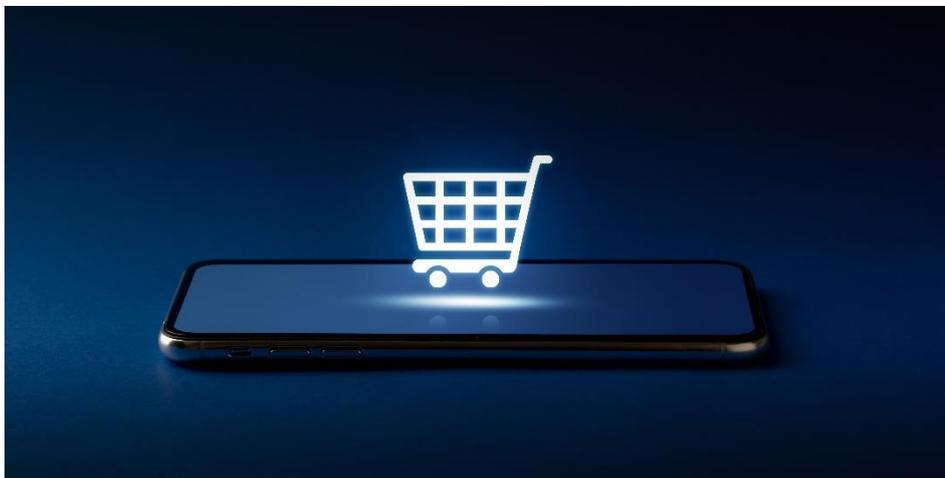


China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Rainbow's revenue in 1-3Q21 up to 9.198 billion; net profit up by 101.44% yoy

On 27 October, Rainbow Digital Commercial Co. (天虹股份) announced its results for 1-3Q21. During the period, Rainbow achieved 9.198 billion yuan in revenue, a year-on-year increase of 3.91%. The net profit attributable to shareholders of the company was 257 million yuan, an increase of 101.44% yoy. Rainbow's overall digital membership was approximately 35 million, and sales to digital members accounted for 77% of total sales. Its GMV (online merchandise sales plus digital service revenue) exceeded 3.87 billion yuan, and online platform service revenue increased by 12% yoy. As of the end of this reporting period, Rainbow had locations in 33 cities in 8 provinces/municipalities including Guangdong, Jiangsu, Zhejiang, Beijing, etc., totalling 99 department stores, 120 supermarkets, and 214 convenience stores.¹

Eternal Asia launches new digital supply chain platform Eternal Asia APP

Eternal Asia (怡亚通) recently launched a digital supply chain service platform – Eternal Asia APP – which uses the 'supply chain + Internet' service model to provide a full-service platform integrating industrial services, marketing, trading and SaaS.²

Internet & E-commerce

Taote launches 'Made in China Week'

Taote's (淘特) first 'Made in China Week' was held from 25 to 30 October. Taote offered 'One Yuan Shipping' for 100 items from seven daily product categories including small household appliances, personal care, cosmetics and apparel through direct factory sales and provision of subsidies. The 'Made in China Week' focused on 100 top factories across 40 industrial belts – including Yiwu, Zhejiang; Baoding, Hebei; Changshu, Jiangsu; and Shunde, Guangdong – to help consumers re-acquaint themselves with Chinese manufacturing. Taote already has nearly 200 million users, with 2 million merchants and 500,000 digital factories across 2,000 industrial belts.³

Xiaomi Youpin launches new lifestyle brand ‘Daily Elements’

Xiaomi Youpin (小米有品) recently launched a new in-house lifestyle brand, ‘Daily Elements’ (日常元素), which is positioned a lifestyle consumer brand. The brand aims to elevate the user experience of lifestyle products through innovative materials, production processes and technologies. It currently sells over 10 items, including wind-resistant umbrellas, long-lasting batteries, extra-washable t-shirts, and carbon-plated running shoes.⁴

Tmall’s 11.11 cosmetic sales remain strong with a 35% yoy increase in presales

According to ECdataway, cosmetics products have remained a strong 11.11 presale product category on Tmall (天猫). Presales of cosmetics products from the first day (20:00 on 20 October to 24:00 on 21 October) accounted for 52% of Tmall sales, and recorded an increase of 35% yoy over the same day last year. Furthermore, sales volume from the two super-hosts’ livestreams on 20-21 October exceeded 30 million items, and Li Jiaqi’s sales volume reached nearly 50 million items. Li Jiaqi also took the lead in estimated sales with over 10 billion yuan, followed by Viya’s livestream which also exceed 9 billion yuan. Top host Xueli Cherie ranked third with estimated sales of 900 million yuan.⁵

Douyin E-commerce launches new ‘Trendsetter Programme’ to incubate 100 new Douyin apparel brands

On 22 October, Douyin E-commerce (抖音电商) announced its GMV increased by 7.9 times yoy between January and September. As of this October, there was a total of 294 Douyin brand service providers. Douyin Apparel has also launched a new ‘Trendsetter Programme’ with the following aims: 1. To develop 200 apparel brands each exceeding 100 million yuan in sales and 10 super brands each exceeding 1 billion yuan in sales; 2. To create 100 Douyin apparel brands, and 100 new retail brands each exceeding 100 million yuan in sales; 3. To create 2,000 bestselling clothing items, with 500 items each exceeding 100 million yuan in sales.⁶

JD.com’s community group purchasing business QuQu Gou to merge with Jingxi Pinpin

JD.com’s ‘QuQu Gou’ (区团购) will be fully integrated into Jingxi Pinpin (京喜拼拼). QuQu Gou was established in 2019 as a self-operated community group purchasing platform serving the Beijing-Tianjin-Hebei region before later expanding to other cities. The business performed well during the pandemic, with the average monthly GMV exceeding 20 million yuan at one time. Jingxi Pinpin was officially launched in January 2021. It integrates the Jingxi (京喜) social e-commerce app, community group purchasing mini program Jingxi Pinpin, Jingxitong (京喜通), which provides goods and services for offline stores, and Jingxi Express (京喜快递), which provides logistics services.⁷

Douyin E-commerce adds ‘Genuine Guarantee’ service

The Douyin E-commerce (抖音电商) platform has recently launched the ‘Genuine Guarantee’ (真实宝) service, which holds merchants responsible for false advertising (deliberate or otherwise) which infringes on consumers’ rights and interests by requiring that merchants provide appropriate compensation. When merchants meet the requirements for activating the service, the ‘Genuine Guarantee’ logo will appear on the shopping cart page in the livestream session. The consumer can request a compensation from the merchant within 30 days after delivery. If the compensation conditions are met, the compensation amount is 100% of the verifiable loss of the consumer, with a maximum of 1,000 yuan.⁸

Retail Logistics

Ministry of Transport approves JD.com’s pilot project in smart logistics

The Ministry of Transport has recently approved the various logistics projects proposed by Beijing Jingdong Century Trading Co. (北京京东世纪贸易有限公司) (a subsidiary of JD.com). These projects include smart logistics, green logistics, emergency logistics, multi-level supply chain logistics network construction, and unmanned logistics distribution. The overall objective of these projects is to make breakthroughs in smart supply chain platforms, green packing and recycling, social emergency logistics systems, innovation in diversified logistics service models, and full-process unmanned delivery, while adopting the necessary technologies and measures to ensure network and data security.⁹

Apparel & Bags

UNIQLO to open Beijing flagship store

An UNIQLO global flagship store will open on 6 November in Sanlitun, Beijing. The store incorporates art, science, culture and sustainability and will feature innovative LifeWear products, services and experiences, showcasing the art and science of LifeWear. The store will also launch Beijing’s first UTme! tailormade workshop, which will contain over a thousand personalized patterns (including Universal Studios, Disney China and traditional calligraphy patterns), that can be added onto exclusive UNIQLO t-shirt products with one click. This location will also host an immersive exhibition of art and science for the first time, in conjunction with a similar exhibition in the CIIE 2021.¹⁰

OLEADA raises nearly 10 million yuan in angel round financing and plans to open its first experiential store in New York this year

Emerging women's handbag brand OLEADA recently completed its angel round financing with nearly 10 million yuan, led by Capital Nuts (坚果资本) and followed by UpHonest Capital. Established in 2020, OLEADA creates fashionable and functional bags for women commuting and travelling for work. Its sales channels are mainly online, across various platforms including Tmall (天猫), Taobao (淘宝), JD.com (京东), Dewu (得物), and Douyin (抖音). The brand plans to open its first experiential store in New York this year, and first-tier cities in China can expect OLEADA pop-up stores by 2022.¹¹

Miscellaneous

eslite opens first small community store, with 100 more planned in the next three years

eslite spectrum's (诚品生活) first small-scale community store 'eslite me-time' began trial operations on 27 October. The store is located on Ruiguang Road in Taipei. The store not only sells popular books and stationery, but will also organise community activities such as flower art and painting which aim for open dialogue with community residents. It also sells fresh vegetables, which it delivers door-to-door. eslite is planning to open a hundred more stores of this type in the next three years.¹²

JD.com establishes strategic partnership with Yuexiu Group

JD.com (京东集团) and Yuexiu Group (越秀集团) have signed a cooperation agreement across several business areas including retail, technology, corporate procurement, logistics, health, and real estate. The two companies will leverage their respective strengths to better integrate their resources in order to improve their services for consumers and corporate customers alike. Yuexiu Group was established in Hong Kong in 1985. It operates in the finance, real estate, transportation infrastructure, modern agriculture and paper making industries.¹³

JD.com enters the automotive aftermarket

JD.com (京东) recently launched a new app called 'JD Auto Parts' (京东汽配) which may cause a stir in the automotive aftermarket. The company announced its entry into the automotive after-sales service market in 2017; in 2018, it launched its 'Five Opening Strategies' to fully open and integrate its supply chain, systems, services, logistics and financial capacities to create a central hub for the automotive aftermarket. JD.com decided to enter the automotive aftermarket because the rising popularity of new energy vehicles and increasing income per capita have contributed to the development of the automotive aftermarket.¹⁴

II. Market Overview

Chinese mainland's luxury market to grow by 25% this year

Tencent Ads (腾讯广告) and Boston Consulting Group (BCG) released the *China Luxury Digital Playbook 2021* on 26 October, which predicts that the Chinese mainland luxury market will grow by 25% this year to reach 520 billion yuan after last year's growth of 27%. The main growth factors are improving luxury shopping conditions and changing consumer attitudes. The report also shows that the big spenders (with an annual consumption of over 300,000 yuan on luxury goods) make up for only 11% of all consumers but account for 40% of luxury consumption. Post-90s consumers have become the main drivers of luxury consumption, accounting for 50% of all consumers and 46% of consumption. In terms of gender, the proportions of male and female luxury consumers were 46% and 54% respectively.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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