

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Suning.com to open 550 new and renovated stores on 618, including seven Suning Yijia flagship stores

Suning.com (苏宁易购) will expand its physical retail presence during the 618 promotional period as the company plans to open and renovate 550 stores across the country, covering plaza stores and flagship stores, city flagship stores, shopping mall stores, community stores, and retail cloud stores in counties and towns. Suning Yijia (苏宁易家), a new business format focusing on 'in-home solutions', will set up seven flagship stores in Beijing, Shanghai, Nanjing, Wuhan, Zhengzhou, Hefei, and Changsha to provide users with a one-stop shopping experience for home appliances and decorations.¹

Internet & E-commerce

Dingdong Maicai suspends Chongqing and Chengdu business to reduce costs

Dingdong Maicai (叮咚买菜) recently announced that it would stop delivery services in Chengdu and Chongqing on 29 May 2023. In the announcement, the company stated that it will adjust its front-end warehouse operations in these areas in order to serve users more efficiently. Furthermore, several Dingdong Maicai locations have offered clearance discounts in recent days, such as '50% off' and '10 pieces for 99 yuan'. Several Dingdong Maicai employees working at the Chengdu location said that the company has made work adjustments as well.²

Kuaishou's 1Q23 e-commerce GMV up 28.4% yoy to 224.8 billion yuan

Kuaishou (快手) recently announced its financial results for 1Q23. During this period, the company's e-commerce GMV increased by 28.4% yoy to 224.8 billion yuan; its user base also reached a record high as the daily average users increased by 8.3% yoy to 374 million, while monthly average users increased by 9.4% yoy to 654 million. The average monthly number of new brands joining the platform increased by 30% yoy, while brands' self-operated livestreaming GMV increased by 70% yoy.³

Vipshop's 1Q23 revenue reaches 27.5 billion yuan and net profit up 70%

On 23 May, Vipshop (唯品会) released its financial results for 1Q23. Total net revenue during this period was 27.536 billion yuan, a year-on-year increase of 9.08%; non-GAAP net income was 2.1 billion yuan, a year-on-year increase of 45.8%; net income attributable to ordinary shareholders was 1.859 billion yuan, a year-on-year increase of 69.6%. The company's GMV in the quarter was 48.5 billion yuan, a year-on-year increase of 14.0%; the number of active customers was 43.8 million, a year-on-year increase of 4.0%; the number of Super VIP members increased by 15% yoy, making up around 42% of online sales. Total orders reached 184.4 million, up 10.8% yoy.⁴

Amazon suspends Appstore services in China

Amazon Appstore has sent an email to its customers, saying Amazon China will no longer provide app store services starting 17 July. The suspension of Amazon's Appstore services will not affect any of the company's business operations in China, including Amazon Global Store, Amazon Global Selling and Amazon's official website in China, Amazon.cn.⁵

Meituan's KeeTa app receives 1,500-2,000 orders on its first day of operations in Hong Kong

Meituan (美团) recently launched its sister app KeeTa in Hong Kong on 22 May. During the trial period, the app is only available in Mong Kok and Tai Kok Tsui, with plans to cover the rest of the city by late 2023. KeeTa has initially partnered with popular chain restaurants such as McDonald's, MX, KFC, Yoshinoya, Pacific Coffee, etc. As of 8PM on 22 May, KeeTa received around 1,500-2,000 orders in the Mong Kok area, in light with Meituan's expectations. The company expects to expand the app's coverage by next month.⁶

Meituan's 1Q23 revenue reaches 58.62 billion yuan and adjusted net profit is 5.49 billion yuan

Meituan (美团) recently released its financial results for 1Q23. During this period, the company's revenue was 58.62 billion yuan, a year-on-year increase of 26.7%. Its net profit was 3.36 billion yuan; adjusted net profit was 5.49 billion yuan. The revenue of the core local commerce segment increased by 25.5% yoy to 42.9 billion yuan, operating profit increased by 100.7% yoy to 9.4 billion yuan, and the operating margin increased to 22.0% from 13.8% in the same period in 2022.⁷

Taobao Live releases supporting policies for Guangdong livestreaming industry

At the recent China International Live E-Commerce EXPO, Taobao Live (淘宝直播) shared its supporting policies for the livestreaming industry belt and released the specific plan for Guangdong, which is one of the key provinces in its plan. After more than three months of trial operations in Shenzhen, Guangzhou, Zhaoqing, Foshan and other cities, the transaction scale of livestreaming stores has exceeded 100 million yuan. Taobao Live will now cooperate with the Guangdong government and livestreaming e-commerce associations to organize events, training sessions, marketing sessions, and benchmarking activities. In 2023, it will cultivate 5,000 new industry anchors, 2,000 livestreaming studios, organize 200,000 livestreams, and expect to reach 1.5 billion in transaction value.⁸

Suning.com and Ele.me establish a strategic partnership as 600 Suning.com stores join Ele.me

On 23 May, Suning.com (苏宁易购) announced that it had established a strategic cooperation with Ele.me (饿了么), becoming the first large-scale home appliances and consumer electronics chain brand to join the Ele.me platform. The first batch of 600 Suning.com stores in more than 150 cities across the country are now available on Ele.me. Consumers can search for 'Suning.com' on the Ele.me app and place orders for over 3,000 products such as mobile communications devices, digital computers, and household appliances, which can be delivered in as little as 30 minutes.⁹

Supermarkets & Hypermarkets

Walmart China's 1Q23 revenue up 28.3% yoy to US\$5.3 billion

Walmart recently released its financial results for its fiscal first quarter ended 28 April. During this period, Walmart China's net sales reached US\$5.3 billion, up by 28.3% yoy, its comparable sales grew by 25.5%, and e-commerce net sales grew by 54%.¹⁰

Apparel & Sports

Peacebird's April revenue reaches 541 million yuan as its net profit is 21 million yuan

In April 2023, Peacebird's (太平鸟) revenue reached 541 million yuan, a year-on-year decrease of about 32 million yuan; net profit attributable to shareholders of the company was 21 million yuan, a year-on-year increase of about 64 million yuan. Peacebird pointed out that profit growth was mainly due to a significant increase in retail discount rates, improved sales gross margins, and a year-on-year decrease in operating expenses.¹¹

Adidas Suzhou Automated Distribution Centre X begins trial operation

Adidas Suzhou Automated Distribution Centre X officially began trial operations on 19 May. With a total investment of 1 billion yuan and an area of 139,000 sqm, the fully automatic logistics warehousing and distribution centre can accommodate tens of millions of products, with maximum daily processing capacity exceeding one million pieces. 40% of its electricity supply comes from renewable sources, and it can deliver highly automated and intelligent warehousing and logistics. The opening of the centre marks a significant upgrade of Adidas' logistics operations, which will further strengthen the company's overall warehousing and distribution capabilities in the Greater China region and improve its operational efficiency.¹²

II. Market Overview

Digital China Development Report: China's digital economy ranked second globally in 2022

The Cyberspace Administration of China recently released the *Digital China Development Report (2022)* which points out that the digital economy has become an important driver for China's economic growth and transformation. In 2022, the scale of China's digital economy reached 50.2 trillion yuan, ranking second in the world, with a nominal growth rate of 10.3% yoy and accounting for 41.5% of China's GDP.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

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.

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