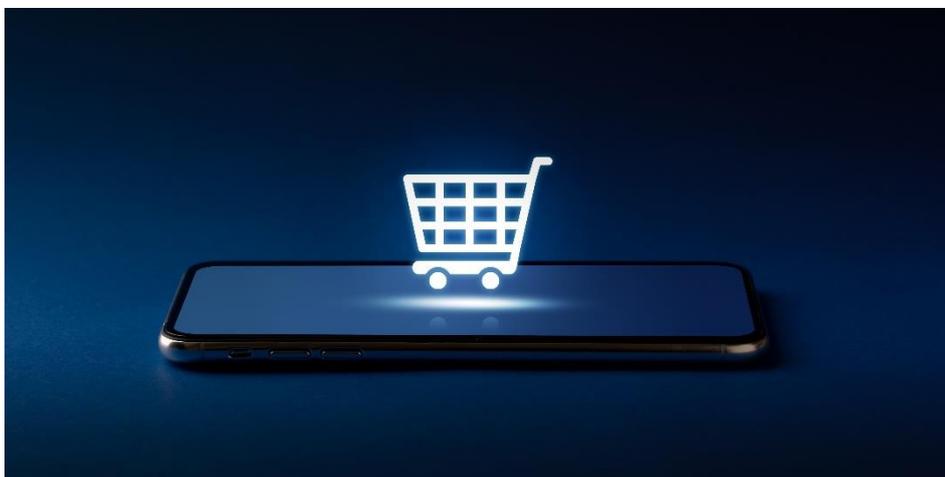


# China Retail & E-commerce Weekly Update



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**Helen Chin**  
Vice President

**William Kong**  
Senior Research Manager

**Brigitte Ng**  
Research Analyst

**Vivian Liang**  
Assistant Manager

**Fung Business Intelligence**  
1/F LiFung Tower  
888 Cheung Sha Wan Road  
Kowloon, Hong Kong  
T: (852) 2300 2470  
F: (852) 2635 1598  
E: fbicgroup@fung1937.com  
W: <http://www.fbicgroup.com>



## I. Sector Review

### General Retail

#### Suning Retail Cloud's first 'after-sales service one-stop shop' arrives in Nanjing

Suning Retail Cloud (苏宁易购零售云) opened its first 'after-sales service one-stop shop' in Youyiqiao, Nanjing. The store's sales have exceeded 300,000 yuan since its opening, with about 33% sales conversion coming from 200 in-store after-sales service orders (cleaning, inspection, exchanges, etc.). Suning.com's customer service currently covers over 300 cities across the country, with service capabilities reaching 98% coverage with over 100,000 service engineers.<sup>1</sup>

#### Weimob and Fosun partner to launch the 'Digital Spark Project'

On 13 December, Weimob (微盟) and Fosun (复星) have reached a strategic cooperation to launch the 'Digital Spark Project' (数字·星火计划), which will create digitalization for Fosun's full line of brands, traffic flows, multi channels, and the whole corporate system, and enable the cloud operations of dozens of Fosun brands (within the health, tourism, jewellery and fashion industries).<sup>2</sup>

### Internet & E-commerce

#### Tmall Taobao Overseas Innovation Design Centre lands in Shunde, Guangdong

On 10 December, Tmall Taobao Overseas (天猫淘宝海外) and Guangdong Industrial Design City established a 'Shunde New Intelligent Manufacturing Industry' cross-border e-commerce cooperation strategy. The first round will team up with 100 design companies to create over 1,000 new domestic products which will then be sold overseas via the Taobao and Tmall platforms. Tmall Taobao Overseas (Shunde) Innovative Design Centre also landed in Guangdong on the same day. The centre will develop new products in collaboration with designers based on overseas market trends, build a global selection platform for new products, and leverage innovative marketing methods such as livestreaming to help new products enter overseas markets.<sup>3</sup>

## **Taobao further restricts blind boxes and adds new product management regulations**

On 14 December, Taobao (淘宝) announced its plans to add new prohibitions on blind box/fortune bag and 'Taobao Blind Box/Lucky Bag Merchandise Management Regulations', which comes into effect on 21 December. The main rule changes include the new prohibition rules on blind box/lucky bag merchandise which clarify the blind box/lucky bag types that are not allowed. Besides, under the new 'Taobao Blind Box/Lucky Bag Merchandise Management Regulations', permitted products must comply with the corresponding product release requirements.<sup>4</sup>

## **SF Rush adds a new WeChat mini program 'Maidandan' to test the market for social group ordering**

SF Rush (顺丰同城) recently launched a local WeChat (微信) mini program called Maidandan (埋单单), which uses a multi-order single-delivery model to provide order consolidation services within a 3 km radius. The platform has not only partnered with Luckin Coffee (瑞幸咖啡), HeyTea (喜茶), Naixue's Tea (奈雪的茶), McDonald's, etc.; it will also expand to a wider range of food and beverage delivery options in the future. At present, Maidandan is testing the market in parts of Shanghai and Shenzhen. A spokesperson for SF Rush said that Maidandan is positioned within the social hospitality model.<sup>5</sup>

## **Cross-border E-commerce**

### **ByteDance launches cross-border e-commerce app for the European market**

ByteDance (字节跳动) has launched an independent cross-border e-commerce app called Fanno. Fanno is an early-stage e-commerce app, providing global users with cost-effective and comprehensive product categories. It is currently open to the European market, including the UK, France, Germany, Italy, and Spain. According to an unnamed source, 'Fanno wants to be a full-category app similar to domestic Taobao and Pinduoduo. In the overseas e-commerce market, Amazon, AliExpress, Wish, and SHEIN each have their own user base, and there is no absolute leader in terms of market share. ByteDance wants to leverage e-commerce products to enter this market'.<sup>6</sup>

## Supermarkets & Hypermarkets

### The second Costco store in Chinese mainland opens in Suzhou

Costco opened its second Chinese mainland store in Suzhou on 8 December. The store is 50,000 sqm large, around the same size as the first store in Shanghai, and it carries approximately 4,000 SKUs. 70,000 members registered to the Suzhou store before it opened, mainly through electronic membership cards – breaking Costco's global record for sales of first-day memberships. Some pre-registered customers were queueing at 3 am on the first day of opening to enter the store, and there were still long queues at the store entrance and traffic jams nearby during business hours.<sup>7</sup>

## Cosmetics

### Meiyume sells four cosmetics brands to Sodalis Group

Hong Kong-based company Meiyume has divested the Lornamead Brands in Germany and the UK brands Brisk, Rapid White and Triple Dry to Sodalis, an Italian company operating in the personal, beauty, and home care markets. The acquisition will see Sodalis establish its first subsidiary in the German personal care market, as well as further grow its portfolio of recognised brands. Meanwhile, Meiyume will focus on providing packaging, turnkey, retail solutions and insights to beauty players to transform the industry.<sup>8</sup>

## Home Improvement

### E-Deco Platform partners with Alibaba

E-Deco Platform (E 装平台) has recently partnered with Alibaba's home goods store, Every Home Shop (阿里巴巴每平每屋·小店). The two parties will engage in the innovation of home improvement technology and deepen their cooperation to create a smart digital home improvement service platform. E-Deco Platform has focused on digital development since its establishment. It hopes to integrate and optimize the supply chain resources of the home improvement, furniture, and home furnishing industries through in-depth cooperation with Alibaba's Every Home Shop to eventually establish a one-stop home improvement service platform.<sup>9</sup>

## Miscellaneous

### Missfresh expands its intelligent fresh market business to 20 cities

Recently, Missfresh (每日优鲜) has partnered with Nanchang Wanjia Market Management Co., Ltd (南昌千万加市场管理有限公司) to expand its intelligent fresh market business to 20 cities across China. The two parties will jointly operate several fresh markets in Yingtan and Shangrao (in Jiangxi Province) and provide smart operation solutions for these fresh markets through digital tools in order to transform and digitalize what were previously traditional fresh markets.<sup>10</sup>

## II. Market Overview

### NBS: Total retail sales of consumer goods up by 3.9% yoy in November

In November, the total retail sales of consumer goods reached 4.10 trillion yuan, a year-on-year increase of 3.9%, and 9.0% higher than that in November 2019. Of which, the retail sales of goods reached 3.62 trillion yuan, an increase of 4.8% yoy; catering revenue was 484.3 billion yuan, a decrease of 2.7% yoy. During the January-November period, the total retail sales of consumer goods reached 40.0 trillion yuan, an increase of 13.7% yoy. During this period, online retail sales of goods reached 9.81 trillion yuan, an increase of 13.2% yoy, accounting for 24.5% of total retail sales of consumer goods.<sup>11</sup>

### Bain and Kantar: China's e-commerce sales up 24% yoy in 1-3Q21

On 16 December, Bain & Company and Kantar Worldpanel jointly released the *China Shopper Report 2021 Vol. 2*. According to their research, after a strong post-COVID-19 recovery in 1Q21, China's fast-moving consumer goods sales growth declined to minus 0.8% yoy by 3Q21, the result of mounting macroeconomic pressures. Still, the fundamentals for sustained growth exist in food, beverages, home care, and personal care. In 1-3Q21, penetration increased in online channels, with e-commerce sales growing 24% yoy, while all offline channels except convenience stores lost value.<sup>12</sup>

### **iiMedia Consulting: China's online overstocked goods market to reach 537.6 billion yuan in 2021, up 8.6% yoy**

iiMedia Consulting (艾媒咨询) recently released the *2021 China Overstocked Goods Market Development Report*. According to the report, China's online overstocked goods market will reach 537.6 billion yuan, an increase of 8.6% yoy. With growing product categories, the online overstocked goods market will reach 658.5 billion yuan by 2023. As of 2021, there are 36,839 sellers specializing in overstocked goods across China's major e-commerce platforms. The number of overstocked goods of enterprises above designated size in the apparel industry was 890 million in 2020; in 2021, it will reach 850 million. The overall market is relatively large, with product categories such as perishable food, cosmetics, home furnishings/lightings, etc. gradually gaining popularity. Furthermore, with the development of the livestreaming economy, more and more overstocked goods merchants have started livestreaming. The industry is also promoting e-commerce sales and comprehensive digitization.<sup>13</sup>

### **Linkshop: More than half of apparel companies are seeing decreasing operating revenue and net profit**

According to Linkshop.com (联商网), 34 listed apparel companies realised operating revenue of 85.453 billion yuan and net profit of 7.574 billion yuan in 1-3Q21. Compared with the same period in 2019, operating revenue and total profit of the apparel industry fell by 12.65% and 21.9%, respectively. When comparing the operating revenue and net profit of 34 apparel companies in 1-3Q21 with the same period in 2019, only seven companies have achieved growth in both operating revenue and net profit, while 21 companies have seen decreases in both operating revenue and net profit. This also reflects that most apparel companies are still recovering from the pandemic.<sup>14</sup>

## **III. Policy Spotlight**

### **NDRC has taken the lead in constructing 70 national logistics hubs**

The National Development and Reform Commission (NDRC) has taken the lead in the construction of 70 national logistics hubs, with the network covering 29 provinces across the country and the Xinjiang Production and Construction Corps. The next step will be to provide appropriate support for construction projects in these logistics hubs through policy channels such as central budgetary investment, local government special bonds, and recommendations to relevant financial institutions, so as to speed up the completion of the related hub facilities and promote the interconnection of various hubs into a network.<sup>15</sup>

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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.

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.

Listed entities of the Group include Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

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