

# China Retail & E-commerce Weekly Update



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## I. Sector Review

### Internet & E-commerce

#### **Tmall and partner brands incubate 750 new products with sales exceeding one million yuan in 2023**

In 2023, more than 120 brand owners partnered with the Tmall Product Innovation Centre (天猫新品创新中心) to incubate more than 4,000 new products, including more than 600 new products with a transaction volume of more than one million yuan, and more than 150 new products with a transaction volume of more than 10 million yuan. In other words, nearly 20% of the new products achieved sales of over one million yuan in the year. However, for brands developing new products through traditional methods, only 5% of new products achieved such a sales volume, and more than 70% of new products were withdrawn from the market within 18 months.<sup>1</sup>

#### **East Buy's net profit reaches 249 million yuan in six months to November 2023**

East Buy (东方甄选) recently released its interim results for the six months ending 30 November 2023. During the reporting period, the company's total revenue increased by 34.4% yoy to reach 2.8 billion yuan, while net profit was 249.2 million yuan. East Buy's GMV reached 5.7 billion yuan, with GMV from Douyin accounting for the majority. During the reporting period, the total number of paid orders for third-party products and self-operated products on Douyin was 59.6 million.<sup>2</sup>

#### **Douyin E-commerce's luxury goods GMV increases by 254% year-on-year in 2023**

According to Deloitte statistics, the proportion of Chinese luxury goods consumers using Douyin (抖音) has reached 73%. This group is highly active on Douyin and has high spending power, while also boasting a huge e-commerce audience. In 2023, the GMV of Douyin's e-commerce luxury goods segment increased by 254% yoy. As more and more luxury brands enter Douyin e-commerce, the Douyin platform has launched a luxury service provider competition to select the '2023 Luxury Star Service Provider' and '2023 Luxury High Potential Service Provider', with a total of eight providers selected.<sup>3</sup>

## Supermarkets & Hypermarkets

### Freshippo launches Chinese New Year food delivery service

Freshippo (盒马) recently launched a home delivery service for Chinese New Year dishes, as well as an express delivery service in its Hangzhou store. Industry analysts say that nearly 70% of users will choose to go home or travel for the Chinese New Year this year. Freshippo's Chinese New Year dishes this year include king crab, tiger crab and other large seafood. The dishes are specifically produced to improve flavour and make reheating easier.<sup>4</sup>

## Apparel

### Lululemon opens first standalone menswear store in China

Lululemon recently opened its first standalone men's clothing store in China at INDIGO Beijing, which is also the first of its kind within the Asia-Pacific region. This store is an expansion of the original INDIGO store, which is now split into separate men's and women's stores. In the past, men's products were mostly featured in special sections of Lululemon stores. In November last year, Lululemon launched its first menswear pop-up store in China in Shanghai in preparation for opening standalone stores. According to Lululemon's financial report, the company's net revenue in the third quarter of 2023 increased by 19% yoy to US\$2.2 billion, of which net revenue in the Chinese market increased by 53% yoy.<sup>5</sup>

## Home Products

### Miniso and Disney co-branded IP theme store opens in Wuhan

Miniso (名创优品) and Disney's joint IP theme store recently opened on Jiangnan Road in Wuhan. The store's exterior facade was designed by Disney, featuring iconic characters such as Mickey, Lotso, Stitch, and other well-known IP characters as the main visual elements. To date, Miniso has partnered with nearly 100 well-known IP partners around the world such as Disney, Sanrio, and Marvel, and has also incubated its own IPs such as DUNDUN Chicken, MINI FAMILY, and Chinese Panda.<sup>6</sup>

## Luxury

### **Cartier parent company's China revenue increases by 25% yoy in the December quarter**

On 18 January, Cartier's parent company Richemont Group released its financial results for its fiscal third quarter of 2023. In the three months ended 31 December, Richemont Group achieved 13% yoy sales growth within the Asia-Pacific market, driven by the Chinese market which grew by 25% yoy.<sup>7</sup>

### **Tod's Group's China sales increase by 24% yoy in 2023**

In 2023, Tod's Group's revenues amounted to 1.12 billion euros, rising 11.9% yoy. China market registered the fastest growth, with revenue rising more than 24% yoy to 350 million euros.<sup>8</sup>

## Food & Beverage

### **Heytea launches co-branded Chinese New Year collection with streetwear brand CLOT**

As the Chinese New Year approaches, Hey Tea (喜茶) has released new tea products and related merchandise in a collaboration with streetwear brand CLOT, incorporating traditional Chinese pattern designs with a dragon totem and red silk into the product packaging as well as launching various offline promotions. The latest holiday-themed series is not the first time the street fashion label has collaborated with Hey Tea. Last September, the two brands partnered to release an iced lemon tea called CLOTEA (凍凝茶) for CLOT's 20<sup>th</sup> anniversary.<sup>9</sup>

### **Moutai and Luckin team up to launch a chocolate drink**

On 22 January, Luckin Coffee (瑞幸咖啡) launched a liquor-flavoured chocolate drink, its second collaboration with Kweichow Moutai (贵州茅台). The launch is part of a Chinese New Year campaign, but demand has been lower than expected – especially compared to the previous Moutai latte collaboration which went viral last September and was sold out on the first day. Currently, the liquor chocolate can be ordered directly via the Luckin Coffee mini app, and there is no need to queue for the beverage.<sup>10</sup>

## Miscellaneous

### Suning.com plans to join 3,000 stores in Douyin and Meituan this quarter

Suning Retail Cloud (苏宁易购零售云) recently held a retail empowerment training conference, where it announced plans to invest 500 million yuan in consumer subsidies and carry out more than 50,000 consumption promotion activities in 2024. In the first quarter, it will enter 3,000 stores in Douyin (抖音) and Meituan (美团). In recent years, Suning.com has accelerated its local life business, and has now landed on Meituan, Ele.me (饿了么), and Douyin's local life service platforms.<sup>11</sup>

### Xianyu opens its first offline second-hand marketplace

Alibaba's (阿里巴巴) second-hand trading app Xianyu (闲鱼) recently opened an offline marketplace in the Gongshu district of Hangzhou. The bricks-and-mortar flea market, which opened on 28 January, will allow local customers to sell their used items and purchase items from other second-hand sellers directly. Xianyu says the marketplace will accommodate digital products, outdoor sporting goods, clothing, and shoes, as well as luxury goods. Individuals can also list services such as running errands for others and walking dogs to earn extra money.<sup>12</sup>

## II. Market Overview

### Nielsen's report sheds light on China's consumers

Price sensitivity has been widespread in the consumer market over the past year, and consumer profiles are also changing. Nielsen's recently released *Prospecting into 2024 China FMCG Consumer Landscape* shows that based on the results of a survey in July 2023, the top concerns for Chinese consumers in the next six months include: economic downturn (30%), rising food prices (22%), and job security (19%). Nielsen identified five consumer groups based on different financial situations and consumption strategies. Two groups of people have changed the most, namely the 'rebounders', which corresponds to consumers who experienced a reduction in income or unemployment, but then returned to normal, whose consumption strategy is looking for affordable alternatives; and the 'laid-back' consumers who spend freely. According to the survey results, the proportion of the 'rebounders' increased significantly from 15% in January 2023 to 27% in July 2023. In contrast, the proportion of the laid-back group decreased from 29% to 15%. 'Rebounders' pay more attention to and will continue to increase 'self-care consumption' such as fresh food and health supplements, and this demand is much higher than that of other groups.<sup>13</sup>

### III. Policy Spotlight

#### **Draft of national standards for ready meal industry has been finalized**

According to media reports, the draft national standards for ready meals has been finalized, and they are expected to be ready within the next six months. The key highlight is that it prohibits the addition of preservatives and stipulates that cold chain transportation must be used. Industry analysts generally believe that this move will greatly increase entry barriers to the industry. It is also a positive response to last year's public opinion about serving ready meals in schools. The improvement and implementation of national standards for ready meals will promote the long-term and healthy development of the industry.<sup>14</sup>

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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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