China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Freshippo's annual GMV exceeds 55 billion yuan in fiscal 2023

Alibaba Group (阿里巴巴集团) recently released its annual report for the 2023 fiscal year ended 31 March 2023. During the 2023 fiscal year, the overall GMV of Freshippo (盒马) surpassed 55 billion yuan. More than 65% of the GMV came from online transactions. Among Freshippo's self-operated stores which have been in operation for one year or more, over 90% achieved positive cash flow during the period.[1]

New merchants joining Tmall up by 75% yoy in 2Q23

In the second quarter of 2023, the number of new merchants joining Tmall (天猫) increased by 75% compared to the same period last year, surpassing the number of new merchants in the first half of 2022. The top five product categories for new merchants in the second quarter were consumer electronics, fashion and apparel, home decoration, food, and home furnishings. In terms of merchant types, 45% were industrial belt brands, 20% were new consumer brands such as 'Reverse: 1999' (重返未来 1999), 13De Marzo, Beelink (零刻) and Vorassen (沃朗森). Other merchants included content IP companies, multi-channel networks (MCN) companies, and buyer shops. Among new merchants, nearly 30 achieved a transaction scale exceeding 10 million yuan, and almost 700 surpassed one million yuan in transaction scale.[2]

Alibaba's 2023 ESG report: Net CO2 emissions down by 12.9% yoy

Alibaba Group (阿里巴巴集团) cut net carbon emissions from its direct operations by 12.9% yoy in its fiscal year ended 31 March 2023, according to the company's annual Environmental, Social and Governance (ESG) report published on 24 July. In addition to slashing net emissions in its operations, Alibaba reported a 22.907 million metric tons decline in carbon dioxide equivalent from across its broader ecosystem in the fiscal year. The company also created or supported more than 70 million jobs through direct employment and entrepreneurship and employment opportunities directly or indirectly driven by its platform in 2022.[3]

New Oriental's net income increases by 115% yoy in fourth quarter of fiscal 2023

New Oriental (新东方) recently announced its financial results for the fiscal fourth quarter and fiscal year ended 31 May 2023. For the fiscal fourth quarter, the company's total net revenue increase by 64.2% yoy to US$860.6 million, and net income attributable to New Oriental increased by 115.3% yoy to US$28.96 million. The company's revenue growth was mainly driven by the increase in revenue from educational new business initiatives and East Buy's (东方甄选) private label products and livestreaming e-commerce business. For fiscal year 2023, New Oriental reported net revenue of US$2.9978 billion, a 3.5% decrease year-on-year.[4]

Ele.me launches new discount vouchers in its Douyin livestreaming sessions

Food delivery platform Ele.me (饿了么) recently launched a product called 'Tun Quan Quan' (囤券券) in its Douyin livestreaming sessions. 'Tun Quan Quan' offers large-discount vouchers for food delivery of various restaurant brands, allowing users to purchase them in advance and use them later for food delivery to home. The product is primarily sold through channels like WeChat groups and Douyin livestreaming sessions, with the latter being an essential sales platform. The first batch of partner merchants for 'Tun Quan Quan' includes nationally recognized restaurant brands like Tastien (塔斯汀) and Bliss Cake (幸福西饼), as well as regional restaurant chains like Pork Rice (猪角).[5]

JD.com partners with Guangdong's SME Service Centre

JD.com (京东) recently signed a strategic cooperation agreement with the Guangdong Small and Medium-sized Enterprises (SME) Service Centre. Under this strategic partnership, the two parties aim to integrate their respective strengths and resources to provide comprehensive services throughout the entire process including digital transformation, brand marketing and talent development for SMEs in Guangdong. The collaboration is intended to support the development of these enterprises, guiding them towards specialization, refinement, differentiation and innovation.[6]

Retail Logistics

JD Logistics' Supply Chain Division launches first e-commerce apparel warehouse in Guangdong

JD Logistics' (京东物流) Supply Chain Division recently launched its first e-commerce apparel warehouse in Guangdong. The warehouse, named 'Xintang Apparel Industry Specialized Warehouse' (新塘服饰行业专仓), is located at the Xintang Hengfu Industrial Park, located in Zengcheng District, Guangzhou. This marks the first specialized e-commerce apparel warehouse within Guangdong province and is also JD Logistics' first such warehouse in the region. Leveraging JD Logistics' warehousing network and strong logistics and distribution capabilities, this warehouse aims to provide more convenient logistics services for apparel industry customers from all over the country. The strategic move is expected to enhance the efficiency and effectiveness of apparel distribution and cater to the growing demand for e-commerce apparel services in the region.[7]

Apparel & Footwear

French luxury group SMCP partners with JD.com

French luxury apparel group SMCP's three major brands – Sandro, Maje, and Claudie Pierlot – have recently opened flagship stores on the JD.com (京东) platform. This launch will offer JD.com's nearly 600 million customers access to over 4,000 high-end products from these top-tier brands. To celebrate this new partnership, the stores are offering customers membership coupons up to 50% off during the grand opening period. Beyond offering products, the collaboration with SMCP extends into operations, marketing, and supply chain support. This move will help SMCP's brands increase their exposure in the Chinese market.[8]

Self-portrait joins the Dewu app with an exclusive launch of its new AW collection

Contemporary British fashion brand self-portrait recently announced its partnership with the Dewu (得物) app, where it will launch an exclusive 2023 Autumn/Winter collection featuring modern pieces and limited-edition gift boxes. The new collection will maintain the brand's classic style while presenting a diverse range of fashion silhouettes through innovative tailoring. Through the Dewu app, where 90% of its users were born in the 1990s, the brand aims to effectively reach out to younger Chinese consumers. This move will help self-portrait target trends and demands of the youth market, further solidifying its position among younger audiences.[9]

COS to close its first store in China

COS' first store in China, located in Beijing, closed its doors on 27 July. As a high-end brand under the H&M group, the number of COS stores worldwide is gradually dwindling. COS' first store in China opened in 2012, with renovations completed in December 2020. COS still has four remaining stores in Beijing, which are all operating normally.[10]

Skechers launches China livestreaming hub

Skecher recently launched its China livestreaming hub in Dongguan, China. This marks the company's first-ever global livestreaming venture as part of its efforts to further drive digital transformation, and enhance omni-channel sales, digital marketing, consumer operations and customer service. The livestreaming hub, located at Skechers' Asia-Pacific Product Development Centre, has been under construction since the beginning of 2023 and covers an area of 2,000 sqm. Some 14 professional livestreaming studios are already in operation, facilitating regular livestreams on various platforms such as Douyin, WeChat Video, and Tmall. The company has also established extensive collaborations with omni-channel livestreaming e-commerce platforms. Skechers plans to expand its livestreaming e-commerce training and develop a diverse range of business activities, including incubating new livestreaming anchors. This strategic move is expected to strengthen Skechers' presence in the Chinese market and cater to the evolving preferences of Chinese consumers.[11]

General Retail

Suning.com launches new plan to help retailers reduce costs by 30-50%

At a recent conference for home appliance retailers, Suning.com (苏宁易购) launched the 'Yunfan Plan' to help retailers reduce costs and increase revenue. It is estimated that the plan could reduce participating retailers' costs by 30% to 50%. As part of the plan, the commission rates for retailers will be reduced from 5% to 1%-2.5%, depending on their product categories. Suning.com will also provide new retailers with a fast-track entry process, offering the first three months of service free of charge, significantly lowering the threshold for entry. The plan also aims to boost retailers' traffic and operational efficiency. New retailers who join the platform will receive a gift package worth 4,000 yuan, which includes vouchers for advertising traffic. For advanced retailers, Suning.com will provide up to 1,500 yuan in advertising subsidies to increase exposure for their new products.[12]

II. Market Overview

Cosmetics sales in June near a 10-year high

The National Bureau of Statistics recently released data on retail sales of consumer goods for the first half of 2023. Among them, the retail sales of cosmetics reached 207.1 billion yuan, representing a year-on-year increase of 8.6%. The growth rate of cosmetics slightly outperformed the overall consumer goods sector. Moreover, total retail sales of cosmetics in June reached a nearly 10-year high. This suggests that the cosmetics industry may have emerged from its low point of last year and is gradually entering a recovery period.[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.

Listed entities of the Group include Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include Li & Fung Limited, LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

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