

China Retail & E-commerce Weekly Update



I. Sector Review..... 2

General Retail..... 2

 New Huadu issues e-commerce development plan 2

Internet & E-commerce 2

 NetEase Yanxuan launches online community for cat owners..... 2

 Douyin begins testing new food delivery service..... 2

 Douyin to end intra-city social function ‘Circle’ 3

 ByteDance launches ‘Toutiao Haowai’ app for younger users 3

Retail Logistics..... 3

 JD Group completes acquisition of CNLP..... 3

 Hema opens two supply chain operation centres with total investment of nearly 2 billion yuan 3

Luxury 4

 LVMH Group’s luxury brand Fendi joins JD.com 4

Food & Beverage..... 4

 Lady M to close all physical stores in the Chinese mainland by September 4

 Haidilao establishes community operation division 4

Miscellaneous 4

 Hive Box launches a self-operated platform for in-home services..... 4

II. Market Overview 5

 NBS: Total retail sales of consumer goods up by 3.1% yoy in June..... 5

 CCFA: Sales of the top 100 supermarket chains reach 907.6 billion yuan in 2021 5

 iiMedia Research: 72.49% of millennials have rational consumption attitudes 5

 Isheyipai: Number of secondhand luxury goods appraisals soared by 21% in 1H22.. 6

 GfK: Over 4,000 cosmetic brand counters have disappeared over past three years.. 6

References (in Chinese) 7

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I. Sector Review

General Retail

New Huadu issues e-commerce development plan

On 19 July, New Huadu Supercentre (新华都购物广场股份有限公司) issued the *Voluntary Information Disclosure Announcement on the Planning Outline for the Next Three Years of the E-commerce Sector*. In the next three years, the company will focus on online omni-channel sales and e-commerce operation services while cultivating their alcoholic beverage business to maintain an annual GMV growth rate of over 30%. At the same time, leveraging its cross-category service capabilities, the company will tap into the markets of household chemicals and mother and baby products, which have high online penetration and large market scale, aiming to achieve an annual GMV growth rate of at least 35%.¹

Internet & E-commerce

NetEase Yanxuan launches online community for cat owners

NetEase Yanxuan (网易严选) recently launched a new in-app community called 'Cat Café' (猫咖), which aims to become a one-stop pet service platform. Cat lovers can share their experience with other users of 'Cat Café', which provides interactive functions such as likes and comments. Users can also create profiles for their cats. NetEase Yanxuan has also extended its pet service chain and launched online consultations, pet products and other services to increase profitability. At present, Cat Café has accumulated millions of users, and the peak number of daily active users has exceeded 300,000.²

Douyin begins testing new food delivery service

Douyin (抖音) recently began testing a new 'group purchasing and delivery' function in select locations. At present, only some merchants in Shanghai and other locations are linked to the service. By clicking on product links attached to restaurants' short video content, users can access an additional function called 'group purchasing and delivery'. After the user places an order, it will be delivered directly to their home address. However, Douyin does not have its own delivery team, so it still relies on external merchants for delivery, such as Dada Nexus.³

Douyin to end intra-city social function ‘Circle’

Douyin (抖音) recently announced that it will shut down its intra-city social networking function ‘Circle’ on 29 July due to business adjustments. The service will not be accessible from that date, although content published by users with the corresponding hashtag will not be affected. Douyin began internally testing the Circle function last July, which allows local users network with others that have common interests. The function supports videos and text- and photo-based content.⁴

ByteDance launches ‘Toutiao Haowai’ app for younger users

ByteDance (字节跳动) subsidiary Toutiao (今日头条) recently launched an app called ‘Toutiao Haowai’ (头条号外), which recommends content targeted at younger audiences such as technology, current trends, life experiences, and travel reviews. After the user clicks on the content card, specific content details will pop up. Overall, ‘Toutiao Haowai’ is a lightweight information product which aims to attract users through fresh and exciting content and has the potential to become an information-based version of Bilibili (B站).⁵

Retail Logistics

JD Group completes acquisition of CNLP

JD.com (京东) recently announced that it has completed the acquisition of China Logistics Property Holdings (CNLP, 中国物流资产控股), which was delisted from the Hong Kong stock exchange on 22 July. Founded in 2000 and headquartered in Shanghai, CNLP is one of the largest logistics infrastructure developers and operators in the Chinese mainland. Its business covers logistics infrastructure design, development, leasing, operation and management. The company mainly serves customers in the production, retail, e-commerce and logistics sectors. As of 31 December 2021, CNLP operated 190 logistics facilities in 41 logistics parks across 21 provinces and municipalities.⁶

Hema opens two supply chain operation centres with total investment of nearly 2 billion yuan

Hema’s (盒马) new supply chain operation centres in Wuhan and Chengdu have recently become fully operational. The centres cover an area of about 100,000 sqm each, with a total investment of nearly two billion yuan. They are adapted to Hema’s diverse needs for different product lines such as fresh food and ready to cook/heat/eat food. They are equipped with multi-temperature cold chain warehouses, normal temperature warehouses, fresh food processing centres and central kitchen facilities. The two centres serve nearly 100 stores in nine cities across the central and western regions. When all Hema supply chain operation centres in eight cities are fully operational, they will make up an all-temperature fresh logistics system which can support the company’s operations and development over the next 10 years.⁷

Luxury

LVMH Group's luxury brand Fendi joins JD.com

Italian luxury brand Fendi kicked off its official flagship store on JD.com on 15 July, making it the ninth brand under the LVMH Group to partner with JD.com since April 2021 following Louis Vuitton, Dior, Bvlgari, Celine, Loewe, Givenchy, Berluti and Rimowa.⁸

Food & Beverage

Lady M to close all physical stores in the Chinese mainland by September

Popular cake brand Lady M recently announced the termination of its operations in the Chinese mainland by 10 September. The Lady M brand first entered the Chinese mainland in 2017 and built three central factories and operated 26 offline stores in various cities including Shanghai, Hangzhou, and Guangzhou. It also operated an online sales network.⁹

Haidilao establishes community operation division

On 19 July, Haidilao (海底捞) announced the establishment of a new 'Haidilao Community Operations Division'. This division combines 'takeaway + community + livestreaming + online shopping' through integrating Haidilao's internal and external resources. Currently, the take-out and delivery business is the core of its business. In the future, this division will continue to build new business models, strengthen the digital capabilities of the membership system, and develop exclusive products to meet the needs of Haidilao community customers.¹⁰

Miscellaneous

Hive Box launches a self-operated platform for in-home services

Hive Box (蜂巢) recently launched the self-operated Hive Box At Home (蜂巢到家) platform, which provides services such as housekeeping and household appliance cleaning. According to Hive Box, all service personnel are trained by the company to ensure professional and high-quality service. In addition to in-home cleaning, Hive Box will gradually add more services such as home maintenance, and will use the Shenzhen pilot to expand to first- and second-tier cities such as Beijing and Wuhan. At present, Hive Box has established more than 300,000 storage locker locations in more than 180,000 communities across the country.¹¹

II. Market Overview

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

In June, China's total retail sales of consumer goods was 3,874.2 billion yuan, an increase of 3.1% yoy. Retail sales of goods reached 3,497.7 billion yuan, an increase of 3.9% yoy; catering revenue was 376.6 billion yuan, down 4.0% yoy. In 1H22, the total retail sales of consumer goods was 21,043.2 billion yuan, a year-on-year decrease of 0.7%. The retail sales of supermarkets, convenience stores and professional stores in retail units above designated size increased by 4.2%, 4.7% and 2.8% respectively year-on-year, while that of department stores and specialty stores decreased by 8.4% and 4.1% respectively year-on-year. In 1H22, online retail sales of physical goods reached 5,449.3 billion yuan, an increase of 5.6% yoy, accounting for 25.9% of the total retail sales of consumer goods.¹²

CCFA: Sales of the top 100 supermarket chains reach 907.6 billion yuan in 2021

The China Chain Store & Franchise Association (CCFA) recently released a list of the *Top 100 Supermarkets in China 2021*. Overall, the operating performance of the top 100 supermarket companies in 2021 was lackluster. The total sales of all 100 companies were 907.6 billion yuan in 2021, down 2.6% from 2020. Among them, 62 companies experienced negative sales growth, nearly double over the previous year (32 in 2020). Only 12 companies achieved double-digit sales growth: Walmart, Jiayiyue (家家悦), Qiandama (钱大妈), Century Hualian (世纪华联), CP Lotus (卜蜂莲花), MeetAll (美特好), B.U.T. (比优特), Sungiven (元初), HotMaxx (好特卖), Shengxian Chuanqi (生鲜传奇), Wanfeng (万凤) and Dongfang Baijia (东方百佳).¹³

iiMedia Research: 72.49% of millennials have rational consumption attitudes

iiMedia Research released the *China Millennial Consumer Behaviour Report 2022*, which found that 72.49% of millennials have rational consumption attitudes. The habit of shopping for the best price, employment pressures and the weakened global economy have made the first batch of post-2000 graduates more inclined to rational consumption. The report also found that nearly 50% of millennials agree with the concept of excessive consumption, and more than 60% believe that financial management and side jobs are necessary.¹⁴

Isheyipai: Number of secondhand luxury goods appraisals soared by 21% in 1H22

According to a report on the development of secondhand luxury goods market in 1H22, released by the second-hand luxury platform Isheyipai (优奢易拍), the domestic transaction volume of secondhand luxury goods during this period increased by 14.3% yoy; the number of appraisal orders for luxury goods increased by 21.67% yoy, of which the overall rate of authenticity was 42.4%, down 6.2 percentage points. The most appraised brands were LV, Chanel and Gucci.¹⁵

GfK: Over 4,000 cosmetic brand counters have disappeared over past three years

According to a survey conducted by market research agency GfK, as of April 2022, the total number of cosmetic counters in department stores in 51 cities had decreased to 11,365 (from 15,415 in March 2019), marking the closure of 4,050 counters in the past three years. Data show that low-end brand counters saw the most closures at 55%. The number of mid-end and mid-to-high-end brand counters also declined by 37.2% and 25.9% respectively. Only high-end brands continued to thrive as the number of counters increased by 21.4% to a total of 3,331.¹⁶

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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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