China Retail & E-commerce Weekly Update

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I. Sector Review

General Retail

Suning Retail Cloud plans to open 2,000 new stores in 2023

The 2023 Retail Cloud Partnership Conference of Suning.com (苏宁易购) was held in Nanjing on 14 April. At the conference, Suning Retail Cloud (苏宁易购零售云) announced its 2023 development goals of opening 2,000 new stores, expanding 500 Super stores, and increasing annual sales by 50% yoy. In 1Q23, sales of Retail Cloud increased by 34% yoy. Retail Cloud has opened more than 13,000 stores since its establishment six years ago.[1]

Internet & E-commerce

Meituan launches group-purchase delivery services on 17 April

Meituan (美团) launched group-purchase delivery services in more than 20 cities on 17 April, covering first and second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, etc. Meituan had been internally testing its group-purchase delivery business for some time. Participating merchants have added a takeaway option in addition to the seat reservation option for group-purchase orders.[2]

JD Global announces new strategy to help merchants enter the Chinese market

The JD Global Partner Conference was recently held in Beijing, where JD Retail's cross-border business unit released a new strategy for JD Global (京东国际). In 2023, JD Global will continue to expand its ecosystem, and leverage its strengths such as digital and smart supply chains to help brand merchants enter the Chinese market. At the same time, the platform will gather resources to develop high-quality and bestselling products, and further reduce cost to benefit consumers. In terms of store opening and operations, JD Global will help partners reduce store opening costs by lowering the barriers to entry. Earlier this year, JD.com also launched a new plan to provide merchants with a fast entry channel, facilitating store opening within ten minutes.[3]

New Oriental's net income up by nearly 170% yoy in the February quarter

New Oriental (新东方) recently released the financial results for its fiscal third quarter ended February 2023. Its total revenue reached US$754.2 million, marking a 22.8% increase from the same period last year. Growth in revenue was largely due to new business in education as well as revenue generated by its East Buy (东方甄选) livestreaming e-commerce business and private label products. The education firm pivoted to livestreamed e-commerce sales in the wake of government restrictions on private tutoring in the summer of 2021. The New York and Hong Kong dual-listed company also saw its net income increase by 166.7% to US$81.6 million in the February quarter.[4]

Meituan's first food delivery livestream session sees orders increase by nearly 50% yoy

On 18 April, Meituan hosted its inaugural 11-hour food delivery livestream in partnership with various KOLs. By the end of the day, Meituan's food delivery orders increased by nearly 50% yoy, while its daily active users increased by 75% yoy. Ice cream and tea chain Mixue Bingcheng (蜜雪冰城) surpassed 100 million yuan in sales and Luckin Coffee (瑞幸) sold a million coconut lattes during the event. The success of the event has prompted Meituan to plan regular livestream e-commerce events for the 18th of every month, with multiple brands already preparing for next month's session.[5]

Department Stores & Shopping Malls

Wangfujing's 2022 net profit down 85.45% yoy to 195 million yuan

Wangfujing Group (王府井集团) recently released its 2022 annual report. Last year, Wangfujing achieved revenue of 10.8 billion yuan, a year-on-year decrease of 15.32%; the net income attributable to shareholders of the company was 195 million yuan, a year-on-year decrease of 85.45%; the net income attributable to the company after deducting non-recurring gains and losses is - 9.53 million yuan, a year-on-year decrease of 101.01%. The report shows that Wangfujing's outlet business was affected by the reduced length of business hours, and its operating revenue decreased by 8.03% yoy, which made up 13.04% of Wangfujing Group's operating revenue. Operating revenue of the department store business decreased by 22.11% yoy but remained the group's main revenue source, accounting for 48.86% of its operating revenue. Operating revenue of the shopping mall business increased by 5.07% yoy, accounting for 19.11% of Wangfujing Group's operating revenue. As of the end of 2022, Wangfujing Group had a total of 36 department stores, 16 outlet stores, 23 shopping mall stores, and 14 joint venture supermarkets.[6]

Supermarkets & Hypermarkets

Freshippo unveils its premade food business

At the recent 2023 China Catering Chain Summit, Chen Huifang, general manager of Freshippo's (盒马) premade food division, announced that the company will focus on four core values: deliciousness, freshness, novelty, and new settings, to accelerate development of new products focusing on quality and differentiation. This marks the first public appearance of Freshippo's premade food division. A week ago, Freshippo CEO Hou Yi also expressed his optimism about the development of premade food items based on new food processing technology.[7]

Food & Beverage

Naixue's unit price per customer up by 10%-20% in 1Q23 from last quarter

Naixue (奈雪的茶) recently revealed its operation performance for 1Q23. During this period, the company recorded a net addition of 38 stores – against nine store closures. As of 31 March 2023, the group operated a total of 1,106 tea shops. As the price range of products became more balanced, the unit price per customer increased by 10%-20% compared with the previous quarter. At the same time, the company continued to innovate based on classic products with the launch of two new tea bases. The company plans to increase store density in high-tier cities and open 600 new stores this year. As of 31 March, about 300 new stores have signed contracts or are close to signing contracts, and it is expected that store openings will accelerate in the future.[8]

II. Market Overview

NBS: Retail sales of consumer goods up by 10.6% yoy in March

According to the National Bureau of Statistics, total retail sales of consumer goods went up by 10.6% yoy to 3.7855 trillion yuan in March 2023. By consumption type, retail sales of goods reached 3,414.8 billion yuan, an increase of 9.1% yoy; catering revenue was 370.7 billion yuan, up 26.3% yoy. In 1Q23, total retail sales of consumer goods reached 11.4922 trillion yuan, up by 5.8% yoy. Among them, retail sales of goods were 10.2786 trillion yuan, up by 4.9% yoy; catering revenue was 1.2136 trillion yuan, up by 13.9%. In the quarter, online retail sales reached 3,286.3 billion yuan, up by 8.6% yoy. Online retail sales of physical goods were 2,783.5 billion yuan, up by 7.3% yoy, accounting for 24.2% of total retail sales of consumer goods.[9]

Meituan Instashopping: Instant retail sales volume of maternal and baby products expected to exceed 100 billion yuan by 2026

Meituan Instashopping (美团闪购) recently held a special meeting on 'Reaching the 100 Billion Maternal and Baby Instant Retail Market' in collaboration with MY Guancha (母婴行业观察) and its Maternal and Baby Research Institute. At this meeting, the three parties also published a collaborative white paper on the maternal and baby instant retail industry in 2023. According to the white paper, the instant retail sales volume of maternal and baby products reached 19.4 billion yuan in 2022; this figure is expected to exceed 100 billion yuan by 2026, with a compound annual growth rate of 74%. The white paper pointed out that women aged 25-35 years old living in high-tier cities are the typical users of maternal and baby instant retail channels. At the same time, there are obvious differences in the consumption frequency and purchasing power of different categories of maternal and baby products. Moreover, instant retail consumption of maternal and baby products has already shifted from emergency purchases to daily purchases and has become part of the daily routine for a new generation of young parents.[10]

Hainan's offshore duty-free shopping up by 14.6% yoy in 1Q23

In 1Q23, Haikou Customs recorded a total of 16.9 billion yuan in offshore duty-free shopping, a year-on-year increase of 14.6%. The total number of shopping tourists reached 2.24 million, a year-on-year increase of 27.2%, and sales of duty-free goods reached 19.68 million items. In addition to the delivery options of 'mail delivery' and 'pickup on return' (for locals only) introduced in 2021, starting from 1 April, tourists will also be able to choose 'pick up on guarantee (after paying deposits)' and 'pick up on purchase' – further enhancing the shopping experience for tourists. Duty-free commodities that can be picked up at purchase mainly include cosmetics, perfumes, luggage, infant milk powder and other products commonly used on vacation. The purchase limit for a single product for 'pick up on purchase' orders is one to five pieces. Tourists who purchase duty-free goods with a unit price of more than 50,000 yuan (inclusive) can choose the 'pick up on guarantee' option.[11]

Hainan sees over 180 billion yuan in duty-free offshore shopping over the past 12 years

Hainan recently observed the 12th anniversary of its offshore duty-free shopping policy, which was implemented on 20 April 2011. As of 19 April 2023, Haikou Customs had recorded a total of 185 billion yuan in offshore duty-free shopping over the past 12 years, purchased by 34.28 million customers. Moreover, the new delivery method of 'pick up at purchase' had been implemented for two weeks, with total sales reaching 188 million yuan, accounting for 8.69% of Hainan's duty-free sales in the same period. Meanwhile, 41 consumers have purchased 'pick up on guarantee' duty-free commodities, worth a total of 3.18 million yuan.[12]

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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.

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