage industry, and their online sales are mainly about hundreds of millions of RMB; 7 are in the personal care & cosmetics industry, mostly with online sales of billions of RMB; 5 are in the electronics & household appliances market, mostly with online sales of tens of billions of RMB; and all 4 enterprises from the luxury goods industry have sales of billions of RMB.

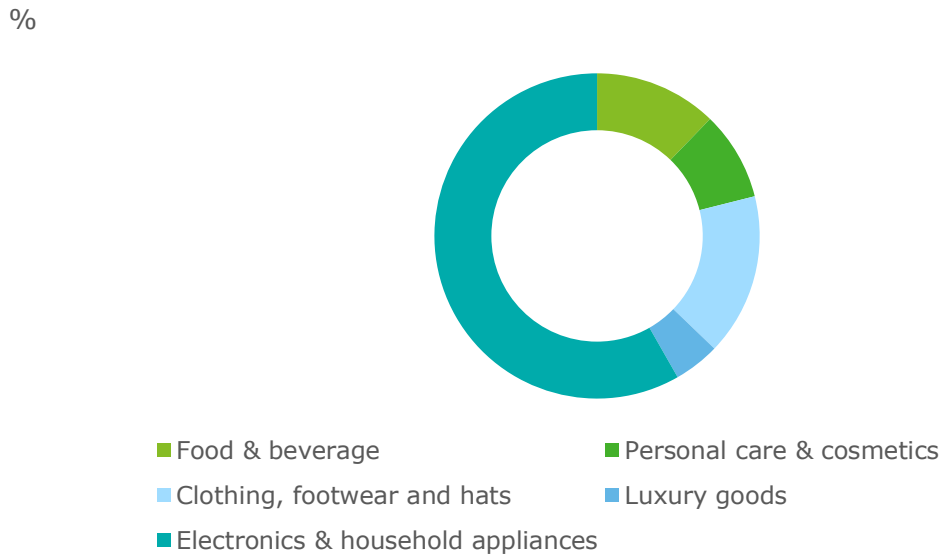
Figure 16: Distribution of consumer products enterprises in different fields by online sales



Source: Deloitte Research

- The electronics & household appliances field account for the largest share of online sales of consumer products enterprises on the list.
There are 16 food & beverage enterprises, 16 enterprises from the clothing, footwear & hats industry, 4 luxury goods enterprises, 7 enterprises from the personal care & cosmetics industry, 5 enterprises from the electronics & household appliances industry, and their online sales account for 12.3%, 16.2%, 4.6%, 8.9%, and 58.6% respectively of the total online sales of the consumer products enterprises on the list.

Figure 17: Proportion of the above-mentioned fields in terms of online sales of the consumer products enterprises on the list

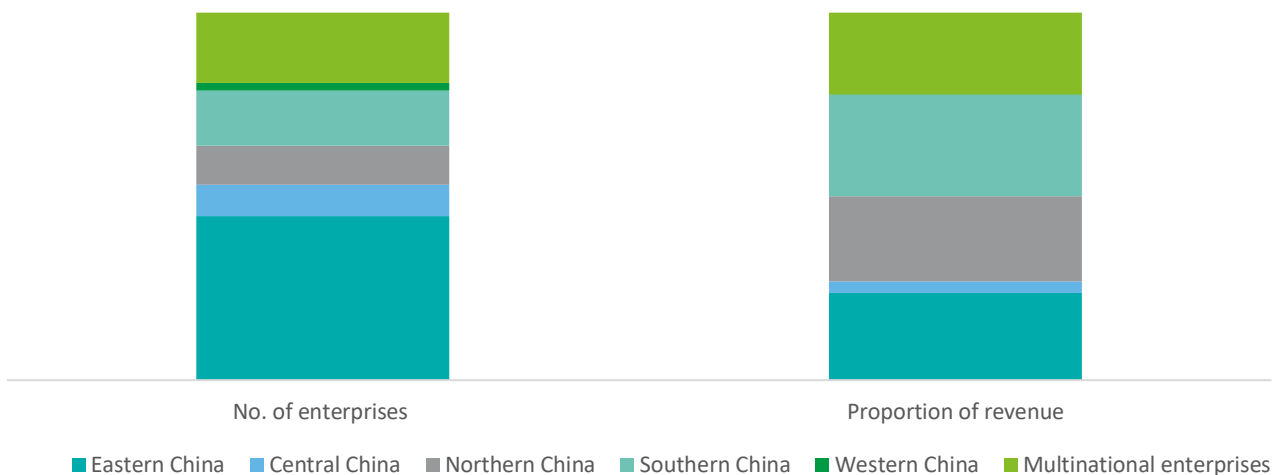


Source: Deloitte Research

- Online sales of consumer products enterprises in southern China is higher than that in other areas. Among all the consumer products enterprises on the list, there are as many as 21 enterprises in eastern China, with their online sales accounting for 25% of the total online sales of the consumer products enterprises; 8 multinational enterprises, with their online sales accounting for 16.1% of the total sales; 8 enterprises in southern China, with their online sales making up the highest proportion of 29.6%; 6 enterprises in northern China, with their online sales accounting for 24.9%; 4 enterprises in central China and 1 in western China, and their online sales account for about 5% of that of all the consumer products enterprises.

Figure 18: Number of consumer products enterprises and their sales proportion in each region

Unit: No. of enterprises



Source: Deloitte Research

- The proportion of online sales of consumer products enterprises on the list to their total sales exceeds the industrial average.

For more than half of the clothing, shoes & hats enterprises on the list, their online sales account for more than 20% of their total sales (the proportion for apparel enterprises in 2019 was from 20% to 25%); the online sales proportion of 88% of the food & beverage enterprises on the list is more than or equal to 10% (that of food enterprises in 2019 was from 5% to 10%); the online sales proportion of 80% of the household appliances enterprises on the list is more than 15% (that of household appliances enterprises in 2019 was from 10% to 15%); that of 85% of the cosmetics and personal care products enterprises is over 30% (that of daily necessities enterprises is from 15% to 20% in 2019); the average online sales proportion of the luxury goods enterprises on the list reached 17.8%, among which that of jewelry enterprises on the list are all over 5%, exceeding the industrial average level (less than 5%).

Figure 19: Penetration of online selling into different product categories (proportion of online sales to online retail sales of physical goods for different product categories)

<5%	Tabaco and alcohol Jewelry Beverage Construction and decorating materials
5%~10%	Furniture Communication equipment Sports & office supplies Oil & foodstuffs Cosmetics
10%~15%	Household appliances and audio equipment
15%~20%	Daily necessities
20%~25%	Clothing, shoes, hats, and knitgoods

Source: Statistics of the Ministry of Commerce, Deloitte Research

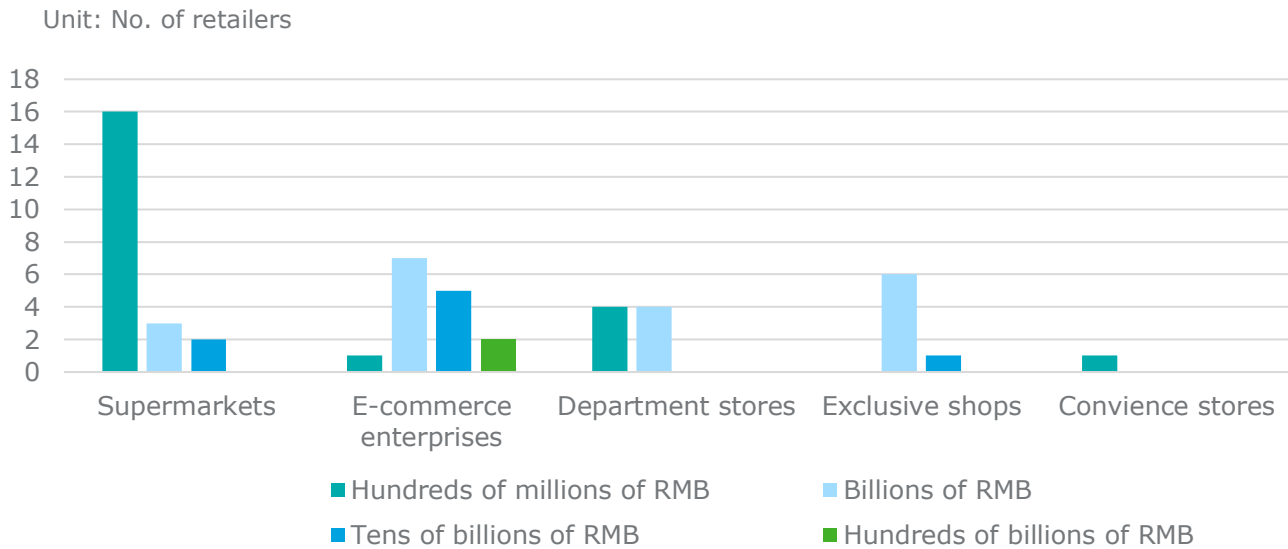
2.3 Online sales of different retail formats

On the Top 100 list, there are 52 retail enterprises, with their sales exceeding RMB970 billion. Among which, e-commerce enterprises only take up 29% of all retail enterprises on the list. The rest 37 enterprises are offline enterprises that are actively carrying out digital transformation, and they account for 71% of all retail enterprises on the list.

- **Retail enterprises mainly have sales of billions of RMB or tens of billions of RMB.**

In terms of sales value, online sales of e-commerce enterprises on the list are mainly between billions of RMB and tens of billions of RMB. The online sales of supermarkets on the list are mainly hundreds of millions of RMB; that of department stores on the list are mainly hundreds of millions or tens of billions of RMB; and that of exclusive shops on the list are mainly billions of RMB. In addition, convenience stores on the list also have online sales of hundreds of millions of RMB.

Figure 20: Online sales of retail enterprises of different business formats

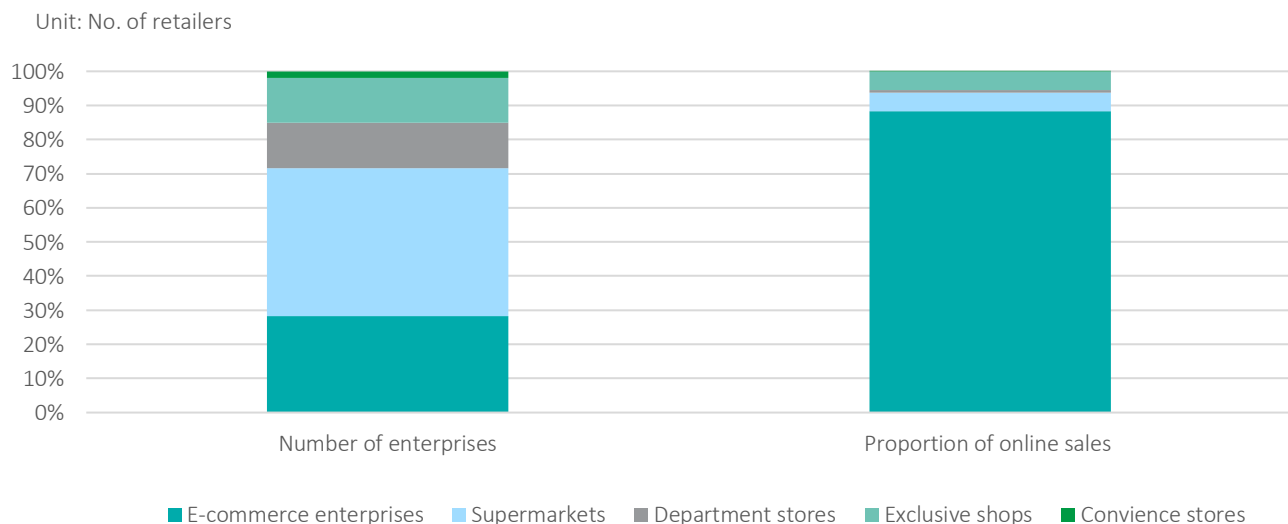


Source: Deloitte Research

- **There are 23 physical retailers, and they have a relatively small share of online sales.**

Of all the retailers on the list, 15 are e-commerce enterprises, with their online sales accounting for as many as 88% of the total sales of all retail formats. As for the non-e-commerce enterprises on the list, 21 are supermarkets, with their online sales accounting for 5.3% of the online sales of all retail enterprises on the list; 7 are exclusive shops, which account for 5.5% of the total online sales of all retail enterprises on the list; 7 are department stores, which account for 0.9% of the total online sales; and 1 is a convenience store.

Figure 21: Number of retail enterprises and the proportion of their online sales by business formats



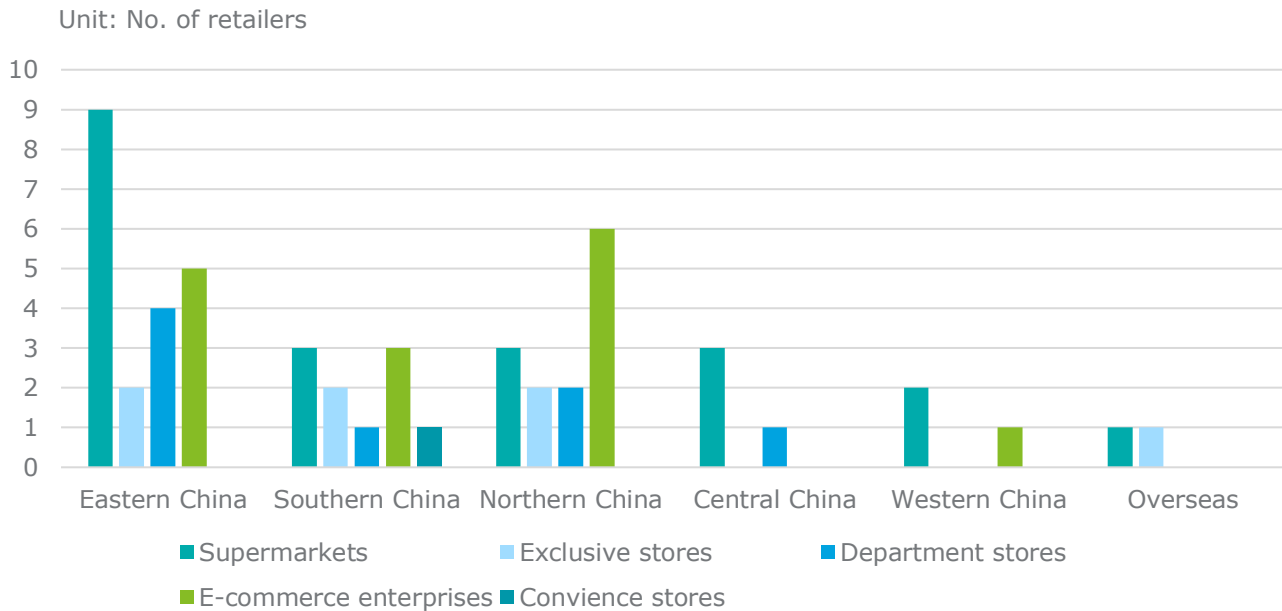
Source: Deloitte Research

- **Northern China boasts a wider distribution of e-commerce enterprises, while eastern China has more supermarket-type enterprises.**

In terms of geographical distribution, eastern China has the largest number of retail enterprises, with the number being 18, followed by northern China, southern China, central China, western China and multinational enterprises. To be specific, there are 8 supermarket-type enterprises in eastern China and 8 e-commerce enterprises in northern China, making the two regions having the largest number of supermarket-type enterprises

and e-commerce enterprises respectively. Department stores are widely distributed in eastern China, southern China, central China and northern China, while exclusive shops are mainly distributed in eastern China, southern China and northern China.

Figure 22: Geographical distribution of retail enterprises

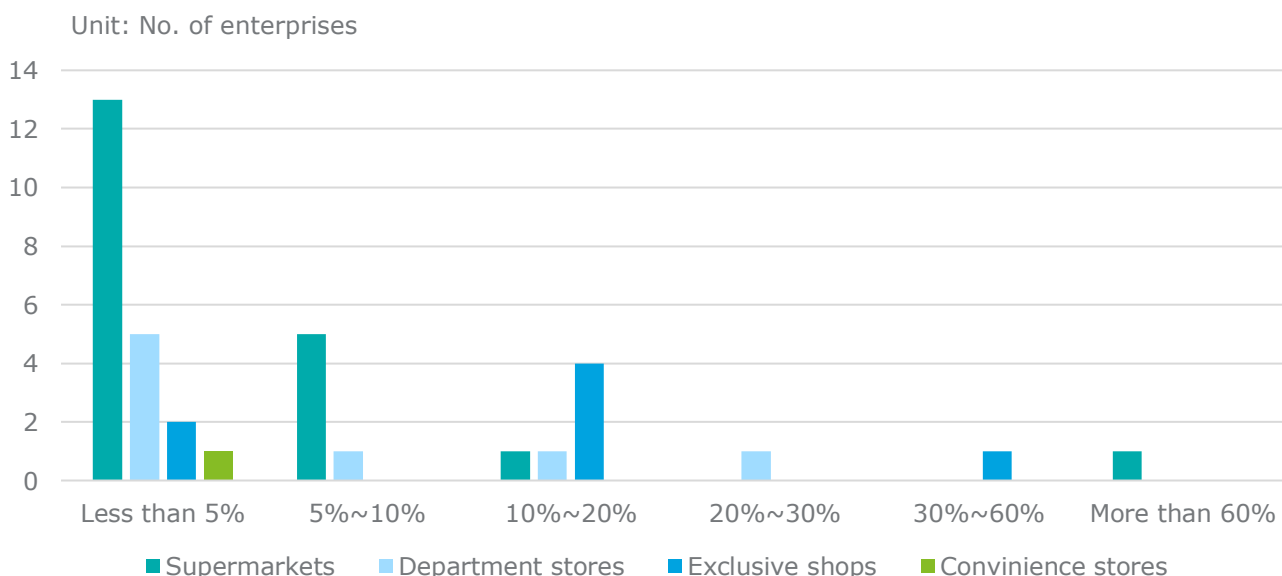


Source: Deloitte Research

• **The digitalization of supermarkets is higher than other physical retail formats**

From the perspective of the digitalization of non-e-commerce retail formats (e.g. the proportion of online sales of enterprises on the list to their total sales), supermarket-type enterprises boast the highest online sales proportion, which varies from over 60%, between 10% and 20%, between 5% and 10%, to less than 5%; closely followed by department stores, whose online sales proportion mainly falls within the ranges of less than 5%, between 10% and 15%, and between 20% and 30%. The online sales proportion of exclusive shops is mainly between 10% and 20%, between 20% and 30%, between 30% and 60%, or less than 5%.

Figure 23: Number of enterprises of different retail formats by online sales proportion



Source: Deloitte Research

Sub list of platform-based retail enterprises

In recent years, B2C e-commerce has led the digital development of China's retail industry. With the integration of online and offline consumption, the boundaries between traditional online and offline retail enterprises have been gradually broken. An increasing number of enterprises have successfully transformed into omnichannel retailers. Platform-based retail enterprises are playing an active role in driving model innovation to promote the emergence of a new business model with sales of trillions of RMB in the retail industry.

To show the overall landscape of China's retail industry, CCFA and Deloitte jointly released the following TOP 5 B2C E-commerce Retailers list based on the business performance of platform-based retailers in 2019:

Figure 24: TOP 5 platform-based B2C e-commerce retailers

Rank	Enterprise	Online sales in 2019 (RMB10 thousand)
1	Alibaba.com	658,900,000
2	JD.com	208,540,000
3	Pinduoduo	100,660,000
4	Suning.com	23,875,300
5	Vipshop	14,820,000

The "leading platform" effect is rather noticeable for platform-based B2C e-commerce retailers, and the industry is highly concentrated. The online sales of platform-based B2C e-commerce retailers have reached tens of trillions of RMB. Among them, enterprises with online sales of trillions of RMB accounted for 96.2% of the total GMV (growth merchandize volume); enterprises with online sales of hundreds of billions of RMB accounted for 3.8% of the total GMV.



3. Tips for consumer products & retail enterprises to navigate the digital-driven Now Consumer era

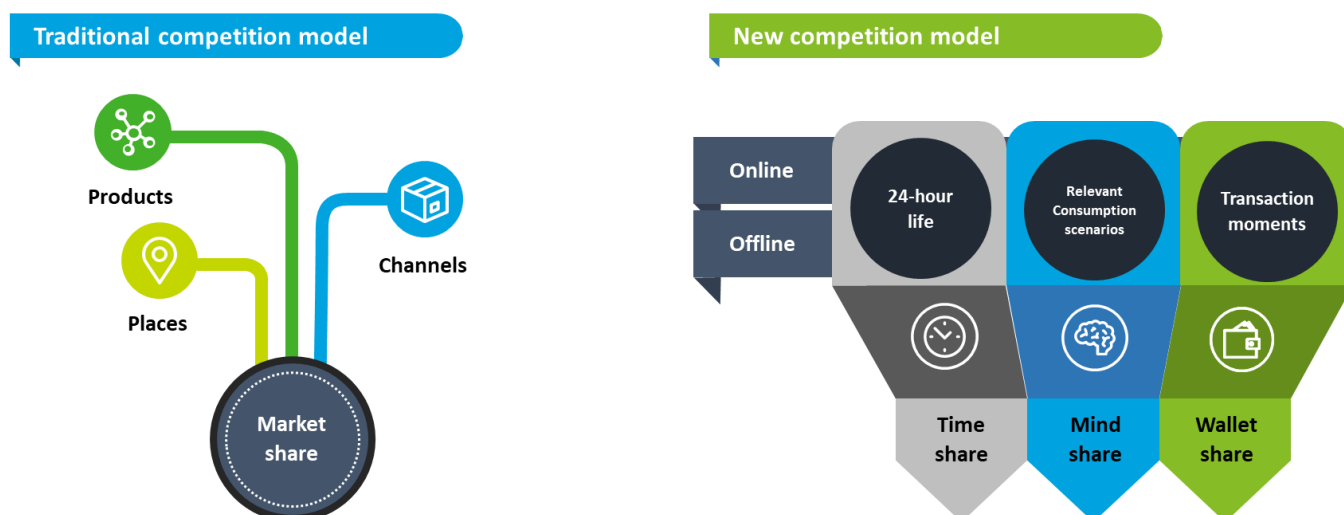
3.1 Design and promote business model transformation according to scenario-based consumer experience

China is entering an era of all-round digitalization. Under the impact of Covid-19, and with the emergence of 5G life, consumers around the world, particularly Chinese consumers, have entered the "Now Consumer" era. Function-oriented consumer demand has expanded to cover emotions and experience. Finding ways to get close to consumers and provide convenience to them is not only the top priority for consumer products & retail enterprises, but also the starting point for their transformation.

Consumer products & retail enterprises should design and promote their business model transformation according to scenario-based consumer experience. Enterprises' market mindset is required to shift from products, places and channels to 24-hour consumer moments, that is to say,

- In the future, consumer products & retail enterprises will need to compete for consumers' time both online and offline through 24-hour services.
- Win consumers' online and offline share of mind in different consumption scenarios.
- Compete for consumers' online and offline share of wallet by making good use of their consumption moments.

Figure 25: Transformation of market model



Source: Deloitte Research

Under the guidance of the three important indicators including time, share of mind and wallet, enterprises should redefine the consumer market based on the 24-hour consumption life and consumption scenarios. The transformation of the consumer market paradigm can not only help enterprises break down organizational barriers and product limitations, but also help them identify new market opportunities.

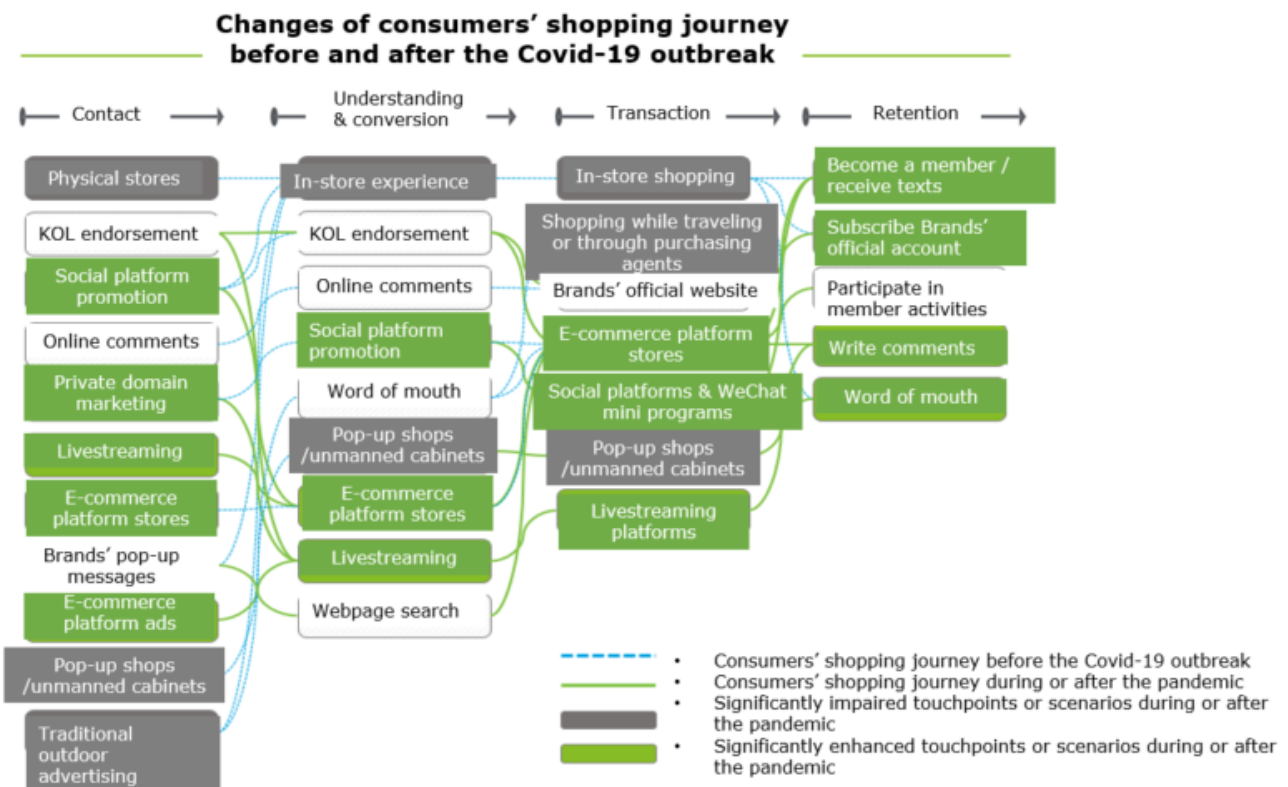
According to the new paradigm, enterprises need to complete transformation and reformation by regaining insight into consumers, and improve their operational capabilities via digital methods.

3.2 Identify changes in consumer shopping habits through precise marketing

In the new consumption era, enterprises need to gain deep insights into consumers' consumption journey through precise marketing, to know who will be consumers; where are they expected to show up; what preferences do they have; and how to meet these consumers. Enterprises that aim to establish multiple online and offline touchpoints should dig deep to gain consumer insights and understand the current status and changing trends of consumers' shopping behaviors and personal preferences. For example, the abundant data accumulated during the pandemic can be used to outline the shopping journey of different types of consumers and their changes along the journey, identify pain points for consumers, and therefore provide a basis for future product adjustments, channel integration and the creation of the ultimate shopping experience.

The 'traumatic' changes brought by Covid-19 on consumer minds and behavior persist. In the post-pandemic period, enterprises should be data-driven, gain deep insights into consumers, build seamless omnichannel marketing capabilities, and understand consumers' demand at critical moments. For example, the 'traumatic' changes in consumers' mindset and shopping habits in recent months after the Covid-19 outbreak can be identified in real time via digital insights.

Figure 26: Changes of consumers' shopping journey before and after the Covid-19 outbreak



Source: Deloitte Research

Only with due insights and portraits of its core consumers, can an enterprise effectively develop precise customer reaching strategies. Designing experience that meet customers' emotional & functional demand and can reflect their core values at consumers' key consumption moments is the key for enterprises to remain differentiated and competitive.

3.3 Improve the operational capabilities of consumer products & retail enterprises via digital methods

Enterprises should rethink their channel operations and supply chain layout, speed up digital transformation and omnichannel development. At the same time, they should unlock the value of data by turning data into insights to promote management and decision-making.

To realize thorough digital operation will require coordination of five aspects, including strategies, capabilities, technologies and data, personnel and organization, as well as processes. Specifically, "capabilities" covers three aspects: people, products, and places, and involve dozens of dimensions such as consumer insights, marketing communication, e-commerce channel operation, omnichannel cooperation, commodity distribution and pricing. Enterprises can quickly test their omnichannel capabilities through similar models, find the gap between their current status and the ideal state, and then develop a transformation and upgrading route in line with their own conditions.

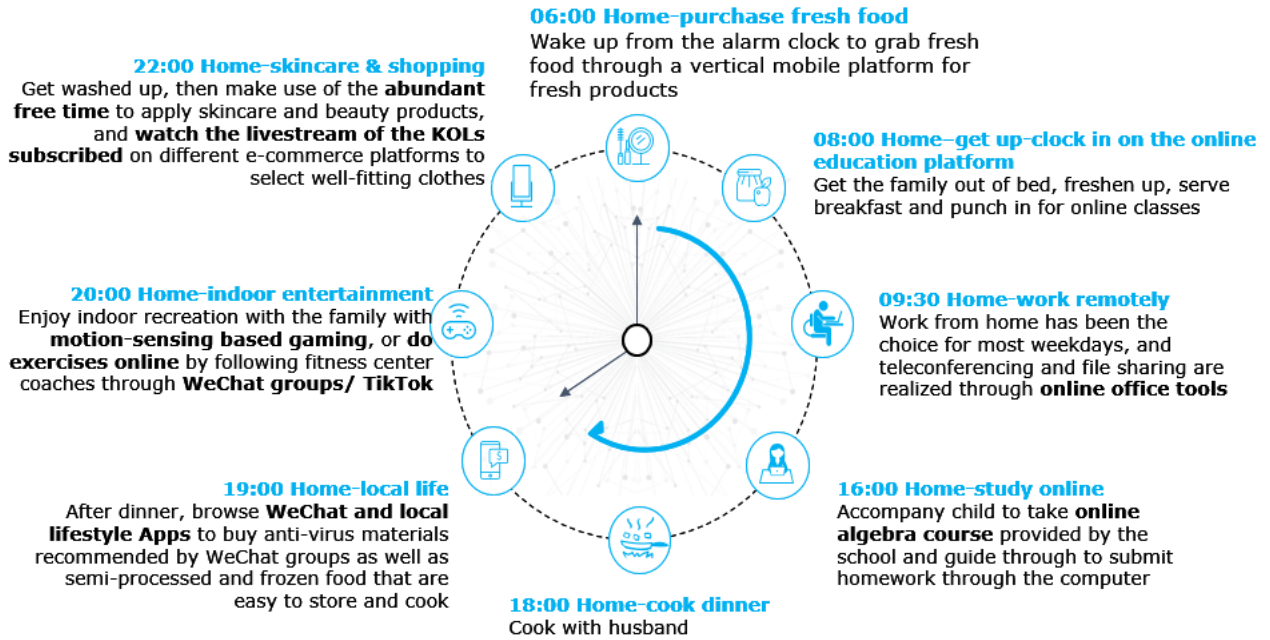
The original supply chain might be severely impacted due to the pandemic, therefore enterprises should rethink their future supply chain model, and start deploying and developing a digitalized supply chain. First of all, the visibility of the whole supply chain shall be enhanced so that enterprises can clearly see which suppliers, places, parts or products are most at risk when there is a supply chain disruption risk. This will enable enterprises to formulate coping strategies to ease inventory constraints and identify alternative capabilities, which brings greater benefits than costs for most enterprises. In addition, the spare capability and flexibility of enterprises should increase. Enterprises should "hide" one or more auxiliary supply network(s) in their core supply chain to increase their standby capability. In the event of a core network disruption, the backup networks could instantly take over and function instead.

3.4 Respond proactively to the new market changes during the pandemic to optimize retained earnings

The "Now" shopping model catalyzed rapidly during the pandemic will persist and continue to evolve. Therefore, it is rather important for retail enterprises to create multiple scenarios to connect with consumers effectively at different time periods.

In terms of consumer acquisition, enterprises shall expand their channels for increasing online customer reach and acquiring new customers. By choosing the right online customer acquisition channel, enterprises can increase their online customer touchpoints efficiently and precisely, and effectively boost marketing conversion rates. For instance, physical retail formats should expand their entrance for online traffic, acquiring new consumers by making use of the traffic on both public domains (like e-commerce platforms) and private domains (such as community groups and self-built websites) to meet the "Now Consumer" demands. With respect to customer retention, refined operations of retail scenarios can be realized through an omnichannel strategy. For example, the products and services in shopping centers can be refactored through digitalization to focus on health, regular shopping experience and immersive shopping experience. In addition, enterprises should evaluate the pandemic's impact on their operation and adjust their annual plan accordingly, such as formulating strategies for excess inventory disposal, joining front-end business departments in working out the demand management and planning for consumptions afterwards, and achieving long-term improvement by improving weak links from the perspective of concept, retention and digitalization of systems.

Figure 27: Consumers' 24 hours during the pandemic



Source: Deloitte Research

Ranking methodologies for the Top 100 Enterprises by Online Sales

Data source:

Relevant data is obtained from enterprises' public information, annual financial reports and press releases of listed companies, as well as industry analysis reports, transaction record estimates, news interviews, etc. As the validity of the data doesn't allow for a reasonable prediction of retail revenue, certain consumer products & retail enterprise cannot be ranked.

Definition of fiscal year for revenue purposes:

The ranking on the list is based on enterprises' data in FY2019. For the unity of the ranking, data in FY2019 includes data released from June 1, 2019 to June 30, 2020.

Revenue adjustment and statistical rules:

The ranking adopted the financial reports published on the release date of the reports. Even if an enterprise corrects and republishes its previous years' financial report data adopted by the ranking, the data in the ranking will not be affected unless in exceptional circumstances.

Scope of retail & consumer products enterprises on the list:

Including:

- Retail enterprises that directly sell products to consumers
- Retail business of vertically integrated brands' manufacturers
- E-commerce B2C retailers that directly sell products to consumers
- Spot commodity wholesalers

Excluding:

- B2B wholesalers and B2B e-commerce enterprises
- E-commerce auction websites
- Catering enterprises
- Automobile dealers
- Retail gasoline stations whose retail data is not publicly available
- Private equity and other investment companies
- Acquisition group
- Retail enterprises for which no valid data is available for retail revenue prediction

Definition of online sales revenue for the ranking:

Including:

- Revenue derived directly from B2C sales for retail products sold via online channels, and relevant enterprises are the sellers of record.
- Revenue from retail services and activities that support retail businesses, franchise/licensing fees, royalties, and commissions (**applicable to sub lists**)

Excluding:

- B2B sales via online channels
- E-commerce third party sales and other market auction incomes, such as commission, fees, advertising incomes
- Automotive revenue/automobile sales revenue

Appendix (the Top 100 list)

2020 China TOP 100 Enterprises by Online Sales

Rank	Enterprise	2019 online sales (RMB10 thousand)
1	Beijing Jingdong Century Trade Co., Ltd. ①	51,073,400
2	SUNING.COM CO.,LTD. ②	15,843,900
3	Guangzhou VIP Information Technology Co., Ltd.	8,872,131
4	Midea Group Co., Ltd.	7,000,000
5	Huitongda Network Co., Ltd.	4,958,926
6	* Beijing Xiaomi Technology Co., Ltd. (mobile phone+IOT consumer goods) ③	4,605,000
7	GOME Retail Holdings Limited	4,500,000
8	Haier Smart Home Co., Ltd.	3,500,000
9	* Shanghai Hema Network Technology Co. Ltd. (Freshhema)	2,400,000
10	* Procter & Gamble Sales Co., Ltd.	1,466,000
11	Concord Investment (China) Co., Ltd. (RT-Mart) ④	1,360,000
12	* TMall (TMall Supermarket and TMall Global) ⑤	1,200,000
13	Three Squirrels Inc.	1,001,100
14	* ⑥ Beijing Missfresh Ecommerce Co. Ltd.	1000000+
15	* Beijing Dangdang Information Technology Co., Ltd.	1,000,000
16	* Estée Lauder China	694,000
17	* UNIQLO China	672,000
18	Beijing Siku Secondhand Co. Ltd. ("SECOO Group")	665,558
19	Inner Mongolia Yili Industrial Group Co., Ltd.	660,000
20	Zhejiang Semir Garment Co., Ltd.	533,460
21	* NIKE Greater China	519,000
22	* Shanghai 100 meters Network Technology Co., Ltd. (Dingdong Maicai)	500,000
23	* Adidas China	494,000
24	Kidswant Children Products (China) Co., Ltd.	483,209
25	* Haoxiangni Health Food Co.,Ltd.	476,880
26	Hosjoy Comfort Smart Home Co. Ltd.	462,883
27	1919 Wines & Spirits Platform Technology Co. Ltd.	410,000
28	111 Inc.	395,000
29	Belle International Holdings Limited	390,600
30	Bestore Co.,Ltd	369,200
31	Yonghui Superstores Co., Ltd.	347,888
32	Wumart Holding Group (supermarket sector)	337,026
33	Li Ning Sports Goods Co., Ltd.	312,100
34	Angel Yeast Co., Ltd.	266,332

35	Shanghai Jahwa United Co., Ltd.	258,300
36	Ningbo Peacebird Fashion Co.,Ltd.	231,227
37	Hangzhou Yifeng Fabric Co.,Ltd	220,000
38	Yujiahui Co.,Ltd.	215,100
39	* Swatch China	212,000
39	* China Resources Vanguard (“CR Vanguard”)	200,000
41	Shenzhen Pagoda Industrial (Group) Corporation Limited	200,000
42	Chow Tai Fook Jewellery Group Limited	192,589
43	* Coca Cola China	184,000
43	JALA GROUP CO. Ltd.	180,000
45	Guangzhou Yatsen E-Commerce Co. Ltd.	180,000
46	Beijing Digital Telecom Co., Ltd.	174,930
47	Proya Cosmetics Co., Ltd.	165,500
48	Decathlon China	160,338
49	Yintai business (Group) Co. Ltd.	157,993
50	Shanghai Anjia Network Technology Co., Ltd.	149,000
51	Hebei 365 Network Technology Group Co., Ltd.	147,533
52	Mulsanne Group Holding Limited	142,600
53	Chow Sang Sang Holdings International Ltd.	138,908
54	Xianfeng Fruit Co. Ltd.	138,504
55	Heilan Home Co., Ltd.	132,500
56	New Huadu Supercenter Co., Ltd.	131,029
57	Inzong Group	127,856
58	Wuhan Zhongnan Commercial Group Co., Ltd.	122,000
59	Anzheng Fashion Group Co.,Ltd	120,600
60	Guangzhou Shangpin Home Collection Co., Ltd.	105,000
61	Hunan Friendship&Apollo Commercial Co., Ltd.	91,229
62	Rainbow Department Store Co., Ltd.	89,218
63	Liqun Commercial Group Co., Ltd.	88,339
64	Better Life Group	86,542
65	Guangdong Marubi Biotechnology Co., Ltd.	80,800
66	Zhejiang Red Dragonfly Footwear Co.,Ltd.	66,395
67	Lianhua Supermarket Holdings Co., Ltd.	58,143
68	Shanghai Laiyifen Co., Ltd.	51,568
69	Beijing Sanyuan Foods Co., Ltd.	51,172
70	Leyou International Business Group Co., Ltd.	49,300
71	Jiangsu Five Star Appliance Co., Ltd.	47,818
72	Jinhong Fashion Group Co., Ltd.	47,552
73	* PepsiCo China	45,000
74	Foshan Haitian Flavouring and Food Co., Ltd.	41,625
75	Zhejiang Aokang Shoes Co., Ltd.	41,426
76	Jiangsu Xinhezuo Changkelong Chain Supermarket Co.,Ltd.	41,158

77	Guangzhou Restaurant Group Company Limited	39,620
78	Sophamide Supermarket Co., Ltd.	35,277
79	Zhongbai Holdings Group Co., Ltd.	33,985
80	Youngor Group Co., Ltd.	32,684
81	Jiangxi Huangshanghuang Group Food Co., Ltd.	32,385
82	Beijing Jingkelong Company Limited	32,200
83	Hangzhou Lianhua Huashang Group Co., Ltd.	30,159
84	Sanjiang Shopping Club Co., Ltd.	29,554
85	Wuhan Department Store Group Co., Ltd.	26,357
86	Dongguan Sugar & Liquor Group Meiyijia Convenience Store Co., Ltd.	25,921
87	Jiangxi LDY Supply Holdings Co., Ltd.	23,063
88	Guangdong Jiarong Supermarket Co., Ltd.	22,000
89	Yunnan Jianzhijia Health Chain Store Co., Ltd.	19,911
90	Shenzhen Meiyiduo Operation Management Co., Ltd.	18,415
91	Beijing Dr. Plant Biotechnology Co. Ltd.	16,978
92	Hua Lian Supermarket (Jiangsu) Co., Ltd.	16,933
93	Shanxi Meetall United Supermarket Co., Ltd.	16,437
94	Hefei Department Store Group Co., Ltd.	16,249
95	Xiamen Sumgo Tea Co., Ltd.	15,822
96	Lotus Market	15,600
97	Chongqing General Trading (Group) Co., Ltd.	13,575
98	Xiangpiaopiao Food Co., Ltd.	12,479
99	Qianhe Condiment And Food Co.,Ltd.	12,350
100	Shenzhen Ellassay Fashion Co., Ltd.	11,439

Note: 1 The data on the list is the retail enterprises' proprietary online sales.

2 For enterprises marked with *, the data of which is estimated based on second-hand information, and that of overseas enterprises is estimated according to the their sales data in Chinese Mainland or Greater China as shown in their annual report. If there is a major discrepancy, please contact us;

Notes for the data of specific enterprises:

- ① JD.com' data is based on the "Net Product Revenue" in its 2019 annual report;
- ② Suning' financial report includes Carrefour' data in 2019 Q4;
- ③ Xiaomi's data is estimated according to its sales of mobile phones and IOT consumer products, excluding its revenue from platform services and internet services;
- ④ RT-Mart' data covers direct B2B and B2C business;
- ⑤ Tmall's proprietary trading data is estimated by deducting the revenue of Intime and Freshhema from the data for "Others" in its financial report;
- ⑥ The public data for Missfresh is over RMB10 billion;

Contact us

Deloitte Contacts

Zhang, Tian Bing

Deloitte Asia Pacific Consumer Products and Retail Sector Leader

Email: tbzhang@deloitte.com.cn

Chen, Lydia Lan

Deloitte Research Director

Email: lydchen@deloitte.com.cn

Jiang, Sunny Ying

Deloitte China Consumer Products and Retail Sector Senior Manager

Email: sunjiang@deloitte.com.cn

Wang, Gigi Dingzhe

Deloitte China Consumer Products and Retail Sector Assistant Manager

Email: gigwang@deloitte.com.cn

CCFA Contacts

Peng, Kevin Jianzhen

Secretary General

Email: kevin@ccfa.org.cn

Cheng, Hao nan

Innovation and Development Department

Email: chn@ccfa.org.cn



因我不同

成就不凡

始于 1845

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 330,000 people make an impact that matters at www.deloitte.com/cn/about.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

The Deloitte brand entered the China market in 1917 with the opening of an office in Shanghai. Today, Deloitte China delivers a comprehensive range of audit & assurance, consulting, financial advisory, risk advisory and tax services to local, multinational and growth enterprise clients in China. Deloitte China has also made—and continues to make—substantial contributions to the development of China's accounting standards, taxation system and professional expertise. Deloitte China is a locally incorporated professional services organization, owned by its partners in China. To learn more about how Deloitte makes an Impact that Matters in China, please connect with our social media platforms at www2.deloitte.com/cn/en/social-media.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.