

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

New Huadu Supercentre transfers full equity of 11 retail businesses to its controlling shareholder

The board of directors of New Huadu Supercentre Co., Ltd (新华都购物广场股份有限公司) recently agreed to sell 100% of its 11 wholly-owned subsidiaries in the retail business segment to its controlling shareholder, New Huadu Industrial Group Co., Ltd (新华都实业集团股份有限公司), through a cash sale. After the transaction is completed, the target companies will become subsidiaries of New Huadu Group, while New Huadu Supercentre will shift its business focus towards online marketing.¹

Rainbow's revenue in 1Q22 reaches 3.461 billion yuan while net profit up by 104.6%

Rainbow Digital Commercial Co., Ltd (天虹股份) released its first-quarter financial results on 27 April. In 1Q22, Rainbow achieved revenue of 3.461 billion yuan, a year-on-year increase of 2.74%; net profit attributable to shareholders of the company was 279 million yuan, a year-on-year increase of 104.62%. In 1Q22, its GMV (online merchandise sales plus digital service revenue) exceeded 1.6 billion yuan. Rainbow's digital membership increased by 1.3 million, and the monthly active users of its app and mini programs exceeded 4.17 million in the quarter.²

Internet & E-commerce

Alibaba.com provides sustainable factory inspection services

Alibaba.com (阿里巴巴国际站) has launched supporting services on 'sustainable factory'. Merchants can apply for consultation and inspection services for sustainable factory on Alibaba's foreign trade services platform, and they will receive relevant certifications after passing inspection. Alibaba.com said that large overseas buyers such as Walmart, Home Depot, Apple, Unilever, etc., have announced their ESG strategies; downstream suppliers are required to comply with standards on sustainability and social responsibility, and their export goods also require carbon footprint reports.³

JD.com partners with Beijing Municipal Sports Bureau to create ‘Beijing Digital Sports Service Platform’

The Beijing Municipal Bureau of Sports and JD.com (京东) recently signed a strategic cooperation agreement to invest over 100 million yuan each year from 2022 to 2025 to jointly promote citizens’ fitness activities and sports-related consumption. The partnership includes three aspects: jointly promoting the ‘8.8 Beijing Sports Consumer Festival’; creating a ‘Beijing Digital Sports Service Platform’ to provide more scientific digital services related to citizens’ fitness and sports activities; and exploring the establishment of a ‘Beijing Sports Bank’ service system alongside leading sports enterprises in Beijing – an incentive mechanism where points earned through sports activities can be exchanged for sporting goods and services on JD Sports.⁴

Douyin enters digital fashion with new platform ‘Pheagee’

A new digital fashion platform named ‘Pheagee’ (沸寂) is in the pipeline for ByteDance-owned social media app Douyin (抖音). It will include virtual fashion and idols, and interact with Douyin e-commerce and ByteDance’s virtual reality business Pico. The Pheagee team is currently based in Shanghai and Beijing.⁵

Ele.me launches the food delivery industry’s first consumer carbon accounting system

Ele.me (饿了么) recently launched ‘E.Carbon’ (e点碳), the first consumer carbon accounting system in the food delivery industry. It uses a points system based on consumers’ low-carbon consumption behaviour, and guides users to lead a low-carbon lifestyle through various incentives. Users can view their carbon reduction amount and credits through the Ele.me app, and the system is also connected to ‘Ele.me Orchard’ (饿了么果园). As users make low-carbon choices such as no cutlery and small dishes when placing an order on Ele.me, they can earn points which can be exchanged for various rewards.⁶

Pinduoduo begins testing its intra-city delivery service

Pinduoduo (拼多多) is recruiting fruit merchants such as fruit chain stores, preposition warehouses, stall wholesalers, etc., to begin testing its 24-hour intra-city delivery service in Beijing, Shanghai, Guangzhou, Shenzhen and other cities. As the service is in the trial operation stage, the delivery time will be relaxed to 48 hours. In early April, Pinduoduo opened applications for merchants with intra-city delivery capabilities across product categories such as gifts flowers, low-temperature milk, and custom cakes. These merchants can set up intra-city delivery on the platform, supported by their own riders and delivery staff. Merchants can enjoy the exclusive ‘24-hour delivery’ label and gain extra in-app traffic.⁷

WeChat video accounts can now link product recommendations

WeChat (微信) has recently added a product sharing function to its video accounts. Creators can use this tool to link product recommendations related to video content, and they will receive a commission after a purchase is made. Product links will appear on the video, and viewers can directly click them to make a purchase. Creators who have over 1,000 followers, completed real-name authentication and published high-quality original content regularly can apply for the product information sharing function, subject to review and approval by the platform.⁸

Meituan expands its livestream business with the 'Meituan Livestream Assistant' app

Meituan (美团) recently launched the new 'Meituan Livestream Assistant' (美团直播助手) app, a free tool for livestreaming merchants and hosts. The hosts can start livestreaming at any time through the app. The assistant has reportedly improved the user experience for livestreaming, opened up new livestream categories, and added new scenarios such as group buying, e-commerce, and takeaway. With this addition, Meituan is expanding its livestreaming ecosystem and moving towards livestream e-commerce.⁹

Retail Logistics

Cainiao to establish 'unmanned granary' in Zhejiang

Cainiao (菜鸟) recently won a bid for a smart agricultural upgrade project in Xitang, Zhejiang. Cainiao will build a highly automated and unmanned grain storage system in the area, creating China's first 'unmanned granary' which will process the grain after it leaves the production line. Cainiao will deploy automated equipment such as a robotic palletizing system, an automated guided vehicles (AGV) handling system, a four-way pallet shuttle high-density storage system, and an AGV goods-to-person picking system, achieving truly unmanned grain storage. At the same time, Cainiao will also operate a local production and sales coordination centre which combines the traditional offline order sales model with e-commerce; the two models will share one set of warehousing and logistics systems.¹⁰

Apparel

SHEIN partners with environmental organization Canopy

SHEIN recently announced that it has joined the two core programmes – CanopyStyle and Pack4Good – operated by Canopy, an environmental protection organization. Through this partnership, SHEIN hopes to end the production of viscose fabrics and paper packaging from ancient and endangered forests. The company will use its influence in the supply chain to promote recycled raw materials and work towards protecting the planet and its forests.¹¹

Balabala reveals new digital ambassador

Children's clothing brand Balabala (巴拉巴拉) recently revealed the world's first digital brand ambassador for children Guyu (谷雨). She is both a children's fashion blogger and a virtual idol in addition to being Balabala's brand ambassador. Balabala will also join the metaverse this year, focusing on the concept of digital ambassadors. In the future, it will also engage with other metaverse elements such as non-fungible token (NFT) collections and virtual clothing.¹²

Luxury

China cracks down on counterfeit luxury goods with help of Salvatore Ferragamo and Amazon

Chinese officials raided a warehouse, seizing hundreds of counterfeits of Ferragamo's iconic Gancini belt and buckles, following a global investigation in which Italian luxury brand Salvatore Ferragamo and Amazon cooperated. Amazon's counterfeit crimes unit, established in 2020, is specifically responsible for cracking down on illegal counterfeit sellers.¹³

Miscellaneous

Meituan launches small and micro business support scheme, focusing on local specialty snacks

Together with China Everbright Bank (光大银行) and other financial institutions, Meituan (美团) recently launched the 'New Residents' Small and Micro Business Support Programme' focusing on serving the local specialty snack shops operated by migrant workers. Through bank-government and bank-enterprise partnerships, the programme will provide at least 10 billion yuan of unsecured, low-interest-rate loans and other financial services for local specialty snack shop operators.¹⁴

II. Market Overview

100EC: Second-hand e-commerce GMV surpasses 400 billion yuan in 2021

100EC's (网经社) *2021 China Second-hand E-commerce Market Report* shows that the scale of China's second-hand e-commerce reached 400.17 billion yuan in 2021, a year-on-year increase of 29.27%. The transaction volume and growth rate (in bracket) from 2017 to 2020 were 94.74 billion yuan (168.23%), 169.5 billion yuan (78.91%), 259.69 billion yuan (53.2%), and 309.55 billion yuan (19.19%) respectively, showing a steadily declining growth. In 2021, the number of second-hand e-commerce users reached 223 million, a year-on-year increase of 22.52%, and the growth rate continued to trend downwards. A total of nine investment and financing events occurred in the domestic second-hand e-commerce industry in 2021, with total financing of over 5.77 billion yuan.¹⁵

PLSC: Only 24.72% of survey respondents are 'very familiar' with private brands

The Private Label Specialty Committee (PLSC) of Shanghai Licensing Association recently released the *2021 China Private Label Development Report*. The survey showed that 55.06% of respondents are aware of private labels, but only 24.72% of respondents are 'very familiar' with them. 14.64% of respondents are 'not very familiar' with private labels, while 5.58% of respondents did not understand private labels at all. However, 75.80% of respondents have purchased private label products, including a slightly higher proportion of women than men.¹⁶

II. Policy Spotlight

Shenzhen to provide up to 500,000 yuan in subsidies for retail enterprises to open e-commerce stores

Shenzhen recently issued 30 measures to support wholesale and retail enterprises to expand their markets and increase efficiency, help catering enterprises scale up and diversify their business, and help eligible retail enterprises open stores on e-commerce platforms. In terms of the e-commerce subsidies, retail enterprises must open their online store on at least one domestic general e-commerce platform, vertical e-commerce platform, social e-commerce platform, or other third-party e-commerce platform on or before 30 June 2022. The total expenses for the store during the first six months, including setup, operating and promotion costs, shall not be less than 800,000 yuan. 10% of these expenses will be subsidized up to 500,000 yuan per company.¹⁷

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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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