

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Douyin launches cross-border e-commerce store

Douyin (抖音) has recently launched an e-commerce store focusing on imported goods. Products are sourced globally by Douyin's procurement team and will be delivered to customers by Douyin. Currently the store offers 25 products, such as facemasks and skincare items, with more categories to follow. Import taxes are included in the retail price, and the goods are stored in bonded warehouses and inspected by the customs before being delivered to consumers.¹

ByteDance's 2022 revenue reach US\$85 billion

ByteDance's (字节跳动) domestic revenue only saw a 25% year-on-year increase in 2022 to US\$69 billion, while the company achieved a nearly 150% year-on-year increase in overseas revenue, giving the company total revenue of US\$85 billion last year. Revenue from the company's Chinese business still accounts for around 80% of the total. ByteDance had also amassed 840 million daily active users outside China by the end of 2022, an increase of 40% yoy, which brings this number close to the 850 million daily active users within China.²

Meituan distributes 30 million yuan worth of supermarket and department store consumption vouchers in Shanghai

Under the guidance of the Shanghai Municipal Commission of Commerce, Meituan Delivery (美团外卖) will distribute about 30 million yuan in supermarket and department store vouchers in Shanghai from 15 to 25 August. These vouchers can be accessed within the Meituan app. Furthermore, between 18 to 22 August, the consumers can also purchase popular products for as low as 9.9 yuan. Meituan will also host themed coupon activities every month according to consumer demand.³

JD.com's 2Q23 revenue up by 7.6% yoy to 287.9 billion yuan

JD.com (京东集团) recently released its financial results for the second quarter of 2023. The company's revenue during this period reached 287.9 billion yuan, an increase of 7.6% yoy. The company's main segment, JD Retail, achieved a growth rate of 4.8% yoy, lower than the overall quarterly revenue growth. In contrast, the logistics and health units experienced double-digit growth. The company's non-GAAP income from operations for April to June increased by 50.8% yoy to 8.676 billion yuan.⁴

Taobao Live's 'Village Livestreams' have boosted agricultural product sales by over 15 billion yuan

According to a recent interview, since Taobao Live (淘宝直播) launched its 'Village Livestreams' programme in March 2019, more than 110,000 farmer anchors have conducted a total of 3.3 million livestreams on the platform, driving agricultural product sales of over 15 billion yuan. In terms of categories, agricultural products from western China are more popular among consumers, and sales of enriching agricultural products, tea products and flowers and green plants have recorded faster growth.⁵

Bilibili's 2Q23 revenue reaches 5.3 billion yuan as net loss narrows by 23% yoy

Bilibili (哔哩哔哩) recently released its financial results for the second quarter of 2023. During this period, the company's revenue reached 5.3 billion yuan, marking an 8% yoy growth. Among the revenue streams, value-added services accounted for 2.3 billion yuan, showing a 9% yoy growth, and advertising revenue stood at 1.6 billion yuan, indicating a 36% yoy increase. The company's net loss during this period was 1.5 million yuan, down by 23% yoy. During the second quarter, daily active users on the video platform reached 96.5 million, marking a 15% yoy growth, while monthly active users reached 324 million. The average daily time spent of users was 94 minutes, driving a 22% year-on-year increase in total time spent.⁶

Retail Logistics

Cainiao Express' half-day delivery is now available in eight cities

Alibaba recently released its financial results for its fiscal first quarter ended 30 June. During the quarter, Cainiao Express' (菜鸟) half-day delivery service is now available in eight cities; the average delivery time for smart warehouse distribution is 30.4 hours, and such service is first available in the Yangtze River Delta and the Pearl River Delta. Furthermore, Cainiao will provide targeted industry solutions covering FMCG, beauty, big parcels, etc., while also deepening its cooperation with leading brands such as Nestle, Procter & Gamble, Unilever, and Budweiser.⁷

SF Express launches livestreaming e-commerce

SF Express (顺丰速运) recently launched e-commerce livestreams selling items such as fresh fruits and agricultural products on its WeChat mini-program. The livestream hosts promote the company's free shipping, 2-3 day delivery service, compensation for rotten products and other services.⁸

Supermarkets & Hypermarkets

Freshippo launches pet services channel across 13 stores in Shanghai

Freshippo (盒马) recently launched a new pet services channel. Customers can make appointments for cat and dog bathing and grooming within the Freshippo app for professional groomers to provide in-home services. When making an appointment, users need to fill in basic information such as their pet's weight and select a time slot. The service is initially rolled out in 13 Freshippo stores in Shanghai, with more locations to follow. In the future, Freshippo plans to provide more pet services based on its consumers' needs.⁹

Costco Hangzhou to open on 26 August

Costco will open its Hangzhou location on 26 August. This is the company's first store in Hangzhou and its fifth store in the Chinese mainland. The store is located at No. 63 Hongda Road, Xiaoshan District in Hangzhou, with a total investment of US\$160 million and a gross floor area of 54,000 sqm. Costco will offer its Hangzhou members a variety of products from its Kirkland Signature brand, including food and condiments, pet products, clothing and accessories, and travel and outdoor equipment.¹⁰

Apparel & Sports

Li Ning's revenue up by 13.0% yoy but profit down by 3.1% yoy in 1H23

Li Ning (李宁) recently released its interim results for the first half of 2023. In the period, Li Ning's profit decreased by 3.1% yoy to 2.12 billion yuan despite a 13.0% yoy increase in revenue to 14.02 billion yuan. Gross profit margin fell 1.2 percentage points to 48.8%. Sales of running products grew 33% yoy, contributing nearly a quarter of total revenue in the period. However, sales of basketball products, which comprise nearly 28% of the company's revenue, only grew by 6% yoy, below internal targets due to fierce competition.¹¹

II. Market Overview

NBS: Total retail sales of consumer goods increase by 2.5% yoy in July

Total retail sales of consumer goods increased by 2.5% yoy in July to 3.6761 trillion yuan. By consumption type, retail sales of physical goods reached 3.2483 trillion yuan, up by 1.0% yoy; catering income was 427.7 billion yuan, up by 15.8% yoy. In the first seven months of 2023, total retail sales of consumer goods reached 26.4348 trillion yuan, up by 7.3% yoy. By consumption type, retail sales of physical goods were 23.5742 trillion yuan, up by 5.9% yoy, while catering income was 2.8606 trillion yuan, up by 20.5% yoy. By retail format, from January to July, retail sales of convenience stores, professional stores, specialty stores and department stores in retail enterprises above designated size increased by 7.5%, 4.5%, 3.5% and 8.2% respectively year-on-year, and the retail sales of supermarkets decreased by 0.5% year-on-year. During this period, online retail sales of physical goods reached 6.9856 trillion yuan, a year-on-year increase of 10.0%, accounting for 26.4% of total retail sales of consumer goods.¹²

III. Policy Spotlight

MOFCOM calls for further development of high-quality rural e-commerce

The Ministry of Commerce (MOFCOM) and eight other government departments issued a notice on 15 August on the 'Three-Year Action Plan for County Area Commerce (2023-2025)', which addresses the need to promote the high-quality development of rural e-commerce. Measures include developing rural livestreaming e-commerce and encouraging qualified county-level e-commerce public service centres to expand O2O experience stores, cloud-based exhibitions, online goods centres, cross-border e-commerce and other value-added services; cultivating 'local specialty' e-commerce brands; and encouraging rural e-commerce entrepreneurship and employment.¹³

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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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