

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### Tmall to add new external door-to-door delivery services

Tmall (天猫) recently upgraded its door-to-door delivery services, including door-to-door self-fulfillment and paid-to-order door-to-door services. After the merchant activates this service, they can display the corresponding service logo on relevant product pages, search pages, etc., and they must also fulfil the services as required. This rule change was announced on 18 February, and will officially take effect on 1 March. The key points are as follows: new merchants can order logistics products for door-to-door service (paid version); new merchants can set up door-to-door service templates by themselves and configure the template for specific products.<sup>1</sup>

### East Buy begins testing one-hour delivery service in Beijing and Shanghai

On 19 February, East Buy (东方甄选) customer service employees confirmed that the company has begun testing a one-hour delivery service in certain areas of Beijing and Shanghai – namely the Shilihe district in Beijing as well as the Hongkou and Xuhui districts in Shanghai. The service guarantees delivery within two hours. At the moment, delivery fees are not clearly listed, and customers must check the fees on the payment page. East Buy has yet to announce whether this service will be expanded to other cities in the future.<sup>2</sup>

### Taobao establishes livestreaming e-commerce company providing management services for livestreaming hosts and MCNs

Taobao (淘宝) recently established a livestreaming e-commerce company to provide full-chain management services for celebrities, key opinion leaders (KOLs), and multi-channel networks (MCNs) who are interested in livestreaming on Taobao. This service is mainly aimed at new platform members, providing them with high-level hosting and operation services to help them get started quickly and adapt to the Taobao ecosystem. The company's main purpose is to provide six months of support to new livestream hosts. After this development period, hosts and MCNs can form their own networks or partner with other MCNs.<sup>3</sup>

## Meituan's Hong Kong business KeeTa launches takeaway self-pickup service

Meituan's (美团) Hong Kong business KeeTa recently launched a new takeaway self-pickup service – consumers can choose driver delivery or in-store pick up when placing an order. KeeTa has partnered with some merchants on the platform to provide higher discounts for self-pickup takeaway orders. More than 1,000 restaurants offer discounts as low as 20% off the dine-in price without any minimum spend. Furthermore, in a recent actual test of food delivery platforms conducted by the Hong Kong Consumer Council, KeeTa came out on top in terms of delivery performance, and its food delivery was significantly more punctual than its competitors.<sup>4</sup>

## Supermarkets & Hypermarkets

### Walmart China's net sales in January quarter up 11.3% yoy to US\$4 billion

Walmart China recently announced that its net sales in the fourth quarter of fiscal year 2024 (ended 26 January 2024) reached US\$4 billion, a year-on-year increase of 11.3%; comparable sales increased by 6.6% yoy, and e-commerce net sales increased by 11% yoy. Because the Chinese New Year falls on February this year, which was later than last year, sales growth was negatively affected. During the quarter, Walmart China's gross profit margin was relatively stable, and e-commerce distribution costs were further reduced. Driven by sales growth, higher Sam's Club penetration and more streamlined operations, the overall operating expense ratio decreased while operating income increased in the quarter. In addition, Sam's Club and e-commerce businesses continued to perform well, with Walmart China's e-commerce penetration rate reaching 48%.<sup>5</sup>

### Nanjing's first Costco to open in 2Q24

Costco recently announced that its Nanjing membership store, located in the Jiangning High-tech Development Zone, will open in the second quarter of 2024. It is the fourth Costco store in China, the first store in Nanjing, and the first full-ecosystem flagship store in the country. At the end of 2023, Costco announced plans to open 33 new stores in its fiscal year 2024 (September 2023 – August 2024).<sup>6</sup>

### Sam's Club plans to open new stores in six cities including Nanjing, Chengdu, and Wuhan

Walmart's official recruitment account recently issued a recruitment for new Sam's Club stores in Nanjing, Chengdu, Wuhan, Quanzhou, Dongguan and Shaoxing; each store is currently in the construction stage and is expected to open throughout the rest of 2024. Walmart plans to open approximately 230 stores worldwide over the next year, with a focus on Sam's Club stores in the Chinese market.<sup>7</sup>

## Home Appliances & Consumer Electronics

### Suning.com: Intra-city instant retail orders up by more than 80% yoy during Chinese New Year

Suning.com (苏宁易购) recently announced its 2024 Chinese New Year consumption data. During the holiday period, Suning.com's intra-city instant retail orders increased by more than 80% yoy. Floor-washing machines, dishwashers, and smart door locks were the top three most popular products, and their sales volume across Suning.com stores increased by more than 70% yoy.<sup>8</sup>

## Food & Beverage

### Over 200 stores have joined Naixue franchise

Naixue (奈雪的茶) recently announced that it has opened more than 200 franchise stores, many of which had a turnover of more than 450,000 yuan during the Chinese New Year holiday. According to another media report, Naixue has had a good start since the Chinese New Year, with its 'Eight Spice Tea' becoming a bestselling product as sales growth in some stores reached 600%. As of the end of January, the company had over 1,700 stores nationwide.<sup>9</sup>

## II. Market Overview

### Linkshop.com: 26 tea brands open nearly 2,000 new stores in January

According to statistics from Linkshop.com, in January 2024, 26 domestic tea beverage chain brands opened a total of 1,997 new stores, a slower pace of store opening compared with last month, and there was a total of 115,465 stores as of end-January. After opening 691 new stores in December, Mixue Bingcheng (蜜雪冰城) opened only 371 stores in January – however, it remains the industry leader in terms of new store openings. Chagee (霸王茶姬) ranked second in terms of new store openings in January, with 281 new stores opened. Cha Panda (茶百道) and Heytea (喜茶) opened 182 and 138 stores respectively, both of which have decreased compared with the previous month.<sup>10</sup>

### **China's cross-border e-commerce import and export transactions reached 32.7 billion yuan during Chinese New Year holiday**

During this year's Chinese New Year holiday period (10-17 February), China's cross-border e-commerce import and export transactions reached 32.7 billion yuan, a year-on-year increase of 5.08%. In terms of exports, well-known cross-border e-commerce companies have launched the '24/7 shopping' campaign. TEMU provided participating merchants with traffic support on the platform and priority privileges for inventory; TikTok Shop launched Chinese New Year incentives to support merchants' operations during the holiday period.<sup>11</sup>

### **MOFCOM: 2024 national online Chinese New Year shopping festival sees retail sales of 1.2 trillion yuan**

According to a spokesperson for the Ministry of Commerce (MOFCOM), during the monthlong 2024 national online Chinese New Year shopping festival, which ended on 17 February, China's online retail sales totalled 1.2 trillion yuan, with a daily average year-on-year increase of about 9%. As the first major online activity to boost consumption this year, the shopping festival integrated various regional promotional activities with e-commerce platforms and physical stores, and catered to consumer activities related to the Year of the Loong (Dragon). The MOFCOM will continue to hold online-consumption promotional activities with various themes, including the celebration of a good harvest and commodities along the Silk Road, continuing efforts to meet consumer demands.<sup>12</sup>

## **III. Policy Spotlight**

### **Beijing plans to introduce more than 500 domestic and international food brands by 2025**

Nine departments including the Beijing Municipal Bureau of Commerce recently issued an action plan to promote the high-quality development of Beijing's catering industry and promote the city as an international culinary capital by 2025. The plan proposes supporting domestic and international food brands' development in Beijing and setting up first stores, flagship stores, promotion centres, etc. The government will also explore the establishment of a global catering brand directory and improve support services in site selection, brand promotion and other aspects. It will expand the role of overseas institutions and offices in Beijing to drive more domestic and international restaurants to land in Beijing. The Beijing government aims to introduce more than 500 new well-known domestic and international food brands by 2025.<sup>13</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.

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