

# 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

## Internet & E-Commerce

### Wumart Community Group Purchasing is hiring community partners

Wumart Community Group Purchasing (物美社区团购) recently announced the launch of its new partner system, for which they are now recruiting community partners. The partners work with Wumart and are responsible for recommending products to their community. Leveraging the B2B supply chain, the delivery time frame will be shortened and delivery cost will be reduced. Wumart started its community group purchasing business in October 2018, and the company currently operates tens of thousands of community groups serving millions of residents across North China, East China, and Northwest China.<sup>1</sup>

### Meituan Instashopping aims to help 100 brands surpass one billion yuan in annual transaction volume within five years

Meituan (美团) recently announced that Meituan Instashopping (美团闪购) will launch the first phase of the 'One-Billion Brands Growth Plan' for brands and the '10,000 Stores Initiative' for supermarket chains. Starting this year, Meituan Instashopping will help 10,000 stores across 100 cities with their digital upgrades. It also aims to help 100 brands surpass one billion yuan in annual transaction volume within five years. Meituan Instashopping will focus on six key aspects to support brand growth: upgrading overall brand capabilities, product category upgrades, ecosystem coordination, risk management upgrades, product marketing upgrades, and merchant partnership upgrades.<sup>2</sup>

### Taobao adds new 'Family and Friends Group' function to its app

The Taobao (淘宝) app has added a new function called 'Family and Friends Group' (亲友团), which is displayed in the channel bar on the app's homepage. Taobao previously launched a mini program for saving money among family and friends while shopping on WeChat – it was positioned as a social e-commerce app. This new function is closer to an earlier version of the mini program, retaining the low-cost shopping function, and users can redeem coupons to purchase selected products.<sup>3</sup>

## Alibaba combines Freshippo Market and Taobao Maicai to form Taocaicai

On 14 September, Alibaba Community E-commerce (MMC) (阿里巴巴社区电商) announced that it had combined Freshippo Market (盒马集市) and Taobao Maicai (淘宝买菜) into Taocaicai (淘菜菜), which will partner with local community stores and leverage Alibaba's system and resources. In March this year, Alibaba announced the establishment of its MMC division which would focus on community group purchasing, integrating the community group purchasing business of Lingshoutong (零售通) and Freshippo Market. After the MMC division was established, its community e-commerce platforms (including Taobao Maicai and Freshippo Market) achieved quarterly GMV growth of 200% while the total floor area of regional distribution centres increased by 260% qoq.<sup>4</sup>

## JD's first overseas E-Space store opens in Indonesia

JD.com (京东) recently opened its first overseas E-Space store in AEON MALL Sentul City, one of the largest shopping malls in West Java, Indonesia. The store is about 1,300 sqm in size, and consumers can buy various consumer electronics (smart phones, laptops, household appliances), furniture and home goods there. Over the past five years, JD Indonesia has established 18 local warehouses and 142 distribution centres. Its distribution network covers 90% of provinces and over 500 cities in Indonesia, and same-day/next-day delivery is available for 85% of orders.<sup>5</sup>

## China's first online food bank is now on Taobao

China's first online food bank 'Oasis Food Club' (绿洲盛食社) is now on Taobao (淘宝), with its stock coming from merchant donations. People in need can search for 'Oasis Food Club' or 'Oasis Food Bank' (绿洲食物银行) and place a free order which will be delivered door-to-door. In order to collect food, users must verify their identity and are limited to one order per person per day. Food banks distribute donated food items to people in need, and have existed around the world for over 50 years.<sup>6</sup>

## Tmall launches home decoration business and 'Decorate My Home' mini program

Tmall (天猫) recently announced the launch of its home decoration business, with the launch of its new 'Decorate My Home' (装修我的家) Taobao mini program in Chengdu where consumers can choose an apartment type – the four styles currently available are Nordic, modern, light luxury, and Japanese – and the AI will create a free 3-D interior design plan accordingly. All items in the design plan can be purchased on Tmall. Interior decoration companies such as Dong Yi Ri Sheng (东易日盛), B&T Home (百安居), Shenghuojia (生活家装饰), Holike (好莱客) and Shengdu (圣都) have joined the platform.<sup>7</sup>

## Convenience Stores

### Rainbow plans to sell 100% of its convenience store unit to Lawson China

On 15 September, Rainbow Digital Commercial Co. (天虹股份) announced its plans to sell 100% of the shares of its convenience store unit – Rainbow Well Convenience Store (Shenzhen) Co., Ltd (天虹微喔便利店(深圳)有限公司) to Lawson (罗森) China. Rainbow Well was established on 14 July 2003 and had 205 convenience stores as of 30 June 2021. In 1H21, its operating income was 132.7 million yuan while its net loss was 6.14 million yuan.<sup>8</sup>

## Apparel

### Beijing's largest clothing wholesale distribution centre to shut down

Beijing Dahongmen Trade Centre of Clothing (大红门服装商贸城) recently announced that it will shut down on 31 October. Merchants can go through relevant procedures from 11 September to 7 October, while the clearance period is 8-30 October. As of early 2014, there were 45 markets in Dahongmen, including 39 textile wholesale markets, with 28,000 shops and around 80,000 direct employees. The annual transaction volume of those 39 textile wholesale markets was about 50 billion yuan. Dahongmen was therefore once the largest clothing and textile wholesale distribution centre in Northern China.<sup>9</sup>

## Cosmetics

### L'Occitane launches social platform 'My L'Occitane'

L'Occitane recently launched a new online social platform called 'My L'Occitane' where members can interact with each other and sell their own L'Occitane products. While the company's future plans for the platform are unclear, it is currently recruiting sales staff from some offline stores to act as liaisons between platform members and the brand.<sup>10</sup>

## Luxury

### Over 30 international brands including LV and Dior have been fined 185 times

Over 30 international name brands have been fined by the Shanghai Municipal Administration for Market Regulation, including LV, Dior, Chanel, Burberry, etc. At least 185 fines were issued in total. For example, LV was fined 20,000 yuan for false advertising, Dior was fined 57,600 yuan for low-quality t-shirts priced at over 6,000 yuan each, and Chanel was fined 210,000 yuan for substandard items. Generally speaking, the brands were fined mainly for substandard items, false advertising, and violating pricing regulations.<sup>11</sup>

## Catering

### Pub chain Helen's tops 30 billion yuan in market capitalization after Hong Kong IPO

Chinese pub chain operator Helen's (海伦司) got listed on the Hong Kong Stock Exchange on 10 September. Its share prices rose by 22.66% to HK\$24.250 per share on its first day of trading. According to its IPO prospectus, as of 31 March, Helen's operated over 370 locations nationwide (with 53, 214 and 106 locations in first-, second-, and third- and below-tier cities respectively). It ranked first in China's bar industry in terms of revenue and had a market share of 1.1% in 2020.<sup>12</sup>

## II. Market Overview

### UBS: China's consumer spending to grow by US\$5.3 trillion in the next decade, driven by female consumers

A recent UBS report suggests that consumer spending in China is expected to grow by US\$5.3 trillion in the next 10 years. As the income of women continues to increase, they will become the key driver of the consumption boom. UBS predicts that the jump in China's household consumption in the next decade means that China will contribute about 27% of global consumption growth by 2030, compared with 19% for the US.<sup>13</sup>

### Linkshop: 73% of department store operators achieve growth in revenue and net profit in 1H21

According to a Linkshop (联商网) survey, out of 48 listed department store enterprises, 35 of them achieved growth in both revenue and net profit in 1H21, accounting for 73% of enterprises. Four enterprises (about 8%) saw a drop in both revenue and net profit. The COVID-19 pandemic early last year severely impacted the performance of shopping malls and department stores. The recovery in 1H21 indicates that the market is gradually returning to pre-pandemic levels. Furthermore, seven department stores opened and the same number of stores closed in 1H21. Overall speaking, the department store industry was doing well in 1H21.<sup>14</sup>

### NBS: Total retail sales of consumer goods up by 2.5% yoy in August

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 3.44 trillion yuan in August, up by 2.5% yoy. Of which, retail sales of goods amounted to 3.09 trillion yuan, up by 3.3% yoy; and catering revenue reached 345.6 billion yuan, down by 4.5% yoy. In the January-August period, total retail sales of consumer goods were 28.12 trillion yuan, up by 18.1% yoy. During the eight-month period, online retail sales of goods grew 15.9% yoy to 6.63 billion yuan, accounting for 23.6% of total retail sales of consumer goods.<sup>15</sup>

### III. Policy Spotlight

#### MIIT asks Internet giants to end the practice of blocking access to competitors

It was reported that, in a meeting on 9 September, the Ministry of Industry and Information Technology (MIIT) told Tencent (腾讯), Alibaba (阿里巴巴), ByteDance (字节跳动) and other Internet companies that they should cease blocking each other's links and services on their sites/apps, or they will risk facing regulatory action. The practice of blocking access to rivals is commonplace in China. For example, Tencent prohibits WeChat users from sharing Taobao (淘宝) links and Douyin (抖音) content, while Alibaba's Taobao and Tmall e-commerce marketplaces do not allow Tencent's WeChat Pay as a payment option. Industry analysts said the forced opening up of Internet platforms will intensify competition and reshape the Internet/e-commerce market of China.<sup>16</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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