

# WINNING THE RETAIL BATTLE IN A WORLD WITHOUT MASK RESTRICTIONS



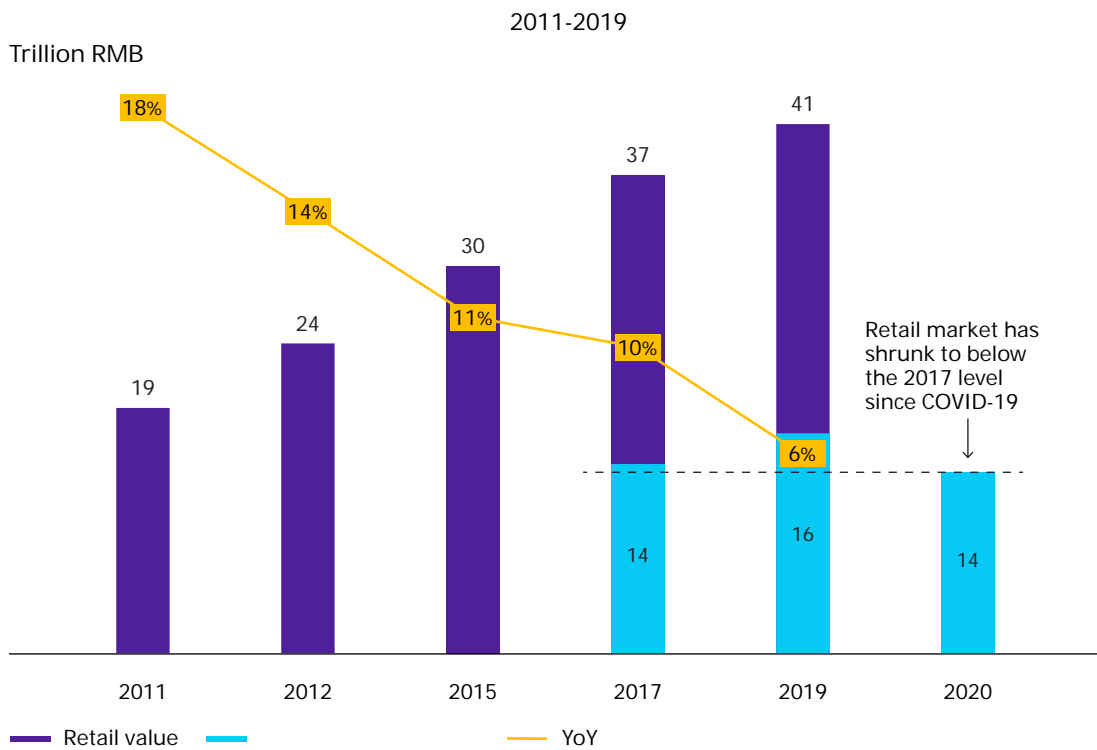
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China's retail market has entered a new era with decelerated overall growth, and the COVID-19 outbreak has hit it even harder.

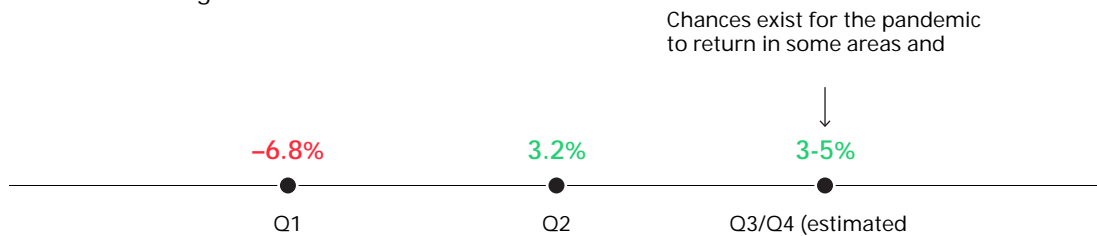
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**Exhibit 1. China's retail market has entered a new era with decelerated overall growth; the COVID-19 outbreak has hit the market even harder**



2020 China GDP growth



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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".

pre-empt

and

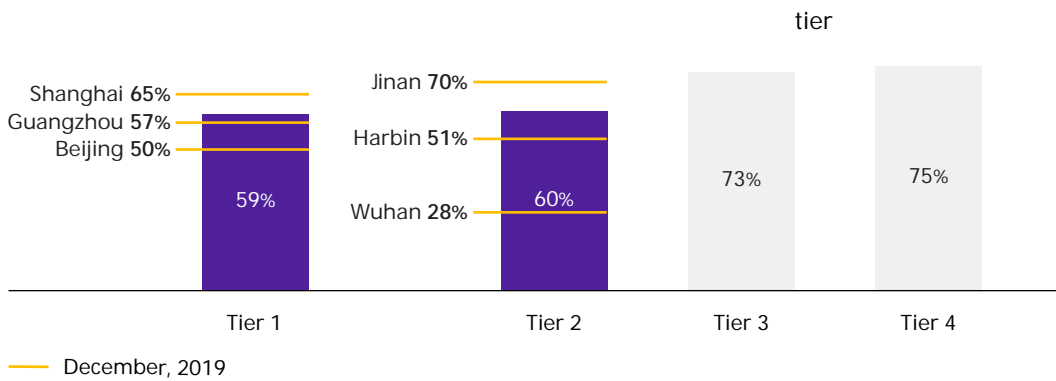
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normal:

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

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Exhibit 3. Online traffic is recovering, but many stores are still under pressure, especially in higher-tier cities



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%



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- Invest in smaller targeted stores and mega flagship stores as they will thrive; and work hard to re-invent a differentiated proposition for mid-sized stores.

**Exhibit 5.**







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