

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

E-commerce platform EachNet.com ceases operations

Chinese B2C e-commerce platform EachNet.com (易趣网络), once owned by eBay and a major competitor of Alibaba, has officially shut down after 23 years of operation. All transactions will be closed on the website and its server will shut down by 12 August. The website was founded in 1998 and was once a market leader in the Chinese e-commerce market. However, it was eventually surpassed by technology giants such as Alibaba's Taobao (淘宝) and JD.com (京东).¹

Taobao Hong Kong tests direct express delivery service

Taobao Hong Kong (淘宝香港站) has begun testing a new 'direct express delivery' service for all purchases as well as a 'one-stop service' for furniture from purchase to delivery to installation. These services aim to improve the cross-border online shopping experience for Hong Kong users of Taobao. Unlike the previous direct shipping model, which waited for all packages to arrive before leaving the warehouse, the 'direct express delivery' service allows instant delivery for each individual package. If the package is received before 6pm, it will leave the warehouse on the same day; the delivery will be completed within two working days after leaving the warehouse (except for remote areas).²

Didi fined 8.026 billion yuan for breaking cyber security laws

On 26 July, the Cyberspace Administration of China announced that it has fined ride-hailing app Didi (滴滴) 8.026 billion yuan for breaking cyber security laws. The CAC also said it had imposed fines of one million yuan each on Didi Global's chairman and chief executive Cheng Wei and president Liu Qing.³

DMALL establishes strategic partnership with Hanshow

On 27 July, Hanshow Technology Co., Ltd. (汉朔科技) and Dmall (Shenzhen) Digital Technology (深圳多点信息技术) (DMALL's parent company) established a strategic partnership. The two parties will integrate their innovative technological advantages and conduct in-depth cooperation in the fields of intelligent IoT, multi-scenario marketing and omni-channel services within the retail industry. The two parties will also explore new digital retail scenarios and relevant solutions to help offline brick-and-mortar retailers digitize further. Hanshow has previously cooperated with DMALL on marketing screens and smart shopping carts.⁴

Convenience Stores

FamilyMart launches new e-commerce platform

FamilyMart (全家便利店) recently launched its new e-commerce platform 'SuperSell' (超级好卖), which allows sellers to list products and share purchase links to social media platforms such as Facebook, Instagram and LINE. Buyers and sellers can use the FamiPort (店到店) delivery service for delivery, pick-up and payment in a functional closed loop. 'SuperSell' has also expanded its FamiPort service to frozen goods. A room-temperature home delivery service will be launched in the future where sellers can deliver goods directly to consumers.⁵

Apparel

SHEIN expands its supply chain through a strategic partnership with China Southern Air Logistics

China Southern Air Logistics (南方航空物流) and SHEIN recently signed a strategic cooperation agreement to deepen their cooperation. China Southern Air Logistics will maintain efficient operations of the freighter fleet, carry out passenger-to-cargo conversion, provide stable transport capacity for cross-border e-commerce enterprises, and promote cross-border e-commerce logistics business. SHEIN's cooperation with China Southern Air Logistics is the company's latest move towards establishing its supply chain and logistics system.⁶

Cosmetics

Maybelline to close all physical stores in China except its Watsons locations

L'Oreal-owned Maybelline recently announced that it will shift its focus to the online market in China, meaning that all physical stores will be gradually phased out. However, the brand will retain its online presence in the market, along with counters within Watsons stores. The brand currently operates around 10,000 offline stores in China, including counters in Watsons and cosmetics stores, as well as online flagships on Tmall and JD.com.⁷

L'Oreal's luxury skincare brand Carita enters the Chinese market

L'Oreal-owned luxury skincare brand Carita has entered the Chinese market. The brand's first boutique store in Asia has opened in Nanjing Deji Plaza on 1 August alongside its counter at the Beijing SKP. In anticipation of entering the Chinese market, Carita has organized various preview exhibitions and experiential venues to generate hype for its store openings, alongside its recently launched social media presence on WeChat (微信), Xiaohongshu (小红书), and Weibo (微博).⁸

II. Market Overview

MOFCOM recommends utilizing new consumption scenarios such as instant retail

On 25 July, the Ministry of Commerce (MOFCOM) released the *Report on the Development of China's Online Retail Market in the First Half of 2022*. The report states that the development trends of China's online retail market in 1H22 include 'online consumption stabilized and rebounded, helping to stabilize the economy', 'continuous optimization of the market environment, reshaping of emerging business formats', and 'individual needs lead market transformation and promote new consumption pattern'. It is worth noting that the report mentioned the concept of 'instant retail' for the first time, and pointed out the role of instant retail in O2O integration. With the in-depth integration of online and offline channels, new consumption scenarios such as instant retail are developing fast, and offline channels have also become more intelligent.⁹

Report: Market size of open platform model of instant retail to reach 1.2 trillion yuan by 2025

Dada Group (达达集团), China Chain Store & Franchise Association and JD Research Institute for Consumption and Industrial Development recently released the *White Paper on the Open Platform Model of Instant Retail*, which is the first white paper on the model. The white paper pointed out that O2O home delivery business has become an important driving force of the retail industry in recent years, with a compound annual growth rate of 64% from 2016 to 2021. As a key component of O2O home delivery business, instant retail has also shown rapid growth. The compound annual growth rate of the platform model of instant retail from 2016 to 2021 reached 81%. It is expected that by 2025, the scale of the open platform model of instant retail will reach 1.2 trillion yuan, leading and driving the growth of the overall instant retail market.¹⁰

Tmall Global debuts the RCEP cross-border e-commerce import index

Tmall Global (天猫国际) recently released the first RCEP regional cross-border e-commerce import index in collaboration with Zhejiang University and Ali Research. The report shows that cross-border e-commerce imports in the RCEP region have shown a trend of 'wave-like growth, rapid growth, and cyclical changes'. The total index has increased by 1.96x in 3.5 years, and the annualized growth rate from 2019 to 2021 is 33.2%, which is 1.69 times the growth rate (19.6%) of the 'China-ASEAN Trade Index' compiled by China's Customs over the same period, reflecting the strength of RCEP regional digital trade.¹¹

iResearch: Scale of the influencer-related economy to exceed 5.7 trillion yuan in 2022

iResearch and Inmyshow Digital (天下秀) recently released the *2022 China Influencer Economy Development Report*. The report forecast that the market size of the influencer-related economy in China will reach 5.7 trillion yuan in 2022, and will exceed 7 trillion yuan by 2024. The compound annual growth rate of the livestreaming e-commerce market from 2021 to 2023 will reach 47.1%.¹²

iResearch: China's night economy industry to exceed 40 trillion yuan in 2022

iResearch recently released the *China Night Economy Industry Development and Consumer Survey Report 2022-2023*. The scale of China's night economy has grown rapidly since 2016, and it is expected to exceed 40 trillion yuan in 2022. Night-time consumption patterns are more diverse, with over 60% of surveyed respondents shopping at night through online channels. The shopping categories are mainly food and beverages (60.8%), daily necessities (57.7%) and clothing and luggage (46.5%). The post-00s group has gradually become the main force of night-time consumption, bringing new growth to the industry.¹³

JD.com and Alibaba top the 2022 list of top 100 Chinese online retail platforms

On 27 July, the China Chain Store & Franchise Association and Deloitte China jointly released the *2022 Online Retail TOP 100 Report*. The report shows that total sales of the top 100 Chinese online retail companies in 2022 exceeded 1.86 trillion yuan, a year-on-year increase of 26.6%. Among them, JD.com (京东) ranked first, Alibaba (阿里巴巴) ranked second, and Suning.com (苏宁易购) ranked third. The list includes 53 consumer goods companies, accounting for 18.5% of top 100 online sales, and 39 non-e-commerce retail companies, accounting for 16.9%. 86 of the top 100 companies achieved positive growth in online retail sales, 7 of which achieved a year-on-year growth rate of over 100%, and 21 of which achieved a year-on-year growth rate of 50%-100%.¹⁴

Taobao Live: Livestreaming sales of luxury beauty up 28.78% yoy

Taobao Live (淘宝直播) and Diantao (点淘) recently released the *2022 Taobao Live Luxury Beauty Report*. The report shows that livestreaming sales of luxury beauty on Taobao Live increased by 28.78% yoy, while viewership increased by 130.12% yoy and the number of broadcasts increased by 35.42% yoy. Luxury beauty brands are also using short video content to attract younger consumers.¹⁵

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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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