

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Walmart China's net e-commerce sales up 96% yoy in fiscal 3Q22

On 19 November, Walmart released its financial results for its fiscal 3Q22 ended 31 October. Walmart China's net sales increased by 18.8% yoy in the quarter, while comparable sales increased by 16.5% yoy. Sam's Club performed particularly well in the Chinese market, achieving double-digit growth in both comparable sales and membership with three new store openings in the quarter. Walmart China's net e-commerce sales also increased by 96% yoy.¹

New Hua Du intends to sell all of its retail business assets

On 24 November, New Hua Du (新华都) announced plans to sell all assets (except trademarks) and liabilities of its retail business in order to enhance its sustainable development capabilities and strategically transition towards online marketing. Currently, the buyer, transaction method and transaction price are still yet to be decided. As of 30 June, New Hua Du operated 75 supermarket stores and 6 department stores, and this sale reveals the company's intentions to divest its poor-performing business.²

Internet & E-commerce

Alibaba's revenue in fiscal 2Q22 falls short of expectations

On 18 November, Alibaba Group (阿里巴巴) released its financial results for fiscal 2Q22 ended 30 September. Its revenue was 200.69 billion yuan, an increase of 29% yoy but below market expectations of 206.17 billion yuan. Adjusted net profit fell 39% yoy to 28.52 billion yuan. During the 12-month period ended 30 September 2021, the global annual active consumers across the Alibaba ecosystem reached 1.24 billion, a quarterly increase of 62 million. Of which, 953 million consumers are from the Chinese market and 285 million are overseas consumers, with a quarterly net increase of 41 million and 20 million, respectively. Taobao Deals's (淘特) annual active consumers have exceeded 240 million.³

Vipshop's net revenue up by 7.5% yoy and GMV reaches 40.2 billion in 3Q21

On 18 November, Vipshop (唯品会) released its financial results for 3Q21. Its net revenue was 24.9 billion yuan, a 7.5% yoy increase from 23.2 billion last year. Its GMV was 40.2 billion yuan, a 5% yoy increase from 38.3 billion last year; gross profit was 4.8 billion yuan, compared to 4.9 billion in the same period last year. As of 3Q21, Vipshop has been profitable for 36 consecutive quarters. It had 43.9 million active users and its super VIP users increased by over 40% yoy, whose spending accounted for over one-third of the company's sales.⁴

Kuaishou's e-commerce GMV up 86.1% yoy to 175.79 billion in 3Q21

On 23 November, Kuaishou (快手) released its financial results for 3Q21. Its revenue was 20.5 billion yuan, a 33.4% yoy increase. Its net loss was 7.09 billion yuan (against market expectations of 8.627 billion yuan), an increase of 75.8% yoy. During this quarter, Kuaishou's total e-commerce GMV was 175.79 billion yuan, up 86.1% yoy from 94.46 billion yuan last year. The repeat purchase rate of the e-commerce business has increased to over 70%.⁵

JD.com's JOYBUY to transform into a cross-border B2B platform

On 25 November, JOYBUY, a cross-border e-commerce subsidiary under JD.com (京东), announced that it will transform into a cross-border B2B platform. In the meantime, it will shut down its operations at www.joybuy.com and www.jd.ru on 9 December and will terminate all partnerships with sellers on the platforms.⁶

Retail Logistics

Meituan partners with IDEA to explore low-altitude airspace logistics networks

The International Digital Economy Academy (IDEA), which focuses on the Guangdong-Hong Kong-Macao Greater Bay Area, has partnered with Meituan (美团) to establish the 'Meituan-IDEA Smart Urban Logistics Laboratory', where they will explore new models of cooperation and development in the fields of smart logistics such as drones and unmanned vehicles. The laboratory will engage in scientific research on topics such as 'building a smart simulation platform for urban low-altitude airspace economy', 'low-altitude airspace business infrastructure and standardisation', 'building a comprehensive demonstration site for urban low-altitude airspace logistics and delivery'. The two parties are committed to developing an urban low-altitude airspace logistics network offering '15-minute delivery within 3 kilometres', which will allow 'man-and-drone coordinated delivery' to become the new standard for last-mile logistics.⁷

SF Hainan International Fresh Port project passes completion checks, with an estimated annual output of 460 million yuan

SF Hainan International Fresh Port Project (顺丰海南国际生鲜港), located in the Airport Economic Zone of Jiangdong New District, Haikou, has passed the completion checks. The project covers an area of 201.5 mu (134,330 sqm), with a gross floor area of 75,634.73 sqm. SF Hainan International Fresh Port is the first private logistics project in the Jiangdong New District. The project is expected to have an annual output of 460 million yuan and an annual tax contribution of 50 million yuan; it is also expected to employ 2,000 people.⁸

Convenience Stores

Lawson to establish GBA headquarters in Guangzhou, with 1,500 new stores expected by 2028

On 24 November, Lawson announced that it had initiated its Guangdong-Hong Kong-Macao Greater Bay Area (GBA) headquarters project in Huangpu, Guangzhou. Lawson also plans to open 1,500 stores in the GBA by 2028. The company has been deeply involved in the Chinese market since 1996. In 2020, Lawson China achieved full-year profit for the first time, becoming the first Japanese-owned convenience store chain in China to record profits. At the end of 2020, the total number of Lawson stores exceeded 3,000, surpassing FamilyMart (全家) to become the number one Japanese-owned convenience store chain in China.⁹

Cosmetics

Florasis accuses Japanese company of plagiarism

Domestic cosmetics brand Florasis (花西子) recently issued a statement accusing Japanese company TEAM JOY, known for developing peripheral merchandise for the Chinese animated film White Snake, of copying their 'Love Lock Lipstick'. In its statement, Florasis emphasised that the lipstick in question is an original product for which the company filed an appearance patent in August 2020. Other domestic cosmetics companies have previously made similar statements, indicating that overseas brands imitating domestic products is becoming more common.¹⁰

Food & Beverage

The first Starbucks shared space concept store in Chinese Mainland opens in Shanghai

Starbucks China recently announced the opening of the first shared space concept store in the Chinese Mainland, which is located in the Raffles City office building in Shanghai. The store covers an area of about 200 sqm and has nearly 100 seats. The division and layout of the store are very different from other stores. It is divided into four areas: private paid-access meeting rooms, semi-open single-person office areas, sofa areas for group discussions, and leisure areas for short visits. Visitors can find a suitable space there for various purposes: business meetings, mobile offices, group collaborations, shopping breaks, and social gatherings.¹¹

II. Market Overview

Bain & Company, Fondazione Altgamma: China's personal luxury goods' market share to increase

Bain & Company and the Italian luxury goods association Fondazione Altgamma recently released the 20th edition of the *Bain & Company Luxury Study*. According to the report, the global luxury goods industry will rebound in 2021, with sales reaching 1.14 trillion euros, an expected 13%-15% increase compared to 2020. The global personal luxury goods market in particular has shown a V-shaped recovery and sales will reach 283 billion euros in 2021, a 29% increase over 2020 and a 1% increase over 2019. By geography, the share of China's personal luxury goods market in the global market has increased from 11% in 2019 to 21% in 2021, and this proportion is expected to reach 25%-27% by 2025. Furthermore, under-40s have become the main consumers of personal luxury goods and online sales have nearly doubled compared to 2019.¹²

Shanghai Municipal Administration for Market Regulation: 19.5% of products across 9 livestreaming e-commerce platforms fail inspection

The Shanghai Municipal Administration for Market Regulation recently inspected various products from nine livestreaming e-commerce platforms, including Douyin (抖音), JD.com (京东), Kuaishou (快手), Pinduoduo (拼多多), Tmall (天猫), etc. The inspection included 113 batches of products (e.g., infant clothing, apparel, silk scarves and shoes) across 96 brands, and 22 batches did not pass – a 19.5% fail rate – while another six batches were not labelled with the manufacturer's name. The failed batches involved two safety issues (pH values and rope regulations) and six functional issues (product instructions, logo, colour durability, fibre content, pilling, and outsole flexibility).¹³

iResearch: China's secondhand luxury market to exceed 200 billion yuan by 2025

iResearch (艾瑞咨询) recently released the *China's Idle High-end Consumer Goods Retail Industry Report*. According to the report, the total value of idle high-end consumer goods will continue to increase, and it is estimated to reach nearly 4 trillion in 2025. The idle high-end consumer goods retail market reached 50 billion yuan in 2020, and it is expected to exceed 200 billion yuan by 2025. As China's luxury goods consumption continues to expand and consumer attitudes continue to evolve, further development opportunity in the secondhand luxury market will emerge. The experience of secondhand luxury retailers in non-standardized product categories will allow them to expand their operations to standardized products and broaden their offerings. The industry overall will also become more concentrated.¹⁴

III. Policy Spotlight

Livestream host KOLs Xueli and Lin Shanshan fined for tax evasion

On 22 November, according to the Hangzhou Taxation Bureau, livestream host KOLs Zhu Chenhui (Xueli 雪梨) and Lin Shanshan will be subject to tax recovery, late charges and fines of 65.6 million yuan and 27.7 million yuan respectively for tax evasion. According to the Hangzhou Taxation Bureau, investigations and penalties for tax evasion will be increased in order to create a fair and competitive tax environment, and to actively promote the long-term, standardised and healthy development of the entertainment industry. The two KOL's Taobao livestreaming studios have also been blocked, and users cannot search for them.¹⁵

MOFCOM to further develop cross-border e-commerce pilot zones

On 24 November, the Ministry of Commerce (MOFCOM) issued the *14th Five-Year Plan for the High-Quality Development of Foreign Trade*, which proposed the further development of comprehensive cross-border e-commerce pilot zones. It also called for the following actions: optimising the supervision of cross-border e-commerce retail imports and guiding regularized industry development; exploring innovations across cross-border e-commerce transaction processes; supporting e-commerce companies in building a flexible, responsive supply chain; establishing a marketing system that is integrated between online/offline and domestic/international settings; promoting the construction of infrastructure such as cross-border e-commerce online integrated service platforms; and strengthening various leading cross-border e-commerce companies and industrial parks.¹⁶

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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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