

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

JD.com's 'New Digital Blue Ocean' programme launches in Foshan

On 27 September, JD.com (京东) launched its 'New Digital Blue Ocean' (数字新蓝海) programme in Foshan alongside a programme to assist enterprises in digital transformations. JD Technology will work with Foshan government to establish a coordinated service system for the industrial belts in Foshan in order to leverage JD.com's platforms and ecosystems, industrial parks, logistics and other resources for nationwide cooperation. It will provide operations guidance, discounts and concessions, technical capabilities, talent development and other services for enterprises to foster multi-channel development, stimulate growth, and facilitate digital transformations. The first phase of the programme will focus on the food industry, which will then be followed by the furniture, building materials and flower industries.¹

HSF forms a strategic partnership with JD.com

Hainan State Farms Investment Holdings Group Co., Ltd (HSF, 海南省农垦投资控股集团有限公司) has signed a strategic partnership agreement with JD.com (京东集团). The two parties will capitalise on the development of Hainan Free Trade Port by building a smart agricultural system and strengthening specialty tropical agriculture. HSF and JD Technology, a subsidiary of JD.com, will cooperate across smart agriculture, smart supply chains, warehousing and logistics, industry platforms and rural revitalization. Together, the two parties are aiming to foster the development of large-scale, standardized smart agriculture.²

Internet & E-commerce

Disney launches shopDisney store on Tmall

Disney China recently launched the shopDisney flagship store on Tmall (天猫), allowing Chinese mainland consumers to purchase select products from Disney and its authorised partners. Products include items from Disney's major brands and characters, as well as licensed products from Disney theme parks around the world. shopDisney also plans to launch 200 smart vending machines in more than 10 cities across the country, including Shanghai, Beijing, and Guangzhou, by the end of 2021.³

Alibaba's first 'New World Factory' for household chemical products is now in operation

As part of Alibaba's (阿里巴巴) five-year US\$200 billion import plan, Tmall International (天猫国际) has opened a 'New World Factory' (新世界工厂) for household chemical products in Hangzhou Xiasha Comprehensive Bonded Zone. The factory was funded and built by New Zealand company Te Atua Group. It mainly provides services such as packaging, processing, flexible production of samples, and new product customization for overseas brands (including personal care and household cleaning brands) that are available on Tmall International.⁴

WeChat adds new 'logistics updates' function

WeChat (微信) recently announced the addition of a new 'logistics updates' function to the app. This is a free notification interface for WeChat mini programs. Users can access their order delivery information through this interface. The app will track the order's status and provide push notifications from 'collected' to 'dispatched' and 'signed'. Users can also access the mini programs of the merchants through these notifications, improving the overall shopping experience.⁵

Several Alibaba apps now support WeChat Pay

Since connecting to UnionPay QuickPass in August, the Taobao app now provides this payment option for all users. Furthermore, several apps under Alibaba, including Ele.me (饿了么), Youku (优酷), Damai (大麦), Kaola (考拉海购) and Shuqi (书旗), now support WeChat Pay. Other apps such as Taote (淘特), Xianyu (闲鱼), and Freshippo (盒马) have also applied to access WeChat Pay and are currently awaiting review by WeChat. In early September, the Ministry of Industry and Information Technology held a meeting and required all Internet platforms to cease blocking each other's links and services from 17 September.⁶

Tmall International establishes three-way partnership with AACD and CCIC

On 26 September, Tmall International (天猫国际) signed a cooperation agreement with Japan's Association Against Counterfeit Product Distribution (AACD, 日本流通自主管理协会) and China Certification & Inspection Group (Zhejiang) (CCIC Zhejiang, 中国检验认证集团(浙江)) to jointly select high-quality second-hand luxury goods merchants from overseas that wish to enter the Chinese market. AACD will introduce high-quality certified merchants to Tmall International, and their products will be professionally verified before they go on shelves. CCIC Zhejiang will verify the products again after the consumer places an order, and then the products will be delivered through international logistics. This dual verification by domestic and foreign authorities will enhance consumer protections.⁷

Douyin E-commerce: Number of apparel brand merchants up by 1,200% yoy

Over the past year, the number of Douyin E-commerce (抖音电商) merchants has increased by 600%, while the number of merchants on DFashion (a platform developed by Douyin for up-and-coming apparel brands and designers) has increased by 1,200%. Top factories have increased by 2,000%, while the industrial hub merchants have increased by 257%. Of Douyin's 600 million daily active users, over 200 million are interested in clothing. Douyin E-commerce is planning to develop 200 apparel brands and 100 new retail brands that each exceed 100 million yuan in sales, 10 super brands that each exceed one billion yuan in sales, and 100 Douyin-endorsed apparel brands. It will also develop 2,000 bestselling clothing items, with 500 items making over 100 million yuan in sales.⁸

Cross-border E-commerce

Qingdao opens its first cross-border e-commerce retail import returns warehouse

The Weihai Comprehensive Bonded Zone processed its first batch of 129 return goods in the Qingdao Customs District on 24 September, marking the official opening of the district's first cross-border e-commerce retail import returns warehouse. The warehouse is operated by Hongxin Supply Chain Management Co., Ltd (泓信供应链管理有限公司) and enjoys policy advantages such as reduced corporate operating costs and time costs, and improved efficiency of return process supervision. On 10 September, the General Administration of Customs issued Announcement No. 70, which promotes the cross-border e-commerce retail import returns warehouse model.⁹

Retail Logistics

JD Logistics opens new 'JD Urumqi Asia No.1' logistics park

On 29 September, JD Logistics (京东物流) announced the opening of its new smart logistics park, JD Urumqi Asia No.1, in Urumqi, which is Xinjiang's first and largest smart logistics park. As a public distribution centre and a commodity logistics hub, the logistics park is equipped with leading technology such as automated sorting equipment and a smart control system. The facility covers all product categories including food, consumer electronics, home appliances, clothing, imported goods, etc., and it has the capacity to process up to 1.2 million items per day. JD Luxury Express (京尊达) service is available for 120,000 SKUs. The second phase of the logistics park is currently under construction and is expected to begin operation in 2023.¹⁰

Apparel

JNBY removes inappropriate children's clothing from shelves

Recently, some Internet users discovered inappropriate English slogans such as 'Welcome to the hell' and 'Let me touch you' on JNBY's (江南布衣) children's clothing, as well as graphic imagery of the Devil, skulls, and torture. In response, JNBY has issued an official apology and removed all related products from the shelves. JNBY said that there will be strict reviews to prevent such incidents from happening again.¹¹

Luxury

Prada collaborates with Wuzhong Market for a pop-up event in Shanghai

Luxury brand Prada collaborated with the Wuzhong Market (乌中市集) in Xuhui District, Shanghai for a pop-up event to launch its fall 2021 campaign 'Feels Like Prada'. The current exhibition will run from 27 September to 10 October, during which the market will be covered with black and purple patterns which are widely used in its fall 2021 collection. Even the wrapping paper and shopping bags used in the market will come with the brand's patterns and logos during this period. Despite the association with luxury giant Prada, grocery prices in the market have remained stable.¹²

Catering

Ele.me adds a new senior mode to its app

Ele.me (饿了么) recently added a new elderly-friendly senior mode to its app. Users can access the senior mode through the app settings after installing the latest version of the app. In addition to simplifying the interface and increasing the font size, this senior mode has four main channels that target elderly people's daily needs: ordering food, visiting the supermarket, buying groceries and buying medicine (this function will be available in October). Since the COVID-19 pandemic, many elderly people have begun using take-out platforms to order food. According to Ele.me data, the number of breakfast orders by older users (aged 51+) increased by 125% yoy in 2020.¹³

Yum China partners with Lavazza to open 1,000 coffee shops in China

Yum China (百胜中国) recently announced its partnership with Italian coffee brand Lavazza Group. The two parties will accelerate the expansion of Lavazza's coffee shop network in China by investing US\$200 million into their joint venture, with the goal of opening 1,000 stores across China by 2025. Yum China and Lavazza Group hold 65% and 35% of the joint venture respectively. This joint venture will become the exclusive distributor of Lavazza in the Chinese mainland and will introduce more products from Lavazza's international product portfolio into the China market.¹⁴

II. Market Overview

2021 FMCG supplier satisfaction survey report: Home delivery retail format satisfaction ranks first

The Shanghai Oriental Century Consumer Goods Development and Promotion Centre (上海市东方世纪消费品发展促进中心) published its 2021 survey report on 24 September. This survey was conducted over three months, covering a total of 149 major retailers across 12 retail formats, mainly in the Yangtze River Delta region. They interviewed over 100 executives of supplier companies, while over 120,000 industry professionals participated through WeChat (微信) and online polls. According to the report, the home delivery retail format ranked first among the 12 formats in terms of supplier satisfaction. RT-Mart (大润发) and Sam's Club ranked first and second among chain hypermarkets respectively, while CP Lotus (卜蜂莲花) ranked last. In the chain supermarket category, Shanghai Nong Gong Shang Supermarket (农工商超市), Lianhua Supermarket (联华超市) and ALDI (奥乐齐) ranked first, second and third respectively, while HNA (CCOOP) (海航供销大集(酷铺)) ranked last. In the chain convenience store category, Lawson's (罗森) jumped to first place, followed by FamilyMart (全家) and alldays (好德). Within the home delivery retail format, Freshippo (盒马) ranked first, closely followed by Dingdong (叮咚) and JD Daojia (京东到家).¹⁵

NellyRodi, Luxuryinsight: China's cosmetics market to reach 260 billion yuan this year

According to a recent report by consulting agency NellyRodi and luxury data company Luxuryinsight, the scale of China's cosmetics market in 2021 will reach 34.6 billion euros (or 260 billion yuan). It is expected to reach 49 billion euros (3670 billion yuan) by 2040. The report also notes that while more and more Chinese cosmetics brands are gaining recognition, industry giants such as L'Oreal, Procter & Gamble and Estée Lauder still hold 30.4% of the market share in China.¹⁶

China Chain Store and Franchise Association: Convenience stores maintain steady growth

On 29 September, China Chain Store and Franchise Association (CCFSA, 中国连锁经营协会) published the *China City Convenience Store Development Index*. In terms of the development of convenience stores, the top five cities are Xiamen, Changsha, Taiyuan, Dongguan and Guangzhou. According to the report, the industry has maintained steady growth, while the development of convenience stores in some third- and fourth-tier cities has reached maturity. Consumer demand has driven urban convenience stores to upgrade their services, and further policy support is required in various 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.

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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