

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Weixin Channels launches local lifestyle services business

Weixin Channels (微信视频号) recently announced that local lifestyle merchants can join the platform under the 'local lifestyle' category. When a small store merchant registers a Channels store, the platform will offer corresponding store types based on the merchant's brand power. Brand power is divided into three levels based on various factors such as store operations, brand influence, and popularity. At present, there are two major local lifestyle categories on the platform: catering (main meals, fast food, drinks, etc.) and hotels and tourism (accommodation, tourist attractions, and transportation) – each category has different merchant requirements. In 2023, Weixin Channel's GMV and product supply both increased threefold year-on-year, the number of orders increased by 244%, and its GMV for every thousand views (GPM) exceeded 900.¹

Kuaishou 2023 ESG Report: Kuaishou creates 40 million employment opportunities

Kuaishou (快手) recently released its *Environmental, Social and Governance Report 2023* (ESG Report), detailing the company's value creation in 2023 across various areas. In 2023, Kuaishou's live hiring events totalled nearly 5.5 million sessions, providing solutions for corporate recruitment and blue-collar employment. By the end of 2023, the platform had created a total of 40.22 million job opportunities, with a single e-commerce livestreaming studio offering over 30 new roles including anchors, assistant anchors, and product selectors. Furthermore, the report indicates that Kuaishou donated 27.3 million yuan in 2023, with a total of 35,566 hours dedicated to public welfare projects.²

Supermarkets & Hypermarkets

Costco launches 'Costco Home Delivery' online shopping platform

Costco recently launched its online shopping platform 'Costco Home Delivery' (开市客到家配送). Through Costco Home Delivery's WeChat mini app, customers can purchase Costco products including fruit, vegetables, meat and eggs, seafood, dairy products, baked goods, and home furnishings. In any city with a Costco store, customers can enjoy the same-day delivery service if the order amount reaches 299 yuan. To ensure service quality and product freshness, online delivery services are currently limited to within eight kilometres of the store. The company currently has six stores in China, located in Minhang, Shanghai; Pudong, Shanghai; Suzhou; Ningbo; Hangzhou; and Shenzhen. It is about to open another store in Nanjing.³

JD.com's 7Fresh supermarket chain launches city-wide delivery service in Beijing

On 20 April, JD.com's 7Fresh supermarket chain (京东七鲜超市) launched a city-wide delivery service which will expand delivery areas to cover all areas within the Sixth Ring Road in Beijing. This past February, 7Fresh upgraded its low-price offerings to cover meat, poultry, eggs, beverages and alcoholic beverages, snacks, vegetables and fruits, baking, fresh fish and other categories. Alongside the upgrade, 7fresh has also enhanced the service experience with the 'no overnight products' guarantee, and many fresh products are directly purchased and sold on the same day.⁴

Apparel

Li Ning's retail sell-through increase slightly in 1Q24 as its e-commerce business grows by over 20% yoy

Li Ning (李宁) recently released operating data for the first quarter of 2024. During this period, the retail sell-through of Li Ning's points of sale (excluding Li Ning Young) across the entire platform witnessed a low-single-digit increase compared to the same period last year. Among its channels, retail (direct operation) grew by a mid-single-digit percentage, while wholesale business (franchised distributors) decreased by a mid-single-digit rate on a year-over-year basis. E-commerce witnessed a low-twenties growth year-on-year. As of 31 March 2024, the company had 6,214 points of sale, of which the retail business had a net increase of one and the wholesale business had a net decrease of 27 so far this year. There were 1,405 points of sale for the Li Ning YOUNG, a net decrease of 23 points so far this year.⁵

MLB hopes to expand outdoor goods business in China through sub-brands

South Korea's F&F Group, the parent company of sports fashion brand MLB, has begun to expand within the outdoor category in China. The company introduced its DUVETICA and SUPRA brands to China in the second half of 2023; both have previously entered the Chinese market through Tmall (天猫). The former is positioned as a high-end outdoor lifestyle brand, while the latter is a high-street lifestyle brand that integrates urban outdoor trends. So far, DUVETICA and SUPRA have opened 15 and 20 stores, respectively, in China, mostly in core shopping malls such as Mixc (万象城), Intime (银泰), IFS, etc., in first-tier cities and provincial capitals.⁶

American denim brand True Religion enters the Chinese market

American denim brand True Religion recently opened official accounts on social media platforms such as Weibo, WeChat, and Xiaohongshu, marking its official entry into the Chinese market. True Religion's first store in China opened on 29 April at Raffles City in Shanghai. Furthermore, it has appointed artist Cheng Xiao as its first Chinese brand ambassador. The brand first announced its plans to enter China through a partnership with the Aurorae Group – the parent company of Evisu – in 2023, with plans to open its first store in early 2024. The company plans to operate total of 65 freestanding and in-store True Religion shops by 2026, reaching 108 stores by 2028.⁷

Peacebird reshapes brand image to promote its brand strategy

With the rapid adoption of Chinese traditional cultural elements in the fashion industry in 2024, apparel brand Peacebird (太平鸟) has launched the third comprehensive upgrade of its brand identity, revealing a new logo, redefining its core qualities, refreshing its external public image, and creating a more distinctive brand image. Peacebird's new brand logo uses Chinese characters as the visual core and uses sans-serif fonts. By cleverly blending Chinese and English characters, it not only conveys national cultural confidence, but also explores the resonance of Chinese and Western cultures, demonstrating the brand's modern aesthetics and international vision. The brand's chief strategy officer said that this visual refresh aims to further strengthen and promote the brand's strategy and competitiveness.⁸

Cosmetics

L'Oreal's China sales increase by 6.2% yoy in 1Q24

L'Oreal recently released its financial results for the first quarter of 2024. During this period, in the Chinese mainland, sales rose by 6.2% yoy, and high-end cosmetics sub-brands such as Helena Rubinstein and Yves Saint Laurent (YSL) continue to maintain growth momentum. Furthermore, the company remains optimistic about its long-term growth in the Chinese market, expecting to reach 500 million consumers over the next few years. Despite challenging market conditions, L'Oreal's net sales in the Chinese mainland increased by 5.4% yoy while retail sales increased by 7.7% yoy in 2023.⁹

Food & Beverage

Tims China achieves 56% yoy revenue growth in 2023

Tims China recently announced its financial results for 2023. The company's revenue grew by 55.9% yoy to 1.576 billion yuan. Throughout last year, Tims China opened 285 net new Tim Hortons stores to reach 902 outlets – 46% more than the end of 2022. Tims China's locations include flagship stores, kiosks, and retail concessions; of the new sites, 213 are franchised. The company also opened 10 Popeyes restaurants in 2023, having relaunched the fast-food chain in China in February 2023. Tims China's registered loyalty club members also significantly increased last year, growing 66% yoy to reach 18.7 million at end-2023. In April 2024, the company announced loyalty membership had grown to 20 million. Overall, the company focuses on building store density in existing cities while expanding to new cities and accelerating franchising activities.¹⁰

Miscellaneous

Pop Mart's 1Q24 revenue increases by 40%-45% yoy

Pop Mart (泡泡玛特) recently announced its latest business updates for the first quarter of 2024. During this period, Pop Mart's overall revenue increased by 40%-45% yoy. Among which, revenue in the Chinese mainland increased by 20%-25% yoy, while revenue from Hong Kong, Macao, Taiwan and overseas increased by 245%-250% yoy. By sales channels, retail stores grew by 20%-25% yoy, and roboshops grew by 15%-20% yoy. Pop Mart continues to strengthen its content strategy to expand growth, and revenue of the e-commerce platforms and other online platforms increased by 20%-25% yoy. Of which, the Douyin (抖音) flagship store grew by 95%-100%, and the Tmall (天猫) flagship store grew by 0%-5% yoy.¹¹

Suning Industrial Product launches new plan to build 1,000 unmanned front-end warehouses in the next three years

Suning Industrial Product (苏宁工业品) recently held a strategic conference in Shanghai, where it launched the '1,000 Warehouses and 10,000 Smart Lockers Plan' to build 1,000 front-end unmanned warehouses and more than 10,000 sets of smart package pick-up lockers in the next three years. The plan aims to provide customers with high-density delivery services to solve the pain points of last-mile delivery. In terms of category expansion, Suning Industrial Product said that in the next three years, it plans to sign contracts with 100 leading industrial product brands, expand SKUs to 15 million, and expand product categories to cover all industrial products including labour protection, tools, packaging materials, transmission, electrical, pneumatic, and laboratory tools, and cleaning products.¹²

II. Market Overview

82 first stores open in 1Q24 with Beijing surpassing Shanghai as first store destination

In the first quarter of 2024, the consumer industry showed signs of steady recovery and more first stores opened across the country. According to incomplete statistics from Yilan Business (壹览商业), brands opened a total of 82 first stores in the first quarter of 2024, 29 more than the same period in 2023, representing a year-on-year increase of 53.7%. By month, January saw the most new store openings with 47, the most since October 2022. In terms of categories, clothing and food remain the most popular. Among which, a total of 35 first stores of catering brands were introduced nationwide in the first quarter, a year-on-year increase of 150%. Among the brands, 58 are domestic brands (including Hong Kong, Macao and Taiwan), accounting for 70.7%, including Perfect Diary (完美日记), Luckin Coffee (瑞幸咖啡), Anta (安踏) and their sub-brands.¹³

MOFCOM: Over 70 million people are employed in e-commerce jobs nationwide

On 24 April, the Ministry of Commerce's China International Electronic Commerce Center released the *China E-Commerce Talent Development Report*. The report shows that there are over 70 million e-commerce jobs cross the country. The number of employees in the e-commerce industry continued to grow, almost doubling from 33 million in 2018 to 60.15 million in 2020. In the past three years alone, this number has soared to 70 million.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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