China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-Commerce

JD.com and Eternal Asia launch the UK National Pavilion on JD.com

The UK National Pavilion, jointly created by JD.com (京东集团) and Eternal Asia Group (怡亚通集团), launched on JD.com's e-commerce platform on 23 September. This shop has received support from the UK Department for International Trade and the Scottish Development International, bringing together English, Scottish, Welsh and Northern Irish fashion and lifestyle brands. It will carry specialty products such as whiskey, gin, sparkling wine, tea beverages, baby food, and biscuits.[1]

WeChat allows external links to Taobao and Douyin

On 17 September, WeChat (微信) issued a statement on the adjustment of its *External Link Content Management Standards*. While ensuring data security, users can access external links in one-to-one chats after upgrading to the latest version of WeChat. Since external links in group chats involve a large number of recipients, the company will continue to develop functions to facilitate personalised settings. At the same time, WeChat will set up a complaint portal where users can report illegal external links. It will also establish a credit rating system for external platforms.[2]

Cross-border E-commerce

HomeInns launches a duty-free global e-commerce platform

HomeInns Group (首旅如家) announced the launch of its 'Ru LIFE Club' (如 LIFE 俱乐部) and duty-free global e-commerce retail platform SOMIGO on 16 September. According to a HomeInns spokesperson, its entry into the retail industry, especially cross-border e-commerce, does not mean direct competition with other e-commerce platforms. The company is also aware of the challenges of logistics support and brand cooperation.[3]

Supermarkets & Hypermarkets

Tencent becomes Yipinhong's largest shareholder with a 45% equity stake

The registered capital of Chongqing Yipinhong Technology Co., Ltd (重庆谊品弘科技有限公司), the parent company of Yipin Shengxian (谊品生鲜), increased from 567 million yuan to 2.996 billion yuan in July 2021. At the same time, Tencent's subscribed capital contribution increased from 79.61 million yuan in October 2020 to 1.36 billion yuan, meaning that it has become Yipinhong's largest shareholder with a 45.4% equity stake. Yipin Shengxian currently has 1,200 stores across 47 cities.[4]

Luxury

Tmall upgrades its luxury goods channel Luxury Pavilion

Tmall's (天猫) Luxury Pavilion unveiled its new version on 17 September. The four main panels are 'Authentic New Arrivals', 'Shopping', 'Cloud Luxury City' and 'Privileges'. The channel now has a calendar which is updated daily with news for the upcoming week, and users can turn on notifications for new product promotions. As of April 2019, 100 brands had joined the platform, including Cartier, Gucci, Prada, Balenciaga, Armani, etc.[5]

Max Mara launches flagship store on Tmall

Luxury brand Max Mara recently launched its flagship store and made its full line of products available on Tmall (天猫), and it already has over 80,000 followers. The store currently offers various deals such as '500 yuan off 10,000 yuan', up to six interest-free instalments, and limited-edition 70th anniversary gift boxes. Max Mara took back the distribution rights in China from Fairmax Trading Co., Ltd (华美敦贸易有限公司) in 2018, meaning that all of the brand's business is fully managed by GBMax (Max Mara's joint venture in China).[6]

LVMH Chinese supplier Wensli's share price soars by nearly 300% on its first day of trading

Leading domestic silk brand Wensli (万事利) got listed on the Shenzhen Stock Exchange on 22 September, where its stock price soared 298.85% to 20.9 yuan, reaching a total market capitalization of 2.8 billion yuan. Wensli is the first known domestic supplier of LVMH, the world's largest luxury goods group, with their partnership focusing on silk production and technology. According to its IPO prospectus, Wensli's net profit over the past three years was 50.11 million yuan, 59.66 million yuan, and 63.4 million yuan respectively.[7]

Catering

HeyTea opens its first handmade tea drinks store

HeyTea (喜茶) recently opened its first HeyTea Zao (喜茶手造) store which focuses on handmade tea drinks in Nantou Ancient City, Shenzhen. With a different set of menus from other HeyTea stores, HEYTEA Zao offers over 50 exclusive tea drinks. To better showcase the handmade process, each floor of the three-storey stand-alone HeyTea Zao store has dedicated an area for displaying the production of finely shaved ice, handmade tea drinks and tea brewing, respectively. Other tea brands such as Nayuki / Naixue's Tea (奈雪的茶) and Lelecha (乐乐茶) have also been working to differentiate their in-store experience and offerings.[8]

II. Market Overview

China's new-style tea beverage industry to exceed 100 billion yuan by 2022

The *2021 China New-Style Tea Beverage Industry Report*, jointly published by the China Cuisine Association, Ele.me (饿了么), Keruyun (客如云), and Alibaba New Services Research Centre (阿里新服务研究中心), was released on 18 September. According to the report, as of the end of last year, there were nearly 500,000 new-style tea shops in China with over 340 million consumers which maintained double-digit growth. In 2021 so far, the average takeaway proportion of high-end, mid-end and affordable new-style tea brands is 25%, 45% and 13% respectively. The report predicts that China's new-style tea beverage market will approach the 100-billion-yuan mark in 2021, and is expected to exceed this figure in 2022.[9]

iResearch: There are now 7,101 livestreaming e-commerce enterprises nationwide with a total of 1.234 million hosts

According to the *2021 Livestreaming E-commerce Industry Report* recently published by iResearch, China's livestreaming e-commerce market reached 1.2 trillion yuan in 2020, a year-on-year increase of 197%, and it is expected to reach 4.9 trillion yuan by 2023. As of the end of 2020, there were a total of 8,862 registered livestreaming e-commerce-related businesses, up 360.8% yoy, with 6,939 of them newly registered in the year. Of these businesses, there were 6,528 KOL-led livestreaming e-commerce enterprises and 573 business-led livestreaming e-commerce enterprises, making up 80.1% of all businesses. There were a total of 1.234 million hosts for livestreaming e-commerce as of the end of 2020.[10]

PwC: More Chinese consumers favour domestic brands

PriceWaterhouseCooper (PwC) recently published the *2021 Global Consumer Insights Survey China Report*. The report shows that more and more Chinese consumers favour domestic brands ('guochao'). 37% of Chinese respondents said that compared to six months ago, they are more inclined to purchase domestic brands – 13 percentage points more than those who tend to purchase foreign brands. More and more Chinese consumers are choosing domestic brands, and successful domestic brands thrive in overseas markets as well: 17 Chinese brands made the Global Top 100 Brands List in 2021, and those brands continued to gain consumer awareness in developed markets. Some overseas brands are co-branding with well-known domestic brands to increase their cultural relevance in China.[11]

Tsinghua University Institute of Energy, Environment and Economics: Secondhand goods transactions to reach 3 trillion yuan by 2025

Tsinghua University's Institute of Energy, Environment and Economic recently partnered with international consulting firm Frost & Sullivan and Zhuanzhuan Co., Ltd (转转集团) to publish the *2021 Idle Secondhand Goods Carbon Emission Reduction Report. According to the report*, the transaction volume of China's idle secondhand goods market rapidly increased from 300 billion yuan in 2015 to over one trillion in 2020, and the transactions cover almost all consumer product categories. The market is estimated to reach 3 trillion yuan by 2025.[12]

III. Policy Spotlight

Shanghai aims to become an international shopping destination and product launch hub

On 18 September, the Shanghai Municipal Government's General Office issued the *Action Plan for Establishing Shanghai as an International Consumption Centre City*. Shanghai aims to establish itself as a global product launch hub and an international shopping destination. It will fully promote the 'Shanghai Shopping' brand and expand its global influence and competitiveness by 2025. Shanghai will support leading e-commerce platforms in building global product launch platforms, and all districts in Shanghai should aim to create a business ecosystem integrating new product launches, exhibitions, and trading. Shanghai will launch demonstration projects for retail enterprises' own brands, support large chain commercial enterprises and e-commerce platforms to implement their own brand strategy, and encourage enterprises to use advanced production technology to improve the quality of private brand products. It will support Shanghai enterprises to apply for approvals to set up duty-free shops, and encourage the setting up of duty-free shops at key commercial districts, airports, hotels and tourist spots. It will also leverage e-commerce platforms to provide an incubation platform for mid-to-high-end brands to enter the domestic market.[13]

Zhejiang aims to establish '1-2-3 logistics hubs' by 2035

The Zhejiang Provincial Government recently published the *Zhejiang Comprehensive Transportation Network Plan* (浙江省综合立体交通网规划), which requires that the province establish two high quality '1-2-3 logistics hubs' by 2035. This means that goods should reach domestic destinations within 1 day, neighbouring countries within 2 days, and major overseas cities within 3 days; domestic deliveries should reach major urban and rural areas in Zhejiang within 1 hour, the whole Zhejiang province within 2 hours, and major cities within the Yangtze River Delta within 3 hours. This Plan sets forth the need to construct interconnected transportation infrastructure and create an efficient multimodal postal network of 'one bay, two belts, three levels, four districts, and six cores' ('一湾两带三级四区六核立体化').[14]

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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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