

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Alibaba upgrades its own brand 'Taobao Xinxuan' to 'Miao Manfen'

Alibaba's (阿里巴巴) own brand 'Taobao Xinxuan' (淘宝心选) has been upgraded and renamed as 'Miao Manfen' (喵满分). 'Miao Manfen' will incubate a variety of Tmall Supermarket's (天猫超市) own products across multiple categories, such as paper towels, nuts, and fresh milk. The first batch of products launched on Tmall Supermarket include consumer goods such as the rice, walnut oil, etc.¹

Taobao's 2022 livestreaming marketing to focus on virtual hosts and 3D settings

Taobao (淘宝) recently held its quarterly meeting for Taobao livestreaming multi-channel networks (MCNs), where it announced the latest policies and strategies for livestreaming. There are three major directions for livestream marketing in 2022, as virtual hosts and 3D settings have become the new driving forces of the platform. According to an expert on Taobao's livestream marketing promotion, the Taobao platform could further grow the livestreaming market through new technology that combines 3D livestream studios and virtual hosts. Official Taobao data show that a total of 1,000+ merchants have already made use of 3D green screen livestreaming.²

Taobao adds new 'Price Insurance Centre'

Taobao (淘宝) recently launched a new 'Price Insurance Centre' (价保中心) which can be accessed via the exclusive customer service function in the 'My Taobao' interface. The centre displays price insurance orders from the past 90 days. Users can click on 'one-click price insurance' to apply for price protection, and they will receive a refund if the application is approved. Taobao has previously implemented a price insurance service without a unified price insurance centre; it had to be accessed through individual orders, whereas this new function is more convenient for users. In contrast, the JD.com (京东) platform had already launched a one-click price protection service – users can access it via the 'Customer Service' link on their personal page.³

Cross-border E-commerce

Tmall and Ruili of Yunnan establish a partnership for a cross-border e-commerce project

Ruili, Yunnan recently signed a strategic cooperation agreement with Hangzhou Tmall Import and Export Co., Ltd (杭州天猫进出口有限公司) and Dehong Lishang Cross-border E-commerce Industrial Park Co., Ltd (德宏利商跨境电商产业园有限公司). The Ruili Cross-border E-commerce Industrial Park, planned and constructed by Dehong Lishang Cross-border E-commerce Industrial Park, covers an area of approximately 53,333 sqm (80 mu), with a total investment of over 400 million yuan. The industrial park will contain a processing hub for imported goods, an e-commerce supervision centre, a central warehouse, a border warehouse, an overseas warehouse, cross-border product displays, entrepreneurial space and office space. The e-commerce supervision centre will cover 13,333 sqm (20 mu); the warehouse area will cover about 5,185 sqm. The product display area will cover about 6,213 sqm, including a product display hall and an e-commerce livestream studio, adopting the 'warehouse + display' model operating through a combined storefront and warehouse.⁴

Microsoft is testing its first cross-border e-commerce platform, Buy with Microsoft

Microsoft began testing its first cross-border e-commerce platform, Buy with Microsoft, on 22 March. Aimed at high-quality cross-border sellers, the platform is expected to launch in April or May. In terms of product categories, it is currently mainly concentrated on household goods, consumer electronics, clothing, shoes and hats, electronic accessories, gardening tools, etc. Other conventional consumer goods will also be available in the future. According to Microsoft, this platform will enable high-quality Chinese brands, products and suppliers to access the global market.⁵

Apparel

SHEIN broadens its product categories with a wider array of bags and luggage

SHEIN is setting up a dedicated team in Baigou, Baoding, which will be responsible for developing and managing local supply chain partners. Baigou contains around 4,000 production enterprises and 4,000 online suppliers which make up a mature industrial chain integrating the production of raw and auxiliary materials, design, processing, production and sales of women's bags and backpacks. SHEIN and Baigou's bags and luggage factories adopt a VMI (vendor-managed inventory) cooperation model, which means that the suppliers are responsible for inventory management. At present, SHEIN currently sells the following non-clothing product categories: shoes and bags, jewellery, household goods, beauty and personal care, electronic products, vehicle decoration, sports and outdoor goods, maternal and baby products, bedding, pet products, office stationery, etc.⁶

Cosmetics

L'Oréal 1Q22 results: China business achieves double-digit growth

L'Oréal Group recently released its 1Q22 financial results, with sales reaching 9.06 billion euros, a year-on-year increase of 13.5%, exceeding analyst expectations. Sales in the North Asian market rose by 18% yoy, mainly due to double-digit growth in China.⁷

Luxury

COACH joins Kuaishou e-commerce platform

Luxury fashion brand COACH joined the Kuaishou (快手) e-commerce platform on 15 April. The brand will collaborate with Kwai Shop (快手小店), which has 200 million followers, to host a joint livestreaming session where followers could win a new COACH bag. As of November 2021, the number of new brands joining Kuaishou e-commerce platform increased by 186.1% yoy, while the e-commerce GMV from self-operated live streaming of brands increased by 841% yoy. The fastest growing product categories for self-operated livestreams are 'pets, garden and entertainment', men's sports gear, and women's apparel – growth rates exceeded 80 times, 50 times and 50 times respectively.⁸

COACH's parent company opens travel retail headquarters in Hainan

Tapestry Group, the parent company of American luxury brand COACH, has signed a strategic cooperation agreement with the Hainan International Economic Development Bureau and the Haikou Comprehensive Bonded Zone Committee. Tapestry Group will establish its travel retail headquarters in China in the Hainan Free Trade Port, which will serve to coordinate and expand the group's travel retail business across the country. Tapestry Group currently has around five stores in Hainan, with plans to double this number by 2023.⁹

Food & Beverage

China Railway enters the tea market

China Railway recently announced the launch of its tea brand, 'Wandao Tea' (扳道茶), and a railway-themed restaurant called 'Beijing Railway – Springer' (京铁列服·斯缤格). Both the Wandao tea shop and the Springer restaurant are located at the China Railway Museum on Qianmen Street in Beijing, and the store designs highlight characteristic railway elements. There is currently one Wandao tea shop and four Springer restaurants in Beijing.¹⁰

Miscellaneous

JD Supermarket partners with COFCO to deliver over 360 tons of rice and noodles to Shanghai

JD Supermarket (京东超市) and COFCO (中粮粮谷) recently mobilized rice, flour and other supplies from across the country to provide aid for Shanghai. As of 14 April, COFCO had supplied a total of 1,600 tons of rice and noodles to the public through JD Supermarket. At present, more than 360 tons of rice and noodles have arrived at the temporary warehouse in Shanghai before being allocated to local consumers. At the same time, JD Supermarket and COFCO plan to supply another 1,600 tons of rice and noodles by the end of April according to market demand, ensuring a steady supply of grains, oil and food products during this critical period. Furthermore, JD Logistics (京东物流) has also dispatched over 3,200 delivery workers and other frontline supply chain workers from across the country to provide support in Shanghai.¹¹

II. Market Overview

NBS: Total retail sales of consumer goods up 3.3% yoy in 1Q22

According to the National Bureau of Statistics, in 1Q22, the total retail sales of consumer goods was 10.8659 trillion yuan, a year-on-year increase of 3.3%. By retail formats, the retail sales of supermarkets, convenience stores, professional stores and specialty stores in retail units above designated size in the first quarter increased by 3.2%, 10.1%, 6.6% and 1.0% respectively year-on-year, while the retail sales of department stores were down 3.3% yoy. During this period, online retail sales of physical goods reached 2.5257 trillion yuan, an increase of 8.8%, accounting for 23.2% of the total retail sales of consumer goods; among the online retail sales of physical goods, food, clothing and consumer goods increased by 13.5%, 0.9% and 10.6 % respectively year-on-year.¹²

Windata: 55 new shopping malls open in 1Q22

According to Windata, 55 shopping malls opened nationwide from January to March 2022 with a total area of 4.19 million sqm. Judging from the projects opened in 1Q22, the market is continuing to expand into rural areas. Fifth-tier commercial cities have overtaken second-tier commercial cities, accounting for 35% of new shopping mall locations, followed by the fourth-tier commercial cities, accounting for 25%; the first-tier, second-tier, and third-tier commercial cities each account for 11%; and commercial quasi-first-tier cities accounted for 7%. In the rural markets, Zhaotong in Yunnan, Xiangxi in Hunan, Jingzhou in Hubei, Jining in Shandong have each welcomed two new shopping malls.¹³

iiMedia Research: China's fresh food e-commerce industry reaches 312 billion yuan in 2021

On 18 April, iiMedia Research released the *China Fresh Food E-commerce Big Data and Development Report 2022*. The market size of China's fresh food e-commerce industry reached 311.74 billion yuan in 2021, an increase of 18.2% yoy. Online purchases of fresh food were in great demand during the COVID-19 pandemic, leading to greater trust among consumers towards fresh food e-commerce. China's fresh food market will reach an estimated 419.83 billion yuan by 2023. Compared with 2021, 65.4% of consumers increased their consumption frequency and 51.6% of consumers increased their spending in 2022, reflecting strong demand overall.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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