

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Alibaba's September quarter revenue up 3% yoy to 207 billion yuan

Alibaba (阿里巴巴) recently released its financial results for the second quarter of its fiscal year 2023 ended 30 September 2022. During this period, the company's total revenue was 207.2 billion yuan, an increase of 3% yoy. Income from operations was 25.137 billion yuan, up 68% yoy. Adjusted EBITA increased by 29% yoy to 36.164 billion yuan. GAAP net loss was 22.467 billion yuan, compared with a net income of 3.377 billion yuan in the same period last year; non-GAAP net income was 33.8 billion yuan, up 19% yoy. Revenue from the company's China commerce segment declined 1% yoy to 135.4 billion yuan, of which direct sales and others revenue grew 6% yoy to 64.725 billion yuan, primarily driven by strong growth in the Freshippo (盒马) business. Revenue from international commerce segment increased by 4% yoy to 15.7 billion yuan, of which revenue from international commerce retail business increased by 3% yoy to 10.7 billion yuan.¹

Kuaishou's revenue up 12.9% yoy to 23.13 billion yuan in 3Q22

Kuaishou (快手) recently released its financial results for 3Q22. During this period, the company's revenue reached 23.13 billion yuan, a 12.9% increase yoy. The company's online marketing services grew 6.2% yoy to 11.6 billion yuan, while its livestreaming business expanded 15.8% yoy to 8.9 billion yuan. Kuaishou's GMV increased by 26.6% yoy to 222.5 billion yuan, while the number of new merchants joining the platform increased by nearly 80% yoy in the quarter.²

Douyin applies to register the 'Douyin Supermarket' trademark

A subsidiary of ByteDance (字节跳动) recently applied for registration of the 'Douyin Supermarket' (抖音超市) trademark. The classification involved are 'advertising, business & retail services' and 'education and entertainment services', and the application is currently pending. In October this year, Douyin Supermarket began recruiting sellers, but the business is still in the preliminary pilot stage. The pilot cities currently include Guangzhou, Shenzhen, Huizhou and Dongguan, where some consumers can access the 'Supermarket' portal through Douyin Mall. Douyin Supermarket has partnered with SF Express, which will provide warehouse and door-to-door logistics services.³

Vipshop's revenue reaches 21.6 billion yuan in 3Q22

Online discount retailer Vipshop (唯品会) recently released its financial results for 3Q22. The company achieved total net revenue of 21.6 billion yuan during this period. Non-GAAP net income was 1.6 billion yuan, an increase of 55% yoy. The total GMV reached 37.6 billion yuan. The number of active super VIP users increased by 21% yoy, contributing to 40% of the online net GMV. The total order volume reached 168.3 million.⁴

Yatsen's revenue reaches 857.9 million yuan in 3Q22 as net loss narrows

Beauty e-commerce company Yatsen (逸仙电商) recently released its financial results for 3Q22. In this quarter, Yatsen achieved a total net revenue of 857.9 million yuan, a year-on-year decrease of 36.1%; a net loss of 210.7 million yuan, down 41.7% yoy. Yatsen expects that the total net revenue in 4Q22 will reach between 916.7 million and 1.07 billion yuan, a year-on-year decline of 30%-40%. Its flagship brand, Perfect Diary (完美日记), is one of the top cosmetics brands in China in terms of online sales value.⁵

Zhihu Circle to shut down

On 23 November, Zhihu Circle (知乎圈子) announced that it will cease operations by 27 March next year. As Zhihu continuously upgrades its products, there are more direct means of socializing through content-sharing. 'Zhihu Thoughts' and 'Zhihu Topics' will remain in service, allowing users to share their thoughts and feelings on the platform.⁶

Freshippo's IoT subsidiary increases registered capital to US\$20 million

Freshippo's (盒马) IoT (Internet of Things) subsidiary recently increased its registered capital by 300%, from US\$5 million to US\$20 million. The company was established in November 2019. Its business scope includes supply chain management, warehousing services, wholesale and retail of daily necessities, household appliances, edible agricultural products, purchase of primary agricultural products, etc. The company is wholly owned by Hema China (盒马中国), which is in turn owned by Alibaba (阿里巴巴).⁷

Pinduoduo applies for cross-border e-commerce platform trademark

Shanghai Xunmeng Information Technology Co. (上海寻梦信息技术), an affiliate of Pinduoduo (拼多多), recently applied for the registration of the 'TEMU Pinduoduo' trademark. The trademark's classification is 'advertising, business & retail services', and the application is currently pending. Temu is Pinduoduo's cross-border e-commerce platform which was officially launched overseas in September this year.⁸

Retail Logistics

JD Logistics's revenue reaches 357.7 billion yuan in 3Q22 with external customers accounting for 70%

JD Logistics (京东物流) recently announced its financial results for 3Q22, which consolidated the results of Deppon for the first time. Boosted by the revenue of Deppon, JD Logistics's revenue reached 35.77 billion yuan, up 38.9% yoy. Revenue from external customers reached 24.87 billion yuan, an increase of 67.8% yoy, which accounted for 70% of total revenue. In the third quarter, even as business volume was weak due to seasonal factors, JD Logistics's adjusted non-IFRS net profit reached 447 million yuan. During this period, revenue from integrated supply chain customers reached 18.23 billion yuan, maintaining double-digit growth alongside the number of customers. Other revenue streams such as express delivery and freight delivery services reached 17.54 billion yuan, a year-on-year increase of 102.8%.⁹

Food & Beverage

Tims China announces coffee partnership with Freshippo

Tims China recently announced a two-year partnership with Freshippo (盒马), Alibaba's (阿里巴巴) omni-channel retail chain for groceries and fresh goods. The partners will introduce co-branded coffee products for sale exclusively through Freshippo's online channels and physical stores. The initial co-branded coffee products, Velvet Cocoa Coffee and Chestnut Latte, will be available for sale in December. Freshippo will sell these products through its app, as well as offline through its over 300 brick-and-mortar stores located in 27 cities across China. Tims China and Freshippo will work together on research and development of the co-branded products, collaborating on product design, positioning, promotion, and pricing.¹⁰

II. Market Overview

China's total e-commerce transaction volume up 19.6% yoy in 2021

The Ministry of Commerce recently released the *2021 China E-commerce Report*. According to the report, in 2021, innovation continued to drive e-commerce development alongside ongoing digital industrialization and industrial digitization. In 2021, the national e-commerce transaction volume reached 42.3 trillion yuan, a year-on-year increase of 19.6%; online retail sales reached 13.1 trillion yuan, a year-on-year increase of 14.1%; online retail sales of physical goods reached 10.8 trillion yuan, accounting for 24.5% of the total retail sales of consumer goods. The import and export volume of cross-border e-commerce reached 1.92 trillion yuan, increasing nearly tenfold in five years. At the same time, e-commerce-related industries have absorbed and created more than 67 million jobs, and China has maintained its position as the world's largest online retail market for nine consecutive years.¹¹

Meituan Instashopping's report sheds light on instant retail trends during 'Double 11'

Meituan Instashopping (美团闪购) and CBNDData recently released a report entitled *Meituan Instashopping: Insights into 'Double 11' Instant Retail Trends*. This year's 'Double 11' period saw new retail sales reach 21.8 billion yuan, an increase of 10.8% yoy. Within this figure, Meituan Instashopping saw the highest sales figures. Furthermore, research shows that Generation Z consumers have become the main drivers of instant retail consumption during 'Double 11'. Consumers under the age of 18 have the highest year-on-year growth rate of gross transaction value (GTV) per capita on the Meituan Instashopping platform, followed by consumers aged 18-24 and aged 25-29. Among the consumers, 57% are women, and 20% are urban-dwelling Gen Zs. In addition to meals and fresh food, the Gen Z demand for instant retail is extending to categories like consumer electronics and cosmetics. During the 'Double 11' period, the transaction volume of consumer electronics products on Meituan Instashopping increased by 1,000% yoy.¹²

III. Policy Spotlight

SAMR improves regulations on anti-competitive behaviour in digital economy

On 23 November, the State Administration for Market Regulation (SAMR) issued the *Anti-Unfair Competition Law (Revised Draft for Comments)*. Changes include refining regulations on anti-competitive behaviour and regulating behaviour that disrupts the order of market competition during the development of the new economy and new business formats or models. Operators must not use data and algorithms, technology, capital advantages, and platform regulations to engage in unfair competition.¹³

State Council adds 33 new cross-border pilot zones, bringing the total to 165

The State Council issued the *Response Regarding the Approval of the Establishment of Cross-border E-commerce Comprehensive Pilot Zones in 33 Cities and Regions including Langfang*. According to this announcement, cross-border e-commerce pilot areas will be set up in another 33 cities and regions across the country. After seven rounds of expansion, this brings the total number of cross-border e-commerce comprehensive pilot zones in China to 165.¹⁴

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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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