

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Suning Retail Cloud to open 500 super stores in 2023

Suning Retail Cloud (苏宁易购零售云) recently announced its target of opening 2,000 new stores in 2023 and launched its new retail cloud 4.0 store model at its spring partner conference. The company will also focus on building 'super stores' with more brand power and channel competitiveness; its first target is opening 500 super stores this year. Based on Suning's positioning as a one-stop solution for customized home-related consumption, Suning Retail Cloud will focus on supply chain upgrades, store operations optimization, and super stores and home goods in future.¹

Internet & E-commerce

Alibaba to split into six companies

Alibaba Group (阿里巴巴) announced on 28 March that it will reorganize into six business groups and pursue public listings for five of them, in the most significant governance overhaul since its establishment. The six new groups will be: Cloud Intelligence, Taobao Tmall Commerce, Local Service, Cainiao Smart Logistics, Global Digital Commerce, and Digital Media and Entertainment. Each of the groups will be run by its own CEO and board of directors.

Meituan's revenue up by 23% yoy to 220 billion yuan in 2022

On 24 March, Meituan (美团) released its full-year results for 2022. In the year, Meituan's various business continued to achieve steady growth, with total revenue reaching 220 billion yuan, a year-on-year increase of 23%, and adjusted net profit of 2.8 billion yuan. In 2022, Meituan advanced its 'retail + technology' corporate strategy and increased R&D investment in key areas, with annual R&D expenditure increasing by 24% yoy to a record high of 20.7 billion yuan. In the year, the number of on-demand delivery orders increased by 14% yoy to 17.7 billion, and the peak daily order volume of food deliveries exceeded 60 million. User stickiness on the platform increased, as the average number of transactions per annual transacting user reached 40.8, a year-on-year increase of 14%.²

East Buy's GBA livestream event earns over 100 million in sales

East Buy (东方甄选), the e-commerce live-streaming brand of Koolearn (新东方), recently hosted a special two-day livestreaming event for the Greater Bay Area (GBA). Total sales during the event exceeded 100 million yuan, with over 1.5 million orders – 1.17 million of which were for products made in the GBA. During the special event, East Buy's two livestreaming sessions recommended nearly 500 products from the GBA, including agricultural products, Cantonese-style food, personal care, home cleaning, clothing, etc. Cantonese-style rice noodles were the most popular among consumers, with more than 47,000 packs sold.³

Vipshop: Cosmetics sales up by 6.24% qoq during January to March

Vipshop (唯品会) recently conducted a consumer survey in collaboration with various beauty brands based on platform sales data, brand feedback and nearly 1,500 responses from various social networks. It then released a report on spring 2023 cosmetics trends, which shows that, since the beginning of this year, demand for cosmetics has increased and become more refined, alongside increase in demand for simpler skincare. Cosmetics sales on the Vipshop platform were up by 6.24% qoq during the three-month period.⁴

Kuaishou's revenue up 15.8% yoy to 28.3 billion yuan in 4Q22

Kuaishou (快手) recently released its financial results for 4Q22. In the quarter, Kuaishou achieved revenue of 28.3 billion yuan, a year-on-year increase of 15.8%; net loss was 1.5 billion yuan, down from 6.2 billion yuan in the same period last year. The Kuaishou app's average daily active users and average monthly active users hit record highs of 366.2 million and 640 million respectively, representing year-on-year increases of 13.3% and 10.7% respectively. By the end of 2022, the number of pairs of users who follow each other reached 26.7 billion, a year-on-year increase of 63.4%.⁵

TVB to ramp up Taobao livestreams

Television Broadcasts Limited (TVB) recently announced that it will increase its investment and introduce more artists to its livestreams on Taobao (淘宝). Peng Mingye, head of TVB's e-commerce division, said that more artists will join Taobao Live and set up personal livestreaming accounts or become e-commerce content creators. TVB will also devote more resources to livestreaming, hoping to create a roster of influential livestream hosts. TVB's stock price has continued to rise since it joined Taobao Live.⁶

Retail Logistics

SF Holding's operating income reaches 267.5 billion yuan in 2022

SF Holding (顺丰控股) recently released its 2022 annual report. The company's operating income in 2022 reached 267.49 billion yuan, a year-on-year increase of 29.11%; net profit attributable to shareholders reached 6.174 billion yuan, a year-on-year increase of 44.62%; net profit attributable to shareholders after deducting non-recurring gains and losses reached 5.337 billion yuan, a year-on-year increase of 190.97%. SF Express' business volume in 2022 reached 11.14 billion tickets, a year-on-year increase of 5.5%. In 2022, the company had 585 million individual users, a year-on-year increase of 19%; monthly active customers reached 1.81 million, a year-on-year increase of 10%.⁷

Apparel

French apparel brand The Kooples exits Tmall

French affordable luxury apparel brand The Kooples recently announced that it will shut down its Tmall flagship store on 16 May. The brand opened its first flagship store in the Chinese mainland in April 2018 at Xingye Taikoo Hui in Shanghai. The brand currently has a total of seven stores in the Chinese mainland, including two in Beijing (Lafayette Xidan, and Taikoo Li Sanlitun), four in Shanghai (K11, Galeries Lafayette, One ITC and Bicester Shopping Village) and one in Shenzhen (Vientiane City).⁸

Food & Beverage

Naixue's revenue reaches nearly 430 million yuan in 2022

Chinese tea beverage brand Naixue (奈雪的茶) recently released its financial results for 2022. The company's total tea revenue in 2022 reached 4.2916 billion yuan, a year-on-year decrease of 1%. Its net loss was 461 million yuan, compared with last year's net loss of 145 million yuan. Naixue's main revenue stream is fresh tea drinks, followed by baked goods. Its fresh tea beverages earned 3.135 billion yuan in revenue last year, accounting for 73.1% of the total revenue; baked goods earned 776 million yuan in revenue, accounting for 18.1% of the total revenue. As of 31 December 2022, Naixue had 1,068 directly-operated stores in 89 cities across the country, making it the largest directly-operated tea brand, with a store operating profit margin of 11.8%. Furthermore, the number of Naixue's registered members increased to 56.6 million in 2022, up by 30.7% from 43.3 million in 2021; monthly repurchase rate of members increased to 26.3%.⁹

Miscellaneous

Pop Mart's revenue down by 44.3% yoy to 461.7 million yuan in 2022

Pop Mart (泡泡玛特) recently released its financial results for 2022. Last year, the company's revenue totalled 4.617 billion yuan, a year-on-year increase of 2.82%; its revenue in the Chinese mainland reached 4.163 billion yuan, a year-on-year decrease of 3.3%. Its net profit was 476 million yuan, a year-on-year decrease of 44.32%; its non-IFRS adjusted net income was 574 million yuan, a year-on-year decrease of 42.74%. Throughout the year, Pop Mart opened 49 new offline stores in the Chinese mainland, and the total number of stores increased from 288 at the end of 2021 to 329 at the end of 2022.¹⁰

II. Market Overview

JD Supermarket: Women consumption led the market in 2022

JD Supermarket (京东超市) recently released the *2022 Nine Categories Trend Report* which covered food and beverages, grain, oil and seasoning, fresh food, maternal and baby products, personal care, home cleaning, toys and musical instruments, alcohol, and pet care. The report shows that women consumption led the market last year. Demand for single-portion premade food, domestic coffee products, healthy ice cream and scalp care products has grown rapidly. Among them, the three-year compound annual growth rate of premade food exceeded 120%, while sales of low sugar/low-calorie ice-cream increased tenfold year-on-year.¹¹

CCA report: 80% of consumers oppose excessive packaging

On 28 March, the China Consumers Association (CAA) released the *Report on Excessive Product Packaging and Consumer Perceptions*. The report shows that 80.7% of consumers are opposed to excessive packaging. Among consumers who encountered excessive packaging and made complains, 69.5% of consumers expressed satisfaction with the results of their complains. However, there are many blind spots in consumers' perception of excessive packaging. Only 34.0% of consumers understand the correct definition of over-packaged goods, and only 7.8% of consumers are familiar with the criteria for judging over-packaged goods – as such, misunderstandings are likely to occur.¹²

White Paper on Technological Innovation in China's Apparel Industry released at CHIC 2023

The *2022-2023 White Paper on Technology Innovation in China's Apparel Industry* was recently released at the CHIC fair (Spring 2023). The white paper was commissioned by the China National Garment Association and drafted by China National Apparel Technology & Innovation Institute. The white paper analyses the technological innovation and development of China's clothing industry across various fields of innovation such as new clothing materials, smart clothing, smart marketing, smart R&D, supply chain, smart manufacturing, and industrial Internet. The white paper believes that the smart supply chain is an indispensable component of the industry, and clothing enterprises must transform from the traditional order-oriented supply chain to a store-oriented one. In addition, the white paper details the development and trends of smart supply chain and smart logistics under the apparel industry's DTC (direct-to-consumer) model.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.

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