

China Retail & E-commerce Weekly Update



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I. Sector Review..... 2

General Retail..... 2
Xinhua Department Store’s net profit up by 96.32% yoy in 1Q23 2

Internet & E-commerce 2
ByteDance launches lifestyle app Youshi 2
Douyin Lifestyle Services’ GMV increases by sevenfold as partnership stores exceed 2 million in 2022..... 2
JD Daojia to issue 60 million yuan in consumption vouchers in Shenzhen..... 3

Retail Technology 3
Volcano Engine release consumer cloud industry solutions 3

Retail Logistics..... 3
SF’s operating income reaches 61 billion yuan as net profit up by 68% yoy in 1Q23. 3
Cainiao and L’Oréal Group expand partnership to grow a sustainable supply chain.. 4

Supermarkets & Hypermarkets 4
Alibaba subsidiary Caicai Supermarket increases registered capital to 111 million yuan 4

Apparel..... 4
SHEIN implements warehouse carbon emission reduction project 4

Cosmetics 5
Tmall’s beauty segment: Turnover of 163 products exceeds 100 million yuan in 2022 5

II. Market Overview 5
MOFCOM: China’s cross-border e-commerce has grown nearly 10 times in five years and maintains momentum through 1Q23 5
Total retail sales of cosmetics up 5.9% yoy to 104.3 billion yuan in 1Q23..... 5
Tmall Supermarket and Kantar jointly publish the White Paper on New Trends in Tmall Supermarket Consumption..... 6

References (in Chinese) 7

I. Sector Review

General Retail

Xinhua Department Store's net profit up by 96.32% yoy in 1Q23

Xinhua Department Store (新华百货) recently released its financial results for 1Q23. During the quarter, Xinhua Department Store's operating income was 1.842 billion yuan, a year-on-year increase of 6.96%; the net profit attributable to shareholders of the company was 83.8182 million yuan, a year-on-year increase of 96.32%. In terms of business format, the operating income of department stores, supermarket chains, and electrical goods chains were 274 million yuan, 1.238 billion yuan, and 316 million yuan respectively, a year-on-year increase of 1.59%, 8.06%, and 7.05% respectively. During the quarter, the company strengthened management, reduced costs and increased efficiency while improving operating capabilities, which all contributed to its strong performance. In 1Q23, Xinhua Department Store opened eight new supermarket stores and closed three stores; it currently operates a total of 327 stores.¹

Internet & E-commerce

ByteDance launches lifestyle app Youshi

ByteDance (字节跳动) recently upgraded and renamed the original Toutiao Search (头条搜索) app as Youshi (有柿), a community-based platform based on sharing of user experiences. According to the official introduction, Youshi allows users to share and discover genuine experiences such as food guides, lifestyle content, and practical skills. Industry insiders noted its similarities to another popular lifestyle app known as Xiaohongshu (小红书).²

Douyin Lifestyle Services' GMV increases by sevenfold as partnership stores exceed 2 million in 2022

According to the recent 2023 Douyin Lifestyle Service Ecosystem Partner Conference, Douyin Lifestyle Services' (抖音生活服务) GMV increased by seven times from 2021 to 2022. Douyin Lifestyle Services currently operates over two million stores covering more than 370 cities. The number of service providers increase by four times between the first and second half of 2022. At the conference, Douyin also launched its official partner platform which integrates service providers, institutions, and merchants, allowing them to join the ecosystem efficiently.³

JD Daojia to issue 60 million yuan in consumption vouchers in Shenzhen

Shenzhen will host the fifth 'High Quality Brand Online Shopping Festival' from 28 April to 12 May. The festival features five themed activities, and over 20 e-commerce platforms and brands have launched various online and offline promotion activities. As a participating merchant, JD Daojia (京东到家) will issue consumption vouchers worth a total of over 60 million yuan. Shenzhen citizens can access these vouchers from 22-30 April, and each person can receive a coupon package with a maximum value of 3,000 yuan per day. For this event, JD Daojia has partnered with Walmart, Yonghui Supermarket (永辉超市), China Resources Vanguard (华润万家), Rainbow Supermarket (天虹超市) and other brands, covering the following categories: supermarkets and convenience stores, fresh produce, alcohol and beverages, daily necessities, and mobile and digital products.⁴

Retail Technology

Volcano Engine release consumer cloud industry solutions

ByteDance's (字节跳动) cloud service platform Volcano Engine (火山引擎) recently released its first consumer cloud industry solution at the recent Spring 2023 FORCE Conference. The solution is structured around three efficiency-improving cloud services (i.e., operation efficiency, store channel efficiency, and product growth efficiency) and one digital cost reduction cloud service. The three efficiency-improving services will help merchants integrate organic marketing strategies to encourage repurchase, improve offline business capabilities through targeted content, and help brands create bestselling products, respectively; the digital cost reduction cloud service helps merchants reduce infrastructure costs by leveraging Volcano Engine's technical capabilities and ensuring business security and stability.⁵

Retail Logistics

SF's operating income reaches 61 billion yuan as net profit up by 68% yoy in 1Q23

SF Holdings (顺丰控股) recently released its financial results for 1Q23. During this period, the company achieved operating income of 61.048 billion yuan; net profit attributable to shareholders of the company was 1.720 billion yuan, a year-on-year increase of 68.28%; the net profit after deducting non-recurring gain or loss was 1.517 billion yuan, a year-on-year increase of 66.39%. In this period, SF's express delivery business volume reached 2.888 billion tickets, an increase of 18.23% year-on-year.⁶

Cainiao and L'Oréal Group expand partnership to grow a sustainable supply chain

Cainiao (菜鸟) and L'Oréal Group recently held a strategic cooperation meeting, where the two parties agreed to jointly explore and improve end-to-end supply chain efficiency, upgrade consumer experiences, and expand their green supply chain. The two companies will continue to expand their scope of cooperation in warehousing and distribution integration, including Cainiao's direct distribution business, economical express delivery, and innovative cooperation in green technology. Cainiao will continue to leverage its strengths across industrial Internet, technology, and green logistics, and continue to provide L'Oréal with integrated supply chain solutions covering both online and offline settings.⁷

Supermarkets & Hypermarkets

Alibaba subsidiary Caicai Supermarket increases registered capital to 111 million yuan

Shanghai Caicai Supermarket Co. (上海菜菜超市有限公司) recently increased its registered capital from 10 million yuan to 111 million yuan. The company, which is wholly owned by Alibaba (阿里巴巴), was established in January 2021 and its legal representative is Chen Tongtong. Its business scope includes food products, health complements, wine and alcohol, food delivery services, e-commerce, entertainment/amusement park equipment, etc.⁸

Apparel

SHEIN implements warehouse carbon emission reduction project

Fast fashion brand SHEIN has been implementing a warehouse carbon emission reduction project, aiming to cut down on hundreds of tons of greenhouse gas emissions by reducing the use of disposable plastic lunch boxes in warehouses, while also promoting industrial waste recycling and zero-landfill objectives. Since April 2022, SHEIN warehouses have cut down on 2.2 million disposable plastic lunch boxes and replaced them with about 1.19 million recycled metal dinner plates and recyclable lunchboxes. Furthermore, by cooperating with third-party recycling organizations, SHEIN is improving the way industrial waste is sorted and recycled in its warehouses, reducing the total amount of waste incinerated by separating single-use waste from recyclables. As of December 2022, the project has separated 75.4% of recyclable industrial warehouse waste for recycling and reuse, while the rest has been kept out of landfills. SHEIN plans to roll out industrial waste management initiatives to all warehouses in 2023.⁹

Cosmetics

Tmall's beauty segment: Turnover of 163 products exceeds 100 million yuan in 2022

Tmall's beauty segment (天猫美妆) recently announced three core strategy upgrades this year: increasing its new products to achieve brand growth; creating new trends in beauty technology and make it the first choice for efficient marketing and operations; and building a content ecosystem to help merchants further improve their private domain customer retention and conversion capabilities. In 2022, Tmall's beauty segment had 25 brands with a turnover of over 1 billion yuan, 201 brands with a turnover of over 100 million yuan, 186 new brands with a turnover of over 10 million yuan, 163 individual products with a turnover of over 100 million yuan, and 398 products with a turnover of over 10 million yuan.¹⁰

II. Market Overview

MOFCOM: China's cross-border e-commerce has grown nearly 10 times in five years and maintains momentum through 1Q23

According to Li Xingqian, director of the Foreign Trade Department of the Ministry of Commerce (MOFCOM), more and more global consumers have become accustomed to online shopping over the past three years – through cross-border e-commerce platforms, everyone can shop internationally without leaving home, and cross-border e-commerce development is a top priority for most countries. According to the World Trade Organization, global B2C cross-border e-commerce will maintain an annual growth rate of 27% until 2026. In recent years, China's cross-border e-commerce industry has maintained rapid development, growing nearly tenfold in five years. It has maintained this rapid growth momentum in the first quarter of 2023.¹¹

Total retail sales of cosmetics up 5.9% yoy to 104.3 billion yuan in 1Q23

Last year's COVID-19 outbreaks negatively affected the performance of domestic beauty companies, leading to the first drop in total retail sales of cosmetics in ten years. However, with consumption picking up this year, both online and offline cosmetics sales have shown signs of recovery. According to the National Bureau of Statistics, in 1Q23, total retail sales of consumer goods reached 11.4922 trillion yuan, a year-on-year increase of 5.8%. Among them, total retail sales of cosmetics reached 104.3 billion yuan, a year-on-year increase of 5.9%. In March, total retail sales of cosmetics reached 39.3 billion yuan, a year-on-year increase of 9.6%.¹²

Tmall Supermarket and Kantar jointly publish the White Paper on New Trends in Tmall Supermarket Consumption

Tmall Supermarket (天猫超市) and Kantar recently released the *White Paper on New Trends in Tmall Supermarket Consumption*, focusing on consumer trends across nine daily product categories. According to the white paper, young people are economically independent, and they enjoy the freedom of living alone. They brew coffee, drink tea, watch movies, and hang out with friends at home. They have colourful lives and are willing to invest in their hobbies. 52% of this group keeps pets, especially cats, and are responsible pet owners. 42% of this group are eager to travel and experience nature, and are willing to shop for food and outdoor goods accordingly.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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