China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Douyin E-commerce now covers over 2,000 new product categories

Douyin (抖音) recently hosted the 'Douyin E-commerce Open Day – Consumer Experience Special Session', sharing the platform's approach towards improving the shopping experience with consumers, industry experts, scholars and the media. In terms of products, since the beginning of this year, the platform has expanded to more than 2,000 new product categories, providing consumers with more product choices. In terms of product management, the company has identified and blocked over three million low quality products.[1]

Meituan establishes new technology company in Chongqing

Chongqing Meihan Information Technology Co. Ltd (重庆美汉信息科技有限公司) was recently established with a registered capital of US$6.5 million. The company's business scope includes computer system services, artificial intelligence software development, artificial intelligence application development, software development, professional design services, social economic consulting services, etc. It is wholly owned by Xigua Limited, a subsidiary of Meituan (美团). Meituan has recently established several new companies within the field of artificial intelligence.[2]

Pinduoduo's revenue goes up by 66.3% yoy to 52.28 billion yuan in 2Q23

Pinduoduo's (拼多多) parent company, PDD Holdings, recently released its financial results for the second quarter of 2023. During this period, the company's revenue increased by 66.3% yoy to 52.28 billion yuan. Revenue from online marketing and transaction services showed significant growth of 50% yoy and 131% yoy, respectively. However, PDD's expenses on sales and marketing also increased by 50% yoy to 17.5 billion yuan. Overall, PDD's quarterly net income increased by 47% yoy to 13.1 billion yuan.[3]

East Buy's first Taobao livestream sees 175 million yuan in sales

East Buy's (东方甄选) first livestream on the Taobao platform brought in a total of 175 million yuan of sales. In comparison, East Buy's Douyin (抖音) account has average sales of 10 to 25 million per livestream, according to third-party data. Since 2023, East Buy's follower growth has slowed down, and thus the company has shifted its focus towards increasing repurchases and average product prices.[4]

Retail Logistics

SF Holdings' net profit exceeds 4 billion yuan in 1H23

SF Holdings (顺丰控股) recently released its interim report for 2023, which showed that the company achieved a total revenue of124.366 billion yuan in the first half of the year, marking a 4.38% yoy decrease. The net profit attributable to shareholders was 4.177 billion yuan, representing an increase of 66.23% yoy. According to the company, its profit growth in the first half of 2023 came from ongoing business expansion and optimization, new business turning profits, and internal cost reductions.[5]

Department Stores & Shopping Malls

Wangfujing Group's 1H23 net profits up by 36.05% yoy

Wangfujing Group (王府井集团) recently reported its financial results for the first half of 2023. During this period, the company's revenue was 6.38 billion yuan, a year-on-year increase of 11.07%. Net profit attributable to shareholders was 517 million yuan, a year-on-year increase of 36.05%; the net profit attributable to shareholders after deducting non-recurring gains was 458 million yuan, a year-on-year increase of 183.6%. As of the end of the reporting period, the company operated a total of 75 large-scale comprehensive retail stores in 35 cities across China, including department stores, outlets, and shopping centres. The total operating floor area was 4.4925 million sqm.[6]

Home Appliances

Gome Retail's 1H23 revenue falls by 96.57% yoy, with a net loss of 3.529 billion yuan

Gome Retail (国美零售) recently announced its 2023 interim results. In the first half of 2023, the company's revenue was 415 million yuan, a year-on-year decrease of 96.57%. Net loss attributable to shareholders increased 19.3% yoy to 3.529 billion yuan. In the period, in response to declining market demand, the company adjusted its online/offline business structure, avoided investment in loss-making businesses, and adopted a series of measures to reduce costs and increase efficiency, such as closing low-performing stores, significantly reducing advertising costs, and applying for subsidies.[7]

Food & Beverage

Tims China's 2Q23 revenue jumps by 129.7% yoy

Tims China, the operator of Tim Hortons and Popeyes in China, recently released its financial results for the second quarter of 2023. The company's revenue during this period was 411.7 million, up by 129.7% yoy. Adjusted store-level EBITDA was 18.22 million yuan in the second quarter, the fourth consecutive quarter with positive EBITDA.[8]

Naixue's 1H23 revenue reaches 2.6 billion yuan with 1,194 teahouses nationwide

Naixue (奈雪的茶) recently released its interim report for 2023. The company's revenue in the first half of the year was 2.594 billion yuan, an increase of 26.8% yoy; the adjusted net profit was 70.2 million yuan compared to a net loss of 249 million yuan in the same period last year; store-level operating profit reached 472.5 million yuan, a year-on-year increase of 141.6%. Revenue from Naixue teahouses was 2.354 billion yuan, accounting for 90.8% of the total revenue, while bottled beverage revenue was 157 million yuan, accounting for 6.0% of the total revenue. As of June 30, Naixue had 1,194 Naixue teahouses in 93 cities across the country, with a net increase of 126 stores and about 66.4 million members in total. The company expects a net increase of 600 new stores this year.[9]

General Retail

Suning Retail Cloud's 1H23 sales up by 42.5% yoy with 862 new store openings

Suning.com (苏宁易购) recently released its interim report for 2023. Suning.com's revenue fell by 8.52% yoy to 34.04 billion yuan in the first half of 2023. Meanwhile, Suning Retail Cloud's sales increased by 42.5% yoy in the period. Suning Retail Cloud opened 862 new stores in the period, bringing the store count to 10,286 as of 30 June.[10]

II. Market Overview

CNNIC: Online retail sales in 1H23 reach 7.16 trillion yuan

The China Internet Network Information Centre (CNNIC) recently published a report on China's Internet market. It showed that the total number of Internet users nationwide reached 1.08 billion as of June, putting the nation's online penetration rate at 76.4%. Online retail sales in the first six months of 2023 amounted to 7.16 trillion yuan, up 13.1% from the same period last year. The number of online shoppers nationwide reached 884 million as of June, following the addition of 38.8 million new users in the first half.[11]

Qingyan announces top 10 domestic cosmetics brands for 1H23

Qingyan Beauty Insight (青眼) recently published a ranking of the top 10 domestic cosmetics companies in the first half of this year, based on publicly available financial data. The rankings are divided into two tiers. Shanghai Jahwa (上海家化) and Proya (珀莱雅) ranked first and second, with revenues of 3.629 billion yuan and 3.627 billion yuan respectively; Bloomage Biotech (华熙生物) ranked third with 3.076 billion yuan in revenue. The fourth and fifth places belonged to Botanee (贝泰妮) and SYoung (水羊股份), with revenues of 2.368 billion yuan and 2.29 billion yuan respectively. The second tier includes companies earning between one and two million yuan in revenue. Top performers include Yatsen Global (逸仙电商), Giant Biogene (巨子生物), and Chicmax (上美股份), with revenues of 1.624 billion yuan, 1.606 billion yuan, and 1.587 billion yuan respectively.[12]

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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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