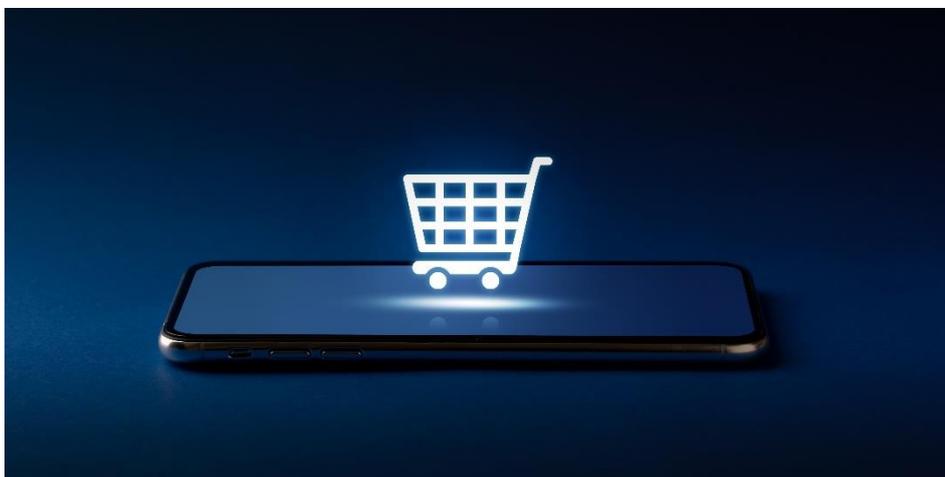


China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Meituan livestreaming business launches in seven cities

Meituan (美团) recently unveiled various new businesses, including its new food delivery platform KeeTa and its livestreaming business 'Shenqiangshou' (神抢手). As part of the international expansion of Meituan, KeeTa was launched in Hong Kong in May this year and is expected to cover the entire Hong Kong region by the end of the year. Meituan's livestreaming business is also developing rapidly. At the end of March this year, Meituan launched the 'Shenqiangshou' livestreaming business, which is now available in seven cities including Beijing and Shenzhen. It includes three sections: livestreaming, flash sales, and information flow.¹

Taobao Maicai prepares to open in Shanghai

Taobao Maicai (淘宝买菜) is currently preparing to open in Shanghai. Information from a third-party recruitment platform shows that Taobao Maicai is recruiting local business development employees in Shanghai. The primary requirement for the job is to 'be responsible for the development and promotion of the Taocaicai team'.²

Kuaishou E-commerce launches 'free instant store openings'

Kuaishou E-commerce (快手电商) recently launched a 'free instant store opening' policy for new merchants. According to the policy, new merchants can be exempted from their deposit requirement within 90 days, get registration approval from the platform within four hours, and complete the store opening in one hour. This lowers the threshold for merchants to enter the platform and reduces their costs. During the trial operation period, merchants' revenue can also be transferred into their deposit for future operations.³

Supermarkets & Hypermarkets

Freshippo partners with 17 fruit merchants to expand its global supply chain

Freshippo (盒马) recently reached partnerships with 17 world-leading fruit merchants to grow its global fresh produce supply chain, which feeds the platform's online and physical stores across China. The partnerships include agreements with Garces Fruit, Chile's largest exporter of cherries, and Sunkist Growers, the world's largest fruit and vegetable cooperative. Over the past three years, Freshippo has reportedly achieved annual growth of 30% in its total fruit imports and become one of the country's largest supermarket chains.⁴

Freshippo plans to build 1,000 Hema villages in the next 10 years

At the recent 2023 China E-Commerce Conference, Zhang Xinyu, deputy general manager of Freshippo (盒马) Beijing, said that Freshippo has been exploring a new make-to-order farming model – ‘Hema Village’ (盒马村) in recent years. This model uses digital technology to connect upstream and downstream agricultural industry chains, guiding the entire chain of agricultural production, processing, transportation, and sales, so as to achieve sales-based production, form a stable supply relationship with Freshippo, and develop digital agriculture. As of this May, there were 185 Hema villages across the country, 41 of which are organic Hema villages. Freshippo plans to build 1,000 Hema villages over the next decade.⁵

Cosmetics

Estée Lauder invests in domestic beauty brand Codemint

New Incubation Ventures, Estée Lauder China’s early investment and incubation department, has recently invested an undisclosed amount in domestic beauty brand Codemint, which was founded in 2021 by Internet celebrity Grace Chow. The brand’s signature products include face masks and liquid foundation, and its production is handled by Cosmax (科丝美诗) – an OEM for notable brands such as L’Oreal and Perfect Diary (完美日记).⁶

Food & Beverage

Luckin Coffee’s Baijiu latte sales exceed 100 million yuan in one day

On 4 September, Luckin Coffee (瑞幸咖啡) launched a baijiu-infused latte in collaboration with Kweichow Moutai. The brand sold more than 5.42 million baijiu-infused lattes on the first day of its launch, setting a new sales record for Luckin Coffee at over 100 million yuan. Moutai plans to make the beverage a regular offering after it became a viral sensation.⁷

General Retail

Suning.com to reopen over 300 stores in September

In response to the Ministry of Commerce’s ‘Home Renovation Shopping Season’ activity and boost home goods consumption, Suning.com (苏宁易购) will reopen more than 300 newly-renovated stores in September, including Suning’s flagship stores, Yijia Plaza, Retail Cloud stores and other formats. Suning.com will use this opportunity to increase discounts and improve its services to serve a diverse range of urban and rural consumers.⁸

II. Market Overview

Over 60% of listed supermarket companies see revenue decline in 1H23

According to the National Bureau of Statistics, China's supermarket retail sales fell by 0.4% yoy in the first half of 2023. According to the Linkshop Retail Research Centre, eight of the 13 listed supermarket companies that have announced their 2023 interim reports experienced year-on-year revenue declines, accounting for more than 60% of the total. Among them, BBK (步步高), which is facing liquidity issues, experienced the largest revenue decline, down 69.29% yoy. Four other companies, including Yonghui (永辉), Lianhua (联华), Beijing Jingkelong (北京京客隆), and Renrenle (人人乐), all experienced double-digit declines. In addition, in the first half of this year, seven of the 12 listed supermarket companies had a net decrease in stores.⁹

14 listed catering companies achieve growth in revenue and net profit in 1H23

According to the Linkshop Retail Research Centre, in the first half of 2023, 14 of the 16 listed catering companies in China achieved year-on-year growth in revenue and net profit, and no company experienced a year-on-year decline in revenue and net profit at the same time. In terms of revenue, 15 of the 16 listed catering companies experienced significant year-on-year growth. Only one company, Helens (海伦司), experienced a year-on-year revenue decline due to large-scale store closures. In terms of net profit, 15 of the 16 listed catering companies achieved year-on-year net profit growth or narrowed losses, while only Babi Food (巴比食品) experienced a year-on-year net profit decline.¹⁰

2,000 overseas brands open their first stores in China on Tmall Global in 1H23

Overseas brands are accelerating their entry into the Chinese market. In the first half of 2023, more than 2,000 overseas brands have entered Tmall Global (天猫国际) to open their first stores in China. Among them, the top five countries with the largest number of first stores are the US, Japan, South Korea, France, and Australia. The top three industries for overseas brands are healthcare, beauty, and personal care, accounting for 32%, 20% and 10%, respectively. Overseas brands offer the most products in nutritional supplements for the elderly, clean beauty and men's care.¹¹

III. Policy Spotlight

MOFCOM sets up 16 new e-commerce demonstration bases this year

Speaking during the China E-commerce Convention, a sub-forum at the ongoing 2023 China International Fair for Trade in Services in Beijing, Chen Chunjiang, assistant Minister of Commerce (MOFCOM), emphasized the importance of fostering a deep integration between e-commerce platforms and the real economy. Chen noted that in 2022, China's digital economy surpassed 50 trillion yuan for the first time, equivalent to 41.5% of China's GDP. E-commerce constitutes the largest and most extensive component within the digital economy. In order to further boost industry development, 16 more e-commerce parks have been listed as e-commerce demonstration bases this year, bringing the total to 170.¹²

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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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