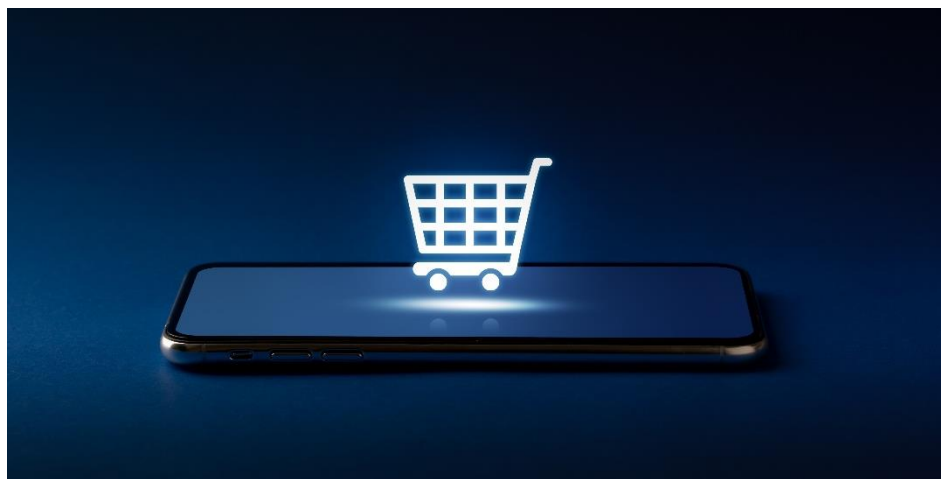


China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

The first JD Mall to begin trial operations on 1 September

The first JD (京东) Mall will begin trial operations on 1 September. It is located in Shenglong Plaza, Weiyang District, Xi'an. It is a 5-storey building with an operating area of 40,000 sqm. This is JD.com's first full-service integrated shopping centre. There are many themed areas and check-in points within the mall. The product categories are no longer limited to home appliances, computer and communications products, but also extend to kids entertainment, home decoration, sports and outdoor goods, smart health, pet equipment, food and beverages, etc.¹

JD.com invests in 3W Coffee with a 20.31% stake

Beijing 3W Technology Co., Ltd. (北京 3W 科技有限公司) has recently added Jingdong Xindongteng Business Service Co., Ltd. (京东新东腾商务服务有限公司), an affiliate of JD.com, as a shareholder. Its registered capital has increased from 26.8258 million to 33.6630 million yuan, an increase of 25.49%. Jingdong Xindongteng Business Services Co., Ltd. now holds 20.31% of the shares and is the second largest shareholder of Beijing 3W Technology. 3W Coffee is the first crowdfunded cafe in China that provides entrepreneurship services, and its shareholders are a hundred Internet veterans. It mainly provides meetings and gatherings around Internet entrepreneurship and aims to promote knowledge sharing and shareholder exchanges.²

Tmall announces the top five colour trends for SS21

Tmall Trend Centre (天猫趋势中心) partnered with colour agency COLORO for the first time and they have recently announced the top five colour trends for Spring/Summer 2021: cherry blossom pink, marigold orange, light grey, mint green, and AI aqua. They have also teamed up with over ten apparel brands, including Li Ning (李宁), Alexander Wang, Sandro, and Mukzin (密扇) to launch new products in these colours. According to Tmall data, from June to August, products in these five colours increased by 112,000. Among them, the turnover of products in mint green, cherry blossom pink and AI aqua increased by more than 100%.³

Lenovo launches social retail app to enter quality e-commerce market

Lenovo (联想) has recently launched its smart lifestyle e-commerce app, Lenovo Smart Choice (联想智选) and adopted a new social retail model. Lenovo Smart Selection is positioned as a 'one-stop quality lifestyle service and shopping platform', which not only provides users with shopping services for selected products, but also new product information, purchase rewards, equipment management, service consultations, marketing content, and other services.⁴

JD.com's net revenue increases 26.2% yoy to 253.8 billion yuan in 2Q21

JD.com announced its 2Q21 and interim financial results. During 2Q21, its net revenue was 253.8 billion yuan, a 26.2% yoy increase, and its income from operations was 300.8 million yuan, compared to 5.6 billion yuan in 2Q20. As of 30 June, JD.com had 532 million annual active customer accounts, up 115 million from a year ago, and the quarterly increase of 32 million in 2Q21 was the largest increase in its history. Over 70% of the products purchased by active customers were delivered to third-to-sixth-tier cities. JD Logistics currently operates around 1,200 warehouses, which covers an aggregate gross floor area of 23 million sqm, including warehouse space of cloud warehouses managed by JD Logistics.⁵

Taobao Mini Program's MAUs top 90 million, revenue up 115% yoy

At the 2021 Taobao Tmall Partners Conference (淘宝天猫生态伙伴大会), Alibaba announced the performance results for the Taobao Shopping Mini Program (淘宝购物小程序) open ecosystem: Mini program revenue increased by 115% yoy, research and development efficiency increased by 35% yoy, cumulative active merchants reached 100,000, and 'key account' merchant coverage was 80%. Monthly active users (MAUs) reached 90 million, while annual number of interactions reached 10 billion. Furthermore, Taobao is planning to transform the visual interface and user experience on the platform. Taobao stores will become content-oriented, with an all new 'video store' launching for KOLs. The platform will feature a card layout, a video homepage, and other changes.⁶

Pinduoduo's revenue reaches 23 billion, MAUs reach 738.5 million in 2Q21

Pinduoduo (拼多多) published its financial results for 2Q21 on 24 August. As of June 30, Pinduoduo's annual active buyers reached 849.9 million, with an increase of 26.1 million in 2Q21. In 2Q21, average MAUs reached 738.5 million accounting for 87% of annual active buyers. Total revenue was 23.0 billion yuan, an increase of 89% yoy – below market expectations of 26.7 billion yuan. On a generally accepted accounting principles (GAAP) basis, in 2Q21, Pinduoduo's operating profit was 2.0 billion yuan, and net income attributable to ordinary shareholders was 2.4 billion yuan.⁷

MINISO's revenue grows by 59% yoy in fiscal 4Q21 with a total of 4,749 stores worldwide

On 19 August, MINISO (名创优品) published its unaudited financial results for its fiscal fourth quarter 2021 (ended 30 June 2021). During the quarter, the company's revenue reached 2.47 billion yuan, up 59% yoy. Domestic revenue reached 1.95 billion yuan, up 43% yoy, and overseas revenue was 526 million yuan, up 179% yoy. Non-IFRS net profit during this period was 145 million yuan, an increase of 242% yoy. As of June 30, MINISO had 4,749 stores globally – 2,939 domestic stores, and 1810 overseas stores. MINISO has business presence in 99 countries and regions worldwide.⁸

Community group purchasing platform Nice Tuan to shut down its services in several cities

Suppliers in several cities where Nice Tuan (十荟团) operates have received notifications that the company's local warehouses will shut down. Affected locations include some regions of Guangdong, Shanghai, and Zhejiang. According to an inside source, these closures are part of the company's strategic adjustments and are due to high losses in these areas, making the business unsustainable. Nice Tuan will reallocate its funds to core cities. Nice Tuan was established in June 2018 and has received seven rounds of financing totalling over US\$1.3 billion.⁹

Kuaishou's total revenue up by 48.8% yoy, e-commerce GMV reaches 145.4 billion in 2Q21

On 25 August, Kuaishou Technology (快手科技) released the financial results for 2Q21 and 1H21. In 2Q21, the company's total revenue reached 19.14 billion yuan, an increase of 48.8% over the same period last year. Kuaishou's revenue from other services including e-commerce increased by 212.9% yoy to 2.0 billion yuan. The total gross merchandise volume (GMV) of e-commerce transactions reached 145.4 billion yuan, an increase of 100.5% yoy. With respect to Kwai Shop (快手小店), a closed-loop e-commerce business, its contribution to the total e-commerce GMV increased from 66.4% in 2Q20 to 90.7% in 2Q21.¹⁰

Retail Logistics

Cainiao partners with Tmall International to launch delivery service for bonded goods from nearest bonded warehouse

Cainiao (菜鸟) has teamed up with Tmall International (天猫国际) to launch a delivery service for bonded goods from the nearest bonded warehouse, where imported goods can be delivered the next day. The goods are allocated in advance between different bonded warehouses based on the sales forecast in different regions. The goods purchased online are then delivered from the nearest warehouse, saving an average of two-thirds of the transportation distance, and the logistics time frame has been shortened from the previous average of 3-5 days to 0-1 day. As such, Cainiao and Tmall International can provide next-day delivery of bonded goods on a large scale without increasing the logistics costs for merchants.¹¹

SF Holding's revenue up by 24.2% in 1H21; with over 300,000 sets of Hive Box Smart lockers

SF Holding (顺丰控股) announced its financial results for 1H21 on 22 August. In 1H21, its operating revenue was 88.344 billion yuan, a year-on-year increase of 24.2%; net profit attributable to shareholders of the listed company was 760 million yuan, a year-on-year decline of 79.8%. In terms of logistics resources, SF has 66 self-owned cargo aircrafts and leases 13 cargo aircrafts. The total air shipments in 1H21 reached 894,200 tons. Regarding its local network, SF currently has 151 transit sites for express delivery, 129 of which have been equipped with automatic sorting equipment. The company also has 79 transit sites for freight service with an automation rate of 16.5%. SF has developed its presence in warehouse services for e-commerce, food, and medicine, and set up 15 overseas warehouses. In the last-mile delivery market, SF has set up over 300,000 sets of Hive Box (丰巢) Smart lockers.¹²

Supermarkets

Yunnan CFOOD&CO ceases operations due to lack of capital

Yunnan CFOOD&CO (云南喜玛特商业有限公司) announced that it ceased operations on 23 August due to a lack of capital. 15 supermarkets, subsidiaries, and distribution centre(s) would shut down immediately. The company was established in Lijiang, Yunnan in 2009. It is a multi-format retail chain enterprise based in Kunming, Yunnan and also operates in surrounding prefectures in Yunnan, Sichuan, Guizhou, and Southeast Asia. Its key business includes CFOOD&CO shopping mall, CFOOD&CO hypermarket, and CFOOD&CO lifestyle supermarket.¹³

Apparel

Urban Outfitters to close its Tmall flagship store in September as it exits the Chinese market

On 25 August, American apparel brand Urban Outfitters announced that it will close its Tmall (天猫) flagship store. There will be a clearance sale from 23 August to 1 September. All product sales will end by 12 September, while customer services will continue until 24 September. This move suggests that the brand, which has yet to open a physical store in China, is planning to exit the Chinese market. The Urban Outfitters flagship store on Tmall currently has 1.14 million followers.¹⁴

H&M China has been fined 22 times worth a total amount of 1.46 million yuan

The Beijing Fangshan branch of H&M (Shanghai) Commercial Co. Ltd., an affiliated company of H&M, has got new administrative fines for failed product inspections of shirts and other items. This resulted in a fine of 37,104.6 yuan. At the moment, H&M's domestic operations in China have got 22 administrative fines totalling 1.46 million yuan.¹⁵

Cosmetics

Korean cosmetics brand Missha partners with Tmall for brand restructuring

On 25 August, South Korean cosmetics brand Missha (谜尚) announced that it will sign a strategic cooperation agreement with Tmall. Missha plans to develop new products specifically for the Chinese market based on Tmall's big data. After restructuring the brand through this partnership, Missha will be in full gear to develop the Chinese e-commerce market. During the 11.11 Shopping Festival in 2020, its famous blemish balm cream (BB cream) was the top tube-form BB cream product on Tmall.¹⁶

Lily&Beauty to manage e-commerce operations for Burberry and Marc Jacobs

Domestic cosmetics e-commerce operator Lily&Beauty (丽人丽妆) announced on its official WeChat account that the company has partnered with foreign beauty company COTY Group to provide e-commerce services for its high-end cosmetics brands Burberry, Marc Jacobs and Philosophy. As of December 2020, Lily&Beauty had partnered with over 60 cosmetics brands, including Whoo (后), Freeplus (芙丽芳丝), Sulwhasoo (雪花秀), Avène, and Laneige. Its past clients include various high-end cosmetics brands under the L'Oreal Group and Estée Lauder Group.¹⁷

II. Market Overview

Nielsen: Omni-channel sales of maternal and infant goods up 5.4% yoy in 2Q21

On 20 August, Nielsen published the '2021 Mother and Infant Industry Insights Report'. The omni-channel sales of maternal and infant fast-moving consumer goods increased by 5.4% yoy in 2Q21. As of June 2021, the 12-month sales from online channels increased by 12.4% yoy. In the same period, the market share of domestic firms continued to expand. The sales of top 10 domestic baby formula producers increased by 27.9% yoy, and their total market share reached 50%; the sales of top 10 domestic baby diapers producers increased by 63.6% yoy, and their market share expanded to 8%; the sales of top 10 domestic baby care product firms increased by 10.7% yoy, and their market share increased to 42%.¹⁸

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Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

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Fung Business Intelligence was established in the year 2000.

Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including sourcing, logistics, distribution and retail. The Fung Group comprises over 26,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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