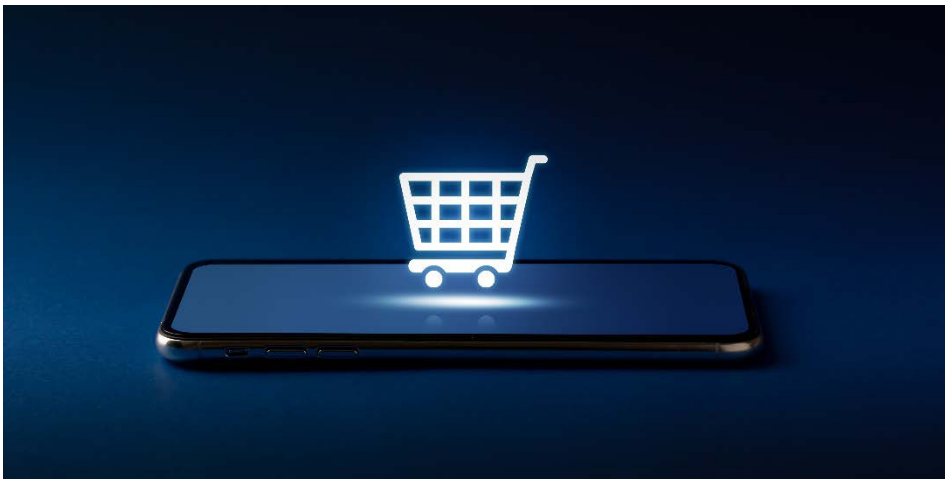
China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Suning.com to expand its presence in first and second tier markets with new partner stores

Suning.com (苏宁易购) recently announced that in 2023, it will expand its partner stores in various commercial centres in first and second tier markets, starting with 500 new partner stores. Partners include venture capitalists, home appliance retailers, home building materials sellers, property landlords, etc. The company will provide one-stop retail solutions, including home appliance supply chain, logistics, after-sales services, store operation team, and retail operation support. Suning.com plans to share its own home appliance/consumer electronics supply chain resources and retail capabilities, bringing in more partners to provide consumers with high-quality products and services.[1]

Internet & E-commerce

Douyin E-commerce sells 23.9 billion items in 2022

Douyin E-commerce (抖音电商) held its 'Platform Governance Open Day' event on 16 February, where it discussed recent measures, achievements, principles, and future objectives related to platform governance. In 2023, the company's platform governance will focus more on strengthening content authenticity and credibility, refining product standards, and improving user experience and quality of service. Douyin E-commerce also disclosed that it sold 23.9 billion items in 2022.[2]

JD.com tests 'grocery shopping' project

JD.com (京东) is reportedly testing a new 'grocery shopping' project. This is suggested by the fact that a subsidiary of JD.com applied for the registration of the 'JD Maicai' (京东买菜) trademark on 5 January 2023. The trademark classifications involve advertising, agriculture, fresh produce, etc. Furthermore, the JD Daojia (京东到家) platform recently added the 'JD Grocery Shopping' channel to its homepage. Its main product categories include seasonal fruits, fresh vegetables, meat, poultry and eggs, seafood and aquatic products, hot pot food, prepared dishes, etc. The products are supplied by third-party merchants located near the consumer, including chain supermarkets such as Sam's Club and Ole', front-end warehouse e-commerce companies such as Dingdong Maicai (叮咚买菜), and wet markets. An industry insider revealed that JD Maicai is also testing the front-end warehouse model itself, which is currently operating in Beijing.[3]

Kuaishou E-commerce's beauty GMV up by 245% yoy in 2022

Kuaishou E-commerce (快手电商) recently held the 2023 Kuaishou LINK Beauty & Makeup Brands & Influencers Selection Event in Hangzhou. According to the management team, the company's beauty distribution business grew rapidly in 2022, with over 300 beauty livestreaming programmes exceeding 10 million yuan in GMV. In 2022, the total beauty GMV increased by 245% yoy, while the annual turnover of nearly 40 beauty livestream hosts exceeded 100 million yuan. In 2022, Kuaishou E-commerce's beauty distribution business showed signs of well-rounded development: the distribution scale increased by more than 269% yoy, the number of distributors increased by over 120%, and the number of active influencers exceeded 230,000 while their income increased by 300%+. Next, Kuaishou E-commerce will connect influencers and merchants in order to create a list of high-quality goods, build an efficient product strategy, customize partnership scenarios, and stimulate new business growth.[4]

Ele.me Xingxuan app ceases operation

Ele.me Xingxuan (饿了么星选) app, which was formerly known as Baidu Waimai and specializes in high-end food delivery, has reportedly ceased operation. Company staff at Ele.me confirmed the news and said that its services have been merged into the Ele.me App. The Ele.me Xingxuan app is no longer available on major app stores.[5]

Alibaba's revenue up 2% to 247.76 billion yuan in December quarter

Alibaba (阿里巴巴) recently released its financial results for its fiscal third quarter ended December 2022. The company reported a 2% year-on-year increase in revenue of 247.76 billion yuan. The company posted a net income of 46.8 billion yuan, up 69% yoy. Revenue from Chinese commerce, Alibaba's main source of revenue, fell 1% yoy to 170 billion yuan, which the e-commerce giant attributed to weak consumer demand, continued competition from rivals, and the disruptions to its supply chain and logistics caused by the rise in COVID-19 cases in December. Taobao (淘宝) and Tmall (天猫) sales saw a mid-single-digit decline during the quarter. However, the Cainiao logistics division outperformed other segments. Its revenue increased by 27% yoy, mainly thanks to the increase in revenue from domestic consumer logistics services.[6]

Vipshop's net income up 14% yoy to 6.8 billion in 2022

Vipshop (唯品会) recently released its 2022 financial results. In 2022, the company achieved a net revenue of 103.2 billion yuan, a year-on-year decrease of 12%, while non-GAAP net income reached 6.8 billion yuan, a year-on-year increase of 14%. It achieved GMV of 175.2 billion yuan in 2022. In terms of brand structure upgrades, in the past year, emerging brands on the Vipshop platform have achieved significant breakthroughs, and the sales of 51 emerging brands increased by more than 100% yoy. In addition, Vipshop will launch new categories combined with various themed events to create a new hub for cutting-edge and unique brands.[7]

JD Supermarket's 2022 turnover growth rate for designer toys reaches 82%

In 2022, the annual turnover of JD Supermarket's (京东超市) designer toys category increased by 82% yoy, almost double the 2021 growth rate of 46%. Last year, JD Supermarket's toy division implemented three measures to boost growth: curating and improving its offerings; strengthening support measures for brand merchants to gain more merchants; and allocating dedicated personnel to cultivate new merchants and brands. Furthermore, data from the Qianzhan Industrial Research Institute shows that between 2015-2021, the compound annual growth rate of the designer toys market reached 34.08%. JD Supermarket continues to focus on the designer toy category, and has partnered with well-known brands such as PopMart (泡泡玛特), Rolife (若来), 52TOYS, and Bandai, as well as popular IPs such as online game Honor of Kings. JD Supermarket also attaches great importance to building benchmark toy brands. In 2022, it partnered with Honor of Kings to create a Super IP Day event, with 260 million hits on related topics and 850 million global views.[8]

Retail Logistics

SF's express logistics business revenue up 16% yoy to 21.085 billion in January

SF Holdings (顺丰控股) recently released a briefing on its business operations in January 2023. The total revenue of SF Holding's express logistics business, and supply chain and international business was 21.085 billion yuan in January 2023, a year-on-year decrease of 16.04%. Among them, express logistics business revenue was 16.324 billion yuan, a year-on-year decrease of 5.53%; business volume was 957 million, a year-on-year decrease of 3.24%. Revenue per invoice was 17.06 yuan, a year-on-year decrease of 2.35%. Supply chain and international business revenue was 4.761 billion yuan, a year-on-year decrease of 39.22%.[9]

SF Supply Chain partners with AWS

Amazon's cloud computing subsidiary AWS recently announced a partnership with SF Supply Chain (顺丰供应链). The two companies are working on a smart management system which will service logistics hubs and facilitate end-to-end supply chain visualization. Using Amazon's cloud computing, storage, data analysis, machine learning and security services, SF Supply Chain has improved the operation process of its logistics hubs and improved operational efficiency. The daily throughput of its hub vehicles has increased by 40%-60%, the operating efficiency of employees has increased by 30%, and the workload of dispatchers and security inspectors is reduced by 50%. At present, the management system has been deployed in more than 20 logistics parks of SF Supply chain's customers in various industries. It has also developed mature SaaS modular products, which are provided for customers in industries such as automobiles, retail, and manufacturing, helping more customers achieve business innovation and smart management.[10]

Supermarkets & Hypermarkets

Costco's Shanghai Pudong store plans a soft opening on 10 March

Costco recently announced that its Shanghai Pudong store will start trial operations on 10 March. This is the company's second store in Shanghai and the third in the Chinese mainland. The store is located on Xiupu Road, Kangxin Highway, next to Kangxin Highway Station of Metro Line 11. Compared with the first store in Shanghai, the Pudong store has a larger shopping area of 15,000 sqm. During the trial operation period, there will be a daily limit of 20,000 visitors. Costco is also opening its first store in South China this year, as well as new stores in Hangzhou and Ningbo – meaning that at least four new store openings are expected this year.[11]

Home Products

MUJI opens its first farm-themed concept store in China

MUJI (无印良品) recently opened its first farm concept store in China, located at Qiantan Taikoo Li in Shanghai. The new store has an area of nearly 3,000 sqm, providing organic food and farm-to-table dining experiences for local consumers, along with selling homeware items, everyday apparel, beauty cosmetics and daily products. Apart from the farm-fresh vegetables, the MUJI Wine and Tea Workshops also made their first appearance at the newly opened storefront, coming with a wide array of product options for different demographics.[12]

II. Market Overview

National express business volume down 17.6% yoy to 7.23 billion pieces in January

According to the State Post Bureau's website, in January 2023, the delivery business volume of the postal industry reached 9.43 billion pieces, a year-on-year decrease of 16.8%. Among them, the express business volume was 7.23 billion pieces, a year-on-year decrease of 17.6%; the postal delivery business volume was 2.20 billion pieces, a year-on-year decrease of 14.1%. During the month, the intra-city express business volume was 760 million pieces, a year-on-year decrease of 28.8%; the inter-city business volume was 6.28 billion pieces, a year-on-year decrease of 16.7%; the international and Hong Kong, Macao and Taiwan business volume was 180 million pieces, a year-on-year increase of 12.3%.[13]

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