

China Retail & E-commerce Weekly Update



I. Sector Review..... 2

General Retail..... 2

Walmart China’s net sales up by 26.7% yoy in 4Q21 2

Internet & E-commerce 2

Tencent begins internal beta testing on the ‘Exiangtuan’ mini program, marking its entry into the group purchasing market 2

Douyin: Number of luxury content creators with over 10 million fans up by 260% during Jan-Nov 2021 2

Vipshop’s 2021 revenue reaches 117.1 billion, with 93.9 million annual active users 3

Retail Logistics..... 3

SF Express builds China’s largest smart logistics base in Wuhan 3

SF Supply Chain and Hikrobot build a fully automated six-storey warehouse 3

Luxury 4

BARCLAY STREET opens flagship store on JD Worldwide, bringing in over 100 luxury brands 4

Cosmetics 4

Korean cosmetics brand HERA closes all offline brand counters in China 4

II. Market Overview..... 4

QuestMobile: China’s mobile shoppers exceed 1.1 billion in 2021 4

SIC: Transaction volume of China’s sharing economy reaches nearly 3.7 trillion yuan in 2021 5

iiMedia Research: Professional and diversified services provided by leading maternal and baby vertical platforms key to improving user stickiness 5

III. Policy Spotlight 6

China enriches list for cross-border e-commerce retail imports 6

China Customs warns consumers against Abbott Laboratories’ infant products 6

22 cosmetic companies fined for improper advertising 6

MIIT: Various apps including Jumei and YMatou infringe on consumer rights 6

References (in Chinese) 7

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I. Sector Review

General Retail

Walmart China's net sales up by 26.7% yoy in 4Q21

On 17 February, Walmart announced its financial results for 4Q21 and 2022. Walmart China's net sales increased by 26.7% yoy in 4Q21, while comparable sales increased by 19.8% yoy. Sam's Club and e-commerce businesses performed particularly well in the quarter, with e-commerce net sales increasing by 93% yoy and rising by 158% on a two-year stack.¹

Internet & E-commerce

Tencent begins internal beta testing on the 'Exiangtuan' mini program, marking its entry into the group purchasing market

Tencent (腾讯) recently begun testing a WeChat (微信) group purchasing mini program called 'Exiangtuan' (鹅享团). It is a service tool for small and micro merchants, aimed at WeChat private domain transaction scenarios to improve operational and transactional efficiency. This tool can help group leaders build private domain traffic within WeChat. On the app's home page, the group leader needs to create a 'store' where their products are displayed. They can then share the goods to their WeChat communities. When a user makes a purchase, the leader will receive the order information, and then they can begin to deliver the goods. Product information will be displayed in the 'Order' section. In addition, the group leader can also check payment status and after-sales status on this page.²

Douyin: Number of luxury content creators with over 10 million fans up by 260% during Jan-Nov 2021

The Algorithmic E-commerce Research Institute (算数电商研究院) recently released the *Douyin Luxury Industry Review 2021*. The report shows that in 2021, the number of business accounts from the luxury industry within Douyin (抖音) showed steady growth. Over 60% of companies on the '2021 Top 100 Global Luxury Companies' list have established a presence on Douyin. From January to November 2021, the number of luxury content creators with over 10 million fans increased by 260%, while the number of million-fan content creators increased by 173% and the number of 10,000-fan creators increased by 140%.³

Vipshop's 2021 revenue reaches 117.1 billion, with 93.9 million annual active users

Vipshop (唯品会) released its 2021 financial results on 23 February. In 2021, Vipshop's overall business achieved steady growth. The number of annual active users increased by 12% yoy to 93.9 billion; GMV increased by 16% yoy to 191.5 billion yuan; total order volume increased by 14% yoy to 790 million yuan. Benefiting from the steady growth of users and average revenue per user (ARPU), the company's annual revenue increased by 15% yoy to 117.1 billion yuan, while non-GAAP net profit exceeded 6 billion yuan.⁴

Retail Logistics

SF Express builds China's largest smart logistics base in Wuhan

Wuhan SF Fengtai Industrial Park (武汉顺丰丰泰产业园) will be completed and put into operation this April. The industrial park covers an area of 244 mu (162,667 sqm) with a gross floor area of nearly 215,000 sqm. It will become a leading smart logistics service base in Central China, and will collaborate with Ezhou Huahu Airport for secondary distribution. The industrial park reportedly includes five standalone buildings: a smart sorting centre, a smart cloud warehouse centre, a cold chain logistics centre, an enterprise operations centre, and a comprehensive supporting centre, mainly providing services for express delivery, logistics, e-commerce and cold chain enterprises. The smart sorting centre is the largest standalone building in the park, with equipment investment totalling 350 million yuan. It is equipped with the latest automatic intelligent sorting technology, and the maximum express processing capacity is 3 million pieces per day. The whole process of unloading, sorting and loading can take as little as two hours.⁵

SF Supply Chain and Hikrobot build a fully automated six-storey warehouse

The 36,000 sqm, fully automated six-storey warehouse project jointly built by SF Supply Chain (顺丰供应链) and Hikrobot (海康机器人) began operating on 18 February. With over 150 robots under its control, the robot control system (RCS) and the integrated workplace management system (iWMS) are seamlessly connected to SF Supply Chain's upper-level modular platform management system, which enables the goods-to-person management of the warehousing business and the visualization of logistics information. The robots automatically transport the stored materials to the designated workstation, and their overall search capabilities have increased by more than 30%.⁶

Luxury

BARCLAY STREET opens flagship store on JD Worldwide, bringing in over 100 luxury brands

On 24 February, JD Worldwide (京东国际) reached a partnership agreement with British luxury e-commerce company BARCLAY STREET, which will launch the 'BARCLAY STREET Overseas Flagship Store' on JD Worldwide this year. The store is expected to introduce more than 100 British and European luxury brands, some of which will be new to the Chinese mainland market. The two parties will leverage their resources, supply chain and technology to create a new channel for high-quality European brands to enter China. BARCLAY STREET is headquartered in the UK, focusing on introducing niche European luxury brands to the Chinese market and providing brand incubation services.⁷

Cosmetics

Korean cosmetics brand HERA closes all offline brand counters in China

Following in the footsteps of fellow Korean cosmetics brands Innisfree and Etude House, HERA (a high-end brand under the Korean cosmetics giant Amorepacific Group) has shut down all of its offline brand counters in China. Its WeChat (微信) mini program store will be shut down in mid-March, but other platforms will not be affected. As such, HERA brand is not fully withdrawing from the Chinese market but focusing on online channels instead.⁸

II. Market Overview

QuestMobile: China's mobile shoppers exceed 1.1 billion in 2021

On 22 February, domestic third-party data agency QuestMobile released the *2021 China Mobile Internet Annual Report*. According to the report, as of December 2021, the total number of mobile users reached 1.174 billion. The top eight functions in terms of net growth of monthly active users were: horizontal e-commerce, online banking, local lifestyle services, payment and settlement, navigation, Internet browsers, work efficiency, and smart home. Growth in monthly active users of horizontal e-commerce, online banking, and local lifestyle services each surpassed 100 million. Furthermore, the usage time of short videos has continued to grow rapidly, and short videos have surpassed instant messaging as the most used apps. China's mobile shopping industry was booming in 2021: the number of users exceeded 1.1 billion, and user stickiness continued to increase under the diversified models.⁹

SIC: Transaction volume of China's sharing economy reaches nearly 3.7 trillion yuan in 2021

The State Information Centre (SIC) recently released the *China's Sharing Economy Development Report (2022)*. According to the report, in 2021, the market transaction scale of China's sharing economy reached 3.688 trillion yuan, a year-on-year increase of 9.2%; direct financing in the sharing economy sector was 213.7 billion yuan, a year-on-year increase of 80.3%. The report also pointed out some new characteristics of the development of the sharing economy in 2021. Firstly, affected by various factors such as regulatory policies, public listing of companies, and capital market conditions, the sharing economy has seen a faster reshape in the market and also more intense competition, and the evolution and innovation of diversified business models has become more important. Secondly, a series of policies and measures to strengthen protections for workers' rights have been introduced, improving these standards across the industry. Finally, the construction of the sharing economy market system has been accelerated, with stronger supervision and law enforcement as well as greater regularization of the market order.¹⁰

iiMedia Research: Professional and diversified services provided by leading maternal and baby vertical platforms key to improving user stickiness

iiMedia Research (艾媒咨询) recently released the *2021-2022 Research Report on New Media Marketing Value for China's Maternal and Baby Industry*. According to the report, China's maternal and baby market exceeded 4.8 trillion yuan in 2021, and it is expected to exceed 7.6 trillion yuan by 2024. The report predicts that the scale of the maternal and baby market will continue to expand from 2022 to 2024 while consumption will become more refined and redefined. According to the report, the professional and diversified services provided by leading maternal and baby vertical platform are key to improving user stickiness. Furthermore, as the consumption of mother and baby products is stratified and scenario-based, establishing consumption scenarios can help businesses reach their respective target consumers.¹¹

III. Policy Spotlight

China enriches list for cross-border e-commerce retail imports

The Ministry of Finance and seven other government departments recently issued an announcement revising and optimizing the list of imported retail goods for cross-border e-commerce from 1 March 2022. Based on the 2019 list, 29 items that have been in high demand in recent years – e.g., ski equipment, household dishwashers, and tomato juice – have been added. At the same time, the tariff classification of some products has been adjusted due to changes in tariff classification criterion; the remarks for some products have also been adjusted according to regulatory requirements.¹²

China Customs warns consumers against Abbott Laboratories' infant products

The General Administration of Customs recently issued a notice warning consumers against buying and eating certain infant and baby products produced by Abbott Laboratories. On 18 February, the US Federal Drug Administration (FDA) announced that it was investigating complaints of four infants infected with Cronobacter and Salmonella. According to the FDA, the four infants had reportedly consumed Similac, Alimentum or EleCare powdered infant formulas produced at Abbott's facility in Sturgis, Michigan.¹³

22 cosmetic companies fined for improper advertising

According to incomplete statistics, since 2021, a total of 22 cosmetic companies, including several internationally renowned companies such as Estee Lauder, Procter & Gamble, Coty, etc., have been penalized for improper advertising with fines between 300 yuan and 2.38 million yuan. The illegal acts can be divided into two categories: false and exaggerated advertising without evidence of efficacy; and the use of forbidden terms. Among the 22 companies, Estee Lauder received the highest penalty, with a single fine of 2.38 million yuan. It is clear that cosmetics labelling claims have become a top priority for regulators – enterprises are strictly prohibited from using the 10-category prohibited words announced by the National Medical Products Administration.¹⁴

MIIT: Various apps including Jumei and YMatou infringe on consumer rights

The Ministry of Industry and Information Technology (MIIT) appointed a third-party testing agency to inspect various mobile apps – as of now, there are still 107 apps whose issues have not been addressed. Furthermore, during the inspection process, it was discovered that 13 embedded third-party software development kits (SDKs) which violate regulations on collecting users' device information. The retail e-commerce apps named by the MIIT include: Vitality Blind Box (元气魔盒), Jumei (聚美), Excellent Grade Depot (壹品仓), Yunxianggou (云享购), Zebra Prime (斑马会员), Kele Youpin (可乐优品商城), Shengdianhua (省点花), etc.¹⁵

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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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