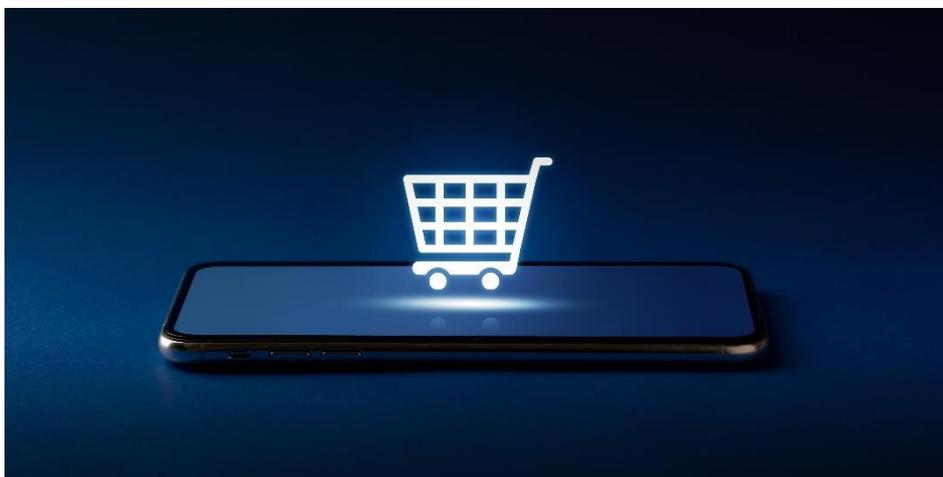


# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### 21 stores on Baozun E-commerce achieve 618 sales of over 100 million yuan

Baozun E-commerce (宝尊电商) recently announced its sales data during the 618 shopping festival this year. There were three stores with sales exceeding 1 billion yuan, 21 stores with sales exceeding 100 million yuan, and 132 stores with sales exceeding 10 million yuan. Some 196 stores recorded sales growth year-on-year; there were 39 stores with sales growth exceeding 100% yoy, and 21 stores with sales growth exceeding 200% yoy. During the 618 shopping festival this year, Baozun E-commerce cooperated with 249 brands, and achieved extensive brand coverage and in-depth cooperation through a full-channel presence on multiple platforms such as JD.com (京东), Tmall (天猫), Dewu (得物), Xiaohongshu (小红书), and Vipshop (唯品会).<sup>1</sup>

### Kuaishou E-commerce reduces support for AIGC livestreams

On June 19, Kuaishou E-commerce (快手电商) issued an announcement on the use of artificial intelligence generated content (AIGC) capabilities for livestreams. From 19 June onwards, e-commerce livestream studios using Kuaishou's official digital human Nuwa (女娲) products will no longer be given additional e-commerce traffic, and recorded livestream content generated using external AIGC digital human capabilities will be strictly controlled in accordance with regulations on pre-recorded content. Furthermore, users who use Kuaishou's Nuwa products must abide by the platform's corresponding regulations.<sup>2</sup>

### Bilibili CEO: More than 80 million users watch AI content on the platform every month

Bilibili (哔哩哔哩) recently held its 15<sup>th</sup> anniversary celebration on 26 June. The company's chairman and CEO, Chen Rui, delivered a speech where he shared some recent AI content consumption trends on the platform. In 2023, the average daily video views of AI-related content on Bilibili increased by more than 80% yoy. More than 80 million users watch AI content on Bilibili every month, and 60% of the consumers of AI-related content were born after 2000.<sup>3</sup>

## Department Stores & Shopping Malls

### Intime Department Store leverages AI to boost counter sales by 15%

At Intime Retail Group's (银泰商业) recent 2024 Supplier Conference, company chairman and CEO Chen Xiaodong stated that the current technological innovation led by AI has helped merchants improve their operations. Since last year, Intime Department Store has introduced AI large models based on existing digital infrastructure and the new mall business operating system (MOS system), and fully deployed AI robots at its in-store counters. The sales brought by AI has been accounting for a gradually increasing proportion of the overall sales, reaching as high as 15%.<sup>4</sup>

## Supermarkets & Hypermarkets

### Freshippo begins offering franchising for its NB stores

Freshippo (盒马) recently opened its 110<sup>th</sup> Freshippo NB (No Brand) store in Chongming, Shanghai – this is also the brand's first franchise store. Currently, franchising is limited to smaller pickup shops. Prospective franchisees can choose to start a pickup shop from scratch or build a corner for Freshippo NB in their existing shops. Freshippo also offers group options for those who have less investment capital or are unable to run a store full-time. Freshippo's plans is to open 800 to 1,000 stores in the 19 cities that already have a Freshippo or Freshippo NB presence over the next 2 to 3 years. Freshippo NB is Freshippo's hard discount community supermarket brand that focuses on direct price reduction and Freshippo's own brand products which are nearing their expiry date.<sup>5</sup>

## Retail Logistics

### SF Express to introduce on-demand delivery service in Hong Kong

SF Intra-city (顺丰同城), a subsidiary of express delivery company SF Express, is launching an on-demand delivery service in Hong Kong. The service will operate under the name 'SoFast' from July onwards, with a delivery focus on documents and small parcels. At present, SF Express has already begun recruiting bicycle, motorcycle, private car and van delivery partners. Analysts believe that SF Express's entry into the Hong Kong market will help the company validate and adapt its business model for the international market.<sup>6</sup>

### **Cainiao to launch seven cross-border merchant centres this year**

Cainiao (菜鸟) recently announced its plans to launch seven cross-border merchant centres throughout the year, covering 20 industry belts across China, with the first centre located in Yiwu, Zhejiang. Through strengthening its local service teams, Cainiao aims to provide customized, cost-effective international express delivery solutions for small and medium-sized merchants expanding overseas, helping them save up to 5-10% in logistics costs. According to Li Yaping, general manager of Cainiao International Express' business development department, after establishing merchant centres in seven core cities within the year, the company plans to expand to 14 locations covering the industry belts of East China, South China, North China and Central China. It will provide point-to-point services for more than 100,000 cross-border merchants.<sup>7</sup>

### **Cainiao and Taobao Hong Kong launch three-day delivery guarantee**

Cainiao (菜鸟) and Taobao (淘宝) Hong Kong recently announced that from 27 June onwards, more than 2.6 billion items on Taobao Hong Kong can be delivered directly to Hong Kong with a 'time commitment' guarantee. For Taobao products with the 'HK X-day delivery' logo (X-day means before 24:00 on the same day), customers will be guaranteed this delivery time if they use Cainiao's 'direct express' shipping method. According to Taobao Hong Kong, more than 60% of delivery-guaranteed products can be delivered directly to Hong Kong from mainland warehouses within three days, and users no longer need to combine orders for shipping. In addition, if the order is not delivered within the promised time limit, Cainiao will pay for the delivery fee with a coupon.<sup>8</sup>

## **Cosmetics**

### **PROYA ranks first in 618 domestic cosmetics sales across Tmall, Douyin, and JD.com**

PROYA (珀莱雅) recently released its 618 report, where the brand continued to rank first in domestic cosmetics on multiple mainstream e-commerce platforms. On Tmall (天猫), it ranked first in overall cosmetics and domestic cosmetics sales, and the transaction amount increased by more than 70% yoy. On Douyin (抖音), it ranked first in overall cosmetics and domestic cosmetics, and the transaction amount increased by more than 110% yoy. On JD.com (京东), it ranked third in overall cosmetics, first in domestic cosmetics, and the transaction amount increased by more than 80% yoy. On Vipshop (唯品会), it ranked second in overall cosmetics, first in domestic cosmetics, and the transaction amount increased by more than 30% yoy. On Pinduoduo (拼多多), it ranked first in overall cosmetics, and the transaction amount increased by more than 60% yoy.<sup>9</sup>

## Food & Beverage

### Chagee to enter Hong Kong market

Tea brand Chagee (霸王茶姬) has begun preparations to open its first Hong Kong store this August, which will be located in the basement of the K11 Art Mall in Tsim Sha Tsui – a trendy shopping destination for young people. The choice of location might be made based on Chagee's ambitions to quickly expand within the Hong Kong market and establish its reputation, according to industry analysts. Currently, Chagee has 4,500 stores worldwide, with 100 overseas stores, and a total of 130 million registered members globally.<sup>10</sup>

## II. Market Overview

### Kantar publishes *Top 50 Kantar BrandZ Chinese Global Brand Builders 2024* list

Google and Kantar recently released the *Top 50 Kantar BrandZ Chinese Global Brand Builders 2024* list. The top two brands on the list are ByteDance (字节跳动) and Xiaomi (小米). The report pointed out that despite the slowdown in global economic growth, the overall brand power of China's top 50 global brands has increased significantly this year, hitting a record high and increasing by 17% yoy, demonstrating the overall vitality of Chinese brands in the global market.<sup>11</sup>

### Chengdu's 618 online retail sales reach 48.345 billion yuan

According to Chengdu's recent 618 e-commerce data briefing, during the 618 shopping festival this year, Chengdu's online retail sales reached 48.345 billion yuan, a year-on-year increase of 8.82%; online retail sales of physical goods reached 35.435 billion yuan, a year-on-year increase of 7.07%; online retail sales of services reached 12.910 billion yuan, a year-on-year increase of 13.93%.<sup>12</sup>

### III. Policy Spotlight

#### MOF, MIIT to support first batch of 1,000 'little giant' firms this year

The Ministry of Finance (MOF) and the Ministry of Industry and Information Technology (MIIT) recently issued a notice on further supporting the high-quality development of specialized, refined, special and new small and medium-sized enterprises in three batches through comprehensive financial rewards and subsidies from 2024 to 2026. This year, the first batch will include more than 1,000 'little giant' enterprises, with a total reward and subsidy amount of six million yuan for each enterprise. The scope of support will be further expanded in subsequent years based on policy implementation.<sup>13</sup>

#### China's online sales surge in first five months of 2024

China saw a surge in e-commerce sales during the nation's Brand and Quality Online Shopping Festival (双品网购节), as well as the 618 shopping festival. These events boosted online retail sales to 5.77 trillion yuan from January to May, an increase of 12.4% yoy. During the five-month period, online sales of physical goods accounted for 24.7% of total retail sales, up 0.8 pts from January to April. The Ministry of Commerce, together with local governments, supported e-commerce platforms in deepening the 'transaction + industry chain' model, as transaction volume grew by 6.5% across key B2B platforms. Furthermore, AI technologies such as image and text generation, intelligent product selection, and digital humans have helped businesses reduce costs and increase efficiency, and the utilization rate has reached 20-30%. Furthermore, digital commerce has boosted agricultural sales, where models such as direct buying from suppliers have driven the growth of agricultural product online retail sales to 24.7%.<sup>14</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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