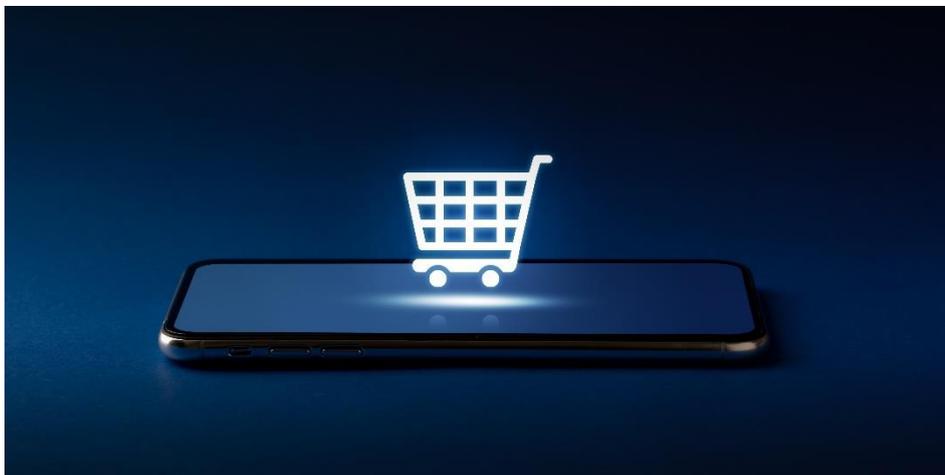


China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Alibaba begins testing 'Taibang' e-commerce app

Alibaba (阿里巴巴) recently began testing a new app called 'Taibang' (态棒), which is an e-commerce-focused online community for youth culture. The app is invite-only during the testing phase. Taibang is targeted at young Chinese people as a platform that promotes new lifestyles and consumption trends. With the slogan 'created in China with attitude', Taibang brings together a wide range of Chinese designer brands while helping customers to understand their brand stories.¹

Taobao adds a one-click service to provide 'select sourcing' for SMEs

Taobao's (淘宝) seller platform Qianniu (千牛) has recently opened its 'Select Sourcing' (精选货源) service to small, medium and micro merchants for free. Through this service, new e-commerce merchants can quickly find reliable suppliers and distribute goods to their own stores with one click. All the sources available through this service are certified suppliers on the 1688 platform. The 'Select Sourcing' service also provides 48-hour delivery, unlimited 7-day returns, free credit, free shipping, and other benefits. The service will first target new Taobao stores.²

Meituan's 2021 revenue up by 56% alongside a net loss of 15.57 billion yuan

On 25 March, Meituan (美团) released its full-year financial results for 2021. The company's 2021 revenue was 179.1 billion yuan, a year-on-year increase of 56.0%; its adjusted net loss was 15.57 billion yuan, compared to 3.12 billion yuan in adjusted profit in 2020. In 2021, Meituan's revenue from new initiatives and other business segments (particularly Meituan Select 美团优选, Meituan Instashopping 美团闪购, Meituan Maicai 美团买菜, etc.) increased by 84.4% year-on-year to 50.3 billion yuan, while operating loss grew from 10.9 billion yuan in 2020 to 38.4 billion yuan.³

Kuaishou's e-commerce GMV reaches 680 billion yuan in 2021

Kuaishou (快手) recently released its fourth quarter and full-year financial results for 2021. The company's total e-commerce GMV reached 680 billion yuan, a year-on-year increase of 78.4%. Total user time spent on e-commerce content increased by over 50% yoy on Kuaishou app in 2021. In addition, brands have become the driving force for rapid e-commerce development. In 4Q21, the e-commerce GMV from self-operated live streaming of well-known brands was more than nine times of that in 1Q21. Driven by e-commerce business, revenue from other services increased by 99.9% yoy to 7.4 billion yuan.⁴

Retail Logistics

Cainiao establishes a global first mile logistics collection network

In the 2022 fiscal year, the Cainiao (菜鸟) International Import Team has built an imported goods collection network spanning 37 countries and regions in Hong Kong, South Korea, Singapore, Japan, Australia, the US, and Europe. The first-mile overseas collection network is now complete, providing diversified solutions for platform merchants, non-Taobao affiliated merchants, and overseas direct sales merchants – Cainiao International will customize the first-mile version of its operating systems for merchants, drivers, and warehouses for different types of customers. As of 21 March 2022, 15.93% of Cainiao Global's overseas collection orders have been transported to the company's overseas collection warehouses through its official collection service.⁵

Apparel

Nike's revenue in Greater China falls by 5% yoy in fiscal 2022 third quarter

Semir's (森马) first multi-brand collection S-MALL store opened in Wenzhou on 25 March. The store is located in Semir Wenzhou Industrial Park within the Ou Hai Economic Development Zone, with an area of more than 2,000 sqm. It brings together two leading brands, Semir and Balabala (巴拉巴拉), combining the physical space with new retail formats and digital technology – including a new retail livestreaming area, self-service sales area, in-store customer experience area, online cloud store sales area, etc.⁶

Miscellaneous

Pop Mart's revenue up 78.7% yoy in 2021

Pop Mart (泡泡玛特) released its 2021 financial results on 28 March. The company's total revenue in 2021 reached 4.491 billion yuan, a year-on-year increase of 78.7%; profit attributable to the owners of the company was 854 million yuan, a year-on-year increase of 63.2%; the adjusted net profit totalled 1.002 billion yuan, a year-on-year increase of 69.6% %; gross profit was 2.759 billion yuan, a year-on-year increase of 73.1%. Among them, revenue from retail stores sales increased by 67.0% year-on-year to 1.673 billion yuan, mainly due to effective domestic pandemic control in 2021 and the resumption of normal operation of retail stores. Furthermore, the company saw a net increase of 108 stores, bringing the total number of retail stores to 295 as of 31 December 2021.⁷

Hive Box's new laundry service plans to cover over 60 cities in the first half of 2022

Hive Box (蜂巢) has reportedly launched its pilot laundry service in Shenzhen. Users can access the service through the Hive Box Smart Locker's WeChat account menu and then put the shoes and clothes that need to be dry cleaned into Hive Box lockers or select home pickup. After cleaning, Hive Box will deliver the clean clothes to a locker near the customer's home address. Hive Box expects its laundry business to cover more than 60 cities within the first half of 2022, with 1-2 new community lifestyle services to be added in the second half of the year.⁸

II. Market Overview

iiMedia Research: China's convenience store industry reaches 298.8 billion yuan in 2021

On 23 March, iiMedia Research (艾媒咨询) released the *China Convenience Store Industry Development and Consumer Behaviour Report 2021-2022*. The market size of China's convenience store industry reached 298.8 billion yuan in 2021, with a total of 157,000 stores nationwide. The market size is expected to reach 356.6 billion yuan in 2023, while the number of stores will increase to 18,500. 25.5% of consumers in first-tier cities visit convenience stores more than once a day; over 50% of young people (22-40 years old) visit convenience stores several times a week. Upcoming industry trends include branded chains, digitalization, and diversification of consumption scenarios.⁹

Duty-free sales in Hainan have surpassed 15 billion yuan since the beginning of 2022

Since the beginning of this year, the sales of duty-free shops in Hainan have surpassed 15 billion yuan, showing a year-on-year increase. In the first two months of this year, the total sales of the 10 offshore duty-free shops in Hainan reached 12.873 billion yuan, a year-on-year increase of 33%. Among them, tax-free sales amounted to 11.946 billion yuan, a year-on-year increase of 38%. The number of duty-free shoppers was 2.1266 million, a year-on-year increase of 36%, and the number of duty-free purchases was 12.623 million, a year-on-year increase of 53%.¹⁰

III. Policy Spotlight

The CNIPA approves the 'Putian Shoes' collective trademark

According to the Putian Footwear Association, the collective trademark of shoes manufactured in Putian has been approved by China National Intellectual Property Administration (CNIPA). This is Fujian Province's first collective footwear trademark named after a city-level administrative area. The relevant government departments will crack down on producers that use the 'Putian Shoes' trademark without prior approval.¹¹

Three government departments strengthen regulation of online livestreaming industry

Recently, the State Internet Information Office (SIIO), the State Taxation Administration (STA), and the State Administration for Market Regulation jointly issued the *Opinions on Further Regulating the Profit-seeking Behaviour in Online Livestreaming and Promoting the Healthy Development of the Industry*. The 'Opinions' propose that online livestreaming platforms must provide the details of all profit-seeking livestream broadcasters to the SIIO and the STA. Livestreaming platforms and online livestreaming service agencies are obligated to withhold and pay individual income tax in accordance with the law. The 'Opinions' also protect the legitimate rights of online livestreaming platforms, service agencies, and broadcasters that operate in accordance with the law.¹²

Guangzhou Customs launches new programme to consolidate cross-border e-commerce returns packages within Comprehensive Bonded Zone

Guangzhou Customs recently proposed 28 action points to improve the stability and quality of foreign trade across six key areas: promoting new formats and models, platform development, leveraging policy, supporting key projects, strengthened supervision and services, foreign partnerships and aligning regulations. According to a spokesperson for Guangzhou Customs, it has also piloted a new programme to consolidate cross-border e-commerce returns packages within the Comprehensive Bonded Zone. At present, many cross-border e-commerce enterprises are located in the Nansha Comprehensive Bonded Zone, which now hosts a global return collection and distribution centre. After this programme is implemented, enterprises could save up to 50 million in logistics costs and labour costs per year.¹³

Guangdong announces plan to develop premade food industry

Recently, Guangdong Province issued the *Ten Measures to Accelerate the High-quality Development of Guangdong's Premade Food Industry* (加快推进广东预制菜产业高质量发展十条措施). The province will build a joint research and development platform for premade food, establish a regulatory system, expand industry clusters, incubate model enterprises and industry talents, develop storage and cold chain logistics, expand sales channels for brands, explore the international market, increase financial and insurance support, and build an industry hub for premade food culture in Guangdong.¹⁴

Shandong to accelerate development of livestreaming e-commerce and implement 'Tmall 10,000 Stores' expansion plan

Shandong Province recently released the 2022 action plans for its economic development. In 2022, Shandong Province will focus on expanding online consumption of physical goods, further develop livestreaming e-commerce, implement the 'Tmall 10,000 Stores' (天猫万店) expansion plan, promote new retail, strengthen the first-store & product debut economy, and promote consumption scenarios. In addition, Shandong Province will focus on enriching online service consumption, promoting 'Internet + medical services', expanding digitalization of culture and tourism, developing online education and smart sports, and cultivating new growth points for consumption.¹⁵

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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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