

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

JD.com launches ‘New Small and Medium Merchant Growth Plan’

JD Merchant Growth Centre (京东商家成长中心) recently launched the ‘New Small and Medium Merchant Growth Plan’, which focuses on the growth of new merchants and the traffic problems that all merchants have faced. This plan helps new platform-open-plan (POP) merchants with free traffic boosts and promotion subsidies during the critical period over the first three months of operations. There are three types of POP stores: personal stores, individual household stores, and corporate stores. Personal and individual household stores participating in this plan have lower participation thresholds and more opportunities to receive promotion subsidies.¹

Alibaba develops AI e-commerce tool ‘Huiwa’

Alibaba (阿里巴巴) has reportedly established an AI e-commerce team and is currently developing an AI e-commerce tool called ‘Huiwa’ (绘蛙) for merchants and influencers. This product will improve the efficiency of Taobao, Tmall merchants and influencers in generating marketing copy, training exclusive AI models, etc., helping them popularize products more efficiently. The developer of ‘Huiwa’ is Hangzhou Lianfan Information Technology Co Ltd., which is 100% owned by Alibaba Group. At the moment, Huiwa’s tools are now being tested by selected Taobao merchants.²

East Buy joins Pinduoduo

East Buy (东方甄选) recently opened a Pinduoduo (拼多多) online store, mainly selling agricultural products – the store currently features 1,926 items. The East Buy Pinduoduo store reportedly sells the same products as on the East Buy app – however, not all of them are available on the Pinduoduo platform. Overall, East Buy continues to expand its business scope. Before the Chinese New Year, East Buy livestreaming host YoYo announced that the company will begin selling private label clothing through a new account, which will mainly focus on new Chinese styles and basic styles (such as T-shirts, jeans, etc.). The new account is expected to go online by late March or early April.³

Over 100 new spring products from domestic brands debut on Tmall

During 3-4 March, Tmall (天猫) partnered with 13 leading domestic brands including Forever (永久), Mao Geping Beauty (毛戈平), Mixue Bingcheng (蜜雪冰城), Mala Wangzi (麻辣王子), Tsingtao Beer, and Casarte (卡萨帝) to host a domestic brand showcase in Shanghai, launching more than 100 new spring products. Located at Shanghai INS New Park, the event included free offline exhibitions, where visitors could purchase the products directly through the Taobao app. This March, Tmall reportedly has 200,000 brand flagship stores launching tens of millions of new products for the new season. Tmall also provides cross-store discounts for consumers.⁴

JD.com's 2023 revenue up 3.7% yoy to 1.0847 billion yuan

JD.com (京东集团) recently released its financial results for the fourth quarter and full year of 2023. Net revenues for the fourth quarter of 2023 reached 306.1 billion yuan, an increase of 3.6% yoy. Net revenue for the full year of 2023 reached 1.0847 trillion yuan, an increase of 3.7% yoy. The company's core home appliance and electronics categories continued to outperform the industry, while the general merchandise category returned to a growth trajectory in the fourth quarter. For the full year of 2023, net product revenues increased by 0.7% yoy, while net service revenues increased by 17.8% yoy. Non-GAAP net income attributable to the company's ordinary shareholders for the fourth quarter of 2023 was 8.4 billion yuan; net income attributable to the company's ordinary shareholders for the full year of 2023 was 24.2 billion yuan.⁵

Bilibili's 4Q23 revenue increases by 3% yoy to 6.35 billion yuan

Bilibili (哔哩哔哩) recently released its financial results for the fourth quarter and full year of 2023. In the fourth quarter, its net loss shrank 13% yoy to 1.3 billion yuan, while revenue increased 3% yoy to 6.35 billion yuan. Annual advertising revenue jumped 27% yoy to 6.4 billion yuan, mainly thanks to better advertising product offerings and efficiency, while income from value-added services rose 14% yoy to 9.9 billion yuan, led by gains from live broadcasting and other value-added services; income from mobile games fell 12% yoy to one billion yuan. The company's full year revenue increased by 3% yoy to 22.5 billion yuan, but overall, the company posted a net loss of 4.8 billion yuan – narrowing by 36% yoy.⁶

Retail Logistics

JD Logistics' revenue reaches 166.6 billion and turns profit in 2023

JD Logistics' (京东物流) latest financial results show that in 2023, the company's total revenue reached 166.6 billion yuan, a year-on-year increase of 21.3%. Revenue growth was driven by increased revenue from integrated supply chain customers and other (external) customers, as JD Logistics continues to reduce its dependence on JD Group (京东集团). In 2023, JD Logistics' revenue from JD Group was 50.063 billion yuan, accounting for only 30.0% of total revenue, compared to 35.1% in 2022; revenue from other customers was 116.561 billion yuan, accounting for 70.0% of total revenue.⁷

Apparel

Anta to open first sneaker collection store in Beijing

Anta Group's (安踏) first sneaker collection store, Anta Sneakerverse (ATSV), has landed in Beijing's Taikoo Li, and is set to open on 23 March. As Anta's inaugural integrated retail space focusing on sneakers, ATSV will bring together the brand's products, targeting a broad audience of young consumers. In the future, ATSV will leverage the 'white label' and 'black label' collections to employ a differentiated strategy for market segmentation. The white label series will focus on a select number of stores, creating more distinctive retail spaces, while the black label series will have a wider store distribution.⁸

Sandro and Maje to reduce stores in China

The French SMCP Group, which owns Sandro, Maje and Claudie Pierlot, recently released its financial results for 2023. Sales increased slightly by 4% yoy to 1.231 billion euros. The Asia-Pacific market, including China, recorded the highest sales growth of 10.6% yoy, with sales revenue of 255 million euros. However, the company's performance in the Chinese market fell short of expectations. In its latest transformation plan, SMCP Group plans to reduce the size of its sales network in the Chinese market by approximately 15%. Currently Sandro and Maje have more than 90 stores in the Chinese mainland, while Claudie Pierlot has five stores.⁹

Uniqlo says it will continue to invest in China

On 7 March, Wu Pinhui, chief marketing officer of UNIQLO Greater China, stated that UNIQLO will continue to invest in the Chinese market in 2024, open new stores throughout the year, including large stores in landmark business districts of first-tier cities and new first-tier cities, and continue developing its experiential communication model. Uniqlo significantly increased its investment in the womenswear market in 2023, which is reflected in the stylized design of select products, stronger designs, frequent designer collaborations, and an increase in footwear and bag products. Tadashi Yanai, founder and chief executive of Fast Retailing, hopes to reduce the brand's over-reliance on the Chinese market, but the performance of the Southeast Asian market that he hopes to strengthen fell short of expectations.¹⁰

Food & Beverage

Yum China's net profit surges 87% yoy in 2023 with 1,697 net new store openings

Yum China recently announced its 2023 financial results. The company's total revenue reached US\$10.978 billion, a year-on-year increase of 14.73%. Net profit reached US\$827 million, a year-on-year increase of 87.1%. Operating profit increased 76% to US\$1.1 billion, and restaurant margin improved to 16.3%. Throughout the year, the total number of Yum China stores increased by 13%, with 1,697 net new stores, bringing the total number to 14,644, covering more than 2,000 cities and towns. System sales (including company-owned and franchise restaurants) increased 21% yoy. Digital sales exceed US\$9.2 billion, accounting for 89% of total company sales. Total membership of KFC and Pizza Hut exceeds 470 million, and member sales account for 65% of all system sales. The company plans to add 1,500 to 1,700 stores in 2024, with capital expenditures expected to total US\$700 million to US\$850 million.¹¹

Tim China CEO announces three major objectives for 2024

The CEO of Tims China, Lu Yongchen, recently announced the company's three major objectives for 2024: exceed 1,000 stores in the first half of the year; continue to improve the competitiveness of the 'coffee + hot food' dual-category products; build up the small stores model and further promote the franchise business. Lu mentioned that the key to success in dual-category operations is to solve the three major pain points of product selection, (local) innovation and pre-production. In reference to the current coffee industry, Lu said that good brands will successfully maintain their business and ultimately enjoy a healthier market.¹²

II. Market Overview

Douyin publishes 2024 industry fashion trends

Douyin's (抖音) recently published *2024 Apparel Industry Trend Report* identifies eight major trends in the apparel industry in 2024: downtown walk, new vintage, minimal art, cyber techwear, neo-Chinese, mixture fashion, geeky casual, and nature illusion. During December 2023, the daily average product shelf GMV of the apparel industry increased by 146% yoy, of which Douyin Mall GMV increased by 150% yoy, search GMV increased by 148% yoy, and product cards GMV increased by 137% yoy. The content playback volume of all categories in Douyin's apparel industry has increased year-on-year, and there is strong demand for content about underwear and pantyhose, clothing accessories, women's clothing, and men's clothing. The current content volume of women's shoes is relatively small, but its growth rate is high, making it a high-potential track in the apparel industry.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.

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