

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Xinhua Department Store's revenue down 2.48% yoy in 1-3Q22

Xinhua Department Store (新华百货) recently released its financial results for 1-3Q22. During the first three quarters, Xinhua Department Store achieved operating income of 4.572 billion yuan, a year-on-year increase of 3.57%; net profit attributable to shareholders of the company was 121 million yuan, a year-on-year increase of 381.92%. Its department stores achieved revenue of 697 million yuan, down 2.48% yoy; supermarkets achieved revenue of 2.945 billion yuan, up 3.39% yoy; electrical appliance chains achieved revenue of 901 million yuan, up 9.80% yoy. In 3Q22, the company's operating income was 1.434 billion yuan, a year-on-year increase of 4.32%; net profit attributable to shareholders of the company was 70.69 million yuan, a year-on-year increase of 656.41%. In the first three quarters, Xinhua Department Store opened 24 new stores (15 supermarkets and nine electrical appliance stores) and closed 25 stores (10 supermarkets and 15 electrical appliances). As of the end of the reporting period, Xinhua Department Store had a total of 316 stores, including 11 department stores, 210 supermarkets and 95 electrical appliance stores.¹

Rainbow's revenue reaches 9.2 billion in 1-3Q22

On 26 October, Rainbow Digital Commercial Co. (天虹数科商业) released its financial results for 3Q22. In the first three quarters of this year, Rainbow achieved operating income of 9.222 billion yuan, a year-on-year increase of 0.27%; net profit attributable to shareholders of the company was 115 million yuan, a year-on-year decrease of 55.33%. In the third quarter, the operating income was 2.991 billion yuan, a decrease of 0.37% yoy, and net loss attributable to shareholders of the company was 46 million yuan. During the reporting period, Rainbow continued to expand its store network, opening two new department stores/shopping malls and one sp@ce independent supermarket. It also closed one supermarket and renewed the contract for one department store/shopping mall project. As of the end of the reporting period, the company had operated in 35 cities in eight provinces/municipalities (Guangdong, Jiangxi, Hunan, Fujian, Jiangsu, Zhejiang, Beijing, Sichuan) operating a total of 103 department stores/shopping malls (including seven franchise and management branches) and 124 supermarkets (including 36 independent supermarkets), with a total area of about 4.69 million square metres.²

Internet & E-commerce

Kuaishou cracks down on over 300,000 fraudulent accounts

Kuaishou (快手) recently released its fourteenth announcement on cracking down on fraudulent accounts. From 1 October to 15 October 2022, a total of 308,700 such accounts were punished. The announcement stated that the Kuaishou platform has always had zero tolerance for fraud, illegal and criminal acts. The community security and risk control team is committed to fighting against fraudulent products and businesses, and improving the platform's ability to identify and combat fraud.³

Suning.com embarks on instant retail model with over 600 stores linked to Meituan

Suning.com (苏宁易购) recently announced a strategic partnership with Meituan (美团), becoming the first large-scale chain brand in the home appliance and consumer electronics sector to join the Meituan platform. Suning.com has linked over 600 stores in 175 cities across the country to Meituan. The two parties will continue to deepen their cooperation, and plan to link more than 1,000 stores to Meituan in 2023. Consumers can log in to the Meituan or Meituan Delivery apps and search for 'Suning.com'. Then they can place orders for mobile phones, computers, and household appliances, which can be delivered in as little as 30 minutes.⁴

Online pawn and consignment platform Yazuishou raises five million yuan in angel investment

Domestic pawn and consignment platform Yazuishou (鸭嘴兽) recently completed an angel round of financing, raising a total of five million yuan. Established in 2022, Yazuishou is an online pawn and consignment platform which pioneered the innovative operation model of online platform + offline stores. The brand digitizes and transforms traditional pawn shops and consignment stores to help upgrade the pawn and consignment industry, and aims to become a new retail brand in the industry.⁵

Dong Fang Zhen Xuan sells 2.2 billion yuan of goods in three months of livestreaming

On 27 October, New Oriental (新东方) announced the financial results for its fiscal first quarter of 2023. Its subsidiary Koolearn Technology (新东方在线), whose core business is Dong Fang Zhen Xuan (东方甄选), made a profit of 300 million yuan in the quarter. Dong Fang Zhen Xuan's cumulative turnover from June to August this year was 2.249 billion yuan. It ranked first in Douyin livestreams for four consecutive months from June to September, and continues to maintain rapid growth momentum.⁶

Apparel & Sports

Over 170 Decathlon stores now linked with JD Daojia

Global sports brand Decathlon recently announced further cooperation with JD Daojia (京东到家) and JD Sports (京东运动). The three parties will promote the digital transformation of physical sports stores and create a new omni-channel growth model for sports brands. At present, Decathlon has more than 170 stores nationwide that are linked to JD.com platforms, and more stores will be linked to these platforms to provide instant retail services for fitness enthusiasts.⁷

Convenience Stores

Lawson opens its 2,500th store in the Jiangsu-Zhejiang-Shanghai area

Lawson opened its 2,500th store in the Jiangsu-Zhejiang-Shanghai area at the Wuxi Broadcasting & Television Park on 25 October. This is also Lawson's first retail + unmanned self-service store in the Wuxi area. Unmanned retail is Lawson's newest business model which aims to reduce energy usage and environmental impact through innovative retail technology.⁸

Home Electronics & Appliances

Gome Retail expects revenue in 1-3Q22 to decrease by nearly 60% yoy

Gome Retail Holdings Co. (国美零售) recently announced a profit warning, citing the impact of the COVID-19 pandemic on the retail industry. According to preliminary data, its total sales revenue in the first three quarters of this year will decline between 55% to 60% year-on-year. As such, its financial results are also expected to decline significantly compared with last year.⁹

Miscellaneous

Pop Mart's overseas revenue up by 115% yoy in 3Q22

Pop Mart (泡泡玛特) recently revealed its operation data for 3Q22. During this period, the company's overall revenue fell by 5%-10% yoy, of which revenue in the Chinese mainland fell by 10%-15% yoy; revenue from Hong Kong, Macao, Taiwan and overseas increased by 115%-120% yoy. In the same period, the revenue of retail stores in the Chinese mainland fell by up to 5% yoy, and the revenue of e-commerce platforms and other online platforms fell by 10%-15% yoy.¹⁰

Xinhua Bookstore's instant retail orders up by 83% yoy

Following large supermarkets, convenience stores, and mom-and-pop grocery stores, physical retail stores such as Xinhua Bookstore (新华书店) have also adopted the instant retail model. Meituan (美团) data shows that from January to September 2022, the order volume of Xinhua bookstores increased by 83% yoy. The instant retail model is one of the key measures of Xinhua Bookstore's 'Internet +' strategy. To date, there are now 230 Xinhua bookstores on the Meituan platform, providing consumers with offline delivery within 30 minutes.¹¹

II. Market Overview

NBS: Total retail sales of consumer goods up 2.5% yoy in September

In September, China's total retail sales of consumer goods reached 3,774.5 billion yuan, a year-on-year increase of 2.5%. By consumption type, in September, the retail sales of goods reached 3,397.8 billion yuan, an increase of 3% yoy; catering revenue was 376.7 billion yuan, down 1.7% yoy. From January to September, the total retail sales of consumer goods were 32,030.5 billion yuan, a year-on-year increase of 0.7%. Among them, the retail sales of goods reached 28,905.5 billion yuan, a year-on-year increase of 1.3%; catering revenue was 3,124.9 billion yuan, down 4.6% yoy. By retail format, from January to September, the retail sales of supermarkets, convenience stores, professional stores and specialty stores in retail enterprises above designated size increased by 4.0%, 4.9%, 5.1% and 0.7% respectively year-on-year, while that of department stores decreased by 6.3% yoy.¹²

China International E-Commerce Centre: Rural online retail sales reach 975.93 billion yuan in 1H22

On 25 October, the China International E-Commerce Centre released the *China Rural E-Commerce Development Report (2021-2022)* at the 6th China (Lishui) Rural E-Commerce Conference. The report shows that in 2021, national rural online retail sales rose 11.3% yoy to 2.05 trillion yuan, accounting for 15.66% of total online retail sales. In 1H22, the national rural online retail sales reached 975.93 billion yuan, a year-on-year increase of 2.5%. Among them, the online retail sales of physical goods in rural areas were 890.44 billion yuan, a year-on-year increase of 3.6%. The report believes that the development of new formats such as livestreaming e-commerce has great potential, rural e-commerce B2B will become an important direction for the transformation and upgrading of rural e-commerce, and building infrastructure such as warehouses will stimulate new developments. Rural e-commerce will play an important role in the county-level business system, supporting rural revitalization and industrial digitization.¹³

Bain: Nearly 70% of consumers will shop on multiple platforms during 'Double 11' this year

Bain & Company recently released the report *China's Singles Day 2022: Loyalty's a Better Goal than RMB 1 Trillion Sales*. The report surveyed nearly 3,000 consumers from different cities in China to predict the latest trends for the 'Double 11' shopping festival. The survey shows that nearly 69% of consumers plan to shop on three or more platforms during 'Double 11' in 2022; 37% of consumers plan to shop on five or more platforms. In addition, 34% of consumers plan to reduce their total online and offline spending during 'Double 11' this year, while only 24% of respondents said they would increase spending.¹⁴

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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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