

China Retail & E-commerce Weekly Update



I. Sector Review..... 2

General Retail..... 2
 Rainbow’s revenue reaches 6.23 billion yuan as net profit up 11.79% yoy in 1H22... 2

Internet & E-commerce 2
 Xiaohongshu launches new plan to grow Chinese apparel brands 2
 Ele.me and Douyin jointly explore new ‘instant video shopping’ service model 2
 Vipshop’s total net revenue reaches 24.5 billion yuan in 2Q22..... 3
 Dada Nexus’s revenue up 55% yoy to 2.3 billion yuan in 2Q22..... 3
 JD.com total net income up 5.4% yoy to 267.6 billion yuan in 2Q22 3
 Kuaishou’s revenue up 13.4% yoy to 21.7 billion yuan in 2Q22..... 3
 Dong Fang Zhen Xuan launches standalone app for a one-stop shopping experience 4

Apparel..... 4
 Nanji E-commerce plans to acquire 100% stake in Bellvilles for 45 million yuan 4

Consumer Electronics..... 4
 Gome Retail to close one-third of its self-operated stores 4

Home Products..... 5
 MINISO apologizes for Japanese branding and promises to make adjustment 5

Furniture and Home Improvement..... 5
 Suning.com launches new business format Suning Yijia..... 5

Food & Beverage..... 5
 HeyTea enters the wedding banquet industry..... 5

Miscellaneous 6
 SUPERMONKEY opens its first Big Screen flagship store in Shanghai 6

II. Market Overview..... 6
 Nielsen, Babytree: Online channel accounts for 34.6% of maternal and baby product consumption 6
 Kuaishou: Cosmetics GMV up by 30.6%..... 6

References (in Chinese) 7

Helen Chin
 Vice President

William Kong
 Senior Research Manager

Brigitte Ng
 Research Analyst

Vivian Liang
 Assistant Manager

Fung Business Intelligence
 11/F LiFung Tower
 868 Cheung Sha Wan Road
 Kowloon, Hong Kong
 T: (852) 2300 2470
 F: (852) 2635 1598
 E: fbicgroup@fung1937.com
 W: http://www.fbicgroup.com



I. Sector Review

General Retail

Rainbow's revenue reaches 6.23 billion yuan as net profit up 11.79% yoy in 1H22

Rainbow Digital Commercial Co. Ltd (天虹股份) released its 2022 interim report on 24 August. In 1H22, the company achieved operating income of 6.231 billion yuan, a year-on-year increase of 0.58%; net profit attributable to shareholders of the company was 160 million yuan, a year-on-year increase of 11.79%. The operating income from its shopping centre and department store business was 1.982 billion yuan, a year-on-year decrease of 5.44%; the operating income of its supermarket business was 4.118 billion yuan, a year-on-year increase of 7.34%. The company's online business has also developed rapidly. In 1H22, the GMV (online merchandise sales and digital service revenue) was 2.9 billion yuan, and nearly 170 million people used the Rainbow app and mini programs to obtain information or make a purchase. Rainbow has a total of over 39 million digital members, and its app and mini programs have more than 4.26 million monthly active members.¹

Internet & E-commerce

Xiaohongshu launches new plan to grow Chinese apparel brands

Xiaohongshu IDEA Marketing (小红书灵感营销) recently launched the 'Trendy Plan' apparel marketing event, with the goal of helping domestic apparel brands grow their business. The company held the event in Hangzhou and Guangzhou, where China's apparel industry is concentrated, and exchanged views on apparel marketing with nearly 100 Chinese apparel brands, focusing on industry trend insights, case studies, practical marketing exercises, etc. Xiaohongshu said that the multi-dimensional labelling system on its Pugongying (蒲公英) platform can help brands accurately target suitable creators in terms of content characteristics, user profiles, and celebrity status.²

Ele.me and Douyin jointly explore new 'instant video shopping' service model

Ele.me (饿了么) and Douyin (抖音) recently announced a new partnership centered around using Douyin's video content to provide in-app product recommendations. Users can order products from various sellers directly through the Douyin app, which will then be delivered locally by Ele.me.³

Vipshop's total net revenue reaches 24.5 billion yuan in 2Q22

Chinese online discount retailer Vipshop (唯品会) recently announced its financial results for 2Q22. The company achieved a total net revenue of 24.5 billion yuan in the quarter, and the non-GAAP net income attributable to the company's shareholders was 1.6 billion yuan, an increase of 8.4% yoy. Its GMV was 40.6 billion yuan, and total orders reached 186.3 million. For 2Q22, Vipshop had 41.7 million active customers, compared to 51.1 million in the same period last year.⁴

Dada Nexus's revenue up 55% yoy to 2.3 billion yuan in 2Q22

On-demand retail and delivery platform Dada Nexus (达达集团) recently released its financial results for 2Q22. During the quarter, the company's total revenue reached 2.28 billion yuan, a year-on-year increase of 55%, while its adjusted net profit margin improved by 20 ppts compared to the same period last year. Among its business units, Dada Now (达达快送) saw revenue of 816 million yuan, while JDDJ's (京东到家) revenue reached 1.47 billion yuan. In the 12 months ended 30 June 2022, Dada Nexus had 72.8 million annual active consumers, and the total GMV of the JDDJ platform was 54.6 billion yuan, a year-on-year increase of 69%.⁵

JD.com total net income up 5.4% yoy to 267.6 billion yuan in 2Q22

JD.com (京东集团) recently released its second quarter and interim results for 2022. In 1H22, the company's total net income was 507.3 billion yuan, a year-on-year increase of 11%. Its net income in 2Q22 was 267.6 billion yuan, a year-on-year increase of 5.4% which was higher than the industry's average growth rate. During 2Q22, JD.com's non-GAAP net income attributable to ordinary shareholders was 6.5 billion yuan, with a non-GAAP net margin of 2.4%. The number of annual active customer accounts increased by more than 10 million compared with December 2021. Its average daily active users grew 25% yoy, and user shopping frequency and average revenue per user (ARPU) also increased.⁶

Kuaishou's revenue up 13.4% yoy to 21.7 billion yuan in 2Q22

Kuaishou Technology (快手科技) recently released its financial results for 2Q22. During this quarter, the company's total revenue reached 21.7 billion yuan, a year-on-year increase of 13.4%, while its adjusted EBITDA profit was 407 million yuan, compared with an adjusted EBITDA loss of 3.56 billion yuan in the same period last year. In 1H22, Kuaishou's total revenue was 42.76 billion yuan, and the adjusted EBITDA loss was 1.144 billion yuan. In 2Q22, Kuaishou's total e-commerce GMV was 191.2 billion yuan, a year-on-year increase of 31.5%. In terms of user data, the average monthly active users in 2Q22 reached 587 million, an increase of 15.9% yoy from 506 million in the same period last year; the number of average daily active users reached a record high at 347 million, an 18.5% yoy increase compared with 293 million in the same period last year.⁷

Dong Fang Zhen Xuan launches standalone app for a one-stop shopping experience

Dong Fang Zhen Xuan (东方甄选), the e-commerce platform of New Oriental (新东方), recently launched a standalone app which is now available on major app stores. At present, eight of the 11 product categories on the app are related to snacks, fresh food, and agricultural (by)products. Much like the company's livestreams, the products offered in the app are still centred on food. Furthermore, the app offers almost the same products as on the Douyin Mall (抖音商城) for a comparable price.⁸

Apparel

Nanji E-commerce plans to acquire 100% stake in Bellvilles for 45 million yuan

Nanji E-commerce (南极电商) recently announced its plans to acquire 100% equity of Bellvilles Fashion Co., Ltd (贝拉维拉服饰股份有限公司) for 45 million yuan. Bellvilles was established in 1996, mainly targeting urban white-collar female consumers aged 25-40. This is Nanji E-commerce's second acquisition this year. In February, the company spent 180 million yuan to acquire 100% equity of South Korean women's clothing brand Basic House (Shanghai) Co. Ltd (百家好(上海)时装有限公司) and 330 million yuan for 78 South Korean fashion trademarks such as BASIC HOUSE, Mind Bridge, JUCY JUDY, etc.⁹

Consumer Electronics

Gome Retail to close one-third of its self-operated stores

Gome Retail (国美) recently announced that it has divest some of its unprofitable and negative cash flow businesses over the past 3-4 months, and will continue to do so in the coming year. It plans to close about 30-35% of its self-operated stores. The company will also renovate and upgrade existing stores while opening 100 new urban exhibition halls. For small and medium-sized stores, a combination of self-operation and franchising will maintain Gome's store coverage of 770 cities across the country and further reduce losses. In terms of store differentiation, Gome has strengthened its large stores' comprehensive experience and service while emphasizing small stores' community relevance and services in order to improve their conversion rate.¹⁰

Home Products

MINISO apologizes for Japanese branding and promises to make adjustment

MINISO recently issued an apology regarding its early marketing strategy, which positioned the low-cost retailer as a 'Japanese designer brand'. The statement said that MINISO was in the early stages of its globalization between late 2015 and 2018, and hired Japanese designer Miyake Junya as its chief designer – which was then promoted through its marketing activities. MINISO said that it has been removing its connection with Japan since 2019, and will complete the rectification of all store decorations and promotional materials worldwide before 31 March 2023.¹¹

Furniture and Home Improvement

Suning.com launches new business format Suning Yijia

Suning.com (苏宁易购) recently launched its new business, Suning Yijia (苏宁易家), which focuses on home-related products solutions. Suning Yijia integrates products and service capabilities including home appliances, home furnishing, and home decoration, and provides users with one-stop services such as whole house customization and room transformations. Suning Yijia plans to launch three storefront models including plaza stores, flagship stores and community stores. The first plaza store landed in Xuzhuang, Nanjing on 18 August, and an upgraded version of the plaza store will also be launched in the fourth quarter of this year. 30 Suning Yijia plaza stores and flagship stores will be established in 2023, and the company plans to open 10,000 community and model stores in the next three years.¹²

Food & Beverage

HeyTea enters the wedding banquet industry

HeyTea (喜茶) recently launched the 'Extra Joy' campaign, where consumers can receive two cups of HeyTea for free by visiting HeyTea stores with a marriage certificate they received on the same day. The company has also launched a group meal business for weddings, and newlyweds can enjoy group discounts when they order HeyTea for wedding banquets. HeyTea began its foray into the wedding market this May, promoting the brand's 'joy' culture in different festivals, and conveying the connection between the brand and weddings to consumers. Industry insiders believe that although HeyTea is promoted as being 'festive', it is still far from widespread recognition in this market. Further development will be necessary in order to avoid imitation by other milk tea brands.¹³

Miscellaneous

SUPERMONKEY opens its first Big Screen flagship store in Shanghai

On 18 August, offline fitness brand SUPERMONKEY (超级猩猩) announced the opening of its first 'Big Screen' flagship store at the People's Square in Shanghai. This is SUPERMONKEY's latest product line, which was announced this past June. It is an 'immersive sports system' that the company developed itself and consists of an immersive screen classroom which utilizes smart lighting and sound systems. The flagship store uses the concept of the metaverse with four different themes: fantasy adventure, time travel, dream travel, and spiritual journey.¹⁴

II. Market Overview

Nielsen, Babytree: Online channel accounts for 34.6% of maternal and baby product consumption

Nielsen and Babytree (宝宝树) recently released the *2022 Maternal and Baby Industry Insight Report*, which shows that the offline channel is still the main choice for maternal consumers. Offline maternity and baby stores have enjoyed a steady growth of 1.8% annually over the past three years, but the COVID-19 pandemic will reduce the growth rate this year by 3.7%. As of June 2022, online channel for maternal and baby categories accounted for 34.6% of sales, up from 33.7% in the same period last year. In online channel, the top three categories with the largest sales growth are baby milk powder, baby skincare, and breast pumps. The report also pointed out that the key maternal and baby categories will show four new trends in the future: domestic maternal and baby brands will expand to high-tier cities; consumers who value product ingredients and function will drive industry growth; the consumption cycle will extend to the young child stage; high-end products will drive category growth and the consumption power for high-end products in low-tier cities will increase.¹⁵

Kuaishou: Cosmetics GMV up by 30.6%

Kuaishou (快手) and its commercial marketing service platform Magnetic Engine (磁力引擎) recently released the *2022 Kuaishou Cosmetics Industry Data Report*. The report shows that over the past year, the view count of Kuaishou beauty videos has shown an overall growth trend. The average number of users who have watched beauty videos and livestreams on the same day has reached almost 60 million, a year-on-year increase of 92.2%. In 1Q22, Kuaishou E-commerce's cosmetics and personal care GMV increased by 30.6% yoy.¹⁶

References (in Chinese)

- 1 《天虹股份 2022 年上半年净利润增长 11.79%，线上业务成交额 29 亿》，2022 年 8 月 24 日，赢商网
<http://news.winshang.com/html/070/4513.html>
- 2 《小红书启动“风潮计划”：协助中国服饰品牌生意增长》，2022 年 8 月 19 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/496231.shtml>
- 3 《饿了么和抖音合作 探索“即看即点即达”新服务模式》，2022 年 8 月 19 日，联商网
<http://www.linkshop.com/news/2022492173.shtml>
- 4 《唯品会 2022 年二季度财报：净营收 245 亿元》，2022 年 8 月 19 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/496284.shtml>
- 5 《达达集团二季度财报：总营收 23 亿元 同比增长 55%》，2022 年 8 月 23 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/496522.shtml>
- 6 《京东集团第二季度净营收 2676 亿，同比增长 5.4%》，2022 年 8 月 23 日，联商网
<http://www.linkshop.com/news/2022492347.shtml>
- 7 《快手二季度营收 217 亿元，同比增长 13.4%》，2022 年 8 月 23 日，联商网
<http://www.linkshop.com/news/2022492342.shtml>
- 8 《离开抖音自立门户？东方甄选独立 App 上线》，2022 年 8 月 25 日，福布斯中国
<https://baijiahao.baidu.com/s?id=1742114256608762074&wfr=spider&for=pc>
- 9 《半年两次出手 南极电商拟 4500 万收购贝拉维拉 100% 股权》，2022 年 8 月 19 日，联商网
http://www.linkshop.com/news/2022492156.shtml?sf=wd_search
- 10 《国美零售关撤 35% 低效自营门店 亏逾 20 亿的资产将被剥离》，2022 年 8 月 22 日，联商网
<http://www.linkshop.com/news/2022492287.shtml>
- 11 《名创优品致歉：2023 年三月前完成“去日化”整改》，2022 年 8 月 18 日，联商网
<http://www.linkshop.com/news/2022492129.shtml>
- 12 《苏宁易家首店落地南京，计划未来三年开出 10000+》，2022 年 8 月 19 日，联商网
<http://www.linkshop.com/news/2022492162.shtml>
- 13 《喜茶布局婚庆市场，商业版图进一步扩张》，2022 年 8 月 23 日，联商网
<http://www.linkshop.com/news/2022492350.shtml>
- 14 《「超级猩猩」全国首家“超猩剧幕”旗舰店开幕》，2022 年 8 月 22 日，联商网
<http://www.linkshop.com/news/2022492279.shtml>
- 15 《宝宝树 X 尼尔森 2021 母婴行业报告 母婴市场洞察与前瞻看这里》，2022 年 8 月 25 日，时代财经
<https://baijiahao.baidu.com/s?id=1709072290608848127&wfr=spider&for=pc>
- 16 《磁力：2022 快手美妆行业数据报告》，2022 年 8 月 19 日，网易
<https://www.163.com/dy/article/HF30JQMK051998SC.html>

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.

Listed entities of the Group include Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.

© Copyright 2022 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.