

China Retail & E-commerce Weekly Update



Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Fung Business Intelligence
11/F LiFung Tower
868 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2271
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



I. Sector Review..... 2

Internet & E-commerce 2

QuestMobile: Xianyu is the most popular mobile shopping app among the new middle class..... 2

Douyin E-commerce’s rural creators increase by 105% yoy in 2023..... 2

New domestic cosmetics brands are experiencing rapid growth on Vipshop..... 2

East Buy to sell its education business to parent company for 1.5 billion yuan..... 3

Kuaishou’s livestream hosts increase by over 100x in one year 3

Retail Logistics..... 3

SF Express launches Shenzhen-Hong Kong half-day delivery service 3

Apparel..... 3

Nike’s China revenue increases for fifth consecutive quarter 3

UGG China’s first flagship store opens in Shanghai..... 4

Luxury 4

Tiffany & Co. joins Tmall..... 4

Food & Beverage..... 4

Domino’s Pizza expects to operate over 1,000 stores in China by the end of 2024 ... 4

Coca-Cola to focus on four core product categories in China 4

II. Market Overview 5

Jianshi Technology: Private domain provides stable growth in 2023 5

China’s cosmetics exports to South Korea increase by 190% yoy 5

References (in Chinese) 6

I. Sector Review

Internet & E-commerce

QuestMobile: Xianyu is the most popular mobile shopping app among the new middle class

According to QuestMobile's 2023 China Internet Core Trends Annual Report, Xianyu (闲鱼) is once again one of the most popular apps in China in terms of user scale. With its increasing penetration rate, it has become the most popular mobile shopping app amongst new middle-class consumers. Nine years in, the app has become a nationwide platform with over four million products released daily and more than 500 million users.¹

Douyin E-commerce's rural creators increase by 105% yoy in 2023

The 2023 Douyin (抖音) Rural Creator Conference was recently held in Qingdao, where the company released the 2023 Douyin Sannong Ecosystem Report. In 2023, Douyin E-commerce sold a total of 4.73 billion orders of agricultural products, a daily average of 13 million orders. The number of rural creators on Douyin E-commerce increased by 105% yoy, and the number of agricultural goods merchants on the platform increased by 83% yoy. There are now more than 24,000 agricultural goods merchants with annual sales exceeding one million yuan. In the past year, Douyin's e-commerce sales of edible fungi and plant oil-related products reached 850 million yuan, increasing by 173% yoy.²

New domestic cosmetics brands are experiencing rapid growth on Vipshop

Discount e-commerce platform Vipshop (唯品会) recently hosted the '2023 Annual Beauty Gala'. According to the platform's annual brand list, new domestic brands are experiencing rapid growth. Sales of domestic cosmetics brands such as Carslan (卡姿兰) and Judydoll (橘朵) have increased significantly. During this year's 11.11 period, domestic brands such as Proya (珀莱雅) ranked among the top ten in cosmetics sales on Vipshop. Meanwhile, international cosmetics brands such as Lancôme, Clé de Peau and Givenchy have also experienced growth exceeding 40% yoy.³

East Buy to sell its education business to parent company for 1.5 billion yuan

East Buy (东方甄选) recently announced that its board of directors has approved the proposed sale of its education business to parent company New Oriental Group (新东方集团) for 1.5 billion yuan. The education business covered white label products and livestreaming e-commerce, tertiary education, and institutional customers. After the transaction, East Buy and New Oriental's operations will be differentiated – East Buy will specialize in white label products and livestreaming business. In the future, there will no longer be any education business-related transactions between East Buy and New Oriental Group.⁴

Kuaishou's livestream hosts increase by over 100x in one year

The 2023 Kuaishou Livestreaming Partner Industry Conference was recently held in Haikou, Hainan. This conference reviewed the platform's achievements over the past year, and discussed its latest policies and future strategies. According to Fu Chi, head of Kuaishou Livestreaming (快手直播), the number of high-quality anchors on Kuaishou Livestreaming has increased by over 100x in the past year due to strong partner efforts.⁵

Retail Logistics

SF Express launches Shenzhen-Hong Kong half-day delivery service

SF Express (顺丰) recently launched a half-day delivery service between Shenzhen and Hong Kong, aimed at e-commerce deliveries to Hong Kong consumers – this is the first service of its kind within the industry. All products that meet customs requirements can be sent (excluding fresh meat, refrigerated and frozen goods, and any goods containing meat, eggs, and dairy). The service includes additional box packaging, which consumers will be charged for. Furthermore, the packages cannot be rejected after arrival in Hong Kong unless specifically approved by SF Express.⁶

Apparel

Nike's China revenue increases for fifth consecutive quarter

Nike recently announced its financial results for the quarter ended 30 November. The company's sales in the greater China region increased by 4% to US\$1.86 billion, marking its fifth consecutive quarter of growth in the region. Nike is ramping up investment in the China market and further developing both the online and offline business in the country.⁷

UGG China's first flagship store opens in Shanghai

UGG recently opened its first China flagship store at Shanghai Xintiandi. The store has three floors, each with a unique theme – immersive seasonal experiences, comfortable individual styles, and a new experience hub which offers official shoe refurbishing services, a community centre and the company's first offline shoe cleaning and maintenance services. UGG now operates over 50 stores nationwide. It also operates online channels such as its flagship stores on JD.com (京东), Douyin (抖音) and Xiaohongshu (小红书), and a children's shoe store on Tmall (天猫).⁸

Luxury

Tiffany & Co. joins Tmall

After joining JD.com (京东) in February 2023, luxury jewellery brand Tiffany & Co. recently joined the Tmall Luxury Pavilion (天猫奢品) with a new flagship store selling jewellery, home goods, accessories and other products. In general, many luxury brands are optimistic about e-commerce channels and the overall potential of the Chinese market. Currently Tmall is the only e-commerce platform in China that has partnered with all five major luxury groups (LVMH, Kering, Richemont Chanel and Hermès).⁹

Food & Beverage

Domino's Pizza expects to operate over 1,000 stores in China by the end of 2024

Between 23-24 December, Domino's Pizza opened ten new stores in eight cities across China, including Xi'an, Changsha, Hefei, and Fuzhou. There are currently over 750 Domino's Pizza stores in China, and the company expects to operate over 1,000 stores nationwide by the end of 2024. In the first half of 2023, Domino's Pizza opened 84 net new stores in China, including 19 net new stores in Shanghai and Beijing, and 65 net new stores in new growth markets.¹⁰

Coca-Cola to focus on four core product categories in China

Gilles Leclerc, Coca-Cola's president of the Greater China and Mongolia region, recently announced that the company plans to focus on the four core categories of carbonated beverages, juices, teas and ready-to-drink coffee within the region. He mentioned that young consumers, which have always been an important demographic for the company, are more individual, while also embracing new trends and digitalization. Furthermore, Coca-Cola China is focused on building a local supply chain, having established a factory in Jiangsu in 2023 in addition to the Guizhou plant which began operations in 2022. As of the end of 2023, Coca-Cola had built 46 factories in the Chinese mainland.¹¹

II. Market Overview

Jianshi Technology: Private domain provides stable growth in 2023

According to a survey by Jianshi Technology (见实科技), private domain traffic provided a source of stable growth for companies amidst difficult market conditions in 2023. According to the survey, 61.4% of companies said that the conversion effect and revenue from the private domain increased in 2023. However, almost the vast majority of businesses (accounting for 82%) believe that private domain operations are becoming increasingly difficult due to more user demands, rising operating costs, difficulties in retention and monetization, barriers to platform entry, and decreasing external traffic. Furthermore, nearly 50% of respondents use two or more platforms for private domain operations – the top two platforms are Tencent and Douyin, accounting for 47.42% and 19.25%, respectively, of the mentions.¹²

China's cosmetics exports to South Korea increase by 190% yoy

South Korean consumers reportedly spent less on cosmetics in 2023 due to rising prices, preferring to buy mid-to-low-cost cosmetics. However, China's cosmetics exports to South Korea significantly increased year-on-year. In the first eight months of 2023, China's cosmetics exports to South Korea increased by 190% yoy. The advantages of Chinese cosmetics and the recent popularity of Chinese cross-border e-commerce platforms in South Korea will also be favourable factors for Chinese cosmetics brands to enter the South Korean market.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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