Part 5 of 5

POST-COVID-19: POSITIVE SIGNS FROM CHINA ON RETAIL

Anjee Solanki
National Director
Retail Services | USA
Colliers International

Tammy Tang
Managing Director
China
Colliers International

Rene Luk
Senior Associate Director
Retail Services | China
Colliers International

Christina Yu
Analyst
Retail Services | China
Colliers International

Wednesday | April 22, 2020

The views, information and opinions expressed during the Webinar Series are solely those of the individual speakers involved and do not necessarily represent those of Colliers International and its employees.
Agenda

- How did COVID-19 affect the Chinese retail market?
- How did landlords deal with this situation?
- How did brands and tenants handle the situation?
- What is the current retail market situation and what are expectations within the major cities of China?
How did COVID-19 affect the Chinese retail market?
A steep fall in consumption occurred during the 2020 Spring Festival. Among all of the related industries, catering, tourism, entertainment and vehicle purchasing have been affected the most.

According to a survey by China Chain Store + Franchise Association, around 70% of fashion retailers have kept their doors closed since Lunar New Year.

Due to the traffic controlling measures and self-quarantine rules, online shopping, ordering food and entertainment were highly active during this period, which helped offset some of the negative impact.

L’Oréal said February performance of its brands on Alibaba’s Tmall outperformed the same period in 2019, offsetting the negative impact caused by COVID-19.

Allbirds China also said the brand’s Tmall traffic increased steadily after the outbreak, and the growth of online sales was stable.

As consumers head back to work, consumption increased after the shelter in place orders were removed. However, the losses in some sectors (such as catering or entertainment) will take longer to recover.
# How COVID-19 Impacted Consumption

## Reduce/Cancel in Consumption
- Entertainment
- Restaurant
- Tourism
- Manicure/Hair Cut
- Fitness
- Beauty Clinic
- Clothing & Accessory
- Luxury
- Liquor
- Cosmetic
- Financing
- Consumer Electronics
- Household Electrical Appliances
- Small Home Appliances
- Home Fitness Equipment

## Unaffected
- Personal Care

## Increased Consumption
- Anti-epidemic Product
- Cleaning Supplies
- Pharmaceutical Online
- F&B
- Advanced Anti-Epidemic Product
- Healthcare Products
- Medical Treatment/Insurance
Resistance and Confidence

Treat this crisis as a process where the new supersedes the old.

How Were these Impacts Seen on Consumption
How did landlords deal with this situation?
Increased Online Services + Customization

- VIP Service
- VR Shopping Guidance
- WeChat Groups
- Crossover
- Streaming
- Online Diagnosis
- E-commerce
- Donation
- Fandom
Anti-Epidemic Measures

- Control the amount of people, close certain exits
- Temperature check + Health QR code check
- Adjust opening time
- Hourly sterilization
- No-touch ordering system adapted by restaurants
In response to the government’s encouragement, most landlords have proactively reached out by providing discounts or rent-free periods. For rent discounts, almost half of the landlords have offered a 50% reduction for an extended period of time and for rent-free periods, most landlords have offered 0.5-1.0 months.
How did brands and tenants handle the situation?
Nearly half of the tenants said online sales will become one of their development strategies in the future. Landlords should take the initiative to further explore technologies and applications to better integrate their online and offline experiences.

More than 40% of the tenants stated that they will take greater marketing efforts or launch new products, new services, new formats and even new concept stores to boost their performance. Landlords should take advantage of this opportunity:

**In the short term,** after the epidemic, various marketing activities, including exhibitions, discounts, and pop-up stores, could be added to help tenants display their new contents, which should lead to a rapid recovery.

**In the medium and long term,** landlords should focus on tenants with innovative strategies to optimize the tenant mix and enhance the competitiveness of the property.

In response to the COVID-19 epidemic, 16% of tenants have indicated a plan to reduce their total stores in 2020, while 11% are adjusting their strategies to cut costs. Landlords should quickly and fully communicate and take measures to stabilize tenants, while avoiding possible future risks.
Supply Chain Integration

• Delivery services help brands maintain their sales volume
• Large chain supermarkets (such as Sam’s Club) access online delivery platform
• No-touch delivery services become a new innovation
• Many retailers set the collecting zone and delivery channel to increase the efficiency
What is the current retail market situation and what are expectations within the major cities of China?
With Improvement of Epidemic, Market is About to Pick Up

Government Policies
Government action is very effective. Firms and consumers have already seen benefits and have gained more confidence.

- **Rental**
  - More rent-free period

- **Tax**
  - Tax reduction and deferment

- **Financial**
  - Reduce financing cost

- **Subsidies & Rebates**
  - Support industry & reduce labor costs

- **Human Resources**
  - E.g. Implement flexible employment policies

- **Government Services**
  - E.g. Anti-epidemic government services

- **Spending Coupon**
  - 30+ cities issued a total of USD 790m in spending vouchers

Property Leasing Market
We witnessed gradual recovery of leasing market in the last 3 weeks, and full recovery of signing leasing contract is expected to be by the end of Q2.

- **Inquiries ↑**
- **Inspections ↑**
- **Occupancy ↑**
Post COVID-19 Consumption Trend

**Sustainable and stable growth**
- Online Entertainment
- Luxury

**Unchanged**
- Household Electrical Appliances
- Small Home Appliances
- Consumer electronics
- Liquor
- Home Fitness Equipment
- Beauty Clinic

**Explosive and significant increase**
- Restaurant
- Tourism
- Entertainment
- Anti-Epidemic Products
- F&B
- Medical Treatment/Insurance
- Clothing & Accessory
- Advanced Anti-Epidemic Products
- Health Care Products
- Cleaning Supplies
- Personal Care
- Pharmaceutical
- Fitness
- Financing
- Manicure/Hair Cut
- Cosmetic
Foreign Brands Enter China Post COVID-19
China Overall Performance

**Tier 1 Cities:**
- Guangzhou and Beijing are still facing serious overseas input, consumption has not shown significant recovery.
- Shanghai has seen the most rapid rebound performance, which is credited to the local government management.

**Tier 2 Cities:**
- Most cities are recovering and are under control reducing minimal losses.
IAPM Shopping Mall is one of the busiest shopping centers in Shanghai at 1.3 million square feet.

This upscale mall houses big-name boutiques, including Prada, Gucci, Miu Miu, Dolce & Gabbana, Stella McCartney, Alexander McQueen and Michael Kors. (Plus Muji, Nike, restaurants, cinemas and other global brands.)

IAPM Mall deployed WeChat to make up for the losses caused by COVID-19. Nearly 70 fashion brands—including Versace, Tod’s, Saint Laurent, Chloé and Stella McCartney—have established their personal accounts. Consumers can add each brand’s WeChat to browse through their latest offerings in their ‘moments feed’ and chat with sales associates to place orders.
Revenge Spending or Increased Consumer Confidence?

- **Mall Footfall:** Most malls located in primary retail zones are almost back to previous level in Shanghai; Beijing and other Tier 1 cities have recovered to almost half of the previous footfall count.

- **Normal Shopping Hours:** The majority of malls are back to current business hours (10am-10pm) and with all retailers reopened as of April 2020 (a month and a half after China removed the shelter in place orders).

- **Restaurants:** Most restaurants are back to normal and still offer delivery service. However, restrictions on crowds and temperature check points are still in place. Timing for reopening ramped quickly for chain QSRs, as they pre-planned for required safety checks.

- **Gyms:** The reopening of most gyms has occurred, allowing a max of 50 people at a time for timed workouts, 60-90-minutes in the larger gyms. Once the gym members leave, a full cleaning occurs before the next group is allowed to enter.

- **Revenge Spending:** It’s occurring in Tier 1 cities, but concern is that it may not last as many jobs have been impacted (therefore less disposable income).

- **Full Recovery:** Is forecasted by analysts to occur in the second half of 2020. Anti-epidemic will be a new normal, and prevention measures will be conducted for a longer period of time, further increasing operational costs.
Question & Answer Section

Anjee Solanki
National Director, Retail Services | USA
Colliers International
+1 415 288 7871
Anjee.Solanki@Colliers.com

Tammy Tang
Managing Director | China
Colliers International
Tammy.Tang@Colliers.com

Rene Luk
Senior Associate Director | China
Retail Services
Colliers International
Rene.Luk@Colliers.com

Christina Yu
Analyst | China Retail Services
Colliers International
Christina.Yu@Colliers.com
Thank you for participating in our five-part retail webinar series.

You can view all of the past presentations and recordings on Colliers Knowledge Leader website.

Knowledge-Leader.Colliers.com

The views, information and opinions expressed during the Webinar Series are solely those of the individual speakers involved and do not necessarily represent those of Colliers International and its employees.