

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Guangzhou Huangpu District Government and AliHealth jointly build a beauty and big health platform

Recently, the Government of the Huangpu District of Guangzhou and AliHealth (阿里健康科技) established a strategic partnership. The AliHealth Huangpu Beauty Centre (阿里健康大药房 X 黄埔美妆馆) was also launched. The centre aims to propel the development of the beauty and big health industry of Huangpu. It will be built into an online marketing platform that serves both domestic and international markets. To date, the platform has already attracted many well-known local beauty brands such as Marubi (丸美), Meifubao (美肤宝), seeyoung (滋源), Annjour (安纾), Skynfuture (肌肤未来), and Zhongcaoji (中草药集).¹

Taofenxiao platform has been upgraded to 'Jingya'

On 13 June, Taobao's (淘宝) Taofenxiao (淘分销) platform was upgraded to the 'Jingya' (鲸芽) platform. The platform's original functions and services will remain unaffected, but three new measures have been added to help businesses grow faster. Since 2020, Taobao Global has leveraged the Jingya platform to expand its supply channels, and it has cooperated with 1,400 suppliers around the world to conduct centralized procurement. In 2021, the platform introduced a total of 6,000 brands, 1/4 of which are small and medium-sized overseas brands. In total, the platform has over 100 suppliers with an annual turnover of over 10 million yuan.²

Alibaba establishes 'Data-as-a-Service' subsidiary Lingyang

Alibaba (阿里巴巴) has spun out a 'Data-as-a-Service' (DaaS) business called Lingyang Intelligent Service Company (羚羊智能服务公司). Lingyang will offer solutions to enterprises that were initially developed for Alibaba. It has five major product lines: Analysis Cloud, Marketing Cloud, Customer Service Cloud, Development Cloud, and Production and Sales Cloud. 11 core products are initially being launched across these lines, including Dataphin, Quick BI, Bizphin, Quick Audience, and Operation Advisor. According to Li Cheng, chief technology officer of Alibaba, Lingyang will help enterprises drive efficient decision-making and promote growth through data intelligence in multi-platform operations.³

JD.com and Tencent to launch cooperation in e-commerce portals

JD.com (京东) and Tencent (腾讯) recently renewed their three-year strategic cooperation agreement. According to the agreement, Tencent will continue to offer JD.com prominent access points on its WeChat platform to provide traffic support. The two parties will also carry out business cooperation in areas such as e-commerce portals, cloud technology and cloud services, membership systems, online conferences, corporate services, smart retail, and advertising. On the basis of continuing previous cooperation, the two sides have further expanded and deepened specific collaboration in the fields of technological innovation and supply chain services. In terms of technical cooperation, the two sides will strengthen technical exchanges and cooperation in artificial intelligence and other fields, and plan to set up joint technical laboratories in information security and other areas. In terms of supply chain services, JD.com will provide services such as edge computing, digital procurement, industrial interconnection, supply chain finance, intelligent logistics and C2M.⁴

Pinduoduo launches web version of ‘Pinduoduo Discount Mall’

Pinduoduo (拼多多) officially announced the PC-based web version of the ‘Pinduoduo Discount Mall’ (拼多多优惠商城). However, at this stage, users can only enter the site by entering the URL. The interface is simple – unlike the Pinduoduo app, there are no flash sale activities or group purchasing functions. The site currently has 16 product categories, including daily goods, maternal and baby, women’s clothing, food, and beauty. Users can purchase products through the website and pay by scanning a QR code on their mobile phones.⁵

Oriental Selection launches separate livestreaming account for beauty and makeup

The Oriental Selection (东方甄选) livestream channel, whose popularity soared due to its bilingual livestream sessions, recently launched a new account on Douyin (抖音) called ‘Oriental Selection Beauty and Makeup’ (东方甄选之个护美妆). To date, sales of beauty products have reached about 10 million yuan and account for only 5% of the total sales of Oriental Selection livestream sessions, indicating a lot of room for growth. During the 618 promotion period, Oriental Selection’s livestream sales ranked second on Douyin, and its total sales during the 618 period exceeded 300 million yuan.⁶

Yitiao closes all offline stores as it returns to online-only operations

We media company Yitiao (一条) recently closed all offline locations of its 'Yitiao Lifestyle' (一条生活馆) brand as the company plans to return to online-only operations in the future. Yitiao launched in 2014 as a media platform and later switched its revenue source from advertising to self-built e-commerce platform. In September 2018, the company opened its first offline Yitiao Lifestyle store in Shanghai. Since then, it has expanded across the country, with a total of 18 locations in Beijing, Hangzhou, Nanjing, Suzhou, Tianjin, Chongqing and other cities at its peak.⁷

Retail Logistics

China Southern Air Logistics and JD Logistics to build an 'integrated smart aviation logistics platform'

China Southern Air Logistics (南方航空物流) and JD Logistics (京东物流) recently announced that they will build an integrated smart aviation logistics platform which will be rolled out within three years. The platform will focus on the four major businesses of air cargo, modern warehousing, e-commerce, and supply chain management. After the platform begins operating, it will further integrate global resources and establish an integrated aviation logistics ecosystem. This is the latest achievement of China Southern Air Logistics and JD Logistics' 2020 strategic cooperation agreement, as the two parties continue to cooperate across logistics, user marketing and other fields.⁸

Convenience Stores

Sinopec launches liquor stores at its Easy Joy convenience stores

Sinopec (中石化) recently opened its first liquor store within the Easy Joy convenience store (易捷便利店) at the Qiutao Road gas station in Hangzhou, Zhejiang. Sinopec EasyJet announced that it will open the 'Easy Joy Tavern' (易捷甄酒馆) in selected Easy Joy convenience stores across the country. This is Sinopec's latest attempt in its multi-format development after bottled water, functional drinks, and coffee shops.⁹

Apparel

John Smedley targets Chinese mainland market by launching a WeChat mini program shop

British knitwear brand John Smedley is launching a suite of digital activities in the Chinese mainland, including launching an e-commerce mini program shop on WeChat (微信) and promoting the brand on various platforms such as WeChat, Xiaohongshu (小红书) and Weibo (微博). John Smedley sells its menswear and womenswear from its standalone stores in UK, Japan, as well as online at johnsmedley.com. It also exports to more than 47 countries worldwide via international wholesale partners.¹⁰

H&M closes first and largest flagship store in China

Swedish fashion label H&M has closed its first flagship store in the Chinese mainland, located in downtown Shanghai's busy commercial district Huaihai Road. According to its company website, H&M currently operates 381 stores in China, with 26 in Shanghai. The brand closed 31 stores in the market in the fourth quarter of 2021. H&M's sales in the Chinese market have slumped since March 2021 as a result of its boycott of Xinjiang-produced cotton.¹¹

Food & Beverage

Nayuki begins using automatic milk tea machines and expands bottled tea product offering

Tea beverage brand Nayuki/Naixue's Tea (奈雪的茶) has begun using automatic milk tea machines in more than 120 stores in Guangzhou and Shenzhen. These machines are expected to be fully adopted nationwide in the third quarter. The machines are completely self-developed by Nayuki's digital team, and they can increase hourly production capacity by 40%. In addition, as part of its growth plan, the company has also expanded the product offering of its bottled tea recently. These developments show that Nayuki is expanding its tea-related business models.¹²

Times Commercial Group opens its first self-operated coffee shop

Times China subsidiary Times Commercial Group (时代商业) recently opened its first coffee shop TIMES·C CAFE in Guangzhou Tianhe Smart City. This marks another multi-format attempt by retailers into the coffee market this year after Li Ning and Huawei. The scale of China's 2021 coffee market is about 381.7 billion yuan, and it is expected to maintain a growth rate of 27.2% till 2025, when the market size is estimated to reach 1 trillion yuan.¹³

II. Market Overview

China's customs: Cosmetics imports down by 6.6% yoy to 60.6 billion yuan in Jan-May

According to the General Administration of Customs, cosmetics imports have shrunk in recent months. China imported 38,091.7 tons of cosmetics in May, down 7.9% yoy, while the total import value was 12.82 billion yuan, down 4.3% yoy. From January to May this year, China's total import value of cosmetics was 60.6 billion yuan, a year-on-year decrease of 6.6%. During January to May, the top three cosmetics exporting countries are Japan, France and South Korea, and France has overtaken Japan to become the top cosmetic exporter.¹⁴

QuestMobile: 18 June sees 730 million active users on mobile shopping apps

QuestMobile recently released the *618 Insight Report 2022*, which shows that, as of May 2022, the number of overlapping users of comprehensive e-commerce apps reached 239 million, a year-on-year increase of 21.7%. The number of active users of mobile shopping apps reached 730 million on 18 June, a year-on-year increase of 15%. The number of active users of the top comprehensive e-commerce platforms peaked on 18 June during this year's 618 promotion period. Among them, JD.com's (京东) user base increased the most compared with 31 May.¹⁵

Infobip: 45% of Chinese mainland consumers prefer online live chats for customer service

Global cloud communications company Infobip recently released the white paper *Redefining Human and Automated Engagement – How Asia Pacific Consumers Have Impacted the Customer Experience Agenda*. According to the white paper, among customer service touchpoints, 45% of Chinese mainland respondents prefer online live chats, 39% prefer human agent over the phone, and 37% prefer social media. In addition, the study found that 69% of respondents in the Chinese mainland are affluent hybrid shoppers who are comfortable with cross-channel interactions across human-assisted and digital touchpoints. This proportion is significantly higher than the average share in the entire Asia-Pacific region (50%).¹⁶

iiMedia Research: China's chain store industry trends towards diversification and segmentation in 2022

iiMedia Research recently released the *Report on the Development of China's Chain Store Industry 2022*, which pointed out that the chain operation industry will trend towards diversification and segmentation. According to the report, centralized and unified management, standardized goods and services, and centralized procurement and distribution in chain operations will help chain enterprises improve circulation efficiency and cost-effectiveness, enabling price advantages and service advantages. In the future, more and more companies will expand their operations. As industry competition is fierce, industry partitioners have begun to expand to lower-tier cities.¹⁷

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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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