

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### **Kuaishou: GMV of new Chinese style goods merchants in Eastern China increases by 478% yoy**

Kuaishou E-commerce (快手电商) recently launched the 'New Year, New National Style' activity during 19-31 January, when merchants could use the dedicated hashtags to promote products such as clothing, shoes, bags, etc. High-quality videos would receive exposure incentives such as traffic boosts and coupon rewards. From 19-23 January, cumulative exposure of the 'New Year, New National Style' activity exceeded 450 million. The GMV of new Chinese style goods merchants in Eastern China who participated in the activity increased by 478% yoy.<sup>1</sup>

### **Freshippo NB opens first Beijing store**

Freshippo NB's (盒马 NB) first store in Beijing recently opened on Liyuan South Street. As of now, Freshippo NO has opened a total of 76 stores. Freshippo NB is a hard discount store brand which focuses on everyday items and popular products, allowing consumers to buy cost-effective products at more affordable prices. The supply of goods includes Freshippo's own brand 'Freshippo NB', which was specially developed for NB stores.<sup>2</sup>

### **Kuaishou Mall's New Year's Festival order volume increases by 98% yoy**

Recent data show that during the Kuaishou Mall (快手商城) New Year's Festival (13-28 January 2024), order volume increased by 98% yoy compared with last year (24 December 2022 – 2 January 2023), while the number of buyers increased by 65% yoy and the GMV of branded products increased by 77% yoy. In addition, during the period, the number of merchants broadcasting livestreams increased by 67% yoy, and the total e-commerce livestream time increased by 235% yoy.<sup>3</sup>

### **Cainiao partners with seven Shenzhen Freshippo stores to provide shipping discounts from Shenzhen to Hong Kong**

Cainiao (菜鸟) recently announced that it has partnered with seven Shenzhen Freshippo (盒马) stores to provide Shenzhen-Hong Kong shipping discounts for Hong Kong consumers. From now until the first day of Chinese New Year (1-10 February), Freshippo products can be delivered at preferential shipping rates (3.8 yuan for the first kilogram) to Hong Kong self-pickup points, providing next-day delivery where possible. If consumers place an order before 5 p.m. that day, it will be delivered the next day.<sup>4</sup>

## **Douyin: Local life orders increase by 146% yoy in the twelfth lunar month**

The recent Chinese *New Year Consumption Foresight Report* released by Douyin Life Services (抖音生活服务) shows that since the twelfth lunar month, life services-related orders on Douyin have increased by 146% yoy, of which orders for wine and travel have increased by 159% yoy, and orders for leisure and entertainment have increased by 259% yoy. Amid the pre-holiday consumption boom, 'Chinese New Year travel' has become a popular search keyword, with search volume increasing by 457% yoy. Beijing has become the most popular destination, while Harbin Ice and Snow World is the most popular attraction.<sup>5</sup>

## **Supermarkets & Hypermarkets**

### **Yonghui's own brand launches Chinese New Year promotion**

Yonghui's (永辉) own brands have launched a series of eye-catching New Year products this year, including mixed nuts gift boxes, 'Fortune Coconuts' directly sourced from around the world, Hunan specialty 'Silk Thread Rolls', Thai fragrant rice, etc. Yonghui's own brand also launched a new promotion nationwide on 26 January. For example, consumers can now purchase 1.5kg of Gannan navel oranges from Yonghui Farm for 9.9 yuan, and 10kg of Huixiangsui Northeast rice for 39.9 yuan.<sup>6</sup>

## **Cosmetics**

### **International cosmetics brand Tatcha opens its first China department store location at Wulin InTime in Hangzhou**

Global luxury pure beauty brand Tatcha recently opened its first department store location in China. The store is located on the first floor of Wulin InTime Department Store (银泰百货) in Hangzhou. The store uses purple as its main colour to create a luxury experience and is also equipped with a beauty salon for customers to try the brand's products. Founded in 2009, Tatcha is an American brand positioned as high-end Japanese skincare. The brand first entered the Chinese market through cross-border e-commerce channels, including official overseas flagship stores on Tmall Global (天猫国际) and JD.com (京东). It has also opened official accounts on Weibo (微博) and Xiaohongshu (小红书), amassing a large number of followers.<sup>7</sup>

## Luxury

### Chinese consumers drive LVMH growth in 2023

LVMH recently released its financial results for 2023. The company posted a record annual performance, with revenue increasing by 9% yoy to 86.2 billion euros. Sales revenue in Asia (ex-Japan), including the Chinese mainland, was 26.707 billion euros, a year-on-year increase of 18%, accounting for 31% of the group's total revenue. Jean-Jacques Guiony, LVMH Group's chief financial officer, said that the number of Chinese customers has doubled since 2019. Furthermore, Louis Vuitton and Christian Dior are also considering opening larger stores in China.<sup>8</sup>

## Food & Beverage

### Starbucks China reaches 7,000 stores in China

Starbucks China recently announced its financial results for the fiscal first quarter ended 31 December. During this period, the company's net revenue in the Chinese market reached US\$735 million, a year-on-year growth of 20% at constant currency; same-store sales increased by 10% yoy, and same-store transaction volume increased by 21% yoy. In terms of store expansion, Starbucks China added a net total of 169 stores in the first quarter, entering 28 new county-level markets and bringing the total number of stores to 6,975. The number of stores has surpassed 7,000 as of now. Its established digital businesses (Starbucks Delivers and Starbucks Now) continue to maintain their growth momentum. In the first quarter, Starbucks China's digital channels accounted for a record 52% of total revenue, up 4 percentage points compared to the previous quarter.<sup>9</sup>

## Miscellaneous

### MUJI's largest China flagship store opens in Beijing

MUJI's first flagship store in Beijing opened on 2 February in Chaoyang Joy City. The store spans the three floors of B1-2F of Chaoyang Joy City, with an area of approximately 5,000 sqm. It is 1,500-1,700 sqm larger than the Shanghai Huaihai 755 flagship store and the Shanghai Umax flagship store, making it the largest MUJI flagship store in China. The store will also introduce an MUJI restaurant which serves 'Japanese-style Western food' that is modified with Japanese seasonings and cooking methods, such as Japanese-style braised beef, hand-made beef patties, Japanese-style omelette rice, etc.<sup>10</sup>

## II. Market Overview

### **MOFCOM: China remains world's largest online retail market for 11<sup>th</sup> consecutive year**

According to the Ministry of Commerce (MOFCOM), China's online retail sales in 2023 recorded a year-on-year increase of 11% to reach 15.42 trillion yuan – maintaining its position as the world's largest online retail market for 11 consecutive years. Amid China's rapid development in the digital economy, the e-commerce sector has injected more vitality into retail spending. Online retail sales of physical goods accounted for 27.6% of the country's total retail volume, setting a new record.<sup>11</sup>

### **Meituan fine dining report: Chinese restaurants rank first in number in 2023**

According to the *China Fine Dining Report* recently released by Meituan (美团), the number of fine dining locations continued to grow in 2023. In terms of cuisine, Chinese fine dining restaurants rank first in terms of quantity, with 2,902 Chinese restaurants in 2023, an increase of 26% compared to 2022 and an increase of nearly 40% compared to 2021. The year-on-year growth rates of the number of stores for Japanese, Western and other cuisines (including Southeast Asian, Korean, fusion, etc.) in 2023 were 13%, -1% and 24% respectively.<sup>12</sup>

### **97 new shopping malls open in December 2023**

According to statistics from the Linkshop Retail Research Centre, in December 2023, a total of 94 new commercial projects opened across the country, with a gross floor area of 885.72 million sqm; the average gross floor area per project was 94,200 sqm. From January to December 2023, 377 commercial projects opened across the country, an increase of 18 projects compared with last year, with a total of 31.0863 million sqm of gross floor area, a decrease of 1.3656 million sqm compared with last year, while the average gross floor area decreased by 8.74% yoy.<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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