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WINNING THE RETAIL BATTLE IN A WORLD WITHOUT MASK RESTRICTIONS

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China's retail market has entered a new era with decelerated overall growth, and the COVID-19 outbreak has hit it even harder.

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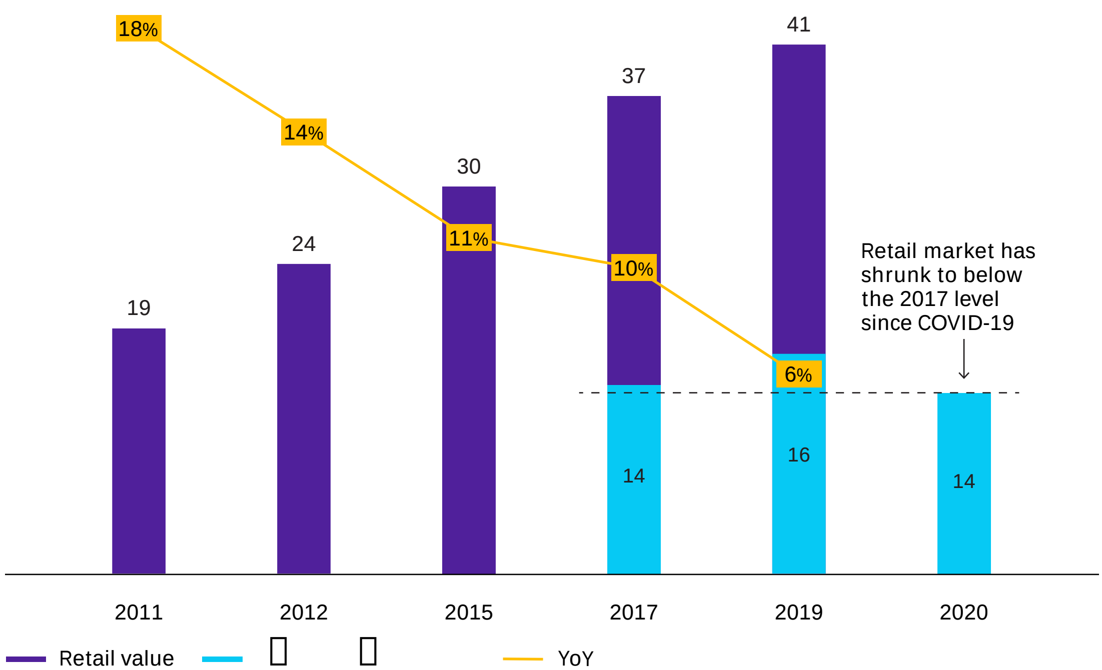
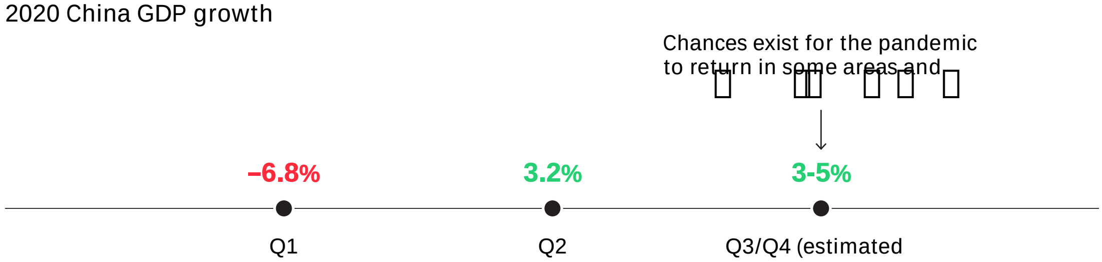
Exhibit 1. China's retail market has entered a new era with decelerated overall growth; the COVID-19 outbreak has hit the market even harder

2011-2019

Trillion RMB



2020 China GDP growth



This turbulent situation is only going to accelerate structural changes in channel dynamics and consumer shopping behavior, resulting in China’s retail market entering a “post-COVID normal”.

and

pre-empt

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normal:

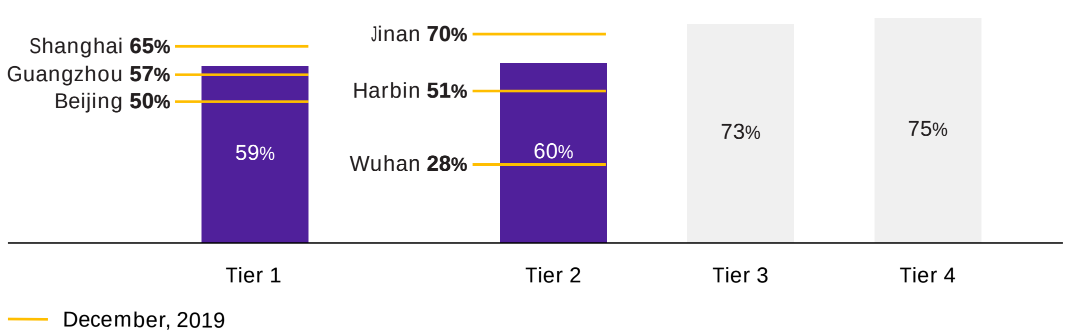
- **Accept the fact that a lot of existing stores will never come back to pro f tability after the pandemic, so be bold and close them quickly to cut losses and double down on new strategic locations.**

%

%

Exhibit 3. O f ine tra f c is recovering, but many stores are still under pressure, especially in higher-tier cities

tier



Average daily mall traffic in April 2020 as % of December 2019, within Beijing

Above city average		Below city average	
Yizhuang	65%	Dongzhimen	45%
Tiantongyuan	57%	Sanlitun	44%
Shuangjing	56%	Wukesong	37%
Wangfujing	56%	Zhongguancun	36%

- **Invest in smaller targeted stores and mega f agship stores as they will thrive; and work hard to re-invent a di f erentiated proposition for mid-sized stores.**

Exhibit 5.

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