

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Tmall launches special support measures for new merchants during 11.11 shopping festival

Tmall's (天猫) support programme for new businesses 'Blue Star Plan' has launched special measures for the 11.11 shopping festival period, including dedicated expert livestreams, guidance services, and shipping insurance subsidies. Earlier this year, Tmall launched the 'Blue Star Plan' to support the growth of new merchants. The number of new merchants on Tmall increased by 75% yoy in the second quarter of 2023.¹

New merchants on Tmall increase by 105% yoy in 3Q23

In the third quarter of 2023, the number of new merchants on Tmall (天猫) increased by 105% yoy, and the number of new merchants in the quarter exceeded the number of new merchants in six months last year. The top five industries for new merchants include consumer electronics, clothing and fashion, home decoration, food, and health. Some 42% of the new brands on Tmall are self-owned brands created by domestic factories, and 18% are new consumer brands. Other popular brands categories include livestreaming celebrity brands and content-based IP brands.²

Over 450,000 new home improvement merchants join Taobao and Tmall in the first nine months of 2023

According to the latest data from Taobao (淘宝) and Tmall (天猫), more than 450,000 new home improvement merchants have joined the platforms in the first nine months of 2023. More than 5,000 merchants have exceeded 10 million in transaction volume, and 360 merchants have exceeded 100 million in transaction volume. In recent years, Taobao and Tmall have gradually positioned themselves as core online channels for home improvement merchants.³

East Buy launches paid membership programme

Livestreaming e-commerce platform East Buy (东方甄选) recently launched a paid membership service, a move that signals the company's ambition to retain loyal customers and generate stable revenue. Customers are required to pay 199 yuan to join the premium membership programme, which will give them a 12% discount on hundreds of the platform's private label products, 12 membership coupons per year, and a coupon package worth 66 yuan. Subscribers can cancel their membership at any time within the one-year membership period.⁴

Apparel

Uniqlo's Greater China region sees record profits in fiscal 2023

Fast Retailing, the parent company of Uniqlo, reported its financial results for its fiscal 2023 (ended 31 August 2023) recently. Greater China remains one of the company's largest overseas markets, with revenue increasing by 15.2% yoy to 620.2 billion yen while operating profit increased by 25.0% yoy to 104.3 billion yen – both reaching record highs.⁵

Anta Sports announces development plan for next three years

Anta Sports (安踏体育) has unveiled its development plan for the next three years (2024-2026). Adhering to the development strategy of 'single-focus, multi-brand and globalization', Anta Sports will focus on three key business segments – performance sports, fashion sports and outdoor sports – to build three core competitive advantages: integrated multi-brand management capability, multi-brand retail operations capability and global resources integration capability. These advantages will play a crucial role helping the company reach its goal of leading in China market share by 2025 and leading in global market share by 2030.⁶

ARKET's first store in Hangzhou to open in early 2024

H&M's lifestyle brand ARKET's first store in Hangzhou will be located in The Mixc (万象城), marking the brand's fourth store in China. The store is currently recruiting store staff and is expected to open during the Chinese New Year period in 2024. ARKET is positioned as a modern market and Nordic lifestyle collection offering men's clothing, women's clothing, children's clothing, and home furnishings. In 2020, ARKET began testing the Chinese market through online channels; in September 2021, it opened China's first offline store in Sanlitun, Beijing, followed by the Guangzhou Tianhuan Plaza store and Shanghai Xintiandi store in October 2022 and January 2023 respectively.⁷

Cosmetics

Sephora opens second future concept store in the Chinese mainland in Wuhan

Sephora recently opened a Store of the Future, its third globally and second in the Chinese mainland, in Wuhan's Chu He Han Street (楚河汉街). The 700-sqm boutique offers a fully digitized and AI-based experience, like the company's Store of the Future in Shanghai, which opened this past June. The retail space includes seven digital touchpoints that provide services such as big data-powered skin analysis, an AI-generated product recommendation system, product labels equipped with RFID, and mobile POS. In the future, the company plans to expand its presence in China by expanding into new-tier cities.⁸

Food & Beverage

Nestlé's Roastelier opens first store in Shanghai

Nestlé's high-end coffee brand Roastelier recently opened its first store in Shanghai – this is also the brand's first store in the Chinese mainland. Roastelier serves various types of coffee, such as Italian, hand-brewed, and special blends, as well as pastries, cakes, desserts and light snacks. Consumers can also experience Roastelier roasting equipment and enjoy coffee made with freshly roasted beans. In recent years, Nestlé has increased its focus on offline locations. Its other product line, Nespresso, has also launched 15 boutiques, 30 counters and 75 retail outlets in the Chinese mainland.⁹

Naixue opens 166 directly operated stores in 3Q23

On October 18, tea beverage brand Naixue (奈雪的茶) released its operating results for the third quarter of 2023. During this period, the group recorded a net increase of 166 directly-operated stores. As of 30 September 2023, the group operated a total of 1,360 directly operated Naixue stores. In late July 2023, the company officially announced that it would begin accepting franchisees for the Naixue brand. The first batch of franchise stores in East China began operations or trial operations by the end of September. The company recently launched a promotional activity for 9.9-yuan fresh milk tea and expects to continue similar promotions in the future.¹⁰

II. Market Overview

89 new shopping malls open nationwide in September

According to the Linkshop Retail Research Centre, 89 new commercial projects opened nationwide in September 2023, a year-on-year increase of 44%, and a month-on-month increase of 424% compared with 17 new commercial projects in August. The newly added commercial floor area is 7.675 million sqm, and the average floor area is 86,000 sqm.¹¹

NBS: Total retail sales of consumer goods up by 5.5% yoy in September 2023

In September 2023, China's total retail sales of consumer goods increased by 5.5% yoy, reaching 3.9826 trillion yuan. By consumption type, retail sales of physical goods reached 3.5539 trillion yuan, an increase of 4.6% yoy; the income of catering industry was 428.7 billion yuan, up by 13.8% yoy. In the first three quarters of 2023, total retail sales of consumer goods reached 34.2107 trillion yuan, up by 6.8% yoy. By consumption type, retail sales of goods were 30.5002 trillion yuan, up by 5.5% yoy; catering income was 3.7105 trillion yuan, up by 18.7% yoy. Between January and September 2023, online retail sales of physical goods reached 9.0435 trillion yuan, up by 8.9% yoy, accounting for 26.4% of total retail sales of consumer goods.¹²

CCFA: China's fresh food FMCG e-commerce penetration rate ranks first in the world

The China Chain Store and Franchise Association (CCFA) and Bain & Company recently released *the 2023 China Fresh Food FMCG Retail Development Report*. According to the report, China's fresh food FMCG retail market is gradually entering a phase of e-commerce penetration. The penetration rate is ranked first globally, but industry concentration is low, and consumer stratification is increasing. The traditional supermarket and hypermarket format will struggle to maintain profitability as online channels become more popular, the traffic of traditional e-commerce platforms has peaked, and emerging discount-, interest-, and content-based e-commerce channels have entered a growth period. In 2022, China's e-commerce penetration rate reached 31%, far exceeding the US, France, Germany, and Japan.¹³

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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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