

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Dingdong Maicai's 3Q23 revenue reaches 5.14 billion yuan and net income reaches 2.1 million yuan

Dingdong Maicai (叮咚买菜) recently announced its financial results for the third quarter of 2023. During this period, the company's revenue reached 5.14 billion yuan, compared to 5.94 billion in the same period last year. Net income during this period was 2.1 million yuan. The company stated that the year-on-year decline in revenue was due to exiting several cities in second half of 2022 and the second quarter of 2023. Furthermore, consumers have demonstrated a heightened interest in offline consumption, and travel activity has significantly increased after the COVID-19 pandemic ended, both of which have led to a year-on-year decline of its revenue. However, order volumes increased by 6% as compared to the last quarter, driven by an increase in order frequency and the rapid growth of orders from Jiangsu and Zhejiang.¹

Tmall Youpin opens 700 new stores during the 11.11 period

During the 11.11 shopping festival this year, Tmall Youpin (天猫优品) opened 700 new stores, including 22 A2000 stores. More than 10,000 stores across the country participated in the 11.11 promotion period, with deals on dozens of SKUs with a 30-day price guarantee. Among them, the new Dexin series has been sampled in more than 1,000 stores and sold in more than 2,000 stores. At the same time, more than 8,000 stores participated in the 11.11 Capsule Toy Machine event, with over 8,000 merchants and one million consumers participating.²

Kuaishou achieves profit of 2.2 billion yuan in 3Q23

Kuaishou (快手) recently announced its financial results for the third quarter of 2023. During this period, the company's revenue increased by 21% yoy to 27.9 billion yuan, while profit reached 2.2 billion yuan, compared to a loss of 2.7 billion yuan for the same period in 2022. In the third quarter, revenue from Kuaishou's online marketing services increased by 26.7% yoy to 14.7 billion yuan; revenue from its livestreaming business increased by 8.6% yoy to 9.7 billion yuan; revenue from other services increased by 36.6% yoy to 3.5 billion yuan.³

Pinduoduo begins developing large language model

Pinduoduo (拼多多) has established an AI large language model team in Shanghai, consisting of dozens of people. The team will explore the application of AI large language models in Pinduoduo's customer service and other scenarios. It will also expand to its cross-border e-commerce platform TEMU's smart customer service, search, recommendation, and other scenarios. The project is still in the R&D stage, and Pinduoduo has begun recruiting for the team.⁴

Freshippo establishes multi-billion-yuan partnerships with several companies

Freshippo (盒马) CEO Hou Yi recently announced at a supplier conference that new retail is shifting focus to price competitiveness of products. Furthermore, 19 companies that have collaborated with Freshippo for over three years with transaction value over 100 million yuan were designated as official Freshippo Partners at the conference. Other companies such as Yunling Xiansheng (芸岭鲜生), New Hope Group (新希望), Cass Dairy (卡士乳业), and Jinmailang (今麦郎) have also established strategic partnerships worth nearly 10 billion yuan with Freshippo.⁵

Department Stores & Shopping Mall

Intime's Miaojie app launches AR makeup and accessories try-on function

Intime Department Store's (银泰百货) Miaojie (喵街) app recently launched an AR-based testing feature, allowing users to virtually 'try on' various beauty products such as foundation, eyeshadow and lipstick, and try on accessories such as earrings and watches. This year, Miaojie has improved its user experience by continuously optimizing its product recommendation capabilities. Prior to the AR features, it launched an online shopping guide and Q&A function, as well as used short videos and livestreams to showcase various products. Users can also consult AI assistants and experience offline products through AR technology online.⁶

Supermarkets & Hypermarkets

Walmart China's 3Q23 revenue reaches US\$4.5 billion

Walmart recently released its financial results for the third quarter of 2023. During this period, revenue from the Chinese market increased by 25.3% yoy to US\$4.5 billion. Sam's Club and e-commerce continued to drive growth momentum, and the company's e-commerce business penetration rate has reached 45%. From the first membership store in Shenzhen in 1996 to early November 2023, Sam's Club has opened 42 stores in China, and it aims for a total of 48 by the end of this year.⁷

Food & Beverage

Moutai launches bottled cocktails

Moutai (Group) Ecological Agriculture (茅台生态农业公司) and MOJT (莫其托) recently launched a range of ready-to-serve 'Taste of Guizhou' bottled cocktails. The products are specifically aimed at attracting Gen Z consumers, aligning with current market trends – this move signals that Moutai hopes to transition from being a liquor brand to a broader lifestyle brand.⁸

ChaPanda and Chagee establish joint venture technology company

Tea brands ChaPanda (茶百道) and Chagee (霸王茶姬) recently established a new joint venture. Sichuan Rongshang Jiahe Technology Co., Ltd (四川容尚佳合科技) was established on 20 November. The company's legal representative is Shang Faming, and its registered capital is 50 million yuan. Its business scope includes enterprise management, supply chain management services, social economy consulting services, bio-based manufacturing, plastic product manufacturing, etc. The company is jointly owned by Sichuan Huizhijie Enterprise Management Co., Ltd (四川汇智杰企业管理有限公司) (55%) alongside subsidiaries of ChaPanda (25%) and Chagee (20%).⁹

II. Market Overview

MOFCOM: Livestream sales up 58.9% yoy to 2.2 trillion yuan from January to October

According to the Ministry of Commerce (MOFCOM), from January to October 2023, livestream sales exceeded 2.2 trillion yuan, an increase of 58.9% yoy and accounting for 18.1% of online retail sales. During the Mid-Autumn Festival and National Day Golden Week, the average daily online sales of accommodation, travel, entertainment and catering increased by 133.7% yoy, 123.1% yoy, 82.1% yoy and 19.7% yoy respectively. In addition, the MOFCOM organized an agricultural product promotion event where national rural online retail sales reached 218.69 billion yuan, an increase of 15.4% yoy.¹⁰

China's cross-border e-commerce import and export volume reaches 2.11 trillion yuan in 2022

The *China Digital Trade Development Report 2022* was officially released at the recent opening ceremony of the second Global Digital Trade Expo. The scale of China's digital trade has reached a record high – according to the report, in 2022, China's import and export volume of digitally delivered services reached US\$372.71 billion, a year-on-year increase of 3.4%. Cross-border e-commerce import and export volume reached 2.11 trillion yuan, a year-on-year increase of 9.8%; among which, exports reached 1.55 trillion yuan, a year-on-year increase of 11.7%.¹¹

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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 25,000 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 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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