

China Retail & E-commerce Weekly Update



I. Sector Review..... 2

Internet & E-commerce 2

Meituan E-commerce launches self-operated flagship stores and upgrades its content-based marketing community..... 2

Douyin launches second-hand goods channel and recycling and consignment service..... 2

Kuaishou E-commerce launches the industry’s first ‘Livestream Sizing Assistant’ 2

Alibaba and Shandong-Xinjiang Pairing Assistance Programme to build a dual platform for online and offline sales of Kashgar agricultural products..... 3

Suning.com and Kujiale launch a shopping guide platform for home appliances and home improvement 3

JD.com’s net revenue in 2021 reaches 951.6 billion, with an operating income of 13.4 billion 3

Yatsen Holding’s 2021 revenue reaches 5.84 billion..... 4

Zhihu: Revenue of other businesses such as vocational training and e-commerce up by 196% yoy in 2021 4

Retail Logistics..... 4

JD Service+ launches its first self-operated location in Beijing 4

JD Logistics acquires a 66.5% stake in Deppon Logistics 5

Department Stores & Shopping Malls..... 5

Rainbow’s 2021 revenue up by 3.97% while net profit down by 8.41% 5

Apparel & Shoes 5

H&M brand Monki likely to exit the Chinese market 5

Xtep’s net profit up 77.1% yoy to 908 million in 2021 6

Cosmetics 6

Tencent invests in skincare brand PMPM..... 6

II. Market Overview 6

NBS: Total retail sales of consumer goods up by 6.7% yoy during January to February..... 6

III. Policy Spotlight 7

Guangxi’s Beibu Gulf Port welcomes China’s first departure land port tax refund pilot programme 7

References (in Chinese) 8

Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Vivian Liang
Assistant Manager

Fung Business Intelligence
11/F LiFung Tower
868 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

Meituan E-commerce launches self-operated flagship stores and upgrades its content-based marketing community

Meituan E-commerce (美团电商) has launched its self-operated flagship stores where products are shipped by Meituan E-commerce, with an operation model similar to JD.com (京东). The Meituan Haohuo (美团好货) app has already launched a number of flagship stores operated by Beijing Sankuai Smart Catering Management Co., Ltd which is a subsidiary of Meituan. In addition, Meituan Haohuo has also added a 'Global Shopping' zone for cross-border e-commerce. Cross-border merchants can open stores in this zone to sell overseas goods. The community 'Zhenxiang' (珍箱) has also been upgraded to 'Guangguang' (逛逛) which will provide content-based demand generation.¹

Douyin launches second-hand goods channel and recycling and consignment service

Douyin Mall (抖音商城) has added a new 'Second-hand Goods' channel which is dedicated to the livestreaming and sale of second-hand goods. Within this channel, Douyin E-commerce has also launched a 'recycling and consignment' service where users can directly send in their items for valuation. After the platform's valuation, users can choose to have the platform directly recycle the items or receive cash through consignment. With these new additions, Douyin's second-hand e-commerce has formed a complete closed loop, creating a full chain from second-hand product sales to recycling and consignment.²

Kuaishou E-commerce launches the industry's first 'Livestream Sizing Assistant'

Kuaishou E-commerce (快手电商) has launched the industry's first 'Livestream Sizing Assistant' function to improve consumers' shopping experience and the overall livestreaming conversion rate. The assistant uses algorithms to reduce response times for sizing-related questions. Merchants can log in to the customer service robot platform to add a size chart and link specific products. After activation, the system will automatically display the size chart when consumers inquire about size-related questions during livestreaming sessions.³

Alibaba and Shandong-Xinjiang Pairing Assistance Programme to build a dual platform for online and offline sales of Kashgar agricultural products

Alibaba (阿里巴巴) recently partnered with Shandong-Xinjiang Pairing Assistance Programme (山东援疆) to create a dual online and offline sales platform for Kashgar agricultural and sideline products, and they also hosted an opening ceremony for the 'Warehouses Moving Eastward' (大仓东移) locations in Xi'an and Nantong. During the ceremony, the Kashgar Industry and Information Technology Bureau and Alibaba Group signed a cooperation agreement on the development of an 'industry store' for Kashgar on Alibaba's 1688 platform. A centralized marketing campaign for Kashgar's characteristic agricultural and sideline products was simultaneously hosted on Alibaba's 1688 platform. Marketing campaigns were also conducted via the B2C marketing channel of 'Warehouses Moving Eastward' on e-commerce platforms such as Pinduoduo (拼多多) and Meituan (美团).⁴

Suning.com and Kujiale launch a shopping guide platform for home appliances and home improvement

Suning.com (苏宁易购) and Kujiale (酷家乐) recently joined forces to launch a professional shopping guide platform for home appliances and home improvement. Brands can create scene-based and package-based displays, and provide consumers with visual displays of complete furniture and appliance sets and services, including home environments, custom matching and service attendants. Top home appliance and home improvement brands have been joining the 'scene shopping' section on the Suning.com website. Suning.com will continue to improve their product library and settings available within 'scene shopping' to provide users with more home environment matching options.⁵

JD.com's net revenue in 2021 reaches 951.6 billion, with an operating income of 13.4 billion

JD.com (京东集团) released its fourth-quarter and full-year results for 2021 on 10 March. In 4Q21, JD.com's net revenue was 275.9 billion yuan, a year-on-year increase of 23.0%; its full-year net revenue in 2021 reached 951.6 billion yuan, a year-on-year increase of 27.6%. Non-GAAP income from operations for 2021 was 13.4 billion yuan, with an operating margin of 1.4%. As of 31 December 2021, the number of annual active customer accounts reached 570 million, a net increase of nearly 100 million over the past year, and 70% of the new users came from the below-third-tier cities and rural markets.⁶

Yatsen Holding's 2021 revenue reaches 5.84 billion

Yatsen Holding (逸仙电商), the parent company of Perfect Diary (完美日记), recently released its unaudited financial results for the full year of 2021. In 2021, Yatsen Holding's total net revenue reached 5.84 billion yuan, a year-on-year increase of 11.6% which was far less than the rapid growth of 72.65% in the previous year. It was still making a loss, with a net loss of 1.55 billion yuan in 2021, which was 42.5% lower than that of the previous year. Affected by the slowing growth rates across several performance indicators, Yatsen Holding's share price dropped to a new low of US\$0.614 per share after the financial results were released – a 97% drop compared with the highest point of US\$25.47 per share in February last year.⁷

Zhihu: Revenue of other businesses such as vocational training and e-commerce up by 196% yoy in 2021

Zhihu (知乎) recently released its financial results for the full year of 2021. Zhihu's total revenue in 2021 reached 2.959 billion yuan, a year-on-year increase of 118.9%. The financial report also shows that the company's main revenue sources include online advertising, content-commerce solutions, paid memberships and other businesses (namely vocational training business and e-commerce services). Among them, other businesses achieved total revenue of 156 million yuan, an increase of 196% yoy. As of 31 December 2021, Zhihu's in-platform content reached 490 million items, of which Q&A reached 420 million – a year-on-year increase of 39% and 34% respectively.⁸

Retail Logistics

JD Service+ launches its first self-operated location in Beijing

JD Logistics's (京东物流) one-stop service platform JD Service+ (京东服务+) recently opened its first self-operated location in Beijing, marking the launch of its new model of leveraging self-operated locations to serve consumers across the country. It will focus on first- and second-tier cities, providing service upgrades through a new model of direct recruitment, direct training, direct management, and direct payment to engineers. In 2022, JD Service+ will establish self-operated locations in seven core cities across the country.⁹

JD Logistics acquires a 66.5% stake in Deppon Logistics

On 11 March, JD Logistics (京东物流) and Deppon Logistics (德邦物流) reached a strategic cooperation, and JD Logistics will acquire 66.5% of the issued share capital of Deppon. The investment in Deppon will be achieved through acquiring a 99.99% equity in Ningbo Meishan Baoshui Area Deppon Investment Holding Company Limited (宁波梅山保税港区德邦投资控股股份有限公司), an investment vehicle that holds a 66.5% stake in Deppon Logistics. The two parties will cooperate in the fields of express delivery, cross-border business, warehousing and supply chain, while maintaining independent brand and team operations. On the same day, Deppon also announced that Cui Weixing, chairman and general manager, will no longer be the actual controller of the company.¹⁰

Department Stores & Shopping Malls

Rainbow's 2021 revenue up by 3.97% while net profit down by 8.41%

Rainbow Department Store (天虹股份) recently released its 2021 financial results, which showed its operating income in 2021 was 12.268 billion yuan, a year-on-year increase of 3.97%; the net profit attributable to shareholders of the company reached 232 million yuan, a year-on-year decrease of 8.41%. The company's online sales continued to grow in 2021. The GMV of online merchandise sales and digital service revenue exceeded 5.1 billion yuan, of which platform service revenue increased by 72% yoy. The company's overall digital membership exceeded 36 million. Nearly 250 million people used the Rainbow app and mini programs, which had combined monthly active members of over 4.26 million. Furthermore, counter sales for home delivery increased by 17% yoy.¹¹

Apparel & Shoes

H&M brand Monki likely to exit the Chinese market

Monki, a low-cost fast fashion brand owned by Swedish fast fashion giant H&M, recently announced the impending closure of its Tmall flagship store from 1 April 2022; clearance activities will take place between 10 March to 31 March. From 1 April, all products will be removed from the shelves and further sales will be halted, while customer service will no longer operate after 15 April. Monki officially entered the Chinese market in early 2015, opening its first store in Dalian, and then successively opening stores in Beijing, Shanghai, Shenzhen, Xi'an, Kunming and other cities – all of which have ceased operations.¹²

Xtep's net profit up 77.1% yoy to 908 million in 2021

Xtep International (特步国际) announced its 2021 financial results on 16 March. During the year, the company achieved 10.013 billion yuan in revenue, a year-on-year increase of 22.5%; net profit attributable to the company was 908 million yuan, a year-on-year increase of 77.1%. In addition, Xtep's e-commerce business has grown significantly, accounting for more than 30% of the core Xtep brand's revenue in 2021. As of 31 December 2021, Xtep had a total of 6,151 domestic and overseas Xtep branded stores, mainly operated by the group's authorized distributors. Among them, Xtep Kids had 1,179 retail stores in the Chinese mainland. The target revenue of the core Xtep brand would be 20.0 billion yuan in 2025, while the four new brands will target to achieve a revenue of 4.0 billion yuan.¹³

Cosmetics

Tencent invests in skincare brand PMPM

Shanghai SHIN E-Commerce Co., Ltd (上海时垠电子商务有限公司), which is affiliated with skincare brand PMPM, has two new shareholders: Guangxi Tencent Venture Capital Co., Ltd (广西腾讯创业投资有限公司) and HUPO CAPITAL (HK) Ltd. SHIN focuses on the product development of various categories such as cosmetics, personal care, and designer toys.¹⁴

II. Market Overview

NBS: Total retail sales of consumer goods up by 6.7% yoy during January to February

During January to February, the total retail sales of consumer goods reached 7,442.6 billion yuan, a year-on-year increase of 6.7%. During this period, the retail sales of supermarkets, convenience stores, department stores, professional stores and specialty stores in retail units above designated size increased by 3.0% yoy, 12.8% yoy, 2.1% yoy, 10.3% yoy and 5.3% yoy respectively. The online retail sales of goods were 1.64 trillion yuan, an increase of 12.3% yoy, accounting for 22.0% of the total retail sales of consumer goods. Within the online retail sales of goods, food, clothing and consumer goods increased by 12.7% yoy, 3.9% yoy and 15.1% yoy respectively.¹⁵

III. Policy Spotlight

Guangxi's Beibu Gulf Port welcomes China's first departure land port tax refund pilot programme

China's first departure land port tax refund pilot programme has begun operations at the Beibu Gulf Port in Guangxi. This is a major breakthrough in the tax rebate policy for waterway departure ports. Eligible enterprises can participate by having their goods depart from the Xi'an International Trade and Logistics Park in Shaanxi province, where they will clear customs before being transported by China Railway and its subsidiaries to the Beibu Gulf in Guangxi for export. Companies will be able to file for a tax rebate as soon as they clear customs in Xi'an, improving capital use efficiency and alleviating financial pressure.¹⁶

References (in Chinese)

- 1 《美团电商新增自营 跨境种草社区“珍箱”升级为“逛逛”》，2022年3月14日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/476837.shtml>
- 2 《抖音上线二手好物频道和回收寄卖服务，打造二手电商闭环》，2022年3月15日，联商网
<http://www.linkshop.com/news/2022483816.shtml>
- 3 《快手电商新增行业首个“直播间尺码助手”功能》，2022年3月17日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/477287.shtml>
- 4 《阿里和山东援疆共建农副产品线上线下销售双平台》，2022年3月15日，联商网
<https://www.ebrun.com/ebrungo/zb/477037.shtml>
- 5 《苏宁易购与酷家乐联手开设家电家装场景化导购平台》，2022年3月11日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/476650.shtml>
- 6 《京东2021年净收入9516亿，经营利润134亿》，2022年3月10日，联商网
<http://www.linkshop.com/news/2022483621.shtml>
- 7 《完美日记，正在被“抛弃”》，2022年3月16日，联商网
<http://www.linkshop.com/news/2022483911.shtml>
- 8 《知乎：2021年在线教育及电商为主的其他业务同比增长196%》，2022年3月14日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/476975.shtml>
- 9 《“京东服务+”在北京落地首个直营网点》，2022年3月4日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/475911.shtml>
- 10 《京东物流将收购德邦股份66.49%股份》，2022年3月11日，亿邦动力网
https://www.ebrun.com/ebrungo/zb/476741.shtml?eb=newest_chan_feed
- 11 《天虹股份：2021年线上商品销售及数字化服务收入逾51亿》，2022年3月11日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/476625.shtml>
- 12 《H&M旗下Monki天猫线上旗舰店或将退出中国市场》，2022年3月11日，新浪财经
http://finance.sina.com.cn/jjxw/2022-03-11/doc-imcwipih7840704.shtml?finpagefr=p_115
- 13 《特步2021年净利润9.08亿，同比增长77.1%》，2022年3月16日，联商网
<http://www.linkshop.com/news/2022483968.shtml>
- 14 《护肤品公司PMPM获腾讯投资》，2022年3月16日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/477121.shtml>
- 15 《1月-2月社会消费品零售总额74426亿元 同比增长6.7%》，2022年3月15日，赢商网
<http://news.winshang.com/html/069/8223.html>
- 16 《中国首个陆路启运港退税试点政策在广西北部湾港实施》，2022年3月14日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/476828.shtml>

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.

For more information, please visit www.funggroup.com.

© Copyright 2022 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.