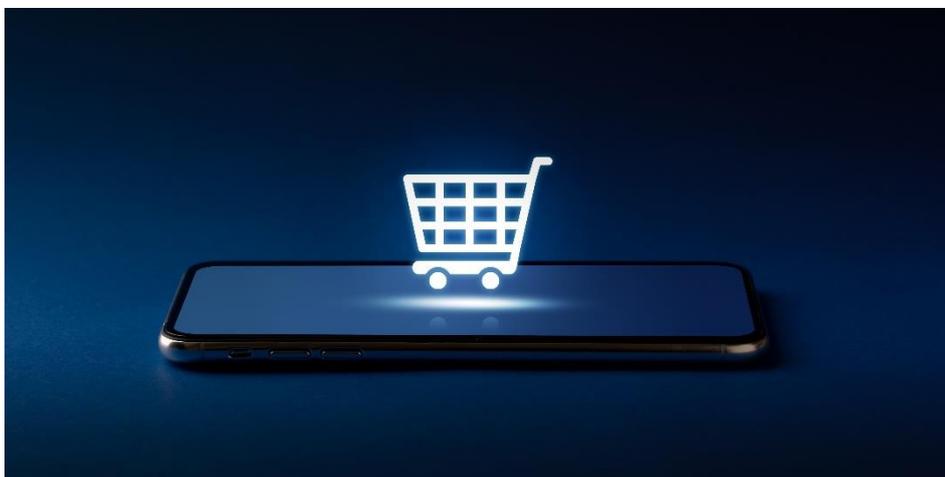


China Retail & E-commerce Weekly Update



Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Fung Business Intelligence
11/F LiFung Tower
868 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2271
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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I. Sector Review

Internet & E-commerce

New merchants on Tmall increase by 60% yoy in 1Q24

Tmall (天猫) recently announced store opening data for the first quarter of 2024. During this period, new merchants increased by 60% yoy, and both global big brands and emerging brands have accelerated their entry onto the platform. Sports and outdoor, smart home, health care, high-end pet care, clothing, skin care, etc., have been the popular categories this year, with the number of new businesses increasing by 100% yoy. In the first quarter, the transaction volume of new merchants increased by 150% yoy, with many top performers having emerged. More than 200 merchants recorded sales of over one million yuan within three months of store openings. By region, Guangdong, Zhejiang, Henan, Shanxi, Yunnan, and Shandong are the most popular areas for new merchants.¹

Ele.me to launch partial management service for retail merchants on 1 May

Ele.me (饿了么) recently announced the upcoming launch of a partial management service for retail merchants and it has begun looking for partners. The service will be officially launched on 1 May to help merchants solve problems with their online business. Currently, this service is only open to Hangzhou and Shanghai, with other cities available in the future. Ele.me will provide merchants with services such as agency operations, package delivery, and official customer service. At present, the service is by invitation only, selecting only high-quality merchants to participate. Ele.me will evaluate the performance of merchants across criteria such as 'store operating hours', 'operational capabilities' and 'service performance capabilities' on a three-month cycle, and will eliminate the worst performers.²

Department stores & Shopping Malls

Chengdu Intime in99 introduces several new brands

Chengdu Intime in99 recently introduced several new brands, including Rei Kawakubo (its first store in Central and Western China), BAPE (its first store in Chengdu south), FENDI CASE (its first store in Southwestern China) and BROMPTON (its first store in Chengdu south). These stores are located on the first floor of in99. As the third high-end Intime shopping centre across the country, Chengdu Intime in99, located in the core area of Jiaozi business district, has continuously upgraded since it opened seven years ago. In the past two years, in99 has actively expanded into more sophisticated verticals and younger, more personalized brands.³

Supermarkets & Hypermarkets

Yonghui Superstores to complete the transformation of 600 discount stores in 1H24

Yonghui Superstores (永辉超市) recently announced that it will continue to increase the number of 'authentic discount stores' this year, and plans to complete the transformation of 600 stores in the first half of the year. Yonghui Superstores began adding 'authentic discount stores' in stores across the country in October 2023, while also adding discount sections on its app and mini program. Yonghui Superstores has also set up 'new product incubation areas' in 200 stores across the country. In the Tongzhou Wanda store, the new product incubation area displays nearly 200 new products, mainly fast-moving consumer goods. Furthermore, Yonghui Superstores has also launched setting-based product display areas in some stores such as landmark product areas and camping-themed areas.⁴

Apparel

Uniqlo faces growth pressure in the Chinese mainland

On 11 April, Uniqlo's parent company Fast Retailing Group released its financial results for the first half of its fiscal year 2024 (September 2023 to February 2024). During this period, Uniqlo's revenue in Greater China (including the Chinese mainland, Hong Kong, and Taiwan) was 360.5 billion yen (17 billion yuan), a year-on-year increase of 12.3%. In the period, Uniqlo's revenue in the Chinese mainland market increased while profits and gross profit margins declined slightly. Takeshi Okazaki, chief financial officer of Fast Retailing Group, said that Uniqlo's focus regarding opening stores in China will shift from the number of stores to store profitability.⁵

Peacebird's net profit decreases by 26.92% in 1Q24 with 60 more store closures

Peacebird (太平鸟) recently reported its financial results for the first quarter of 2024. During this period, the company's revenue was 1.80567 billion yuan, down 12.92% yoy. The net profit attributable to shareholders of the company also fell to 159 million yuan, a year-on-year decrease of 26.92%. In fact, prior to this quarter, Peacebird's retail performance in recent years has been unsatisfactory. In 2022 and 2023, the company's total operating income was 8.602 billion yuan and 7.792 billion yuan respectively, a year-on-year decrease of 21.23% and 9.41% respectively. In addition, starting in 2022, Peacebird closed a large number of stores. In the first quarter of this year, Peacebird only added 39 new stores while closing 99 stores, a net reduction of 60 stores.⁶

Furniture and Home Improvement

IKEA to invest 6.3 billion yuan in China over the next three years while pursuing a low-cost strategy

IKEA China Senior VP Francois Bronti recently said that over the next three years, IKEA China plans to invest 6.3 billion yuan on price reductions and an omnichannel approach to improve IKEA's accessibility. Bronti emphasized that the Chinese market is one of the company's most important markets. At present, IKEA's business in the Chinese market involves product design, testing, production, procurement, warehousing and distribution, retail, shopping malls, digital innovation, and other fields. Despite that the Chinese retail industry is facing significant challenges, Bronti believes that the Chinese market has huge potential, so he is optimistic about the Chinese market in the long term. In February this year, IKEA China announced an additional investment of more than 100 million yuan to launch more lower-priced products. A total of more than 500 products will be launched over the entire fiscal 2024.⁷

Food & Beverage

ChaPanda raises US\$330 million in its Hong Kong IPO

Chinese bubble tea chain ChaPanda (茶百道) raised US\$330 million in its Hong Kong IPO. On its first day of trading on 23 April, ChaPanda's shares closed at HK\$12.8, 25% below its IPO price of HK\$17.5. ChaPanda was founded in 2008 and it ranked third in China for freshly-made tea chains in terms of retail sales with 6.8% of the industry's 247.3 billion yuan in sales last year. According to the latest data, the company operated a total of 8,016 stores in China, covering 31 provinces and municipalities, with total retail sales reaching 16.9 billion yuan in 2023.⁸

Decathlon enters coffee market with first location in Shanghai

Decathlon's first coffee corner COFFEE HOUSE recently opened in Wujiaochang, Shanghai. The store has launched a total of 16 products including coffee, energy drinks, specialty drinks, baked goods, and coffee peripherals. All products are relatively affordable, as coffee and special drinks range from 12 yuan to 26 yuan, and with special discounts for members. In terms of sports drinks, there are specialty products containing electrolytes, L-carnitine, and protein powder. This is not only consistent with the brand's sports positioning, but also offers differentiation from other coffee brands.⁹

II. Market Overview

NBS: Total retail sales of consumer goods up by 3.1% yoy in March

In March 2024, total retail sales of consumer goods were 3.902 trillion yuan, a year-on-year increase of 3.1%. By consumption type, retail sales of goods reached 3.5056 trillion yuan, an increase of 2.7% yoy; catering revenue was 396.4 billion yuan, an increase of 6.9% yoy. From January to March, total retail sales of consumer goods were 12.0327 trillion yuan, a year-on-year increase of 4.7%. By consumption type, retail sales of goods reached 10.6882 trillion yuan, an increase of 4.0% yoy; catering revenue was 1.3445 trillion yuan, an increase of 10.8% yoy. From January to March, online retail sales of physical goods were 2.8053 trillion yuan, an increase of 11.6% yoy, accounting for 23.3% of total retail sales of consumer goods.¹⁰

Douyin publishes *Home Decoration Industry Trend Report 2024*

Douyin Home Decoration (抖音家装) and Douyin E-commerce (抖音电商) recently jointly published the *Home Decoration Industry Trend Report 2024*, which mentioned that rational consumption has become a new trend, while cost-effectiveness is equally important. Users choose cost-effective and high-quality products, and rational consumption and emotional consumption coexist; they put forward more requirements for space utilization; they tend to customize personalized home spaces. Furthermore, the overall atmosphere and integration of home decoration have become important considerations. In the past year, the home decoration industry has grown rapidly on Douyin e-commerce platform. In 2023, the number of home furnishing companies' livestream studios tripled year-on-year, the number of transacted products increased by 115% yoy, and the number of transacted stores increased by 94% yoy.¹¹

China Consumption Research Report 2024: Service-oriented consumption has huge growth potential

The China Institute for Reform and Development (Hainan) recently held the 2024 China Consumption Development Forum and published the *China Consumption Research Report 2024: Unleashing the Huge Potential of Service-based Consumption*. The report believes that there is still huge room for upgrading and growth potential in China's service-oriented consumption in the future, including the demand for elderly care services caused by the aging population, the increase in service-oriented consumption caused by 'replacing the "old" with the "new"', the development of the digital economy giving rise to new service-oriented consumption formats, further urbanization stimulating service-oriented consumption potential, etc. According to preliminary predictions, the proportion of China's urban and rural residents' service-oriented consumption expenditures within overall consumer expenditures is expected to increase from 45% in 2023 to more than 50% in 2030.¹²

Cosmetics sales grow by 3.4% yoy in 1Q24

According to data released by the National Bureau of Statistics, total retail sales of cosmetics in March rose 2.2% yoy to 41.1 billion yuan, while total retail sales of cosmetics from January to March was 108.6 billion yuan, a year-on-year increase of 3.4%. The cumulative retail sales of cosmetics in the first quarter of 2024 continued to reach a record high, but the growth rate has slowed since 2021. Industry analysts said that the cosmetics market seems to be moving from the 'slow growth era' to the 'sluggish growth era', and it might eventually enter the 'zero growth era' in the future.¹³

Xiaohongshu and Kantar publish white paper on perfume and fragrance trends in 2024

Xiaohongshu (小红书) and Kantar recently published a white paper on perfume and fragrance trends in 2024. According to the white paper, perfume users are usually younger and more frequent consumers. 50% of perfume users are under 30 years old, and 86% of perfume users use 3-4 other fragrance products at the same time. Currently, Xiaohongshu has over 65 million users interested in perfumes and fragrances, and the proportion of male consumers is increasing year by year.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.

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Fung Business Intelligence was established in the year 2000.

Fung Group

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