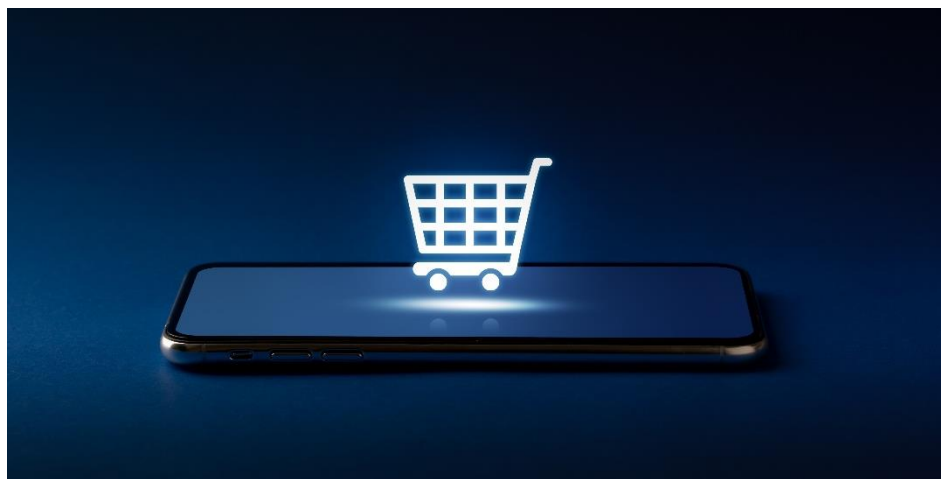


China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Tencent launches its first QQfamily flagship store in Shenzhen

The first QQfamily store by Tencent has landed in Shenzhen's OCT Harbour. This store signals Tencent's entry into the offline retail market, and it combines creative IPs and offline experiences to create art and design products, mystery boxes, and other merchandise. This flagship store was created through a partnership with iDreamSky, and contains several elements to appeal to younger consumers such as various games and entertainment spaces and social media tie-ins.¹

Internet & E-commerce

Taobao launches after-sale warranty service

On 30 July, Alibaba Group's customer experience division announced the launch of its after-sale warranty service – in partnership with merchants – which will extend the product warranty period from 180 days to match the three-guarantee policy (repair, replacement and return) and merchant guarantee period. This after-sale warranty is also part of the '100% Plan' announced by Alibaba's CCO in June. The plan involves establishing various consumer protections in order to improve service quality across the Taobao and Tmall platforms.²

Alimama extends partnership with Douyin allowing external links to Taobao app

Alimama and Douyin recently extended their partnership for the coming year. According to the terms of their partnership, qualified vendors can continue to directly link Taobao items within their Douyin videos which will launch the Taobao app to complete the transaction. This extension of strategic partnership with Taobao comes after Douyin blocked external links on its livestreaming channels last October.³

Hangzhou Wahaha Group launches its e-commerce platform Kuaishao

On 30 July, Hangzhou Wahaha Group officially launched its S2B2C e-commerce platform, Kuaishao Network. Through the S2B2C model, Kuaishao Network integrates dealers, wholesalers, and retailers in the Wahaha sales system into the platform. Wahaha's strong sales network and distribution capabilities allow it to realise a closed loop of online orders, nearby delivery, and offline payments. The closed-loop system provides solutions for small and medium-sized enterprises in distribution to lower-tier cities and rural areas, and centralised procurement and distribution, which will improve the efficiency of product circulation and delivery. During the trial period, 890,000 retailers joined the network, 1.77 million retail stores uploaded their location information, and the platform's total transaction volume reached 4.5 billion yuan.⁴

Number of registered brands on Bilibili's Huahuo platform up 2,050% yoy

Bilibili announced the operating data for its Huahuo marketing platform on 2 August. As of June this year, the number of registered brands on the platform increased by 2,050% yoy. Ranking by GMV, the top industries are cosmetics, F&B, 3Cs (computers, communication and consumer electronics), e-commerce, and mobile games. Its ad composition is basically the same as that of the overall Internet advertising market. Furthermore, brands' advertisement renewal rate on Bilibili reached 75%. In the past year, 45% of content creators received their first orders on Huahuo, and the order rate for mid-level creators increased by more than 100% yoy.⁵

Xiaomi launches official e-commerce platform in Peru

Xiaomi recently announced the launch of its new e-commerce platform in Peru. Product categories include smartphones, autonomous home vacuum cleaners, electric skateboards, smart watches, smart scales, air purifiers, televisions, etc. Xiaomi's head of the Peruvian market stated that Xiaomi products were highly popular during the COVID-19 pandemic, and consumers like purchasing through online channels. In response, Xiaomi has launched this sales channel which will allow Peruvian consumers to shop for Xiaomi products 24/7.⁶

Xiaohongshu implements ‘store–account integration’, signalling a shift towards closed-loop e-commerce on content platforms

Xiaohongshu recently announced the official implementation of the ‘store–account integration’ mechanism, which brings new changes including ‘0 barriers to opening a store’, ‘BC direct connection’, ‘no commission for monthly sales of less than 10,000 yuan’. After ‘store–account integration’ comes into effect, there will only be two types of accounts on the platform: professional and non-professional. All accounts certified as professional can apply to open a store with no limit to the number of followers, and the account and the store will be bundled together. Classification of stores on the platform will also be removed, and the distinction between mall stores and small businesses will no longer be made. This means that all stores on Xiaohongshu, regardless of transaction volume or size of the operator, can get equal access to potential consumer traffic.⁷

2021 Kuaishou Content Ecosystem Mid-Year Report: Over 50,000 merchants on Kuaishou Lifestyle Services platform

The Kuaishou Big Data Research Institute recently published the ‘2021 Kuaishou Content Ecosystem Mid-Year Report’. In 1Q21, over 10 million new content creators joined Kuaishou per month, and the total e-commerce transaction volume reached 118.6 billion yuan, a 219.8% yoy growth. According to the Report, there were over 1.7 million POIs with products for sale and over 50,000 merchants on the Kuaishou Lifestyle Services platform, with over 600,000 top creators. The total transaction value of a single livestreaming could exceed 30 million yuan. Furthermore, videos about lifestyle services had a total of over 7 billion views in a single day.⁸

Retail Logistics

BEST Inc. and Cainiao jointly establish a full-chain logistics network from China to five Southeast Asian countries

On 2 August, the BEST Group announced that BEST Inc. and Cainiao have launched their full-chain cross-border logistics services between China and Thailand, Vietnam, and Cambodia. Local consumers in these countries can select ‘official delivery’ when ordering from Tmall and Taobao, and the package will be delivered directly to their doorstep within a week. After this launch, BEST Inc. – in partnership with Cainiao – has now established a full-chain cross-border logistics services network from China to five Southeast Asian countries (i.e., Thailand, Vietnam, Malaysia, Singapore and Cambodia). At the moment the network has 24 self-operated distribution centres and over 1,000 service points, and the last-mile delivery network already covers the entire area. Packages can be delivered to most cities and villages, and the current daily volume has surpassed 50,000.⁹

Following in footsteps of SF Express and YTO Cargo Airlines, JD.com receives approval for its cargo airline

Civil Aviation Administration of China issued a public notice on its website regarding the proposed approval of Jiangsu Jingdong Cargo Airlines Co. Once set up, it will also become China's first e-commerce platform-funded cargo airline. JD.com is following in the footsteps of SF Express and YTO Cargo Airlines by establishing another private cargo airline.¹⁰

Convenience stores

Lawson launches new store format in China with online ordering and temperature-controlled pick-up points

Japanese companies Lawson and Panasonic have joined forces to open a new type of IoT store in China, with the first one located in Dalian, Liaoning. After consumers place an order and pay through the mobile app, store employees will prepare the products and place them in temperature-controlled storage lockers. When consumers arrive at the store, they can use a password to open the locker and pick up the goods. The refrigeration equipment used to store food is provided by Panasonic. Lawson has stated that if they see positive outcomes, the stores will be extended to other regions.¹¹

Apparel

Fast fashion brand Forever21 returns to the Chinese market

On 4 August, Forever21 announced its return to the Chinese market. The brand's official WeChat public account's followers have been migrated, and the brand will use its 'Forever21' WeChat account and its 'Forever21 China' Weibo account for official communications about the brand and fashion trends. For its return, Forever21 has already joined the major e-commerce platforms, including Vipshop and Pinduoduo. It is also currently setting up its Tmall flagship store and physical stores in major cities. The brand attempted to enter China in 2008 but was unsuccessful until its second attempt in 2011. However, it left again in 2019.¹²

Consumer Electronics

RELX receives approval for the first e-cigarette clinical trial in China

Recently, e-cigarette company RELX announced that its e-cigarette clinical trial has been successfully registered in the Chinese Clinical Trial Registry and the World Health Organisation International Clinical Trials Registry Platform. This is the first domestic e-cigarette clinical research project that has been approved for implementation after passing ethical and expert reviews, and it will fill the gap in domestic e-cigarette clinical research. The project will last for 3 months, and it will study the metabolic kinetics of nicotine in subjects and the effect on human biomarkers after replacing cigarettes with RELX products. At present, the research team has already completed the methodological verification of biomarkers in humans.¹³

Luxury

Jewellery brand BVLGARI partners with JD Luxury

On 2 August, BVLGARI (which is part of the LVMH Group) and JD.com reached an official cooperation through the JD Mini Program model. This is the first time BVLGARI has partnered with a third-party online retail platform. They will bring product-related content and digitalized experiences to more consumers. According to LVMH, from now on, consumers can search for 'BVLGARI' through the JD app and go directly to the brand's official online store to purchase jewellery, watches, bags, accessories, and other items.¹⁴

Catering

Yonghui Superstores launches pre-made food brand 'Hui Ma At Home'

Yonghui Superstores has recently entered the pre-made food market through its own brand, 'Hui Ma At Home'. The brand produces pre-made frozen food that can be microwaved on high for 2 minutes or boiled for 8 minutes to prepare a 'gourmet' meal for 1-2 people. The catering and fresh food industry has seen recent trends of more ready-made meals and meal kits, particularly in first- and second-tier cities where the single consumers and nuclear family consumers are looking for more convenient food options.¹⁵

II. Policy Spotlight

Shanghai to build a cosmetics production hub as market size is expected to reach 300 billion yuan by 2023

The Shanghai Municipal Commission of Economy and Informatization and the Shanghai Municipal Drug Administration recently published the 'Action Plan for the High-Quality Development of the Cosmetics Industry in Shanghai (2021-2023)'. The Plan points out that by 2023, the city's cosmetics market will reach 300 billion yuan, the industry's operating revenue will exceed 100 billion yuan, and there will be 10 leading enterprises with an annual operating revenue of more than 5 billion yuan and over 10 high-quality enterprises with an annual operating revenue of more than 2 billion yuan. The city will also house 3-5 leading brands that go international, cultivate 20 domestic first-class classic brands, and incubate a number of trendy new brands. The market share of Shanghai's self-owned brands will also increase year by year.¹⁶

Hainan duty-free goods to be labelled with QR codes to prevent illegal resale

The Hainan Provincial Government and the General Administration of Customs have recently formulated the 'Interim Measures for the Administration of Traceability of Duty-free Goods in Hainan Free Trade Port'. Starting from 1 August, duty-free perfume, alcohol, and mobile phones sold in Hainan will be labelled with QR codes. By the end of December this will extend to all duty-free goods sold in Hainan. The QR code indicates that an item is duty-free. All duty-free goods sold are solely for personal use of the buyer – they cannot re-enter the domestic market for resale or be smuggled through 'daigou' activities (or other illegal means). The implementation of QR code management for duty-free goods will make it easy for regulatory authorities to identify violations and impose penalties in accordance with the law.¹⁷

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

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As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consulting services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

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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