

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### Tmall expects to hit a record number of purchasing users during this year's 11.11

Taobao and Tmall's (淘宝天猫) Double 11 promotional period officially began at 8PM on 14 October. The company expects to hit a record number of purchasing users during this year's 11.11. Key themes for Tmall merchants this year include increased investment and traffic, as well as optimized business environment. In addition to the official platform-wide 15% discount, or the cross-store discount of 50 yuan for every 300 yuan spent, Tmall will invest an additional 30 billion yuan in consumer coupons and red envelopes. On 14 October, the top 100 livestream studios broadcast at the same time, and one billion yuan of red envelopes were distributed. In addition, Taobao launched its new returns service in early September, and the cost of returns and exchanges for merchants during the Double 11 period could reduce by as much as 58%. In the one month since the service was launched, nearly one million merchants have used the service. Data from the past week show that the overall cost of return shipping dropped by 23% for merchants.<sup>1</sup>

### Bilibili to invest three billion yuan in traffic to support high-quality UGC during 11.11

As part of the 11.11 e-commerce promotions, Bilibili (哔哩哔哩) will invest three billion yuan in traffic to support high-quality user-generated content (UGC), and partner with Tmall (天猫) to launch a livestream e-commerce event for 10,000 hosts. At the same time, in response to China's large-scale home appliance trade-in subsidy policy, Bilibili will increase traffic support and launch special events for related products. In addition, the platform will provide new opportunities for brand and merchants' business growth through major product upgrades, business tool optimization, and the 'Bi star' livestream sales recruitment plan.<sup>2</sup>

### Douyin E-commerce's cosmetics sales increase by 73% yoy in first three days of 11.11 promotion

During the first three days of Douyin's (抖音) 11.11 promotion, Douyin E-commerce's cosmetics sales increased by 73% yoy. Of which, the sales of domestic skincare brands increased by 136% yoy – the top five brands were DC Export (迪仕艾普), Proya (珀莱雅), Kans (韩束), Marubi (丸美) and Dr. DH (达肤妍). This year, Douyin's 11.11 promotion is divided into two stages: 8-18 October is the pre-sale period, while 18 October – 11 November is the main period. During the main period, the first three days are the opening period, the last three days are the carnival period, and the period in between are specific category days, including clothing, jewellery and gold, pets, makeup, sports and outdoor goods, food, etc.<sup>3</sup>

## **Tmall establishes 20 new companies involving home furnishings, e-commerce and other industries since 30 September**

Guangzhou Jiaxiang E-commerce Co. was recently established, and its registered capital is one million yuan. Its scope of business covers Internet sales, sales of daily necessities and new energy vehicle-related businesses. It is wholly owned by Zhejiang Tmall Technology Co., more commonly known as Tmall (天猫). Since 30 September, Tmall has established 20 new companies in Guangzhou, Qingdao, Foshan, Shanghai, Nanjing and other cities, involving a range of industries such as home furnishings and e-commerce.<sup>4</sup>

## **Number of Meituan flash-express warehouses will exceed 100,000 by 2027**

Meituan Instashopping (美团闪购) recently hosted the 2024 Meituan Instant Retail Industry Conference. According to Xiao Kun, vice president of Meituan and head of the Instant Retail Division, Meituan Instashopping has continued to grow rapidly, with the peak order volume exceeding 16 million on Chinese Valentine's Day in 2024. This rapid growth can be attributed to the continuous evolution of the instant retail supply ecosystem. As an important format that has emerged in this process, the flash-express warehouses continue to drive the evolution of the instant retail supply ecosystem and the development of user needs, becoming a major opportunity for the industry. At present, Meituan has over 30,000 flash-express warehouses. By 2027, this number will increase to over 100,000, covering all categories and all regions.<sup>5</sup>

## **Supermarkets & Hypermarkets**

### **ALDI opens largest store in China to date**

On 19 October, German discount supermarket chain ALDI opened its largest store in China to date. The store is located in Jinshan, Shanghai, covering an area of more than 1,000 sqm – making it 20% to 30% larger than other stores. ALDI's private brands account for more than 90% of its product offerings, including 13 key private brands. Super Value, ALDI's hard-discount brand which is exclusive to the Chinese market, is also popular for its extremely low prices, such as the bestselling 9.9 yuan 52% alcohol strong-flavour pure grain liquor.

## JD.com's 7Fresh sets up its first front-end warehouse in Beijing, directly competing with Meituan's Xiaoxiang

JD.com's (京东) fresh food business 7Fresh (七鲜超市) recently opened its first front-end warehouse in Beijing, focusing on 30-minute delivery; it is also building its second front-end warehouse in the city. This move represents JD.com's new strategy in the fresh food retail business after the 7Fresh Supermarket and 7Fresh Life Community Store businesses. According to a 7Fresh employee, the front-end warehouse is benchmarked against Xiaoxiang Supermarket (小象超市) (a business launched by Meituan in 2019, formerly Meituan Maicai (美团买菜)). Door-to-door delivery service is provided for users within a 3-km radius of the store.<sup>6</sup>

## Yonghui Superstores' first remodelled store in Beijing resumes operation

Yonghui Superstores' (永辉超市) first remodelled store in Beijing, based on Pangdonglai's (胖东来) business model, recently resumed operations. The store is located on the second floor of Xilongduo Shopping Centre in Shijingshan District and closed at the end of September this year. The remodelled store has been optimized in terms of product offerings, store environment, and employee benefits. As part of the remodel, Yonghui has reportedly removed 11,430 items from its shelves and replanned 12,765 items. New items account for 76.2% of the store's offerings, and the product structure is 90% similar to that of Pangdonglai.<sup>7</sup>

## Retail Logistics

### Xiaohongshu launches Yiwu e-commerce operations centre

On 15 October, Xiaohongshu's (小红书) Yiwu e-commerce operation centre was officially put into operation at the Sida Building in the financial business district of Yiwu. Yiwu is the second city in China to have a Xiaohongshu e-commerce operation centre. The centre's operations team will provide Yiwu merchants with Xiaohongshu operations training guidance, platform policy resources, brand operation customization and other full-scale incubation and empowerment services. It is expected that Xiaohongshu's huge platform traffic and novel content marketing model will empower the development of Yiwu's small commodity industry belt.<sup>8</sup>

## **JD Logistics is now fully connected to Taobao and Tmall, increasing platform interconnectivity**

JD Logistics (京东物流) recently established a partnership with the Taobao and Tmall Group (淘天集团). JD Logistics will now be fully connected to the Taobao and Tmall platforms, and platform merchants will be able to choose JD Logistics as a service provider. The system connecting the two parties has almost been completed, and consumers can also track and trace the delivery by JD Logistics in the Taobao and Tmall apps. On 15 October, Taobao Open Platform also issued a 'JD Logistics Online Announcement', signifying that the JD Logistics and Taobao and Tmall platforms have officially begun their cooperation.<sup>9</sup>

## **Apparel**

### **Uniqlo parent company's China revenue goes up by 9.2% yoy in fiscal 2024**

Uniqlo's parent company Fast Retailing Co. recently announced its financial results for the 2024 fiscal year ended 31 August 2024. The company's sales revenue in the Chinese market was 677.063 billion yen, a year-on-year increase of 9.2%, accounting for 21.8% of total revenue, while the market's operating profit was 104.8 billion yen, a year-on-year increase of 0.5%.<sup>10</sup>

## **Home Goods**

### **MINISO and Meituan deepen partnership to launch over 800 24-hour super stores within this year**

Miniso (名创优品) and Meituan (美团) recently established a strategic partnership, focusing on the instant retail business. 800 Miniso flash-express warehouse-format stores will land on Meituan's lifestyle platform this year, offering consumers the convenience of receiving goods within 30 minutes. Furthermore, the two parties will also explore cooperation in the store business. Meituan will provide Miniso with a range of digital marketing support based on in-store consumption scenarios. Ye Guofu, Chairman and CEO of Miniso Group, said that the company has strong supply chain capabilities and product power, while also embracing instant retail. Meituan will lean into the synergy of home and store delivery, and fully support Miniso's exploration of new business formats.<sup>11</sup>

## II. Market Overview

### China's livestreaming e-commerce penetration rate reaches 37.8% in 2023

On 11 October, the National Institute of Metrology, a direct subsidiary of the State Administration for Market Regulation, released the *Livestreaming E-commerce Industry High-quality Development Report (2023-2024)* blue book (hereinafter referred to as the 'Blue Book') in Shanghai in collaboration with other institutions. The Blue Book shows that the penetration rate of livestreaming e-commerce increased from 4.9% in 2019 to 30.4% in 2022, and further increased to 37.8% in 2023. The number of livestream e-commerce users is also steadily increasing. As of December 2023, the user volume reached 597 million, accounting for 54.7% of all Internet users.<sup>12</sup>

### September 2024 sees 2,101 new tea beverage store openings

In September this year, the number of new stores opened by 25 major tea beverage chain brands reached 2,101, up by 288 or 15.89% compared with the previous month. The overall number of stores of these 25 brands reached 109,274, a net decrease of 241 compared with August. Among the 25 major tea brands, 13 brands have increased the number of store openings compared with the previous month. Among them, Chayan Yuese (茶颜悦色) opened nine stores in August and 26 stores in September, with a month-on-month growth rate of 188.89%, ranking first in the industry.<sup>13</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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