

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Tmall launches new merchant recruitment scheme

Tmall (天猫) recently launched the 'Blue Star Programme' (蓝星计划) and announced new policies for attracting new merchants. New merchants joining the platform between July and late September will receive up to 50,000 yuan in business incentive funds, which can be used to offset store commissions for three months. Tmall will also provide exclusive one-on-one services from the onboarding process to store operations. Additionally, new stores will receive dedicated support in terms of search exposure, short videos, and other traffic assistance. According to Tmall's business recruitment page, the first phase of the Blue Star Programme primarily targets three types of new merchants: emerging brands, content-focused merchants, and high-quality product merchants.¹

Meituan app now allows users to upload short videos

Meituan (美团) now allows users to film and upload short videos within its app, the latest move to enrich its short video content offerings. Content creators are able to edit videos, add music, and apply filters or special effects without leaving the platform. The company first began testing short video capabilities in 2021 and started conducting livestreams to sell discounted goods earlier this year.²

Taobao launches 'Late Night Taobao' lifestyle and entertainment platform

On 17 July, Taobao (淘宝) launched 'Late Night Taobao' (夜淘宝), providing users with a 24-hour lifestyle and entertainment version of the platform. Users can easily switch to this version through a dedicated entrance on the Taobao app homepage. This marks the most significant update of the Taobao app in the past three years and represents further content diversification following the platform's transformation to an information flow-driven interface in 2020. 'Late Night Taobao' is likely to become a permanent feature, offering consumers interactive, gaming, and entertainment content, creating a distinct and novel experience for leisure, food, and entertainment activities.³

GMV of beauty brands on Douyin reaches 76.6 billion yuan in 1H23

In the first half of this year, the overall GMV of beauty brands on Douyin (抖音) exceeded 76.6 billion yuan, showing a remarkable year-on-year growth rate of 54.8%. L'Oreal topped the ranking and set records by surpassing one billion yuan in GMV during the period. Moreover, the GMV of the top ten beauty brands has all surpassed 700 million yuan, with multiple brands potentially reaching two billion by the end of the year. Among the top ten, domestic and global names are evenly distributed. Chinese beauty labels Hanshu (韩束) and Proya (珀莱雅) claimed second and fourth place, respectively, on the list. The threshold for the top twenty brands has increased to 480 million yuan.⁴

East Buy announces membership system for its standalone app

Since the East Buy (东方甄选) standalone app recently hosted its first livestream, the platform has added several more livestreaming sessions. Regarding its positioning, East Buy CEO Sun Dongxu stated that the app has three main objectives: Firstly, it is a platform for selecting and curating quality products. Secondly, it provides users with differentiated services, and it plans to establish a membership service system to offer premium goods to its paying members. Thirdly, it seeks to become a cultural platform, offering valuable and insightful content to its users.⁵

Department Stores & Shopping Malls

Harrods to open private members club in Shanghai

Harrods Department Store recently announced that it will open a new private member's club in Shanghai at the end of 2023. It will be reserved for 250 members and costs 150,000 yuan per year. The club, known as The Residence, is located on the second floor of Cha House – a well-known building in the middle of the city. This building is already home to Harrods Tea Room and Piano Bar, both of which are open to the public.⁶

Supermarkets & Hypermarkets

Costco explores grocery e-commerce business

Costco is currently exploring the online grocery delivery business in China through a partnership with a third-party service provider. Currently, this service is primarily available in select cities within the Yangtze River Delta region. Costco's e-commerce operations are currently managed by a third-party service provider called 'Tiao Tiao Gou Wu' (挑挑购物). The products available on its mini program are all from Costco and can only be purchased by Costco members. 'Tiao Tiao Gou Wu' offers two types of services: same-day delivery (within the same city) and next-day delivery (across cities). Currently, the delivery service is limited to specific cities such as Suzhou, Wuxi, Nantong, Ningbo, and Hangzhou, while other regions, including Shanghai, do not support delivery orders.⁷

Retail Logistics

JD Logistics' 'Yu Tu' launches GIS big data function to provide business intelligence services

Recently, JD Logistics (京东物流) launched its geographic information system (GIS) big data service on the 'Yu Tu' (与图) SaaS platform. According to Sun Peng, the head of JD Logistics' intelligent map business, the service is aimed at addressing the pain points of enterprises lacking data-based intelligence in areas such as store location selection, offline advertising, and brand recruitment.⁸

Food & Beverage

Tea beverage brand Cha Ting Xu completes Series A funding round

Tea beverage brand Cha Ting Xu (茶亭序) recently completed its Series A funding round, which was led by Tandian (探店) and followed by several well-known investment institutions. This round of financing will be used for product research and development, equipment iteration, supply chain base construction, and digital intelligence system development. Established in 2019, Cha Ting Xu is a subsidiary of Guangzhou Fangmu Brand Operation Management Co., Ltd (广州方木品牌运营管理有限公司). It combines both direct sales and franchising models and currently operates over 200 stores. The products are based on Kowloon Dairy's fresh milk paired with Chinese fresh tea.⁹

Naixue open to franchises

Tea beverage brand Naixue (奈雪的茶) recently announced the launch of its franchise business and will begin recruiting franchise partners. The investment cost for a single store is around one million yuan and the capital threshold for partnership is 1.5 million yuan; the expected payback period is one and a half years. As of July, Naixue has over 1,200 directly operated stores in nearly 100 cities across the country, largely concentrated in first-tier, new first-tier and second-tier cities. The franchise business reflects the company's efforts to expand into lower-tier markets.¹⁰

Luxury

LVMH partners with SF Express to build a sustainable supply chain

The luxury conglomerate LVMH Group is teaming up with SF Express (顺丰) to launch a sustainable supply chain system for luxury goods. The partnership between the companies goes back to 2014, when Fendi started working with SF Express. SF Express has become the main express service provider for LVMH Group brands, transporting more than 10 million parcels over the past ten years for the luxury giant. Teaming up with SF Express supports LVMH to delve further into China's lower-tier cities, and the new sustainable supply chain will help both companies appeal to Chinese consumers' increasing interest in sustainability.¹¹

II. Market Overview

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

In June, total retail sales of consumer goods reached 3.9951 trillion yuan, up by 3.1% yoy. By consumption type, retail sales of physical goods reached 3.5581 trillion yuan, up by 1.7% yoy; catering income was 437.1 billion yuan, up by 16.1% yoy. In the first half of 2023, total retail sales of consumer goods reached 22.7588 trillion yuan, up by 8.2% yoy. By consumption type, retail sales of physical goods were 20.3259 trillion yuan, up by 6.8% yoy, while catering income was 2.4329 trillion yuan, up by 21.4% yoy. Online retail sales of physical goods were 6.0623 trillion yuan, up by 10.8% yoy, accounting for 26.6% of total retail sales of consumer goods.¹²

Shanghai's cross-border e-commerce imports and exports up by 84% yoy in 1H23

Shanghai saw its cross-border e-commerce imports and exports increase by 84% yoy to 141.96 billion yuan in the first half of this year. The industry ecosystem, including international and domestic e-commerce platforms, self-operated websites, and professional services such as logistics, payments and operations, has continued to develop. Local enterprises have built more than 138 overseas warehouses, with a floor area of 1.79 million sqm. Last month, the local government issued guidelines to strengthen development of high-quality international online retailing, including support on customs clearance, taxation, and foreign exchange facilitation policies while encouraging companies to build overseas warehouses.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.

Listed entities of the Group include Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

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