

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

JD.com to enter the food delivery sector

Following its entry into the local lifestyle service industry this past March, JD.com (京东) may begin pilot operations for a food delivery business in the near future. Takeaway merchants will join the JDDJ (京东到家) app, and delivery will be facilitated through Dada Nexus (达达), JD.com's logistics affiliate. The initial pilot will be located in cities like Zhengzhou, where the company is in talks with local restaurants. This pilot is managed by JD.com's intra-city F&B business division, which was established on 7 June and currently employs around 10 people.¹

Alibaba's 1688.com announces Treasure Factory Growth Plan

Alibaba's (阿里巴巴) B2B platform 1688.com recently launched the Treasure Factory Growth Plan, which will help factories improve their products, services and brand power. The selection criteria for the Treasure Factory programme includes the factory's product strength (popularity and customization), cost performance, quality, brand strength, technology (unique design and technology patents), and performance guarantees and popularity on the Xiaohongshu (小红书) platform.²

WeChat Moments now linked to Taobao and Tmall

WeChat Moments (微信朋友圈) advertisements can now directly link to their corresponding Taobao (淘宝) or Tmall (天猫) store, which allows brands to direct consumers to their store. This feature shows that WeChat has gone a step further in terms of interconnection, opening up social traffic by partnering with Taobao and Tmall.³

New Oriental Education's bilingual e-commerce livestreams go viral

New Oriental Education's (新东方) 'Oriental Selection' (东方甄选) livestream channel has recently grown in popularity due to the company's bilingual livestream sessions. Unlike typical e-commerce livestreams, e-commerce is only one part of the Oriental Selection's livestream sessions, which also provide language knowledge and high-frequency interactions with fans. According to Chanmama (蝉妈妈), a third-party livestreaming statistics platform, during the 30 days up to 11 June, Oriental Selection maintained a high frequency of livestream sessions with a total of 34 broadcasts, recorded an increase of 1.021 million fans, and a cumulative sales volume of 45.588 million yuan.⁴

MOGU Inc. posts loss of 640 million yuan during fiscal year 2022

On 8 June, MOGU Inc. (蘑菇街), a KOL-driven online fashion and lifestyle platform, released its financial results for fiscal year 2022, which ended 31 March 2022. During fiscal year 2022, MOGU's revenue fell by 30% yoy to 338 million yuan and its net loss was 640 million yuan – a further increase from 328 million yuan in fiscal year 2021. At present, live video broadcast GMV accounts for 92.7% of the total GMV of MOGU. After the results announcement, MOGU's shares fell by 10.12% on 9 June, with a total market value of about US\$20 million.⁵

Kuaishou: GMV within the maternal and baby sector increases by 100% yoy in 2021

Kuaishou E-commerce (快手电商) and Bihukankan (壁虎看看) released the *2022 Kuaishou E-commerce Maternal and Baby Industry Annual White Paper*. The white paper shows that the average daily active users of the Kuaishou app reached 346 million in 1Q22, while the total transaction volume increased by 47.7% year-on-year. In 2021, the GMV in the maternal and baby industry on the Kuaishou platform increased by 100%, while the GMV from self-operated live streaming of brands also increased by 100%. The Kuaishou platform has 14.393 million pieces of content tagged with 'mother and baby' as keywords, with a cumulative view count of 32.75 billion. During the year, the number of mother and baby videos increased by 112% yoy, while total video view time increased by 110% yoy.⁶

Apparel

Viva China acquires British shoe brand Clarks for 840 million yuan

Viva China Holdings (非凡中国), the controlling shareholder of sports apparel brand Li Ning (李宁), announced on 15 June that its shareholders approved the plan to acquire Clarks at a price of 100 million British pound (around 840 million yuan). Founded in 1825, the British shoe brand's retail and wholesale businesses cover 47 countries and regions worldwide. More than 80% of its revenue comes from the UK, Ireland and the US.⁷

SHEIN pledges US\$15 million for textile waste workers in Ghana

During a global fashion summit in Copenhagen in early June, cross-border fast fashion giant SHEIN announced plans to donate US\$15 million over three years to the Or Foundation, a non-profit that studies fast fashion waste in Ghana. The foundation says the money will fund an apprenticeship programme for women working at Kantamanto in Accra, the world's largest secondhand clothing market, which will help community businesses recycle textile waste and improve working conditions at the market. The money promised is from a US\$50 million pot that SHEIN says is intended to address the ecological and social problems of the global clothing trade.⁸

Forever 21 re-enters the Chinese mainland market

American fast fashion retailer Forever 21 recently announced its sales strategy for the Chinese mainland market. Following its re-entry into the Chinese mainland market via various online platforms – namely Vipshop, Tmall and WeChat mini programs – it will open an offline store at Jingjiang InCity shopping centre in Taizhou, a third-tier city in Jiangsu. The brand first entered the China market in 2008, before leaving a year later, while its second entry began in 2011, which lasted till 2019, when it left multiple markets including China and filed for bankruptcy. Forever 21 was acquired by Authentic Brands Group (ABG) in 2020. ABG signed a licensing agreement with Hong Kong's Lasonic Electric Xusheng Co. Ltd and its subsidiary, Xusheng Electrical (Shenzhen) Co. Ltd, to manage the brand's China operations.⁹

Furniture and Home Improvement

Alibaba's furniture brand homearch to close its first store in China

On 14 June, Alibaba's (阿里巴巴) home furniture brand homearch announced that its first store in China will close on 15 July, less than a year after it opened in Chongqing in December 2021. The store covers a gross floor area of 6,000 sqm across three floors. It displays over 3,000 household products, and over 10,000 products are available on cloud.¹⁰

II. Market Overview

NBS: Total retail sales of consumer goods down by 6.7% yoy in May

In May, the total retail sales of consumer goods reached 3,354.7 billion yuan, a year-on-year decrease of 6.7%. The retail sales of goods reached 3,053.5 billion yuan, a year-on-year decrease of 5.0%; and catering revenue was 301.2 billion yuan, down 21.1% yoy. From January to May, the total retail sales of consumer goods reached 17.1689 trillion yuan, a year-on-year decrease of 1.5%. During this period, the retail sales of supermarkets, convenience stores and professional stores in retail units above designated size increased by 4.0%, 4.7% and 1.2% yoy respectively, while that of department stores and specialty stores decreased by 10.3% and 7.6% yoy respectively. During this period, online retail sales of physical goods reached 4.2718 trillion yuan, an increase of 5.6% yoy, accounting for 24.9% of the total retail sales of consumer goods.¹¹

CCFA: Sales of the top 100 chain enterprises down by 2.8% yoy to 2.3 trillion yuan in 2021

On 14 June, the China Chain Store & Franchise Association (CCFA) released a ranking of the 'Top 100 Chain Stores in China 2021'. Suning.com (苏宁易购) ranked first, Gome Retail (国美零售) ranked second, and Red Star Macalline (红星美凯龙) ranked third. In 2021, the total sales of the top 100 chain enterprises reached nearly 2.3 trillion yuan, a year-on-year decrease of 2.8%. The total number of stores was almost 190,000, a year-on-year increase of 8.9%. The sales growth of the four major retail formats, namely department stores, supermarkets, convenience stores and specialty stores, increased by 10.9%, 0.3%, 8.7%, and minus 17.0% year-on-year respectively; the number of stores increased by 1.1%, 2.3%, 8.4% and 19.1% year-on-year respectively. Furthermore, in 2021, the online sales of the top 100 chain enterprises reached 470 billion yuan, accounting for 20.6% of their total sales.¹²

14 Chinese brands enter the 2022 BrandZ Top 100 Most Valuable Global Brands ranking

A total of 14 Chinese brands have entered 2022 BrandZ Top 100 Most Valuable Global Brands ranking, accounting for nearly 10% of the total brand value on the chart. Tencent (腾讯) and Alibaba (阿里巴巴) ranked fifth and ninth in brand value, respectively. Huawei (华为), Haier (海尔), Kuaishou (快手), etc. have also made the list.¹³

RTMap Research Institute publishes report on Gen-Z consumers' post-pandemic shopping habits

Heqiao Group (和桥机构) and RTMap Research Institute (智慧图研究院) have jointly published a 2021 Gen-Z consumer report. It points out that Gen-Z consumers have become the next generation of big spenders and a new force within future consumption. Their consumption behaviour features several key characteristics: expressing individuality; more willing to pay for looks and trends; deeper and broader access to the Internet and stronger willingness to consume; online channels have become the preferred shopping channel; e-commerce livestreams are popular among them; experiential element is the primary consideration for choosing offline activities.¹⁴

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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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