

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### JD.com opens and upgrades 24 self-operated stores on 1 May

During this May Day holiday, three JD (京东) Malls located in Suzhou, Guangzhou and Chongqing, as well as four JD Appliances flagship stores located in Zhengzhou, Baoding, Shanghai and Wuxi all began trial operations. Moreover, 17 JD Appliances stores located in Kunming, Changzhou, Ningbo, Suqian, Zhenjiang, Jiangyin, Jiangdu, Yixing and other cities also reopened after recent upgrades. The newly opened stores offer trendy experiential spaces, over 200,000 products available across all channels, and a 30-day price guarantee. Consumers who participate in JD.com's offline trade-in for smart appliances can enjoy a 15% subsidy across 20 categories of home appliances from 30 major brands.<sup>1</sup>

### Douyin Life Services launches May Day event

Douyin Life Services (抖音生活服务) launched a May Day event on 26 April, partnering with 22 major chains to launch low-cost group purchases and seasonal new products across catering and entertainment categories. The platform has cooperated with catering brand merchants such as McDonald's, KFC, Mixue Bingcheng (蜜雪冰城), Hsu's Beef Hot Pot (许府牛) and Zhu Guang Yu Hot Pot (朱光玉) to offer best-selling products and new seasonal products. The promotion lasted for 10 days, ending on 5 May.<sup>2</sup>

### Douyin E-commerce launches GMV cashback for select merchants with a rate of up to 50%

Douyin E-commerce (抖音电商) recently upgraded its support policy for industry belt merchants and launched a GMV cashback option – after merchants achieve a certain sales volume, the platform will offer up to 50% of GMV cashback. More general support provided by Douyin E-commerce includes traffic incentives, designated channel subsidies (such as low-price flash sale coupons), freight insurance subsidies, advertising rebates and marketing activities. Under the new support policy, if a service provider introduces a key industry-belt store for Douyin E-commerce, it can receive up to 7,000 yuan in cash rebate; if the service provider is obliged to manage long-term store operations, financial incentives will be given based on the store's GMV.<sup>3</sup>

## Meituan Quanquan launches large-scale investment promotion

Meituan Quanquan (美团圈圈), a distribution tool for Meituan expert sellers, has recently launched a large-scale investment promotion to attract further business partnerships. Meituan revealed that Quanquan has built three major traffic fields, namely the corporate WeChat group, the expert distribution matrix and the Meituan Quanquan mini app. Among them, the corporate WeChat group has covered more than 1,000 cities across the country, with more than 10 million members; there are more than three million registered expert sellers; and the mini program's daily active users have exceeded one million.<sup>4</sup>

## Tmall Supermarket furthers product cooperation with brand merchants

On April 26, Tmall Supermarket (天猫超市) held its 13<sup>th</sup> anniversary merchant conference in Hangzhou and announced the direction of cooperation with brands in the new year: super products. This year, Tmall Supermarket will provide brand merchants with a defined growth model across three areas: user, products, and marketing. Tmall Supermarket plans to focus more on high-quality users. It is currently serving 350 million consumers, among which more than 80% are 88VIP members. In the past year, the purchasing frequency of 88VIP members has increased by double digits.<sup>5</sup>

## Supermarkets & Hypermarkets

### Yonghui Superstores' 1Q24 revenue reaches 21.664 billion yuan

Yonghui Superstores (永辉超市) recently reported its financial results for the first quarter of 2024. During this period, the company's revenue reached 21.664 billion compared to 23.802 billion in the same period last year. Its net income was 736.4 million compared to 704.23 million in the same period last year. In the first quarter, Yonghui Superstores' online business revenue was 4.1 billion yuan, a year-on-year increase of 1.99%, accounting for 18.92% of the company's operating revenue. Furthermore, as of the end of the first quarter, the number of registered members on the 'Yonghui Life' app had exceeded 117 million.<sup>6</sup>

## Apparel

### Skechers' sales in China up by 13.3% yoy in 1Q24

Skechers recently released its financial report for the first quarter of 2024. During this period, sales in the Asia-Pacific region grew by 15.9% yoy to US\$604.5 million, with China maintaining double-digit growth, reaching US\$319.5 million, a year-on-year increase of 13.3%.<sup>7</sup>

## Home Appliances

### Gome Retail plans to enter instant retail market

Gome Retail (国美) recently hosted a press conference in Hangzhou, where it officially launched its 'Gome Instant Warehouse' and 'Gome Convenience Store' as part of its foray into the instant retail market. Gome appears to be confident in its efforts – Luo Jing, CEO of Gome Local, said at the conference that Gome will establish instant retail infrastructure alongside a 'new distribution system'.<sup>8</sup>

### Suning.com's 1Q24 net profit down by 62.26% yoy

On April 29, Suning.com (苏宁易购) released its financial results for the first quarter of 2024. During the period, the company's operating income reached 12.579 billion yuan, and its net profit decreased significantly by 62.26% yoy, about to break even overall. In the first quarter, Suning.com focused on the development of the offline market, accelerated the expansion of core stores in key cities, and signed contracts for a total of 22 new stores. As of the end of the first quarter, Suning Retail Cloud had opened 415 new franchise stores, bringing the total number of stores to 10,756. As the franchise network continues to expand, Suning Retail Cloud will focus on Super stores to steadily scale up operations in the second quarter.<sup>9</sup>

## II. Policy Spotlight

### MOFCOM releases three-year action plan for promoting digital commerce

The Ministry of Commerce (MOFCOM) recently issued a three-year action plan aimed at advancing digital commerce. The action plan is comprised of 20 detailed measures spanning five key campaigns. Over the next three years, starting in 2024, China will work to cement the foundation of digital commerce development and invigorate digital consumption. During the period, it will also pool efforts for enhancing the digitalization of service trade, building a strong digital industrial chain and supply chain, and deepening international cooperation in the digital economy. With the global economy undergoing rapid digital transformation, digital commerce has emerged as a pivotal driver of high-quality development. China has maintained its position as the world's largest online retail market for 11 consecutive years.<sup>10</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.

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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