

# China Retail & E-commerce Weekly Update



**Helen Chin**  
Vice President

**William Kong**  
Senior Research Manager

**Brigitte Ng**  
Research Analyst

**Fung Business Intelligence**  
11/F LiFung Tower  
868 Cheung Sha Wan Road  
Kowloon, Hong Kong  
T: (852) 2300 2271  
F: (852) 2635 1598  
E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)  
W: <http://www.fbicgroup.com>



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## I. Sector Review

### Internet & E-commerce

#### Alibaba's revenue up 8% yoy to 941 billion yuan in fiscal 2024

Alibaba (阿里巴巴) recently released its financial results for the 2024 fiscal year ended 31 March 2024. During this period, the company's revenue was 941.168 billion yuan, an increase of 8% yoy. Adjusted EBITA increased 12% yoy to 165.028 billion yuan. Taobao and Tmall Group's (淘天集团) revenue was 434.9 billion yuan, up by 5% yoy; Alibaba International Digital Commerce Group's revenue was 102.6 billion yuan, up by 46% yoy; Cainiao's (菜鸟) revenue was up 28% yoy, and Cloud Intelligence Group's revenue increased by 3% yoy to 14.73 billion yuan. Freshippo's (盒马) overall GMV in fiscal 2024 exceeded 59 billion yuan, compared with 55 billion yuan in the previous fiscal year. Looking ahead, Alibaba said it will continue to invest in two major areas: accelerating the growth of core businesses, and maintaining its leading position in core technologies and innovations including AI.<sup>1</sup>

#### Bilibili's revenue by 12% yoy in 1Q24 as DAUs exceed 100 million

Bilibili (哔哩哔哩) recently released its financial results for the first quarter of 2024. During this period, the company saw a 12% year-over-year increase in total revenues, reaching 5.66 billion yuan. Advertising revenue and value-added services revenue grew by 31% yoy and 17% yoy respectively. Gross profit rose by 45% yoy, with a gross profit margin of 28.3%, while adjusted operating loss and net loss narrowed by 52% yoy and 56% yoy respectively. Furthermore, in the first quarter, the company's daily active users (DAUs) increased by 9% yoy to 102 million, while monthly active users exceeded 341 million; the average daily time spent was 105 minutes, setting a record high. The average daily video views increased 22% yoy to nearly 5 billion times.<sup>2</sup>

#### Kuaishou E-commerce launches special Dragon Boat Festival event

Kuaishou E-commerce (快手电商) and the fresh food industry recently launched the a Dragon Boat Festival special event, including investment promotions for industry merchants. The event runs from 20 May to 10 June. Furthermore, Kuaishou E-commerce has also launched the 'Xingtou Traffic Plan' to support zongzi livestreaming sessions. During the event period, fresh food industry anchors can obtain up to tens of thousands of real-time e-commerce traffic support to increase exposure and improve conversion rate.<sup>3</sup>

## JD.com upgrades Jingxi brand to self-operating service

JD.com (京东) recently upgraded and renamed the Jingxi brand to 'Jingxi Self-Operation' (京喜自营). Under the new model, Jingxi will provide users with a more convenient and comprehensive service experience. The new service is available on the JD app, where users can find it via the search bar. Jingxi's product prices are mostly below 10 yuan. Jingxi Self-Operation is similar to Taobao's 'Tao Factory' service. As of this June, all Jingxi businesses operating under JD Retail Group had been integrated into other business units, and it had no longer been a separate brand entity.<sup>4</sup>

## Retail Logistics

### Cainiao Express operates automated distribution centre 24/7 during 618 period

Cainiao (菜鸟) recently announced that with the launch of this year's 618 promotion, Cainiao Express's national automated distribution centre has reached the peak of package processing and has now started multi-shift and 24-hour operation. During this year's 618, Cainiao Express has invested in more distribution sites and self-operated vehicles, including three new distribution sites in Nanjing, Wuhan, and Chengdu; its self-operated vehicles have more than doubled compared with the same period last year, ensuring that half-day delivery and on-demand door-to-door services are still available. The company aims to ensure the stability of logistics services while avoiding adding logistics costs to merchants during the 618 period.<sup>5</sup>

## Supermarkets & Hypermarkets

### Sam's Club to open first Shandong store in Qingdao

Sam's Club, Walmart's high-end warehouse club chain, recently announced that it will open a store in Qingdao's Shibei district. The Qingdao Sam's Club is the first Sam's Club store in Shandong. It will have approximately 20,000 square metres of shopping space across two above-ground levels, with two underground levels designated for a parking facility that can accommodate around 1,200 vehicles. In addition to the flagship store, six or more cloud warehouses will also be established in the city in its initial phase. Construction is expected to begin in the second half of this year and the store is expected to open in 2026.<sup>6</sup>

## Costco opens full-ecosystem Nanjing store

Costco recently opened its seventh China store in Nanjing. The Nanjing Costco is equipped with a three-story large parking lot, totalling over 1,000 parking spaces. Additionally, to recreate the authentic American Costco 'gasoline + shopping' model, the store has also opened the first membership gas station in China. Furthermore, the store is equipped with tire centres as well as optical and hearing aid services, as well as 4,000 products from around the world. The store's gas station began operations on 9 May, offering self-service stations and space for 24 cars.<sup>7</sup>

## Cosmetics

### Cosmetics retail brand GINKGO-X Silver Box opens flagship store in Wuhan

GINKGO-X Silver Box, a cosmetics collection store brand incubated by Yintime Commercial Group (银泰商业集团), recently opened its flagship store in Wuhan Creativity Experience City. This is the brand's second image store after the first location in Hangzhou, marking an important step in its national expansion.

GINKGO-X Silver Box will also open in Beijing, Wuhu and other cities later this year. In addition to well-known high-end beauty products such as Helena and YSL, GINKGO-X Silver Box also offers other domestic and foreign niche and functional brands such as Evidens (伊菲丹), Amiro (觅光), Marianne Bolle (玛丽安保莱), and MEMO.<sup>8</sup>

### NYX Professional Makeup closes Tmall flagship store

NYX Professional Makeup, a cosmetics brand under the L'Oréal Group, recently announced the closure of its Tmall (天猫) global flagship store, which will cease operations on 21 June and will stop accepting new orders. NYX is one of L'Oréal's key mass-market cosmetics brands, along with Maybelline and L'Oréal Paris. It has performed well since being acquired by L'Oréal in 2014, ranking first in Tmall International's direct sales volume in 2021.<sup>9</sup>

## Furniture and Home Improvement

### IKEA opens first Plan and Order Point in Chinese mainland in Shenzhen

IKEA recently opened a second store in Shenzhen. Located at MixC Sungang in Luohu's traditional storehouse block, it is also the brand's first Plan and Order Point in the Chinese mainland. The store is only 300 sqm in size, offering customized solutions in a smaller and more flexible format to adapt to changing consumer needs. In-store IKEA specialists are available to assist customers in navigating complex home projects such as kitchen, bedroom, and living room design, offering advice on maximizing small spaces. All furniture and necessary spare parts for a completed project will be delivered to the customer's doorstep.<sup>10</sup>

## Food & Beverage

### Luckin Coffee achieves full coverage of China's inland provinces and municipalities

Luckin Coffee (瑞幸咖啡) recently announced that it has opened 11 new stores in Urumqi and four new stores in Lhasa at the same time, all of which are self-operated stores, covering multiple key commercial districts within the two cities. With the entry into Xinjiang and Xizang, the brand has now achieved full coverage of China's inland provinces and municipalities, and it will continue to improve its regional layout in the future. As of the end of March, Luckin Coffee had 18,558 domestic stores, making it the coffee brand with the largest number of stores in China.<sup>11</sup>

### Luckin Coffee gains 600 store partners and 468 store openings in its first year of franchising

Luckin Coffee's (瑞幸) official WeChat account recently announced that since launching the first franchise invitation on 29 May 2023, the company had more than 600 store franchise partners spread across 199 cities nationwide as of 27 May 2024. Currently, 468 franchised stores have been opened. Luckin said it developed the franchising model because the Chinese coffee market is still in a period of rapid growth, and the company can achieve economies of scale through the franchising model.<sup>12</sup>

## II. Policy Spotlight

### **Industry service standards for suppliers of state-owned enterprises' online stores implemented starting from June**

The industry service standard *Specifications for Suppliers of State-owned Enterprises' Online Stores*, drafted by the Public Procurement Branch of the China Federation of Logistics and Purchasing, has been implemented from 1 June. The specifications put forward specific requirements for the service and management of suppliers of state-owned enterprises' online stores terms of formulating performance plans, delivery, after-sales services, risk control, data management, and evaluation and improvement. The implementation of these standards provides clear guidance for the service and management of suppliers of state-owned enterprises' online malls and lays a solid foundation for the healthy development of the industry. The implementation of the new standard has put forward higher service requirements for suppliers.<sup>13</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.

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