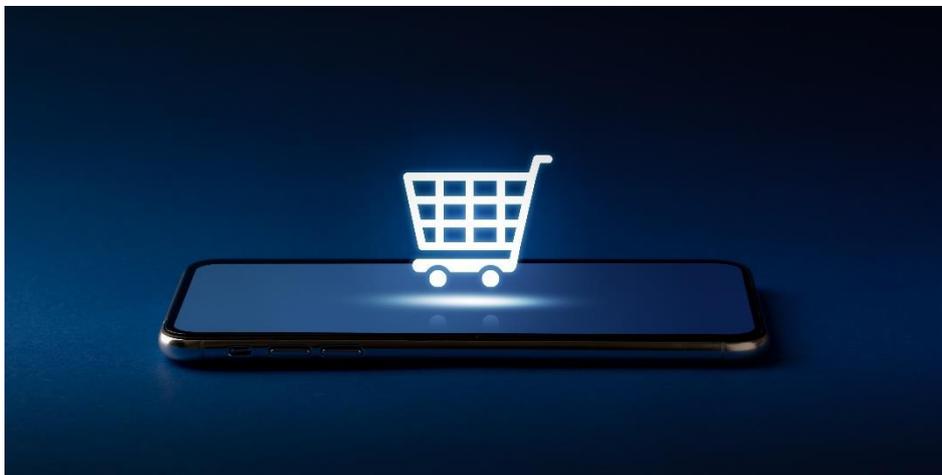


China Retail & E-commerce Weekly Update



Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Fung Business Intelligence
11/F LiFung Tower
868 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2271
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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I. Sector Review

Internet & E-commerce

Douyin tests AI shopping assistant

Douyin E-commerce (抖音电商) recently began testing its first AI e-commerce service, the AI Shopping Assistant. The service has been in development since the second half of last year and is managed by the Shanghai team. The team aims to create an AI shopping guide serving hundreds of millions of users, improving the user purchasing experience and business efficiency through AI technology. A small-scale test was conducted at the end of last year, and its algorithm recommendation mechanism is based on the Skylark large language model algorithm. The AI Shopping Assistant service is embedded in Douyin Mall and is currently in the grayscale testing stage. In terms of service experience, it is similar to Taobao Wenwen (淘宝问问) and JD.com's Jingyan (京东京言).¹

JD.com adds short-drama videos for in-app shopping

JD.com (京东) recently added accounts and content related to short-drama videos to its app home page. There are currently 185 short-drama video accounts in the 'Recommended' tab, some with over 200 followers. Most of these accounts focus on publishing short dramas. The average length of each episode is about one minute, with views of several hundreds to several thousands. Some well-known brands have begun to post short-dramas on JD.com, such as the two short dramas launched by Proya's (珀莱雅) JD.com flagship store. Each episode is around four minutes and has been viewed by more than 200,000 people. These short dramas not only cleverly embed brand logos and products, but also show product and livestream links at the bottom of the page.²

Xiaohongshu's GMV on the first day of 618 grows by 5x

Xiaohongshu (小红书) recently launched its 618 shopping festival. On the first day of 618, the number of livestream orders was 8.2 times that of the same period last year, and the GMV of live-streaming transactions was six times that of the same period last year. The number of participating products was 2.8 times that of the same period last year, and the number of users making purchases in live streams was 7.4 times that of the same period last year. In the store livestreaming field, which was one of the platform's focus areas this year, the number of store livestreams launched on the first day was 3.8 times that of the same period last year, and the GMV of store livestreams was 4.2 times that of the same period last year.³

Vipshop's 1Q24 net income reaches 2.3 billion yuan

Online discount retailer Vipshop (唯品会) recently announced its financial results for the first quarter of 2024. During this period, the company's total net revenues increased by 0.4% yoy to 27.6 billion yuan; net income attributable to Vipshop's shareholders increased by 24.6% yoy to 2.3 billion yuan, and GMV increased by 8% yoy to 52.4 billion yuan. Furthermore, the number of active super VIP (SVIP) users increased by 11% yoy. However, Vipshop's number of active customers and total orders declined during this period. The number of active customers on the platform was 43.1 million, compared with 43.7 million in the same period last year; the number of total orders was 178.5 million, compared with 184.4 million in the same period last year.⁴

Kuaishou's adjusted net profit increases by more than 100x in 1Q24

Kuaishou Technology (快手科技) recently announced its financial results for the first quarter of 2024. During this period, the company's total revenue was 29.4 billion yuan, a year-on-year increase of 16.6%. Online marketing services and live streaming contributed 56.6% and 29.2% respectively to the total revenue. The other 14.2% came from other services. In this quarter, the company's adjusted net profit was 4.39 billion yuan, a record high and a year-on-year increase of more than 100 times. Total e-commerce GMV was 288.1 billion yuan, representing an increase of 28.2% yoy. Revenue from other services increased by 47.6% yoy to 4.2 billion yuan, primarily due to the growth of Kuaishou's e-commerce business.⁵

Supermarkets & Hypermarkets

Walmart China's net sales up by 16% yoy in April quarter

Walmart recently announced the financial results for its fiscal first quarter ended 30 April 2024. In the Chinese market, net sales in the quarter were US\$5.7 billion, a year-on-year increase of 16%, of which net sales of e-commerce business increased by 23% yoy. Sam's Club China member count grew 25% yoy with increasing active and renewal rates.⁶

Yonghui Superstores opens first flagship store in Hebei

Recently, Yonghui Superstores (永辉超市) opened its first flagship store in Hebei Province in Shijiazhuang City. The store covers an area of nearly 10,000 sqm. It continues Yonghui's refined management standards across the three aspects of 'products, scenes, and services' in its store optimization strategy, and is based on the customized transformation of 'one store, one strategy', adding local specialty products while retaining shared characteristics with other stores. This store is also the third urban flagship store opened by Yonghui Superstores across the country, preceded by the Anhui flagship store in Hefei and the Yunnan flagship store in Kunming.⁷

Convenience Stores

7-Eleven opens food bar in a Guangzhou store

The convenience store chain 7-Eleven recently opened a food bar in a 7-Eleven convenience store in Guangzhou. In addition to its distinctive green colour, the biggest highlight of this store is that its food bar offers freshly made items alongside fried foods, oden, and other cooked foods. The dine-in space is also larger than that of conventional stores. Furthermore, the food of this 7-Eleven store is now available for takeaway delivery on the Meituan (美团) platform. It is currently unknown whether this model will be tried in other markets outside Guangdong.⁸

Luxury

Chanel plans more stores in China

Chanel recently announced its plans to further expand in the Chinese market, aiming to deepen the brand's influence by adding more stores and providing personalized services. According to Chanel's CFO Philippe Blondiaux, Chanel currently only has 18 boutiques in China – unlike some competitors that have 40 to 50 – which shows that the brand's distribution in the Chinese market has room for growth. In the coming months, the brand plans to open more stores in core cities like Shanghai, and these stores will also house a private salon and repair centre. Chanel's expansion plan in China is also in line with the overall trends within the global luxury market. With the rise of the Asian market and growing consumer purchasing power, more and more luxury brands are beginning to set their sights on China.⁹

LVMH deepens partnership with Alibaba

French luxury group LVMH will extend its existing partnership with Alibaba (阿里巴巴), leveraging the latter's cloud and artificial intelligence capacities to boost its presence in China. As part of the agreement, LVMH will gain access to technology from Alibaba Cloud, to help improve its supply chain processes and customer insights. LVMH has around 30 brands on Tmall Luxury Pavilion, the high-end site on Alibaba's Tmall shopping platform, highlighting the adoption of digital channels by even the most traditional of luxury businesses. Digital services on Tmall Luxury Pavilion include 3D product displays, virtual try-ons, and live streaming.¹⁰

II. Market Overview

NBS: Total retail sales of consumer goods up 2.3% yoy in April

According to the National Bureau of Statistics (NBS), in April, total retail sales of consumer goods reached 3.5699 trillion yuan, an increase of 2.3% yoy. By consumption type, retail sales of goods reached 3.1784 trillion yuan, an increase of 2.0% yoy; catering revenue was 391.5 billion yuan, an increase of 4.4% yoy. From January to April, total retail sales of consumer goods reached 15.6026 trillion yuan, an increase of 4.1% yoy. In terms of retail formats, from January to April, retail sales of specialty stores, convenience stores, and supermarkets in retail units above designated size increased by 5.7%, 4.8%, and 1.8% year-on-year respectively, while the retail sales of department stores and brand exclusive stores decreased by 3.5% and 0.6% year-on-year respectively. During this period, online retail sales of physical goods were 3.7356 billion yuan, up by 11.1% yoy, accounting for 23.9% of total retail sales of consumer goods.¹¹

26 catering brands close over 100 stores between January and April

According to data from linkshop.com, at least 26 brands closed stores from January to April this year, with a total of over 100 store closures. Some closures were part of small-scale business strategy adjustments, while others are large-scale market exits due to poor management. According to the National Bureau of Statistics, in 2024, nearly 460,000 restaurants had been closed in the first quarter of this year, an increase of 232.6% yoy.¹²

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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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