

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### Alibaba launches new fashion e-commerce app 'allyLikes' for overseas shoppers

Alibaba (阿里巴巴) recently launched a fashion e-commerce app for women called 'allyLikes' alongside a corresponding website for overseas shoppers, as part of the company's ongoing efforts to expand its presence in the global e-commerce markets. allyLikes offers a variety of clothing styles and over 500 new items every week, and the prices are similar to domestic mainstream clothing items. Users can choose their clothing style, size and other details, and the app will find corresponding products. After payment, allyLikes will deliver the products within two weeks. allyLikes will compete directly with fast-fashion player Shein, which also offers affordable on-trend clothing with fast delivery.<sup>1</sup>

### Taobao shopping carts to be directly shareable in WeChat

Taobao (淘宝) is currently testing the app's one-click shopping cart sharing function in WeChat (微信) group chats and WeChat Moments. This new function, which will launch on 27 October as part of Tmall's (天猫) 11.11 promotion cycle, will allow users to directly share their shopping carts on WeChat Moments. Taobao is also currently testing the WeChat QR code payment function, which will be fully operational before 11.11.<sup>2</sup>

### Nike launches tiered membership programme and virtual 3D characters in collaboration with Tmall

On 20 October, Nike and Tmall (天猫) announced the launch of the Nike tiered membership programme, which will mark Tmall's first in-platform branded members page. This programme enables Nike to achieve tiered and targeted marketing, therefore increasing the brand's repurchase rate. Nike has incorporated 3D virtual characters (personalisable sports avatars) into its Tmall flagship store, where members can customise their avatars, unlock 30 unique characters and participate in online and offline sports challenges to upgrade membership level and unlock exclusive benefits.<sup>3</sup>

## **Ymatou partners with Yiwu government to build a new product selection hub**

Cross-border e-commerce import company Ymatou (洋码头) has recently established a strategic partnership with the Yiwu municipal government to establish a product selection hub in Yiwu. At 2,000 sqm, this will be Ymatou's largest product selection hub in China, and it will service livestreaming e-commerce operations across the country. Ymatou will also conduct in-depth cooperation with the Yiwu government in warehouse construction. Ymatou is moving into the livestreaming e-commerce sector and has partnered with celebrities and top livestream hosts such as Wang Zulan (or Wong Cho-Lam in Cantonese pronunciation), Mao Guangguang, Zhu Zixiao, Luo Yonghao, etc., by providing full supply chain services including product selection, logistics, and after-sales services.<sup>4</sup>

## **Fresh produce e-commerce platform Dailuobo shuts down**

Dailuobo (呆萝卜) recently announced on its app homepage that its parent company Anhui Caicai E-Commerce Co., Ltd (安徽菜菜电子商务有限公司) ceases operations on 20 October due to a lack of investors for its restructuring. The Dailuobo app has stopped providing services, and all offline stores will gradually close in the near future. Dailuobo, founded in 2015, is a fresh produce e-commerce platform. It received multiple rounds of venture capital funding of over US\$100 million, with over 1,000 offline stores and 10 million monthly orders at its peak. However, in January 2020, the company announced that it had started bankruptcy reorganization procedure.<sup>5</sup>

## **Meituan offers free education to its delivery drivers in collaboration with the Open University of China**

On 20 October, Meituan (美团) announced that it has partnered with the Open University of China (国家开放大学) to offer professional development courses and fund full scholarships for its takeaway delivery drivers. 101 drivers began their studies in logistics management at the Open University on 12 October. This course is 2.5-3 years long, with a total of eight modules. The drivers must complete all credits and pass the corresponding examination and thesis defence in order to obtain their degree. During this study period, Meituan's 'Rider Development Incentive Programme' will help reduce the financial burden on the drivers in order to encourage them to complete their studies.<sup>6</sup>

## Apparel

### Apparel supply chain company Youbu completes angel round of financing

Apparel supply chain company Youbu (优布) recently completed an angel round of financing worth over 10 million yuan which was led by Redpoint China Ventures (红点中国) and followed by Decent Capital (德迅投资). Six Sigma Capital (云道资本) acted as the exclusive financial advisor. Traditionally the apparel supply chain is divided into four stages: spinning and weaving, printing and dyeing, garment manufacturing, and sales (consisting of dealers and distributors, etc.). Youbu innovates the printing and dyeing stage by using digital printing processes to colour fabrics through their distributed smart cloud factories. In the manufacturing stage, Youbu mainly focuses on the development of fabrics data and digital printing patterns, which is currently the company's main business focus.<sup>7</sup>

## Cosmetics

### SCPG opens its first self-operated cosmetics store in Shenzhen

On 15 October, SCPG (印力集团) announced the opening of its first self-operated cosmetics buyer's store Ambership, located in Shenzhen SCPG Centre, which will focus on high-end beauty brands. The store is divided into four sections – skincare, cosmetics, perfume and men's grooming – and features both global name brands and emerging niche brands. Even with thousands of SKUs, Ambership will mainly offer classic products.<sup>8</sup>

## II. Market Overview

### Linkshop: 273 new shopping centres opened across the country in 1-3Q21, up 65% yoy

According to the Linkshop Retail Research Centre (联商网零售研究中心), there were 273 and 147 new commercial projects in 1-3Q21 and 1H21 respectively, up 65% yoy and 133% yoy respectively. In terms of regional distribution, East China still leads the country with about half of all openings, followed by South, Southwest and Central China which all have similar numbers. The northern regions are lagging behind, with only five new projects opening in the Northeast.<sup>9</sup>

## China to establish a global 1-2-3 logistics circle by 2035

The second United Nations Global Sustainable Transport Conference opened in Beijing on 14 October. According to the Sustainable Development of Transport in China report published at this conference, China aims to become a global leader in transport by 2035 with an advanced express network, extended trunk network, and extensive basic network. These networks will further improve the coordinated transport development in urban and rural areas. China will form the 'National 1-2-3 Travel Circle', enabling one-hour commutes within cities, two-hour commutes within city clusters and three-hour commutes between major domestic cities. China will also develop a 'Global 1-2-3 Logistics Circle', which aims to achieve 1-day domestic delivery, 2-day delivery to neighbouring countries and 3-day delivery to major cities around the world.<sup>10</sup>

## NBS: Total retail sales of consumer goods up by 4.4% yoy in September

In September, the total retail sales of consumer goods reached 3.68 trillion yuan, a year-on-year increase of 4.4%, and 7.8% higher than that in September 2019. Of which, the retail sales of goods reached 3.30 trillion yuan, an increase of 4.5% yoy; catering revenue was 383.1 billion yuan, an increase of 3.1% yoy. During the January-September period, the total retail sales of consumer goods reached 31.8 trillion yuan, an increase of 16.4% yoy. During this period, online retail sales of goods reached 7.504 trillion yuan, an increase of 15.2% yoy, accounting for 23.6% of total retail sales of consumer goods.<sup>11</sup>

## Kuaishou: New forms of social e-commerce are driving online development of apparel industry

Kuaishou (快手) recently released the 2021 *Kuaishou Apparel Industry Data Report*, which points out that as the apparel industry gradually recovers, new forms of social e-commerce have accelerated its online development. The scale of the apparel industry is predicted to reach 1.3 trillion yuan in 2021. Between 2016 and 2020, the industry's online penetration rate in China increased from 16.3% to 36.6%. From March to August 2021, mix and match videos on Kuaishou increased by 34.2%, while the number of livestreaming sessions increased by 17.6% and apparel sales increased by 38.4%. During this period, womenswear accounted for 59.8% of all Kuaishou sales, making it the largest product category. Meanwhile, the growth rate of sports shoes and sportswear sales registered 93.5%.<sup>12</sup>

### III. Policy Spotlight

#### **14FYP for Service Trade Development: Develop smart logistics and online capabilities**

24 government departments (including the Ministry of Commerce) have jointly developed the *14<sup>th</sup> Five-Year Plan for Service Trade Development*, which aims to promote the high-quality development of service trade. The Plan proposes the digital transformation of service trade, and encourages the integration of digital technology and service trade. Leveraging digital tools, it is hoped that limitations in traditional trade could be overcome, while reducing transaction costs and improving efficiency and tradability of service trade. There should be a particular focus on the development of smart logistics, various online capabilities (e.g., payments, education, and exhibitions), telemedicine, digital finance and insurance, smart sports, etc. The Plan also supports digital transformation in industries such as tourism, transportation and construction, as well as the issuance of blockchain-supported electronic bill of lading.<sup>13</sup>

#### **Hainan to encourage domestic cross-border e-commerce platforms to set up ‘domestic overseas warehouses’**

On 18 October, a draft version of the *14<sup>th</sup> Five-year Plan for Commercial Development of Hainan Province* was released for public comment. The plan aims to promote the development of cross-border e-commerce within the province through the following strategies: Hainan will further develop its Cross-border E-commerce Comprehensive Pilot Zones, and improve the facilitation of data and logistics services. It will utilise the free trade port policy to encourage cross-border e-commerce platforms and duty-free operators to set up ‘domestic overseas warehouses’ in Hainan. It will promote the ‘bonded + new retail’ pilot programme and explore related bonded business models for integration of domestic and foreign trade. It will improve promotion policies to attract industry leaders into Hainan, and speed up the construction of infrastructure (e.g., bonded warehouses, international distribution centres, and logistics hubs) for cross-border e-commerce.<sup>14</sup>

#### **Cross-border e-commerce retail import returns warehouse lands in Shantou Comprehensive Bonded Zone**

The cross-border e-commerce retail import returns warehouse model has arrived in the Shantou Comprehensive Bonded Zone. Under the cross-border e-commerce retail import model, the domestic operator of a cross-border e-commerce enterprise or an authorised warehousing enterprise can set up a dedicated storage area within the special customs zone for dealing with the returns of imported goods. This model simplifies the transportation and logistics processes for courier companies, which can save operating costs and shorten return time.<sup>15</sup>

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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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