

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Alibaba rumoured to explore direct online retail model

It was reported that Alibaba (阿里巴巴) plans to introduce a direct online retail model in which Alibaba is directly involved in sourcing, buying, storing and marketing goods. A new app, called Mao Xiang (猫享), will soon be launched via Tmall (天猫), the report said. However, a spokesperson for Alibaba's digital business clarified that Mao Xiang is just an exploration project of Tmall. It is also 'impossible and unnecessary' for Tmall to transform into a direct online retail model.¹

WeChat begins internal testing for cross-border e-commerce mini-program platform 'Global Cloud Shopping'

WeChat (微信) has begun testing a cross-border e-commerce mini-program platform called 'Global Cloud Shopping' (云逛全球). The mini-program is operated in an aggregated mode, which means cross-border online retailers are invited to join the digital marketplace. WeChat users can shop for products provided by brands from the rest of the world via this mini program. At present, the mini-programs on Global Cloud Shopping cover popular categories such as cosmetics and skincare, clothing, shoes and bags, maternal and child products, healthcare, and electronic products.²

Missfresh's 1V1 Advisor concierge services boost average number of orders per customer by 100%

Missfresh (每日优鲜) announced that it has completed the first phase of its rollout of the Missfresh 1V1 Advisor personalized shopping concierge services. The average number of orders per customer and average monthly revenue per effective user participating in the 1V1 Advisor programme have increased 70% and 100% respectively, compared with that of non-concierge service customers. Missfresh launched the 1V1 Advisor programme for its existing and potential high-value customers on its on-demand online retail platform in 3Q21. Under the program, the company's dedicated advisors provide one-on-one communication with customers via WeCom (企业微信). The 1V1 Advisor services encompass the entire shopping process from pre-sale to purchasing and post-sale, including personalized product recommendations, Q&A on product usage, understanding user needs, and following up on customers' feedback.³

Dingdong Maicai's revenue up by 77.5% in 2021

On 15 February, Dingdong Maicai (叮咚买菜) released its financial results for 4Q21. The company achieved revenue of 5.48 billion yuan in the quarter, an increase of 72.0% yoy. In 2021, revenue reached 20.12 billion yuan, an increase of 77.5% yoy. Dingdong Maicai also announced that the Shanghai region achieved profits in December 2021.⁴

Duoduo Maicai begins testing last-mile express delivery

Duoduo Maicai (多多买菜) recently announced that it has partnered with express companies such as ZTO Express (中通), YTO Express (圆通), STO Express (申通), Yunda Express (韵达), J&T (极兔) and China Post for system inter-connection to open up package collection capabilities. The company will also provide various incentives to attract more businesses as collection points: joining subsidies of 3,000 yuan, package subsidy of up to 500 yuan per day, free text messages and smart voice notifications, and giving out PDAs and printers for free. This move shows that Pinduoduo (拼多多) is using offline collection points to expand its last-mile delivery capabilities.⁵

Department Stores & Shopping Malls

SM Department Store closes its Tianjin location

Xiamen Shengming Jicheng Department Store Co., Ltd (厦门盛名吉成百货有限公司) recently announced that the SM Department Store in the SM City Mall in Tianjin will cease operations from 14 March due to changing business strategies. This store closure only involves the SM Department Store, but not other brands and shops in the shopping mall. This is not the first time SM Department Store has decided to close stores in China. The SM Department Store in Chongqing, also located in an SM City Mall, closed its doors late last August – neither location lasted more than ten years.⁶

Convenience Stores

Lawson opens Shanghai's first Red Cross-themed convenience store

The Minhang district branch of the Shanghai Red Cross Society and Shanghai Lawson Convenience Co., Ltd (上海罗森便利有限公司) recently launched the city's first Red Cross-themed convenience store – Qibao Lawson Boai Station (七宝罗森博爱驿站). The store is located in Huibao Shopping Plaza, Qibao Town, Minhang District. Unlike other convenience stores, there are various Red Cross propaganda posters hanging in the store, including emergency rescue, humanitarian communication, on-site rescue, and mutual aid funds for children's hospital stays. Automated external defibrillator is placed in a visible location – if a customer suffers a sudden cardiac arrest, the store staff can immediately provide professional emergency care.⁷

Apparel

Abercrombie & Fitch cuts children's wear line and closes its first store in the Chinese mainland

Abercrombie & Fitch's first store in the Chinese mainland was closed on 20 February, and the company will also stop selling its children's clothing line in the Asia-Pacific region. Abercrombie & Fitch officially entered the Chinese market in 2014, opening its first flagship store in the Jing An Kerry Centre in Shanghai. The brand currently has a total of 15 stores in Beijing, Nanjing, Chengdu, Qingdao and other cities in the Chinese mainland.⁸

Cosmetics

Eternal Asia launches beauty and personal care brand 'Ingredient Garden'

On 17 February, Eternal Asia (怡亚通) announced the launch of its own beauty brand, Ingredient Garden (成分花园). Its products are now available on Taobao and Eternal Asia's own e-commerce platform Wholesale Net (整购网). Ingredient Garden is affiliated with Shenzhen Beauty and Light Biotechnology Co., Ltd (深圳市美丽与光生物科技有限公司), a subsidiary of Eternal Asia. It is a key project within Eternal Asia's circulation and consumption business in the daily chemical sector, and it is also the company's first self-developed brand within the sector. The Ingredient Garden brand will expand its product offerings in the future.⁹

Food & Beverage

Hema Fresh Outlet to open 3-5 new stores in Wuhan

Following the opening of the first Hema Fresh Outlet (盒马生鲜奥莱) in Wuhan on 31 December 2021, Hema Fresh Outlets will open 3 to 5 more locations in the city. The Fresh Outlet model mainly sells discounted fruits, vegetables, poultry, dairy products, etc. The store's main purpose is to reduce losses from stores and processing centres and avoid waste.¹⁰

The first Post Coffee shop in China opens in Xiamen

On 14 February, China's first Post Coffee (邮局咖啡) shop began trial operations in Xiamen, marking China Post's entry into the coffee market. The coffee shop is jointly operated by China Post and Zhongyu Coffee (中域咖啡) and will expand rapidly by leveraging China Post's nationwide network. Together with Zhongyu Coffee, Post Coffee plans to open more coffee shops in Beijing, Shanghai, Guangzhou, Shenzhen and other first- and second-tier cities.¹¹

Miscellaneous

LINE FRIENDS closes all offline stores in the Chinese mainland

On 10 February, global creative studio LINE FRIENDS announced that it will close all offline physical stores in the Chinese mainland, effective immediately. The brand plans to shift its retail focus online, paying more attention to the development of content-based digital assets and creating multi-platform scenario applications. In the future, LINE FRIENDS will develop offline experience spaces such as themed hotels, restaurants, small retail stores, and unmanned retail, providing fans with diversified interactive experiences such as themed exhibitions, pop-ups, and parties.¹²

II. Market Overview

Research And Markets: China, Japan, South Korea and India are the world's largest cosmetics markets

According to the latest report released by international market research institution Research And Markets, the global cosmetics market reached US\$307.69 billion in 2020 and is expected to grow to US\$463.5 billion in 2027, mainly due to growing consumer demand for wellness and self-care products. The Asia-Pacific region will continue to lead industry growth, with China, Japan, South Korea, and India remaining the world's largest cosmetic markets.¹³

III. Policy Spotlight

SAMR: 869 centralized supervision warehouses had been built in support of development of imported cold chain food traceability systems

The State Administration of Market Regulation (SAMR) recently announced that it will accelerate the construction of centralized supervision warehouses and develop imported cold chain food traceability systems. As of 8 February, 869 centralized supervision warehouses had been built in 28 provinces across the country. At present, a national imported cold chain food traceability platform has been included in the *14th Five-Year Plan for Cold Chain Logistics Development*. As the next step, the SAMR will leverage centralized supervision warehouses to upgrade the national platform.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.

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