China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Dewu app partners with MCM's Shanghai pop-up store

Dewu (得物) recently established an exclusive partnership with the Shanghai pop-up store of MCM, a German luxury brand. Together, Dewu and MCM will globally premier MCM's new products for 2023, along with two special edition bags – a classic tote bag and a camera bag. The two parties will also engage in an 'immersive' full-chain marketing collaboration centred around this year's new products.[1]

'Tmall Youpin' WeChat mini app suspended

Prior to this year's 618 shopping festival, Tmall (天猫) launched the 'Tmall Youpin' (天猫优品) mini app on WeChat. This marks the first time that a Tmall-branded mini app from the Taobao ecosystem appeared on WeChat. Tmall Youpin primarily sells electrical appliances and supports WeChat Pay. It also introduced billions of subsidies and discounts for the 618 period. However, as of 26 June, the mini app had been suspended by WeChat due to policy violation.[2]

Meituan establishes new technology company in Chengdu

Qionglai Hanmei Technology Co., Ltd (邛崃市汉美科技有限公司) was recently established in Qionglai, Chengdu. It has a registered capital of 1 million yuan. The company's business scope includes engineering and technical research and experimental development, electronic product sales, computer system services, artificial intelligence software development, bike-sharing services, and electric bicycle sales. The company is indirectly wholly owned by Solid Bit Hong Kong Limited, a subsidiary of Meituan (美团).[3]

Meituan's Hong Kong food delivery platform KeeTa to expand its service area

KeeTa, Meituan's (美团) food delivery platform in Hong Kong, will expand its service area from Mong Kok and Tai Kok Tsui to Sham Shui Po and the whole Yau Tsim Mong district, with plans to further expand to other Kowloon areas in July. To attract new users, KeeTa continues to offer the 'One Billion Rewards' promotion, where each new user can receive coupons worth HK$300 which can be used for discounts on meals and delivery fees. KeeTa also plans to launch marketing activities in the new areas, including rewards for successful invitation of new users and free delivery.[4]

Douyin Delivery to focus on meal deals priced at more than 60 yuan in strategy adjustment

Douyin Delivery (抖音外卖) is reportedly adjusting its business strategy to focus on meal deals priced at more than 60 yuan. The platform has also abandoned its sales goal of 100 billion yuan for 2023 due to disappointing results to date. Douyin Delivery's focus on high-priced meals contrasts with Meituan (美团) and Alibaba-owned Ele.me (饿了么) which target takeaways costing less than 30 yuan. To counter Douyin's expansion, Meituan has since April offered delivery of higher-priced meals in over 20 cities, including Beijing, Shanghai, and Chengdu, all part of Douyin's trial areas.[5]

Bilibili establishes a Trade Ecosystem Centre to accelerate commercialization

In a recent internal email, Bilibili (哔哩哔哩) announced the integration of multiple teams to form a new top-level department, the Trade Ecosystem Centre, in order to strengthen the company's infrastructure in commercial transactions and meet the business needs of users and content creators. The former E-commerce Division has been renamed the Membership Shopping Division and will continue to focus on peripheral products for the ACG (anime, comics, and games) community. According to insiders, the company acknowledges that there is a significant amount of untapped consumer demand on Bilibili. Therefore, the company will expedite the development of consumption scenarios and transactional mindset to align with market trends and user habits.[6]

Retail Logistics

SF Intra-city's convenience store orders increase by 86% yoy during 618 period

According to SF Express, during the 618 shopping festival, the order volume for convenience store orders through SF Express's (顺丰) local delivery service SF Intra-city (顺丰同城) grew by 86% yoy. SF Express used a hybrid transportation model combining bicycles and four-wheeled vehicles during this period, effectively expanding the delivery coverage. Differentiated transportation plans were also implemented in various parts across the country to enhance courier efficiency. Additionally, the current popular trends of 'she economy' and 'pet economy' have spread to the instant retail sector during the 618 promotional period. SF Intra-city reported a notable increase in order volume for beauty products, which grew by 259% yoy, and pet products, which grew by 145% yoy.[7]

Cainiao launches new domestic express delivery services

Cainiao (菜鸟) recently launched a new express delivery service which promises that it will offer half-day, same-day, and next-day doorstep deliveries, along with other high-quality services. The new service, named Cainiao Express (菜鸟速递), is an expansion of the express delivery previously provided exclusively to select Alibaba-owned businesses, and will compete directly with delivery companies such as SF Express (顺丰).[8]

Supermarkets & Hypermarkets

Yonghui successfully implements 'Warehouse-Store Integration' business model in five core cities

Yonghui Superstores (永辉超市) recently announced that as of the end of June, they had completed the basic transformation of nearly 160 fulfilment centres in five core cities: Fuzhou, Beijing, Chengdu, Chongqing, and Hefei, with full-service coverage in the main urban areas. The 'Warehouse-Store Integration' model is well underway in seven key cities, including Xi'an, Zhengzhou, Guiyang, Guangzhou, Shenzhen, Hangzhou, and Shanghai. The model has significantly improved operational efficiency in the core cities. In Beijing, after the transformation of 12 fulfilment centres this past January, the average on-time delivery rate increased by nearly 25%. The post-sales issues caused by merchants decreased by 5.7%, and the out-of-stock rate decreased by nearly 14%.[9]

Freshippo to open up its fresh food supply chain to corporate users this year, with testing already in progress

Freshippo (盒马) recently announced its plans to open up its fresh food supply chain to corporate catering businesses this year. The company has already partnered with two companies in Shanghai to conduct testing, starting with essential ingredients such as meat and eggs. Freshippo aims to optimize its partners ordering and delivery process, identify the most frequently purchased ingredients, and collaborate with chefs to develop a 'weekly menu' so that ingredients can be prepared in advance. Over the past seven years, Freshippo has established a fresh food supply chain network, including 180 Freshippo villages and numerous suburban bases across 27 cities.[10]

Food & Beverage

Lelecha establishes new beverage management company

A new company called Shanghai Tea Crowd Catering Management Co., Ltd (上海茶众餐饮管理有限公司) was recently established. Its registered capital is 1 million yuan. The business scope includes catering management, sales of agricultural and sideline products, sales of daily necessities, brand management, supply chain management services, and online food sales. Shareholder information indicates that the company is wholly owned by a company affiliated with tea brand Lelecha (乐乐茶).[11]

II. Market Overview

China's cross-border e-commerce import and export scale exceeds 2 trillion yuan in 2022

According to data from China Customs, the total value of the country's imports and exports through e-commerce platforms increased by 7.1% yoy to 2.1 trillion yuan in 2022, accounting for 4.9% of the total value of China's goods trade imports and exports. Among them, e-commerce exports grew 10.1% yoy to 1.53 trillion yuan, accounting for 6.4% of the total value of China's exports. In terms of export goods, consumer products accounted for 92.8%, with apparel, shoes and bags accounting for 33.1% and electronics such as mobile phones accounting for 17.1%. As for imported goods, consumer products accounted for 98.3%, with beauty and personal care products accounting for 28.4% and food and fresh produce accounting for 14.7%.[12]

Shenzhen's online retail sales up by 16.5% yoy to 108.9 billion yuan during 618 shopping festival

The Shenzhen Municipal Bureau of Commerce organized various promotional activities in collaboration with major e-commerce platforms and brands during the 618 shopping festival to boost city-wide consumption. According to third-party data, online retail sales in Shenzhen during the 618 period grew 16.5% yoy to 108.9 billion yuan. During the event, major e-commerce platforms and brands, such as Taobao Live (淘宝直播), Ele.me (饿了么), Rainbow (天虹), China Resources Vanguard (华润万家), PuPu Supermarket (朴朴超市), Dingdong Maicai (叮咚买菜), Suning.com (苏宁易购), Bestva (百佳华), DR (迪阿) and Chow Tai Fook Online (周大福在线), conducted various 618-themed promotional activities to drive sales growth. Taobao Live organized the 'Shenzhen Livestreaming Festival' and provided traffic to Shenzhen's industrial belt livestreaming sessions, with over 50 million exposures. According Taobao Live, over 9,000 Shenzhen merchants joined Taobao Live studios during the event, covering multiple categories including jewellery, high-end women's clothing, home decoration, and daily goods. Among them, the sales of jewellery and high-end women's clothing alone reached nearly 800 million yuan.[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

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