China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Douyin E-commerce: Sports product turnover increases by 82% yoy

Douyin E-commerce (抖音电商) and Xinhua Finance recently released the *2024 Douyin E-commerce Sports Consumption Trend Report*, presenting sports-related content and relevant consumption trends. In the past year, sports consumption has achieved significant growth on the platform. The sales volume of sports products has increased, and turnover has increased by 82% yoy. The number of products, merchants and consumers have all increased to varying degrees. Among the product categories, sportswear has been the best-selling product. In addition, the cumulative length of Douyin E-commerce sports livestreams exceeded 35 million hours in the past year, a year-on-year increase of 49%. More and more sports creators and merchants have grown their presence on the platform. The number of livestream studios with a turnover of more than 10 million yuan has increased by 321% yoy, and the number of live broadcast studios with a turnover of more than one million yuan has increased by 106% yoy.[1]

Douyin E-commerce revises 'instant returns and exchange' service

Douyin E-commerce (抖音电商) recently revised the service specifications for its 'instant returns and exchanges' service, adding new regulations which took effect on 25 July. If the consumer has good shopping credit and the order value is under 10,000 yuan, the platform offers seven-day unconditional returns. If the item in question is available at the same price when the consumer initiates the exchange, they will be offered the instant returns/exchange service.[2]

Kuaishou begins testing generative AI platform Kling AI

Kuaishou (快手) recently unveiled a new artificial intelligence (AI) video generation model called Kling (可灵), which is now open for global users to test its capabilities. Since its release over a month ago, several iterations of Kling have been released. New upgrades include higher video quality and better modelling of complex motions. Kuaishou has stated that it will launch an exclusive membership system to provide corresponding higher-level functions for different members.[3]

Xiaohongshu sees 4.3x increase in the number of purchasing users over the past year

Xiaohongshu (小红书) recently hosted the 'link e-commerce partner conference' in Hangzhou. At the conference, Yin Shi, head of Xiaohongshu's e-commerce operations, revealed that in the past year, the number of Xiaohongshu e-commerce merchants with monthly sales exceeding five million yuan has increased by 3.5 times. At the same time, the number of users making purchases on Xiaohongshu has increased by 4.3 times. In addition, the proportion of searches with purchase intention reached 25%, which reflects the strong willingness of users to shop on the platform.[4]

Retail Logistics

Cainiao Express upgrades intra-city express delivery and launches in first batch of 20 cities

Cainiao Express (菜鸟速递) recently announced the upgrade of its intra-city express delivery in Guangzhou, Shanghai and Nanjing, with order placed in the morning guaranteed to arrive in the afternoon, priced at 50%-80% off compared to other courier services. An insider revealed that the first batch of 20 cities with upgraded express delivery will gradually be launched. Guangzhou's intra-city same-day delivery was launched on 11 July, covering the city's eight major districts. Orders placed before 14:30 will be delivered on the same day, and the minimum fee is only 6 yuan. Earlier, there were industry sources saying that Cainiao Express planned to enter the intra-city delivery field, and it has been piloted in Henan, Zhejiang, Jiangsu and other regions. In addition, Cainiao Express has also made high-profile expansions into the fresh food and 'campus delivery' markets this year.[5]

SF Intra-city expects net profit of 55 million yuan in 1H24

SF Intra-city (顺丰同城) recently released a positive profit alert. According to the announcement, SF Intra-city expects to achieve a net profit of not less than approximately 55 million yuan in the first half of 2024, an increase of more than 80% yoy. The announcement stated that SF Intra-city's performance growth is mainly due to the following aspects: Firstly, a more than a 30% year-on-year increase in order volume boosted revenue and further strengthened economies of scale and network effects; second, technology and lean management led to enhanced operational quality and efficiency, while maintaining gross profit margin and expense rate at a healthy level, which in turn improved profitability.[6]

Supermarkets & Hypermarkets

Yonghui Superstores to close three stores in Beijing

Yonghui Superstores (永辉超市) recently announced three upcoming store closures in Beijing. Its locations in Chaoyang Vanke Times Centre, Changping Longqi Plaza, and Shunyi New World Department Store have each begun clearance sales in preparation for their closures. Furthermore, Yonghui Superstores has also closed eight stores in Zhengzhou since the beginning of this year, accounting for 40% of the total number of stores in the region. Similarly, store numbers have been reduced in other cities such as Shanghai, Fuzhou, Chengdu, and Shijiazhuang.[7]

Luxury

LVMH launches first beauty retail company in China

LVMH's private equity firm, L Catterton, has established its first beauty retail company in China, named Mystique Beauty (Guangzhou) Limited, with a registered capital of 104 million yuan. The company will focus on the retail and wholesale of cosmetics. This move marks L Catterton's first entry into the Chinese beauty retail market. Last year alone, L Catterton made three beauty industry investments in China, targeting collagen restructuring, base makeup, and children's skincare.[8]

Food & Beverage

Naixue closes 48 self-operated stores in 2Q24

Naixue (奈雪的茶) recently disclosed its operating performance for the second quarter of 2024. During this period, the group opened 48 self-operated stores and closed 48 self-operated stores. As of 30 June 2024, the group operated a total of 1,597 self-operated stores, with an additional 297 franchised stores, which are mainly concentrated in middle-tier and low-tier cities. The announcement indicated that the scale of newly opened self-operated stores in 2024 will be lower than that of previous years. At the same time, there are plans to adjust or close some underperforming self-operated stores. Naixue stated that it has yet to see a significant recovery in demand during the quarter.[9]

Starbucks China partners with badminton brand YONEX in first ever sports collaboration

Starbucks China has teamed up with badminton brand YONEX to unveil a co-branded racket as part of Starbucks China's summer campaign. The exclusive partnership features Chinese badminton player Lin Dan showcasing Starbucks' effort to connect with Chinese sports enthusiasts. Available from 21 July, the co-branded racket is the YONEX lightning series racket. Starbucks has also launched a series of badminton related merchandise, including badminton-shaped cups and tableware, as well as sports towels and sports caps. Furthermore, Starbucks has also created two new beverages for the promotion: a sparkling wine-flavoured cold brew and butter beer-flavoured Mianyun Latte.[10]

Top tea brands collectively reduce prices as spending below 10 yuan increases

Top domestic tea brands such as Heytea (喜茶), Shuyi Shuyi Tealicious (书亦烧仙草), Good Me (古茗), ChaPanda (茶百道), and Mixue Ice Cream & Tea (蜜雪冰城) have recently reduced prices by adjusting their menus and issuing coupons, entering a period of competition within the 10-yuan price range. According to data from canyin88.com, from 2020 to 2023, the proportion of consumption below 10 yuan increased from 7.1% to 29.6% for new tea brands, and the proportion of consumption exceeding 20 yuan decreased from 32.7% to 3.6%. The once controversial 30-yuan-priced milk tea now seems to be a thing of the past.[11]

II. Market Overview

CCFA publishes list of top 100 Chinese supermarkets for 2023

The China Chain Store & Franchise Association (CCFA) recently released the *TOP100 China Supermarkets 2023. In 2023*, the total sales volume of the TOP100 supermarket enterprises was 868 billion yuan, with a total of 23,800 stores, which is 7.3% and 16.2% lower than the previous year's top 100 supermarket enterprises. On this year's list, there are seven companies with sales of more than 50 billion yuan, namely Walmart (China), Yonghui Superstores (永辉超市), Kangcheng Investment (China) (康成投资(中国)), China Resources Vanguard, Freshippo (盒马), Wumart (物美) and Lianhua Supermarket (联华超市). Among them, Walmart (China) ranked first, with sales of more than 120.2 billion yuan and 365 stores; Yonghui Superstore ranked second, with sales of more than 85.5 billion yuan and 1,009 stores.[12]

III. Policy Spotlight

Beijing releases 2024 cross-border e-commerce development project application guide

According to the Beijing Municipal Bureau of Commerce's recent notice on the release of the 2024 cross-border e-commerce development project application guide, in order to maximize the guiding role of fiscal funds, improve the service system of the China (Beijing) Cross-border E-commerce Comprehensive Pilot Zone, drive enterprises to use online channels to conduct cross-border transactions, and promote the long-term and healthy development of cross-border e-commerce. Beijing will support entities including cross-border e-commerce platforms and merchants, cross-border e-commerce service companies, etc., to further develop the industry; some individual projects will be supported with subsidies of up to one million yuan. Specific support directions include supporting the construction of cross-border e-commerce platforms; supporting the improvement of cross-border e-commerce warehousing and logistics service capabilities; supporting enterprises to build and operate cross-border e-commerce experience stores in the city; supporting enterprises to carry out cross-border e-commerce business, etc.[13]

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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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