China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Vipshop's 2Q23 revenue reaches 27.9 billion yuan

Vipshop (唯品会) recently released its financial results for the second quarter of 2023. During this period, the company achieved net revenue of 27.879 billion, a year-on-year increase of 13.63%; non-GAAP net income was 2.4 billion yuan, a year-on-year increase of 50.8%; net income attributable to ordinary shareholders was 2.097 billion yuan, a year-on-year increase of 63.49%. Vipshop's GMV in the second quarter was 50.6 billion yuan, an increase of 24.5% yoy, of which the GMV of wearable products increased by more than 30% yoy. The number of active customers on the platform reached 45.7 million, a year-on-year increase of 9.6%; the number of orders reached 213.8 million, a year-on-year increase of 14.7%.[1]

Kuaishou's 2Q23 revenue goes up by 27.9% yoy

Kuaishou (快手) recently released its financial results for the second quarter of 2023. During this period, its revenue increased by 27.9% to 27.74 billion yuan. The company's online marketing services and other services (including e-commerce) showed robust growth, increasing by 30.4% yoy and 61.4% yoy to reach 10 billion yuan and 3.43 billion yuan respectively. This is the company's first group-level profitable quarter since it was publicly listed in Hong Kong in 2021.[2]

Tmall launches new programme to diversify its service providers

The Taobao Tmall Brand Ecosystem Conference was held in Shanghai a few days ago, where Tmall (天猫) launched the 'Stars Project' for service providers and announced four major cooperation measures: franchise rights for various types of service providers, upgrading digital products, opening up Artificial Intelligence generated content (AIGC) capabilities, and promoting talent development. This follows Tmall's previous efforts to bring in new merchants and growing businesses, as bringing in different types of service providers will allow Tmall to serve a more diverse range of business customers.[3]

East Buy joins Taobao Live in an effort to expand consumer base

East Buy (东方甄选) is preparing to begin selling on Taobao Live (淘宝直播) by the end of August in efforts to further diversify its operations and expand its reach. Following its debut on the Alibaba-owned app, East Buy will be able to engage with consumers across three distinct platforms: Douyin, its standalone app, and Taobao. The company's target on Taobao Live includes selling over 60 types of self-managed products; more than 10 of them have already logged sales exceeding one million units. East Buy has reportedly obtained subsidies to enter Taobao, and Taobao's supply chain will help the e-commerce firm in sourcing.[4]

Meituan's 1H23 revenue reaches 126.58 billion yuan as it achieves profit in 2Q23

Meituan (美团) recently released its financial results for the second quarter and first half of 2023. The company recorded 67.97 billion yuan in revenue for the second quarter, marking a 33.4% yoy growth, the highest in nearly two years. The company achieved a profit of 4.69 billion yuan during the period, compared to a loss of 1.12 billion yuan in the same period last year. In the first half of 2023, Meituan achieved revenue of 126.58 billion yuan, a year-on-year increase of 30.2%.[5]

Meituan's KeeTa app expands Hong Kong service area ahead of schedule

Meituan's (美团) Hong Kong-based food delivery platform KeeTa expanded its service scope in the Kowloon area earlier this month, and recently announced that it would expand further to Wong Tai Sin on 24 August. Furthermore, KeeTa is actively preparing to offer its services in the Sha Tin and Tai Po districts by the end of this year.[6]

Supermarkets & Hypermarkets

Walmart China's net sales up 21.7% yoy in July quarter

Walmart recently announced its financial results for its fiscal second quarter ended 31 July 2023. During the reporting period, Walmart China's net sales were US$4.1 billion, a year-on-year increase of 21.7%, with comparable sales growth of 17.2% yoy, and e-commerce business net sales growth of 44% yoy. Throughout the quarter, Sam's Club and the e-commerce business continued to perform strongly. The online and offline traffic of Sam's Club and Walmart hypermarkets have both continued to grow.[7]

Home Goods

MINISO's fiscal 2023 revenue increases by 13.8% yoy

MINISO (名创优品) recently released its unaudited financial report for the fourth quarter (ended 30 June) and full year of fiscal 2023. MINISO's fourth-quarter revenue reached a record 3.252 billion yuan, a year-on-year increase of 40.3%. Operating profit increased by 153.6% yoy to 690 million yuan; adjusted net profit increased by 156.3% yoy to 571 million yuan. In terms of the full fiscal year, MINISO's total revenue increased by 13.8% yoy to 11.47 billion yuan. Domestic revenue was 7.651 billion yuan, a year-on-year increase of 2.8%, and overseas revenue was 3.822 billion yuan, a year-on-year increase of 44.6%; operating profit increased by 152.0% yoy to 2.223 billion yuan; adjusted net profit increased by 155.3% yoy to 1.845 billion yuan. Adjusted net margin improved to 16.1% from 7.2% in fiscal 2022.[8]

Food & Beverage

Starbucks establishes innovation and technology centre in Shenzhen

Starbucks recently announced the establishment of the Starbucks China Innovation and Technology Centre (SITC). This centre is located in Shenzhen's Futian District and operations are set to begin in September of this year. The move aims to enhance the company's technological capabilities and data infrastructure to further drive the digitalization of its stores and various sales channels in China, as well as increasing the company's sustainability efforts. The SITC will invest 1.5 billion yuan to improve Starbucks' efficiency and services in China over the next three years.[9]

Fried chicken chain Popeyes returns to Chinese mainland with new flagship location in Shanghai

As the new China operator of American fried chicken brand Popeyes, Tims China recently announced plans for major brand expansions, including 1,700 new Popeyes stores nationwide over the next decade. At least 10 of the new outlets will launch in Shanghai in the next quarter alone, with the first opening on 19 August. The company said it hoped to focus on attracting younger customers by opening modern storefronts with jazz music and colourful art. It plans to offer signature items, such as New Orleans-style spicy chicken and Cajun popcorn shrimp, while introducing new menus tailored to Chinese consumers. Tims China plans to allocate US$60 million to build out the Popeyes chain in China over the coming years.[10]

The first six Lelecha franchise stores are now open

On 18 August, six Lelecha (乐乐茶) franchise stores opened in Chengdu, Jinan, Hefei, Fuzhou, Weihai and Wuhu – the first franchise locations to open since the company began franchising at the end of April. Sales of the Weihai store exceeded 130,000 yuan in the first three days of operations, ranking first among the six franchise locations. Since late April, Lelecha has recruited nearly 260 franchisees, and another nearly 100 franchisees are expected to launch before the National Day holiday on 1 October.[11]

II. Market Overview

New shopping centre openings in July down by 14% yoy

According to the Linkshop Retail Research Centre, the number of newly opened commercial projects nationwide in July 2023 (excluding professional markets, home goods malls, hotels and office buildings, pure commercial blocks and commercial buildings with a gross floor area larger than 20,000 sqm) reached 18, a year-on-year decrease of 14%. The gross floor area of newly added commercial projects is 1.441 million sqm, and the average gross floor area of is about 80,000 sqm. Following the launch of 34 commercial projects in June, only 18 commercial projects entered the market nationwide in July, a month-on-month decrease of 47%. This figure is also down 14% compared with the 21 commercial projects opened in July 2022.[12]

China's livestreaming e-commerce industry reaches 1.9916 trillion yuan in 1H23

At a recent conference for the livestreaming e-commerce industry hosted in Hangzhou, 100ec.cn and the Chamber of Commerce's Livestreaming E-commerce Working Committee released part 1 of the *2023 China Live E-commerce Market Data Report*. The transaction scale of livestreaming e-commerce in the first half of 2023 was about 1.9916 trillion yuan, and it is expected that the annual transaction scale this year will reach 4.5657 billion yuan, a year-on-year increase of 30.44%.[13]

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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

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