

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## General Retail

### Watsons joins the metaverse by launching VR playgrounds in Asia

Watsons recently announced the launch of their 'VR Get Active Park' virtual playgrounds in Thailand, Malaysia and Taiwan, with another location opening in Hong Kong this February. A virtual playground includes a game zone, exercise arena, virtual Watsons store and reward station, creating an immersive experience in the virtual world that promotes active lifestyles and helps users maintain physical and mental health at home. Customers can walk through the virtual playground, play fitness games, exercise with virtual trainers, learn health tips, and redeem rewards through sharing content.<sup>1</sup>

## Internet & E-commerce

### JD.com's private brand strategy for 2022: Focus on J.Zao and further develop the Huixun brand

JD.com (京东) recently released its 2022 strategy for private brand business, which has been upgraded to an independent business unit within JD.com. In the future, the private brand business will focus on building its lifestyle brand J.Zao (京东京造) while incubating its full-category Huixun (惠寻) brand targeting third- to fifth-tier cities.<sup>2</sup>

### MIIT approves the senior version of 217 websites and apps

On January 20, China's Ministry of Industry and Information Technology (MIIT) announced the first batch of 217 websites and apps that have completed elderly-friendly transformations at a press conference. JD Daojia (京东到家), WeChat (微信) and Douyin (抖音) were among the first batch of 43 transformed elderly-friendly apps.<sup>3</sup>

### Taobao launches interest-oriented community app 'Yousha'

Taobao (淘宝) recently launched the 'Yousha' (友啥) app, an interest-oriented community app that can generate organic consumer demand. The app is positioned as a hub for trendy products. Users with similar interest can gather on the app to socialize and share product recommendations with each other. The main functions of the Yousha app are: 'Homepage' where you can see product recommendations, and 'Research Hub' which is both a social circle and personal page.<sup>4</sup>

### **Self-operated GMV of physical goods merchants on WeChat mini programs up by 100% yoy in 2021**

The WeChat (微信) Mini Program team recently released their retail results: The self-operated GMV of physical goods merchants on mini programs increased by 100% yoy in 2021, and many verticals have maintained high growth. Among them, in the field of fast-moving consumer goods (FMCG), more than 100 leading FMCG brands have connected millions of small stores through B2b mini programs in the past year. WeChat data also shows that in 2021, the number of users who placed orders in community group buying mini programs increased by 233% yoy, and the number of orders placed per user also increased by 49% yoy. The pre-order and self-pick model of supermarket mini programs enjoyed rapid growth. In-store self-pickup GMV of a certain supermarket chain increased by 186% yoy in 2021, while average revenue per user (ARPU) increased by 68% yoy.<sup>5</sup>

### **WeChat personal chats now support direct purchase of Taobao products**

WeChat (微信) personal chats now support sharing and opening Taobao (淘宝) product links, and users can complete the purchase without leaving the app. When a user shares a Taobao product link in a private message on WeChat, the app directly displays the link and product description, with a special reminder to 'Click the link to open'. If the user selects 'Purchase', they can submit the order after entering their login details.<sup>6</sup>

### **Meituan opens up e-CNY payment channels for all offline consumption scenarios**

Meituan (美团) recently announced that it has opened up e-CNY payment channels for all of the 200+ offline consumption scenarios on its platforms, including catering, takeaway, fresh food retail, shared bicycles, Meituan Taxi, hotel, tourism, movies, leisure and entertainment. Users can pay through e-CNY and receive exclusive consumption subsidies when shopping for fresh food, taking a taxi or ordering movie tickets. This is also the first time that e-CNY has reached full payment coverage within a local lifestyle services platform.<sup>7</sup>

### **Missfresh tests livestream shopping and delivery in partnership with Douyin**

Missfresh (每日优鲜) and ByteDance's Ocean Engine (字节跳动巨量引擎) have recently begun testing delivery services for livestream shopping on Douyin app. The main product categories are fresh ingredients, perishables and beverages. After consumers place an order via Douyin livestream studio, their orders can be delivered to home in as fast as 30 minutes. The service will be tested in Shanghai and Beijing before expanding to another 15 first- and second-tier cities including Guangzhou, Shenzhen, Tianjin, Hangzhou, etc. Missfresh also plans to launch more private-label products on Douyin in the future.<sup>8</sup>

### **Xiaohongshu launches digital collectible platform ‘STEP INTO R-SPACE’**

Content-sharing social platform Xiaohongshu (小红书) recently launched a digital collectible platform called ‘STEP INTO R-SPACE’ alongside dozens of digital collectibles. The platform was developed by Re Zhong Zi Studio (热中子工作室), a subsidiary of Xiaohongshu. Compared to the digital collectibles developed by other domestic platforms, most of Xiaohongshu’s digital collectibles come with their physical counterparts. Therefore, in addition to their digital collectible online, users also have a real-life collectible such as a painting, statue, doll, etc.<sup>9</sup>

### **ByteDance tests its first metaverse social app ‘Party Island’**

ByteDance (字节跳动) is reportedly testing a Metaverse social app called ‘Party Island’ (派对岛). This is the first metaverse social product launched by ByteDance, following in the footsteps of another Internet giant Baidu’s ‘Xi Rong’ (百度希壤). ‘Party Island’ is a real-time virtual community, and users can register through their Douyin account and phone number. Since it is currently in the testing stage, an invitation code is required to enter the app. According to PricewaterhouseCoopers, the Metaverse-related economy will enjoy substantial growth, and the market size is expected to reach US\$1.5 trillion by 2030.<sup>10</sup>

## **Retail Logistics**

### **Cainiao has built 20,000 sqm of ‘egg warehouses’ for recycling parcel boxes**

Cainiao (菜鸟) has built ‘egg warehouses’ (鸡蛋仓) in Handan, Hebei; Weifang, Shandong; and Jingshan, Hubei. The egg warehouses have a total area of 20,000 sqm and a daily production capacity of 3 million eggs. According to a company spokesperson, their main purpose is to support green express delivery. From 15 January, consumers can participate in parcel boxes recycling activities at Cainiao Posts every day to collect eggs.<sup>11</sup>

### **Fengniao Technology has obtained a commercial trial operation license for regional logistics drones**

On 25 January, Fengniao Technology (丰鸟科技), a large-sized-drone company under SF Express (顺丰), obtained a business license and a trial operation license for its logistics drones, issued by the Civil Aviation Administration of China. This makes Fengniao Technology the first company in the country that can operate regional logistics drones with large payloads and long endurance in specific settings. It has also become the first large-sized-drone company in the world to use a scenario-specific operation risk assessment to obtain regulatory approval for commercial trial operations of regional logistics.<sup>12</sup>

## Food & Beverage

### Naixue's Tea begins offering Chinese dim sums

Naixue's Tea (奈雪的茶) recently announced the launch of over 20 new Chinese dim sums in its 'Naixue Dream Factory' stores, six of which are launching nationwide. The company's mini app now has a 'new Chinese dim sums' category, and the products include sesame crisps, crispy pork belly, mochi, etc. The price range of these items is 6-30 yuan each, and they can be bought in bulk or by piece. Consumers can also order the Chinese dim sums through the Meituan and Ele.me takeaway platforms. However, Naixue's flagship stores on Tmall and JD.com have not yet listed these Chinese dim sums.<sup>13</sup>

## II. Market Overview

### Bain: China's luxury goods consumption reaches 471 billion yuan in 2021

Bain & Company recently released the China Luxury Report 2021, which shows that the growth rate of China's luxury goods market slowed from 48% in 2020 to 36% in 2021, reaching a total value of nearly 471 billion yuan. The report also predicts that the luxury market growth rate will further slow down in the first half of 2022, but China is still expected to become the world's largest luxury goods market in 2025. The report also summarizes the three major trends shaping the future of China's luxury goods market: Hainan offshore duty-free shopping, further digitalization, and continued repatriation of consumption to the domestic market.<sup>14</sup>

## III. Policy Spotlight

### Beijing Municipal Bureau of Commerce to encourage enterprises to promote online consumption, with a maximum subsidy of 20 million yuan

The Beijing Municipal Bureau of Commerce recently issued the *Notice on Encouraging Online Consumption Promotion Activities in 2022 to Cultivate and Expand the Online Consumer Market*. The notice stated that enterprises are encouraged to actively carry out online consumption promotion activities, expand online sales channels and increase the scale of online sales. Furthermore, the Bureau will provide financial support to eligible enterprises. For wholesale and retail enterprises that carry out online retail business, the maximum subsidy for a single enterprise shall not exceed 20 million yuan. For Internet lifestyle service platforms, the minimum subsidy for a single enterprise is 50,000 yuan, and the maximum amount is 5 million yuan.<sup>15</sup>

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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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