

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

WeChat video accounts, Moments, and mini app ads can link directly to Taobao and Tmall

Alimama (阿里妈妈) and Tencent Marketing Solutions (腾讯广告) have recently deepened their partnership: advertising traffic such as WeChat video accounts, Moments, and mini apps can link directly to Taobao (淘宝) and Tmall (天猫) stores, product details and Taobao livestreams. Furthermore, the two parties have also carried out in-depth cooperation to meet merchants' diverse business needs across store operations, livestreams, and content. For this year's Tmall 11.11 shopping festival, the two parties will launch the '11.11 Super Growth Plan' and invest 100 million yuan in merchant subsidies.¹

Over 1,000 Huawei stores enter Meituan Instashopping in new strategic partnership

Meituan Instashopping (美团闪购) recently announced a new strategic partnership with Huawei (华为). Since July, the two parties have begun preparations such as store entry, new product launch, and system integration. Currently the first batch of over 1,000 authorized Huawei experience stores in 62 cities have joined the Meituan platform, and consumers can enjoy 30-minute home delivery service for Huawei products. In the future, the two sides will also carry out in-depth cooperation across all stores and product lines as well as system integration. To date, mainstream mobile phone brands such as Huawei, Apple, Xiaomi, MOTO, and Samsung have all partnered with Meituan.²

Alibaba Cloud launches Entrepreneur Programme to support 30,000 Chinese startups every year

Alibaba Cloud (阿里云) recently launched the Entrepreneur Programme to support the growth of start-up companies through four major benefits: exclusive product and services, cloud resource subsidies, entrepreneurial growth acceleration, and joint brand promotion. Alibaba Cloud's goal is to provide support for 30,000 start-ups in China every year, with each company receiving up to one million yuan in cloud resources. So far, Alibaba Cloud already has supported the growth of three million innovative start-up companies. The programme will allow start-up companies to leverage opportunities of the 'cloud + AI' to achieve rapid growth and success.³

Supermarkets & Hypermarkets

Freshippo opens first premier store in Shanghai

Freshippo (盒马) opened its first premier store in Shanghai on 27 September, marking its entry into the high-end supermarket sector. Located in Shanghai's Changning district, the store is around 6,000 sqm and offers a mixture of global and local products. Around one third of products at the shop are exclusive items, differing from normal Freshippo stores which mainly offer daily fresh food, packaged snacks and groceries.⁴

Cosmetics

Rituals opens first Chinese mainland store in Shanghai

Home and body cosmetics brand Rituals recently opened its first store in the Chinese mainland at Shanghai IFC. Established in 2000, the Dutch brand offers products such as car perfume, foaming shower gel, body spray and candles in its stores worldwide. Its products are mainly produced in Germany, Italy and the Netherlands. The brand operates over 1,000 stores worldwide – mainly in Europe – and plans to expand further into the Chinese mainland with two more stores, one in Shanghai and another in Nanjing, to open later this year.⁵

Food & Beverage

Swire Coca-Cola to invest over 12 billion yuan in China over the next decade

Swire Coca-Cola, the fifth-largest bottling partner of the Coca-Cola Company by global volume, will invest over 12 billion yuan in the Chinese market over the next decade, mainly to expand production capacity. The Chinese mainland is Swire Coca-Cola's largest market, accounting for over half of its revenue, and the company expects to increase domestic production capacity by more than 7% every year from now to 2025. It has three ongoing investment projects in China, expected to be completed by the end of 2025, and aims to add production lines to 25 facilities and install new cold-drink vending machines.⁶

Haidilao sub-brand 'Hailao Hotpot' opens its first store in Beijing

Haidilao's (海底捞) sub-brand 'Hailao Hotpot' (嗨捞火锅) recently opened its first store in Beijing. Hailao's prices are lower compared to Haidilao, and the store also sells some dishes in a self-service format. The lower unit price reflects that consumers are becoming more cautious in their spending – good service is no longer as important as lower prices. As such, Haidilao has begun exploring more low-price sub-brands.⁷

Yum China plans to open 1,000 Lavazza stores in China

Yum China (百胜中国) has expressed intentions to bolster its partnership with Italian coffee manufacturer Lavazza. Together, the two plan to open 1,000 Lavazza outlets in China over the next three to five years. This expansion is part of Yum China's broader growth strategy which includes reaching a total of 20,000 physical locations by 2026. Lavazza, one of the oldest and revered coffee brands, established a significant foothold in the Chinese market in 2020 by launching its flagship store in Shanghai in collaboration with Yum China. By mid-2023, Lavazza boasted over 100 outlets in 11 major Chinese cities.⁸

General Retail

Suning Retail Cloud exceeds 14,000 stores

On 28 September, Suning Retail Cloud (苏宁易购零售云) opened its 14,000th store nationwide in Anhui. As one of Suning.com's high-growth business segments, retail cloud sales increased by 42.5% yoy in the first half of 2023, including year-on-year growth of 54.2% in the second quarter. The company plans to operate over 30,000 retail cloud stores by 2025 with annual sales of over 50 billion yuan. It plans to strengthen its open collaboration capabilities, create a 'replicable' retail cloud model, expand its operating model, and enjoy business growth together with its business partners.⁹

II. Market Overview

China's livestreaming sales hit 1.27 trillion yuan in 1H23

In the first half of 2023, China's major e-commerce platforms achieved total livestreaming sales of 1.27 trillion yuan, according to data from the National Institute of Metrology of China. In the first half of this year, there were over 110 million livestreams on these platforms and more than 70 million products were showcased through livestreams, the report said. During the same period, the number of active e-commerce live streamers in China reached over 2.7 million. In 2022, more than 120 million livestreaming activities were conducted on major e-commerce platforms and received over 1.1 trillion views in total, according to a report released in January by China's Ministry of Commerce and the National Bureau of Statistics. Throughout 2022, there were 1.1 million active livestreamers in China.¹⁰

CCFA releases 2023 China Urban Convenience Store Index

The China Chain Store & Franchise Association (CCFA) recently released the '2023 China Urban Convenience Store Development Index.' The core data of the index are the saturation level of convenience stores in each city, the growth rate of the total number of stores, the proportion of 24-hour convenience stores and the overall business environment. Xiamen, Taiyuan, Dongguan, Changsha, and Guangzhou ranked among the top five in terms of convenience store development index. Overall, the development of convenience stores in China remains stable, though the market in most cities has not reached maturity. Furthermore, convenience store brands focus on regional development, and cross-regional integration has become a trend. The industry still faces high operating costs which need to be addressed. Finally, the proportion of 24-hour convenience stores in each city remains relatively unchanged, and the industry urgently needs policy guidance and support.¹¹

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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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