China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Kuaishou and Meituan renew strategic partnership to upgrade 10,000 stores across 100 cities

Kuaishou (快手) and Meituan (美团) recently renewed their strategic partnership agreement while upgrading their scope of cooperation. According to the agreement, the partnership will be expanded to cover 100 cities and 10,000 stores across the country over the next three years. Meituan will launch the Meituan mini program on the Kuaishou open platform, while providing Meituan merchants with complete service capabilities such as packages, vouchers, reservations, product displays, online transactions and after-sales services. Kuaishou users will be able to directly access Meituan's catering, hotel, leisure and entertainment, beauty and hairdressing and other service categories through the Meituan mini program. The two parties will also collaborate on content marketing, online transactions and offline fulfilment service capabilities through the Kuaishou open platform.[1]

Douyin begins testing new function to recommend add-on group purchases within a 1km radius

According to recent news and insider information, Douyin Local Life (抖音本地生活) is currently testing a new function. After users complete the payment for a group purchase order on Douyin, they can see other group purchase products offered at lower prices than usual within 1 km of the original seller. Currently, the test function appears on the page after the user completes the group purchase order, and the related products are from different stores; this increases exposure for other stores, but also incentivises offline merchants to join the platform – only merchants participating in Douyin group purchases will be recommended to users.[2]

Meituan Delivery tests 'money-saving version'

According to recent news, Meituan Delivery (美团外卖) has established 'high cost-performance ratio' as an important target. At the product level, it recently launched a 'money-saving version' within the Meituan Delivery app which is also called 'Version B'. At present, this version has been tested in many cities across the country, appearing on the app home page below the regular product filters. The Version B page is similar to a 'New Meituan Delivery'. Each package is presented in the form of a product flow, emphasizing the price of a single package and its price comparison advantage over ordinary takeaways. It is also synchronized with the 'Takeaway' section of the Meituan app.[3]

Meituan's 'rider-friendly merchants' are expected to increase to 100,000 this year

At the 7th Meituan (美团) Rider Festival, Meituan announced the upgrade of the 'Rider-Friendly Series' plan, which will work with local districts and industry organizations across the country to establish rider-friendly communities, campuses, merchants and other projects, and gradually solve the pain points faced by delivery riders. According to Zhang Ruoyu, general manager of Meituan's delivery service, as of July 2024, 14 cities had explored new models, and all sectors of society had jointly built 107 'rider-friendly communities' with Meituan. At present, Meituan is launching the first batch of 1,000 rider-friendly merchants. Participating merchants will provide drivers with meal discounts and resting facilities while also optimizing the order pick-up process. The project will be further expanded in the future, and it is expected to cover 100,000 stores by the end of this year.[4]

Apparel & Footwear

UNIQLO's Greater China performance declines

UNIQLO's parent company, Fast Retailing Group, recently announced its financial results for the March to May 2024 period. During this period, its net profit was 116.9 billion yen, an increase of 37.4% yoy, driven by recovering sales in Japan. Furthermore, Fast Retailing recorded sales of 767 billion yen, a 13.5% increase from a year earlier. Of this, its overseas sales came in at 408 billion yen, up 19.4% yoy and the growth was driven by Europe and North America. The company also reported a 'large profit fall' in the Chinese Mainland and Hong Kong. In the first half of the year, Greater China accounted for 22.5% of UNIQLO's revenue, and the proportion dropped to 22.1% in the third quarter, lower than in previous years. In response, the company is working on a 'scrap and build' policy in China, which means closing stores with low monthly sales and opening larger ones in better locations. Pan Ning, CEO of the Greater China market, said that UNIQLO will change its store strategy in the Chinese market, from the previous net increase of 50 to 80 stores per year to a net reduction or renovation of 50 stores per year in the next three years.[5]

Aldo returns to Chinese market with plans to open 75 stores over the next decade

Canada-based fashion footwear, handbag and accessories company Aldo recently made an ambitious comeback to the China market by opening a flagship store in Shanghai in June. According to its founder Aldo Bensadoun, the company plans to operate about 75 stores in China within the next 10 years, and expects up to 10% of its global revenue to come from China in the coming decade; the brand will seek about 70% of China's total sales revenue from online sales, against a global target of between 35-40%. At present, Aldo operates about 2,000 stores in 110 countries, with the US as its largest market and the Middle East, Europe and Canada as other key markets.[6]

Food & Beverage

McDonald's plans to operate over 10,000 restaurants in China by 2028

McDonald's is planning to further expand its presence in China, aiming to increase its restaurant count over the next four years with a special focus on lower-tier cities. According to Zhang Jiayin, chief executive of the US fast food giant's China business, 'By 2028, the number of McDonald's restaurants in China will exceed 10,000.' McDonald's currently has more than 6,000 locations across the country, more than twice the number it had in 2017. It also has over 200,000 employees. As part of its expansion plans, McDonald's will be moving increasingly into lower-tier cities in China.[7]

Retail Logistics

JD Logistics establishes strategic partnership with Hangzhou Citizen Card

JD Logistics (京东物流) and Hangzhou's Citizen Card recently signed a strategic partnership to carry out in-depth cooperation in many fields such as home appliance replacement, home goods installation and cleaning and maintenance. The two parties will jointly promote the upgrading of smart city services and provide more convenient and efficient local services for Hangzhou citizens. According to the partnership agreement, JD Logistics' one-stop life service platform 'JD Service+' will be linked to the homepage of Hangzhou Citizen Card app. After citizens log in to the app, they can directly purchase various door-to-door services online or access the JD Service+ homepage through SMS or the 'Hangzhou Citizen Card' WeChat mini program to learn about and purchase more services. The Hangzhou Citizen Card project is one of the Hangzhou Municipal Government's key projects to provide practical assistance for its residents; it is the first smart identity card in China to achieve cross-departmental and cross-industry applications.[8]

Cainiao Express upgrades intra-city express delivery service to cover more than 20 cities

Cainiao Express (菜鸟速递) recently announced that after upgrading its intra-city express delivery in Guangzhou, it has done the same in Shanghai and Nanjing. Morning parcels will arrive in the afternoon, and the price is 50%-80% cheaper compared to similar offerings. According to insider information, Cainaio will gradually launch this service across its first batch of upgraded cities, and there will be more than 20 cities in total. In early July, Cainiao Express began to quietly test its upgraded intra-city express delivery in Nanjing, advancing from next-day delivery to half-day delivery. Orders before 12:00 am are guaranteed to be delivered on the same day. Furthermore, the price remains at 20% off, and packages under 1 kg can be delivered for 10 yuan.[9]

Consumer Electronics & Home Appliances

Suning.com expects to break even in 1H24 and turn profit in 2Q24

Suning.com (苏宁易购) recently released its forecast for the results of the first half of 2024.The company expects the net profit attributable to shareholders of the company to break even in the first half of the year, and the net profit attributable to shareholders of the company in the second quarter is expected to increase from 47 million to 142 million yuan. Suning.com said that store sales improved month-on-month in the second quarter, among which the comparable store sales of domestic home appliance and consumer electronics specialty stores increased by about 20.1% from the previous first quarter, leading to a shift from loss to profit in the second quarter.[10]

Suning.com partners with CCTV-2 to create a livestream for 'New Quality Home Appliances' on 17 July

Suning.com (苏宁易购) and CCTV-2 (the network's finance and economics channel) hosted a special livestream of 'New Quality Home Appliances' at 19:00 on 17 July. The livestream offered high-value flash sale coupons for Haier Casarte worth 71.7 yuan for every 717 yuan spent, and Bosch and Siemens high-value flash sale coupons worth 1,000 yuan for 2,000 yuan spent. According to a Suning.com livestream spokesperson, after consumers receive their coupons online, they can spend them at Suning.com's offline stores. The coupons can also be used in conjunction with other promotions such as trade-in subsidies, package purchase discounts, etc. Previously, CCTV-2 and Suning.com also hosted a special home appliances livestream on 17 June. The livestream event, with a cumulative exposure of 31.9 million views, a total of over 2.51 million viewers, a maximum real-time online view count of 79,000, 150,000 coupons sold, and the GMV of group purchase coupons over 13.5 million, ranked first in group purchases on Douyin that day.[11]

Home Products

Muji sees increase in revenue and profit in China in the August quarter

Recently, Muji announced its financial results for its fiscal third quarter of 2024. Although the sales growth of existing stores was weak in the Chinese market, the company achieved increases in revenue and profit by expanding locally developed products, mainly daily necessities, and expanding the store network by opening new stores. As of the end of the fiscal third quarter, including authorized stores, Muji had a total of 1,275 stores worldwide, an increase of 87 from the end of the previous quarter. In overseas markets, 47 new stores were added in the Chinese Mainland, Hong Kong, Thailand, Malaysia and other regions, further expanding its global store network.[12]

II. Market Overview

21 beauty brands announce store closures or market exits in 1H24

21 beauty brands have announced store closures or shutdowns in the first half of 2024, including 15 foreign brands and six local brands. In 2023, a total of 33 beauty brands closed or withdrew from the Chinese market, of which 22 were foreign brands and 11 were local brands. The latest number shows that the beauty industry is undergoing rapid changes. Among top international brands, LVMH Group, South Korea's LG Household & Health Care, and Japan's Shiseido, Kao Group, Kose Group and other beauty giants have all experienced store closures or shutdowns. The subsequent suspension or closure of their remaining sales channels also means that these brands are withdrawing from the Chinese market.[13]

NBS: Total retail sales of consumer goods from January to June up by 3.7% yoy

According to the National Bureau of Statistics, in the first half of 2024, total retail sales of consumer goods reached 23.5969 trillion yuan, up by 3.7% yoy. In June, total retail sales of consumer goods went up by 2% yoy to 4.0732 trillion yuan. Grouped by consumption types, in the first half of 2024, retail sales of goods reached 20.9726 trillion yuan, up by 3.2% yoy; catering revenue was 2.6243 trillion yuan, up by 7.9% yoy. In June, retail sales of goods reached 3.6123 trillion yuan, up by 1.5% yoy, while catering revenue was 460.9 billion yuan, up by 5.4% yoy. From January to June, online retail sales reached 7.0991 trillion yuan, up by 9.8% yoy. Specifically, online retail sales of physical goods were 5.9596 trillion yuan, up by 8.8% yoy, accounting for 25.3% of total retail sales of consumer goods; within this number, sales of food, clothing and daily necessities increased by 17.8% yoy, 7.0% yoy and 7.8% yoy respectively.[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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