China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

JD.com launches 'free door-to-door returns and exchanges' service

JD.com (京东) recently launched a 'free door-to-door returns and exchanges' service. All products marked with the 'free door-to-door return and exchange' label can be returned and exchanged for free, regardless of size, weight, and quantity. JD.com is actively promoting this service among third-party merchants, and the service is expected to cover more than 90% of third-party merchants over the next year. JD.com also aims to address third-party merchants' difficulties in returning or exchanging large items. JD.com has added a new service of door-to-door pickup twice a year, with a protection limit of 5,000 yuan which applies when the shipping fee for large items exceeds 800 yuan.[1]

Douyin life services: 730,000 users use group purchase gifting function during Chinese New Year period

Douyin Life Services (抖音生活服务) recently launched the 'Send as You Like' function for group buying coupons before the Chinese New Year began while simultaneously launching a gifting promotional event from 25 January to 17 February. During the event, a total of 730,000 users used the function, sending out 840,000 gifts, with a total value of over 40 million yuan. The three most popular gift types are game currency, movie tickets, and baked goods. More women used the 'Send as You Like' function to send gifts, accounting for 60% of the total number of gifts given, while women also accounted for a higher proportion of gift recipients.[2]

JD.com applies to register multiple AI-related trademarks

Beijing Jingdong 360 Degrees E-commerce Co. (北京京东叁佰陆拾度电子商务有限公司) – a subsidiary of JD.com (京东) – recently applied for the registration of multiple trademarks including 'JDAI JD Artificial Intelligence' and 'JD Artificial Intelligence JDAI'. The international classification covers electrical and scientific apparatus, website services, advertising and business, and education and entertainment. These trademark applications are still awaiting review. At the same time, the company has also applied for multiple 'Jingyan Assistant' trademarks – Jingyan Assistant is an AI smart shopping guide owned by JD.com.[3]

Vipshop's 2023 net revenue goes up 9.4% yoy to 112.9 billion yuan

Vipshop (唯品会) recently released its fourth quarter and full-year results for 2023. In the fourth quarter of 2023, Vipshop achieved net revenue of 34.7 billion yuan, a year-on-year increase of 9.2%; non-GAAP net profit was 3.2 billion yuan, a year-on-year increase of 43.4%. The company's growth was attributed to a rise in active customers and increased spending on discretionary categories, signalling a recovery in consumer consumption. In the fourth quarter, GMV was 66.4 billion yuan, a year-on-year increase of 21.9%; the number of active users was 48.5 million, a year-on-year increase of 2.3%. For the whole year of 2023, Vipshop achieved net revenue of 112.9 billion yuan, a year-on-year increase of 9.4%; non-GAAP net profit was 9.5 billion yuan, a year-on-year increase of 39.1%. The company's annual GMV was 208 billion yuan, a year-on-year increase of 18.7%; the number of active users was 87.4 million, a year-on-year increase of 3.9%.[4]

Baidu's 2023 net profit increases by 23% as AI becomes new growth driver

Baidu recently released its fourth quarter and full-year financial results for 2023. The company's total revenue for 2023 increased 8% yoy, and the non-GAAP operating margin expanded from 22% to 24%. Robin Li, founder, chairman and CEO of Baidu, stated in the financial report that AI has become a new driving force for Baidu's growth, and the company has made significant progress in iterating the Wenxin Big Model and Wenxin Yiyan (文心一言), as well as restructuring products and services and increasing commercialization. Going forward, it will continue investing in generative AI and basic models.[5]

JD.com to open six more flagship stores in Shanghai in 2024

JD.com (京东) will accelerate its offline store expansion in Shanghai, with plans to open six more flagship outlets in the financial hub in 2024 and expedite the location selection for the first JD Mall in Shanghai. In 2023, JD city flagship stores appeared in the Shanghai market for the first time, with three stores in Longzhimeng, Changning District, Pujian Road in Pudong New Area, and Gonghe New Road in Baoshan District. Currently, the company has reached around 40 million consumers across all channels in Shanghai, and nearly 25% of these consumers have purchased multiple items. So far, JD.com has launched JD Mall and super experience stores in 11 cities across the country. It has over 100 city flagship stores nationwide, with over 200,000 types of products available for sale.[6]

Retail Logistics

Cainiao announces the launch of ‘cross-border apparel route’

Cainiao (菜鸟) recently launched a ‘cross-border apparel route’ focusing on clothing industry belts such as Guangzhou, Shenzhen, Hangzhou, Yiwu, Dongguan, etc. The company aims to create smart digital cross-border clothing solutions for AliExpress, factories and other merchants. As a result, clothing produced in the aforementioned cities can be delivered to European consumers in as little as five days. AliExpress previously launched a cross-border clothing promotion activity and added a new women’s clothing channel called Viva on the homepage. It provided large subsidies, exclusive channel resources and other support measures for merchants on the platform.[7]

Apparel & Sports

Asics’ China sales surge 24% yoy

According to Japanese sportswear brand Asics’ recently released 2023 financial report, the brand has performed well in the Greater China market, with revenue growth of 24.4% yoy, exceeding the brand’s overall growth of 17.7% yoy. Asics’ rapid growth in China is mainly due to the recovery in sales of performance running shoes which can be attributed to the reopening of sports events, as well as the strong sales growth of its Onitsuka Tiger brand, which exceeded 40%. In recent years, Onitsuka Tiger has further accelerated its expansion in China in first-tier cities, opening 16 stores in Shanghai, while also beginning to enter second-tier cities with higher consumption power, such as Wuxi and Suzhou. In addition, Onitsuka Tiger has also opened outlet locations and other discount stores in China. At present, the Chinese market accounts for about 50% of Onitsuka Tiger sales.[8]

Cosmetics

Benefit rumoured to exit Chinese mainland market

After announcing the closure of its official online flagship stores on Tmall, Douyin and JD.com, LVMH Group’s cosmetics brand Benefit is reportedly withdrawing from its offline sales channels in the Chinese mainland. Many of the brand’s products have reportedly been sold out at Sephora, with no signs of an upcoming restock. Regarding the rumours, a company spokesperson told a Beijing Business Daily reporter that Benefit is indeed adjusting its business scale and development focus in the Chinese mainland, but it is unclear whether it will withdraw from the market at the end of June or early July 2024.[9]

Aesop to open first store in Guangzhou

Australian skincare brand Aesop will open its first store in Guangzhou on 15 March. The brand first entered the Chinese mainland market through Tmall in 2018, followed by other e-commerce channels such as WeChat and Xiaohongshu; its first offline store opened in Shanghai in November 2022, gradually expanding to other locations in the city. The brand was acquired by L'Oreal Group from Natura & Co for 17.4 billion yuan in April 2023. After the acquisition, the brand began accelerating its expansion in the Chinese mainland, with four new stores opening since December 2023 – including locations in Shenzhen and Chengdu. It is reportedly opening a new store in Suzhou as well.[10]

Luxury

Harrods: China accounts for 4% of sales in 2023

According to a recent interview, luxury department store Harrods' Managing Director Michael Ward said the company upbeat about the luxury department store's future sales to Chinese customers. He said China represented about 4% of its sales last year and is growing at around 7%, and he expects the growth rate to accelerate throughout 2024. He thinks the company should focus on its wealthiest customers and maintain these relationships to ensure long-term growth.[11]

Miscellaneous

Suning.com plans to open 180 new stores in Zhejiang

Suning.com (苏宁易购) recently hosted a promotional event launch alongside its 2024 Annual Planning Conference in Hangzhou. At the press conference, Xu Hailan, assistant to the president of Suning.com Group and president of Suning.com's Eastern China division, shared the company's strategic layout in Zhejiang. The company will accelerate the improvement of Suning.com's positioning as a service-oriented retailer and carry out in-depth changes involving development models, organizational management, and core capabilities across the front, middle and back offices. It will streamline all management teams and business support services to improve collaboration efficiency with partners and provide more cost-effective prices and services to users. Suning.com will also form a comprehensive offline store cluster with Suning Yijia (苏宁易家) as the core flagship brand and Suning Retail Cloud stores spanning all regions. A total of 180 new stores will be opened in the Zhejiang region (including Yijia Max stores, Yijia Pro stores, Sunning Plus stores, Yijia select stores, retail cloud stores, etc.)[12]

II. Market Overview

Taobao pet product retail sales reach 25.14 billion yuan in 2023

Tmall Innovation Centre (TMIC), Kaijie (凯诘) and Duozhun (多准) recently jointly released the *2023 Mother and Baby & Pet Trend Report*, which summarizes pet product data on the Taobao platform in 2023. It shows that the pet market is stable in 2023. In the year, retail sales of pet products on Taobao reached 25.14 billion yuan, an overall increase of 0.2% yoy. Among the major segments, retail sales of cat food reached 12.3 billion yuan, an increase of 7% yoy; retail sales of dog foot reached 5.5 billion yuan, a decrease of 4.1% yoy. Retail sales of cat and dog products reached 9 billion yuan, a decrease of 6.5% yoy, while sales of cat and dog health products reached 3.6 billion yuan, an increase of 0.8% yoy. Retail sales of aquarium products reached 4.8 billion yuan, a decrease of 7.7% yoy.[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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