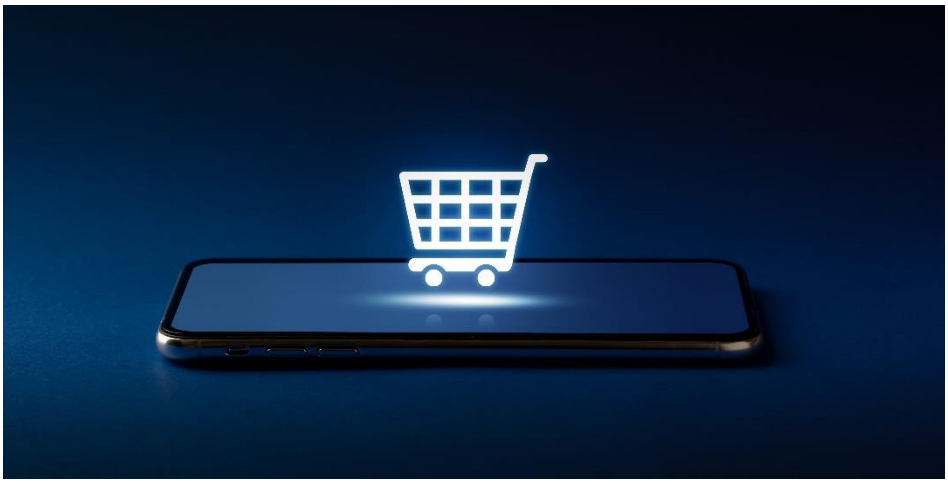
China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

GOME reaches strategic cooperation with Huawei in smart stores and other areas

GOME Retail (国美) and Huawei (华为) reached a strategic cooperation agreement on 12 May. The two companies will cooperate in the digital operation and management of stores, omni-channel digital marketing, and intelligent terminal IoT around Gome's 'all-retail ecosystem sharing platform'. GOME has previously established strategic partnerships with Pinduoduo (拼多多), JD.com (京东), Tencent (腾讯), etc.[1]

Walmart China net sales up 7.2% yoy in first quarter of fiscal 2023

On 17 May, Walmart released its financial results for the first quarter of fiscal year 2023. For the three months ended 30 April 2022, Walmart China's net sales increased by 7.2% yoy, and comparable sales increased by 4.4% yoy. Its e-commerce business performed well, with e-commerce net sales up by 89% yoy, while the two-year stack growth rate was 149%.[2]

Internet & E-commerce

Taobao adds new 'price comparison' function

The latest update of the Taobao (淘宝) app for Android/iOS (version 10.12.0) includes a new 'price comparison' function. After upgrading to the latest version, users can search for 'good price' (有好价) on the app to enter the 'price comparison' interface. There, users can check the lowest price and historical prices of any product on Taobao, and a price curve will also be displayed to show price trends. At present, this function only supports the products recommended on the 'good price' page.[3]

JD.com's net income up 18% yoy to 239.7 billion yuan in 1Q22

On 17 May, JD.com (京东) released its financial results for 1Q22. During this quarter, its net income was 239.7 billion yuan, a year-on-year increase of 18%. Its net loss was 3 billion yuan, which was mainly attributable to continuous investment in infrastructure, technology research and development, employee compensation and benefits, and anti-pandemic operations in Shanghai and other areas. In addition, its annual active customer accounts reached 580.5 million in the twelve months ended 31 March 2022. During 1Q22, user purchasing frequency set record-high while the average revenue per user (ARPU) approached its highest level in three years.[4]

Tencent's revenue stays flat at 135.471 billion yuan in 1Q22

Tencent (腾讯) recently announced its financial results for 1Q22. The company's revenue in the quarter was 135.471 billion yuan, remaining flat over the same period last year; its net profit was 23.733 billion yuan, down 52% yoy. In terms of business divisions, Tencent's value-added service revenue in the quarter was 72.7 billion yuan, which remained stable year-on-year; online advertising revenue was 18 billion yuan, down by 18% yoy; financial technology and business services revenue was 42.8 billion yuan, up by 10% yoy. The combined monthly active user accounts of Weixin (微信) and WeChat were 1.2883 billion, compared with 1.2416 billion in the same period last year, a year-on-year increase of 3.8% and a month-on-month increase of 1.6%.[5]

Secoo faces civil enforcement proceedings

Beijing Secoo Trading Co., Ltd (北京寺库商贸有限公司), an affiliated entity of Secoo Holding Ltd (寺库), is facing civil enforcement proceedings for a total of 1.742 million yuan. The proceedings were initiated by the Chaoyang District People's Court of Beijing. Furthermore, Secoo also faces two asset freezes with a total amount of nearly 1.07 million yuan. As of the close of trading on 20 May, Secoo's share price was US$0.25 per share, a significant decrease from its initial listing price of US$10. The company's current total market value is only US$18 million, down over 97% from its peak.[6]

Retail Logistics

Dada Nexus sees a year-on-year revenue increase of 74% on a comparable basis in 1Q22

On 17 May, Dada Nexus (达达集团) released its financial results for 1Q22. The company's quarterly total revenue was 2 billion yuan, an increase of 74% year-on-year on a comparable basis; the non-GAAP net loss attributable to ordinary shareholders was 481 million yuan, narrowing further compared to the same period last year; and the net loss margin improved by about 30 percentage points year-on-year. In the first quarter, Dada Now's (达达快送) revenue reached 600 million yuan, and JDDJ's (京东到家) revenue reached 1.4 billion yuan, an increase of 80% yoy. In the 12 months ending 31 March 2022, the gross merchandise value (GMV) of JDDJ reached 49.1 billion yuan, a year-on-year increase of 74%, and the number of active customers on the platform increased to 67.9 million.[7]

Cainiao Post joins forces with Tmall and Taobao to offer on-demand delivery services

Cainiao Post (菜鸟驿站) and Tmall (天猫) and Taobao (淘宝) have jointly launched an on-demand delivery service. Cainiao will contact the buyer by phone to check if they are at home before the delivery is dispatched. The service is subsidized by Tmall and Taobao for Cainiao Post to provide free delivery for Tmall and Taobao orders. Cainiao Post also provides support to delivery point owners through various measures such as waiving franchise fees, subsidizing delivery points, and lowering the entry requirements. Cainiao Post's home delivery service was first available in April 2021, with the pilot programme first landing in Beijing, Shanghai and Hangzhou. As of today, it covers more than 200 cities across the country.[8]

Apparel

SHEIN launches new underwear brand

Cross-border fast fashion e-commerce brand SHEIN is expanding its offerings with its first underwear brand called Luvlette. Products include bras, underwear and loungewear, as well as sports bras and tights. All items are priced at between US$4.9 and $21. Luvlette has established an official presence on various social media platforms, including Facebook, Instagram, TikTok and YouTube.[9]

La Chapelle to be delisted on 24 May

Domestic apparel retailer La Chapelle (拉夏贝尔) recently announced that its A-shares will be delisted from the Shanghai Stock Exchange on 24 May. La Chapelle was established in 1998 and was once the top publicly listed women's clothing company in China with a market capitalization of about 16 billion yuan. However, its current market value is only 127 million yuan.[10]

Cosmetics

Florasis becomes the first domestic cosmetics brand to build its own CMF lab

This past March, Yige Group (宜格集团), the parent company of domestic cosmetics brand Florasis (花西子), announced its five-year plan for 'Oriental Beauty R&D'. The company plans to invest 1 billion yuan in a consumer research centre, a cosmetic technology innovation centre, a beauty instrument R&D centre, a colour, materials, finish (CMF) R&D centre, and an oriental aesthetics and space innovation centre. This May, the company officially unveiled its new CMF laboratory under the CMF R&D centre. This means that Florasis has become the first Chinese cosmetics brand to build its own CMF laboratory. In addition, Yige Group's cosmetic technology innovation centre is also being upgraded and will be operational later this year.[11]

Food & Beverage

Yuanqi Senlin launches the 'M1 Smart Cabinet', a new unmanned retail terminal

Yuanqi Senlin (元气森林) recently released the innovative 'M1 Smart Cabinet' retail terminal under the smart retail brand 'Yuanqi Senlin GO', which is backed by a mature supply chain, warehousing, logistics and operation systems. 'M1 Smart Cabinet' supports a wide variety of product combinations. Upon installation, the product offering of each cabinet can be tailored according to local consumers' preferences and based on taste-related big data. In terms of payment, 'M1 Smart Cabinet' adopts dynamic identification technology. Through smart product identification, payments are processed automatically after the cabinet door is closed.[12]

II. Market Overview

NBS: Total retail sales of consumer goods down 11.1% yoy in April

In April, the total retail sales of consumer goods were 2,948.3 billion yuan, a year-on-year decrease of 11.1%. Among them, retail sales of goods reached 2,687.4 billion yuan, down 9.7% yoy; catering revenue was 260.9 billion yuan, down 22.7%. From January to April, the total retail sales of goods reached 13,814.2 billion yuan, a year-on-year decrease of 0.2%. By retail format, from January to April, the retail sales of supermarkets, convenience stores and professional stores in retail units above designated size increased by 3.6%, 6.8% and 2.5% yoy respectively, and the retail sales of department stores and specialty stores decreased by 8.2% and 5.9% yoy respectively. During this four-month period, the online retail sales of physical goods reached 3.2887 trillion yuan, an increase of 5.2% yoy, accounting for 23.8% of the total retail sales of consumer goods.[13]

JD.com report: Turnover of pre-made dishes up by 156% yoy in 2021

JD Supermarket (京东超市) and the JD Research Institute for Consumption and Industrial Development (京东消费及产业发展研究院) recently released the *Ready-to-eat Food Consumption Trend Report 2022*. The transaction value of pre-made dishes increased by 156% yoy in 2021, while the number of pre-made dishes purchased by Gen Z consumers increased by 137% yoy. The report also identifies five major characteristics of consumer preferences: male consumers account for nearly 50%; 26 to 35-year-olds have significant potential as a key consumer group; taste and health are the key considerations for purchasing pre-made dishes; pre-made dishes have become a popular gift for relatives and friends in different places; and Shanghai consumes the largest number of pre-made dishes.[14]

China's sports and outdoor goods market to reach almost 600 billion yuan in 2025

In collaboration with management consulting firm Kearney, Tmall (天猫) recently published a report on private domain insights for sports and outdoor goods. The report points out that the scale of China's sports and outdoor goods market will reach nearly 600 billion yuan in 2025, with more room for future development. In terms of age, although half of outdoors consumers are young, there is a growing number of older consumers who are also willing to spend more, showing that outdoor sports are no longer limited to young people. Benefiting from the rapid growth of ice and snow sports, outdoor camping and other categories, the outdoor market in first- and second-tier cities has shown strong growth; there is also room for further growth in more rural areas.[15]

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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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