

# China Retail & E-commerce Weekly Update



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**Helen Chin**  
Vice President

**William Kong**  
Senior Research Manager

**Brigitte Ng**  
Research Analyst

**Vivian Liang**  
Assistant Manager

**Fung Business Intelligence**  
11/F LiFung Tower  
868 Cheung Sha Wan Road  
Kowloon, Hong Kong  
T: (852) 2300 2470  
F: (852) 2635 1598  
E: fbicgroup@fung1937.com  
W: <http://www.fbicgroup.com>



# I. Sector Review

## Internet & E-commerce

### Vipshop invests in overseas e-commerce platform Qpendo

Vipshop (唯品会) recently invested an undisclosed amount in Qpendo, a cross-border e-commerce platform for daily necessities. This funding round will be mainly used for brand upgrades, global advertising, supply chain building and other purposes. Founded in early 2022, Qpendo is targeted at young and fashionable women aged 18-35 in the global market. It provides a channel for local FMCG brands to expand into overseas markets such as North America, Europe, the Middle East, Southeast Asia, Japan and South Korea.<sup>1</sup>

### Kuaishou E-commerce sets new evaluation standards for its merchants

Kuaishou E-commerce (快手电商) recently announced its new *Kuaishou Store Service Evaluation Standards and Measures*. These rules were published on 27 September and took effect on 5 October; they apply to all merchants and sellers on the platform. The service evaluation on Kuaishou stores consists of three indicators – delivery performance, customer inquiries, and after-sales services.<sup>2</sup>

### Tmall Supermarket: Private domain now accounts for over 50% of transactions

Tmall Supermarket (天猫超市) recently held a 'Double 11' merchant conference on 29 September. The general manager, Liu Yiman, identified the two core keywords 'opening' and 'growth' in the brand's service business strategy: Opening means that private domain traffic, users, and supply chain capabilities will be fully open to brand merchants, and the relationship with merchants will change from a simple 'supply and sales' model to a comprehensive business partnership. On the Tmall Supermarket platform, the proportion of transactions guided by private domain traffic has exceeded 50%; these users contributed nearly 50% of the GMV. Tmall Supermarket consumers largely fall into three core groups: housewife-led families, new mothers and their families, and cohabitating couples. They tend to make high quality purchase, repeat purchases, and live in higher-tier cities – accounting for 40% of transaction value across all users.<sup>3</sup>

## Retail Logistics

### Cainiao and COSCO Shipping begin testing full-chain logistics cooperation

Cainiao (菜鸟) and COSCO Shipping (中远海运) recently tested their cooperation in full-chain logistics services as the latter's CSCL Saturn container ship arrived at the Port of Antwerp-Bruges in Belgium. The parties will establish seamless connections between sea transportation, cargo arrival at port, and transportation from port to warehouse. This batch of goods will be cleared, unpacked, stored and picked up by Cainiao and its partners at COSCO Shipping's Zeebrugge location. They will then be transported to the overseas warehouses in Belgium, Germany, the Netherlands, the Czech Republic, Denmark and other European countries, which will serve the cross-border logistics for this year's 'Double 11' shopping festival.<sup>4</sup>

### Sichuan's first cross-border e-commerce retail import return central warehouse is now operational

On 28 September, employees of Jingxi Shangpin (Chengdu) Technology Co., Ltd (京喜尚品(成都)科技有限公司) sorted various returned cross-border e-commerce goods inside the return central warehouse, located within the comprehensive bonded area of Chengdu International Railway Port in Sichuan province. The Qingbaijiang customs then conducted inspection and completed the declaration. This marks a successful test of the first cross-border e-commerce retail import return central warehouse model in Sichuan Province, which is now fully operational. Under the cross-border e-commerce retail import model, the return central warehouse enterprise can receive and sort returned goods in a dedicated location within the special customs supervision area. Items that meet regulatory requirements shall be declared to the customs, and can be re-listed for sale after the declaration is completed.<sup>5</sup>

## Supermarkets & Hypermarkets

### METRO opens its first membership store in central China

METRO China opened its first membership store in Wuhan on 25 September, which was also the first of its kind in central China. It carries nearly 6,000 SKUs, of which over 400 are new products and more than 40% are imported, own-brand and exclusive products. METRO was one of the earliest membership supermarkets to enter the Chinese mainland, but it had previously focused on business customers. In June 2021, METRO announced its transition to a B2C membership store. Since then, it has launched more than 20 paid membership stores in Beijing, Chengdu, Nanjing, Qingdao, Changchun, Changzhou and other locations across North China, Southwest China, East China and Northeast China.<sup>6</sup>

## **Yonghui has completed 35 pilot warehouses in Fuzhou for its new 'warehouse-store model'**

Yonghui Superstores (永辉超市) recently hosted an online briefing for its interim results. CEO Li Songfeng said that the company will unify its warehouses and stores in some core cities, improving its capabilities in commodity supply chain, delivery efficiency and quality, service and experience, warehouse transformation, organizational and structural reform, etc. Based on infrastructure and store coverage, Yonghui has so far identified 10 core cities across the country as key development cities for its Yonghui Daojia (永辉到家) business in 2023. A full warehouse, half warehouse, independent warehouse and other models will be established in each city to help their online business grow. Up to now, Yonghui has completed 35 high-standard warehouses in Fuzhou, each with an operating area between 800 sqm and 1,000 sqm. The products in the warehouses cover fresh food, edibles, daily chemicals, processed food and other categories, reaching a total of 7,000-8,000 SKUs.<sup>7</sup>

## **Apparel**

### **SHEIN accelerates its sustainable packaging initiative**

Online fast fashion retailer SHEIN is advancing plans to reduce the use of virgin plastics throughout its operations while accelerating the adoption of more sustainable packaging solutions. The company is increasing the use of recycled materials in plastic bags while continuing to explore plastic-free alternatives. As part of this initiative, since August 2022, all SHEIN parcels sent to EU countries and the UK have used recycled plastic packaging – the courier bag contains 50% of recycled polyethylene (PE) plastics and is produced through a waste recycling process. Compared to virgin plastics, PE plastics can be recycled repeatedly, minimizing the use of raw materials and requiring less energy and water to produce. SHEIN's initiative is expected to save more than 319 tons of virgin plastics by the end of this year.<sup>8</sup>

## Furniture and Home Improvement

### JD Home upgrades existing offline stores to comprehensive retail stores

At its 2nd National Offline Store Owners Summit, JD Home (京东居家) announced that it will upgrade all existing offline stores to comprehensive retail stores, with unified visual design and full connection to JD.com's supply chain. This will be achieved through continuous improvement of digital and smart hardware support, unified display and retailing of modular home materials, and the provision of immersive integrated home space solutions. JD Home also announced its offline store development plan and officially signed contracts with 46 core brands. It will help these brands transform and upgrade their supply chain while providing marketing support as well as digital and smart tools. JD Home has set up or planned nearly 500 offline stores nationwide and introduced over 150 core brands, covering categories such as building materials, furniture, decoration materials, household goods, and home appliances, with a total product pool of over 300,000 items.<sup>9</sup>

## Food & Beverage

### Tims China begins trading on Nasdaq

Tim Hortons China, the Chinese operation of the Canadian coffee chain, began trading on Nasdaq on 29 September under the symbol THCH. The company is listed on Nasdaq as a special purpose acquisition company (SPAC). Since entering the Chinese market in 2019, Tim Hortons China has completed four financing rounds. Tims China currently has more than 410 stores in 20 cities in China. Data disclosed by the company shows its revenue has been growing since 2019, but its overall net loss has also been expanding.<sup>10</sup>

## Miscellaneous

### Wanda Group establishes strategic partnership with Luoyang Cultural Tourism Investment Group

The signing ceremony of the strategic cooperation framework agreement between Luoyang Cultural Tourism Investment Group and Wanda Group (万达集团) was held recently. The two parties will cooperate on projects such as Longmen Tourism Resort, Wan'an Shan Tourism Resort, Xintang Street, and Zaihezhou Tourism Resort to help Luoyang develop its cultural tourism and cultural and creative sector, establishing the city as an international cultural tourism destination. They will also further develop Luoyang's commerce, sports and service industries.<sup>11</sup>

## II. Market Overview

### **Kuaishou: Rural e-commerce livestreaming helps develop the digital economy in rural areas**

Kuaishou (快手) recently released a report on rural e-commerce livestreaming. Driven by the new business format, a number of characteristic 'agricultural livestream cities' are emerging which not only accelerate the circulation of agricultural products and help farmers raise income, but also enrich the supply of agricultural products, allowing more people to access high-quality and cheap farm produce. In addition, rural e-commerce livestreaming is conducive to growing the digital economy in rural areas.<sup>12</sup>

### **2022 Elderly Consumer Trend Report: Elderly consumers' transaction volume has tripled in four years**

JD Research Institute for Consumption and Industrial Development recently released the *2022 Elderly Consumer Trend Report*, which breaks down the preferences and characteristics of elderly consumers as well as targeted 'senior products'. The report shows that both the total number of elderly consumers and their transaction volume have steadily increased over the years. In the first eight months of 2022, the transaction volume, the number of consumers, and the per capita order volume of elderly consumers reached 3 times, 1.8 times, and 1.7 times that of 2018, respectively. This group is growing accustomed to online shopping, and the types of shopping are also more diversified. Furthermore, personalized and upgraded consumption has become more popular. In terms of 'senior products', more purchases are made by younger consumers on behalf of their elders.<sup>13</sup>

## III. Policy Spotlight

### **MOFCOM: Further increase ease of trade and improve efficiency of port logistics and domestic transportation**

The Ministry of Commerce (MOFCOM) recently issued a notice on the policies and measures to support the stable development of foreign trade. It specifically called for further improving ease of trade, increasing the efficiency of cargo consolidation and evacuation at port and domestic transportation, ensuring the fast transit of import and export goods, and maintaining the stability of the industrial chain and supply chain. It also plans to tackle unreasonable port fees and strengthen the supervision of fee-receiving entities within shipping ports. It will strengthen customs clearance facilitation services for foreign trade enterprises, further improve the efficiency of customs clearance of goods, and thus achieve fast entry and exit of goods at the port. Given that pandemic prevention is ensured, the Ministry of Commerce will make every effort to improve the capacity and efficiency of land transportation between Shenzhen and Hong Kong to meet commercial needs.<sup>14</sup>

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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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