

China Retail & E-commerce Weekly Update



Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Fung Business Intelligence
11/F LiFung Tower
868 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2271
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



I. Sector Review..... 2

Internet & E-commerce 2

PDD’s 1Q23 revenue up by 58.2% yoy to 37.64 billion yuan..... 2

JD.com launches ‘30-day free returns’ service for shoes and clothing 2

ByteDance moves into office space in Hong Kong’s Central Business District 2

Meituan Instashopping partners with 700,000 stores to launch the ‘Super Store Shopping Festival’ 2

JD.com’s 618 shopping festival: Number of brands reaching 100 million yuan in 10 minutes up by 23% yoy 3

Bilibili’s 1Q23 revenue up 0.3% yoy to 5.1 billion yuan..... 3

Retail Logistics..... 4

Cainiao International Express upgrades logistics services in 15 countries during the 618 promotional period..... 4

Apparel..... 4

H&M to shut its flagship store in Sanlitun, Beijing 4

Food & Beverage..... 4

Luckin Coffee launches new franchise programme..... 4

Miscellaneous 5

Watsons announces ‘O+O Experience Upgrade’ growth strategy..... 5

II. Market Overview 5

JD.com, Alibaba and Vipshop top 2023 China Online Retail TOP100 list 5

References (in Chinese) 6

I. Sector Review

Internet & E-commerce

PDD's 1Q23 revenue up by 58.2% yoy to 37.64 billion yuan

PDD Holdings (拼多多) recently released its financial results for 1Q23. During this period, PDD's revenue increased by 58.2% yoy to reach 37.64 billion yuan; net income attributable to ordinary shareholders was 8.101 billion yuan, an increase of 212% yoy – slightly lower compared to 4Q22; non-GAAP net income attributable to ordinary shareholders was 10.126 billion yuan, an increase of 141% yoy. In the quarter, PDD's revenue from online marketing and other services was 27.244 billion yuan, a year-on-year increase of 50%; revenue from transaction services was 10.3926 billion yuan, a year-on-year increase of 86%.¹

JD.com launches '30-day free returns' service for shoes and clothing

JD.com (京东) recently began providing a '30-day free returns' service for shoes and clothing. In addition to existing services such as price guarantee, door-to-door replacement deliveries and instant refund, the returns window for the shoe and clothing category has been lengthened from seven days to 30 days. At present, except for some special products, the 30-day returns period is applicable to all JD.com's self-operated shoes and clothing products, and the platform's third-party merchants will also gradually provide the service.²

ByteDance moves into office space in Hong Kong's Central Business District

ByteDance (字节跳动) is set to move its various offices across Hong Kong into a 1,480-sqm office space at International Finance Centre in Central, Hong Kong's Central Business District. The office space was previously occupied by Swiss bank Julius Baer.³

Meituan Instashopping partners with 700,000 stores to launch the 'Super Store Shopping Festival'

On 30 May, the authorized Apple franchise store hosted its first official livestream on the Meituan Instashopping (美团闪购) platform. It lasted one hour and sales exceeded 100 million yuan. This livestream was part of the mobile phone day event of Meituan Instashopping's 'Super Store Shopping Festival', which was launched in April this year. The event will be held from 25 May to 18 June. Meituan Instashopping will partner with more than 700,000 offline stores across eight core categories in more than 360 cities to provide discounts of up to 1,800 yuan for consumers.⁴

JD.com's 618 shopping festival: Number of brands reaching 100 million yuan in 10 minutes up by 23% yoy

JD.com's (京东) 618 shopping festival began at 8PM on 31 May. Brands such as Midea (美的), Haier (海尔), Xiaomi (小米), Gree (格力), and Apple broke 100 million yuan in sales almost instantly; the number of brands breaking 100 million yuan in sales in 10 minutes increased by 23% yoy, and more than 60% of new merchants exceeded their daily average May turnover within 10 minutes. The turnover of nearly 50% of small and medium-sized businesses increased by more than 200%. The consumer electronics category performed particularly well – the turnover of mobile phones brands Xiaomi, Honor (荣耀), OPPO, vivo, Huawei (华为), and Samsung, as well as Mini LED, OLED displays and mirrorless cameras, all increased by more than 100% yoy.⁵

Bilibili's 1Q23 revenue up 0.3% yoy to 5.1 billion yuan

Video-sharing platform Bilibili recently released its financial results for 1Q23. The company's total net revenue edged up 0.3% yoy to 5.1 billion yuan in the quarter. However, the company managed to significantly narrow its net loss by 72% yoy to 629.6 million yuan. Revenue from value-added services was 2.2 billion yuan, a year-on-year increase of 5%; advertising revenue was 1.27 billion yuan, a year-on-year increase of 22%; mobile games revenue was 1.1 billion yuan, a year-on-year decrease of 17%, mainly due to the lack of new game launches; IP peripheral products and other revenues were 510 million yuan, a year-on-year decrease of 15%, mainly due to the decrease in sales of IP peripheral products of animation, comics and games on the company's e-commerce platform. The average daily active users reached 93.7 million, an increase of 18% yoy; the average monthly active users was 315 million; users spent an average of 96 minutes per day on Bilibili; the average daily video views reached 4.1 billion, a year-on-year increase of 37%; the average daily active uploaders increased by 42% yoy, and average monthly content reached 22.5 million posts, a year-on-year increase of 79%.⁶

Retail Logistics

Cainiao International Express upgrades logistics services in 15 countries during the 618 promotional period

Cainiao International Express (菜鸟国际快递) recently launched its logistics upgrade measures for the 618 promotional period. The company will deploy sea, land, and air cargo resources in advance to ensure timely delivery. In order to help small and medium-sized cross-border merchants expand overseas, Cainiao is continuously optimizing its 'one-item pick-up' service, and the door-to-door pick-up service will cover over 200 cities across the country. In addition, during the promotion period, Cainiao will cooperate with AliExpress to upgrade logistics services for overseas consumers through technologies such as smart orders aggregation. New users in 15 European and American countries will get three free logistics upgrades; on average, packages can arrive 10-20 days sooner.⁷

Apparel

H&M to shut its flagship store in Sanlitun, Beijing

H&M will close its flagship store in Beijing's Sanlitun on 11 June, opting not to renew the lease when it expires. The flagship store in Sanlitun, which opened in 2014, has three storeys and is one of the largest H&M stores in China, measuring more than 1200 sqm. H&M said that it will open new flagship stores in Beijing and other Chinese cities once it identifies suitable locations. This follows last year's closure of the company's flagship on Huaihai Middle Road in Shanghai, which was its first store on the Chinese mainland.⁸

Food & Beverage

Luckin Coffee launches new franchise programme

Luckin Coffee (瑞幸咖啡) recently launched its new franchise programme. This is a new joint venture model for investors to operate stores within an existing property lease contract or self-owned stores. Franchise stores must be located in shopping malls, street shops, or office buildings; construction details include an area ≥ 40 sqm and distance from pollution sources ≥ 30 metres; operators must also hold independent business licenses and food operations licenses. Luckin Coffee said that it launched the new franchise programme because the Chinese coffee market is still in a period of rapid growth, and the company will soon become the first chain coffee brand in the Chinese coffee industry to reach 10,000 stores; it can benefit from scale and cost advantages.⁹

Miscellaneous

Watsons announces 'O+O Experience Upgrade' growth strategy

Watsons recently hosted the O+O Ecosystem Summit in Shanghai on 30 May. At the event, Watsons officially announced its annual growth strategy with the theme of 'O+O Experience Upgrade Drives User and Brand Value'. It plans to increase sales efficiency by providing customers with more attractive products and more diversified experiential interactions, improve conversion rates and achieve more precise customer relationship maintenance, and embark on a new growth trajectory with brands. Based on customers' increasing multi-channel experience and consumption needs, Watsons has created an O+O retail model, and will be more closely attuned to user needs in product development and production.¹⁰

II. Market Overview

JD.com, Alibaba and Vipshop top 2023 China Online Retail TOP100 list

On 26 May, the China Chain Store and Franchise Association and Deloitte jointly released the *2023 China Online Retail TOP100* list. The total online sales of the top 100 companies exceeded 2 trillion yuan in 2022, a year-on-year increase of 13.19%. The top three companies are JD.com (京东), Alibaba (阿里) and Vipshop (唯品会). Online sales of the top 20 companies account for more than 90% of the total, the association said, adding the threshold to be included on the top 100 ranking rose to 500 million yuan.¹¹

References (in Chinese)

- ¹ 《拼多多 2023 年 Q1 营收 376.4 亿，同比增长 58.2%》，2023 年 5 月 26 日，联商网
<http://www.linkshop.com/news/2023504351.shtml>
- ² 《京东服饰上线鞋服“30 天自由换”服务》，2023 年 5 月 26 日，新浪财经网
<http://www.linkshop.com/news/2023504341.shtml>
- ³ 《字节跳动进驻香港中环商务区》，2023 年 5 月 30 日，亿邦动力网
<https://www.dsb.cn/news-flash/117425.html>
- ⁴ 《美团闪购联合 70 余万家门店推出“超级门店购物节”》，2023 年 5 月 31 日，联商网
<http://www.linkshop.com/news/2023504538.shtml>
- ⁵ 《京东 618 火爆开场：10 分钟破亿品牌数同比增长 23%》，2023 年 5 月 31 日，第一财经
<http://www.linkshop.com/news/2023504234.html>
- ⁶ 《B 站今年一季度营收 51 亿元 同比增长 0.3%》，2023 年 6 月 1 日
<https://www.dsb.cn/news-flash/117649.html>
- ⁷ 《菜鸟国际快递：618 大促期间，欧美 15 国物流免费“升舱”再快 10 天》，2023 年 5 月 29 日，36 氪
<https://36kr.com/newsflashes/2278529260312582>
- ⁸ 《H&M 北京三里屯太古里旗舰店将闭店》，2023 年 5 月 28 日，联商网
<http://www.linkshop.com/news/2023504381.shtml>
- ⁹ 《瑞幸咖啡开启“带店加盟”模式》，2023 年 5 月 30 日，电商报
<https://www.dsb.cn/news-flash/117425.html>
- ¹⁰ 《屈臣氏发布“O+O 体验升级”增长策略》，2023 年 5 月 31 日，联商网
<http://www.linkshop.com/news/2023504526.shtml>
- ¹¹ 《2023 中国网络零售榜单揭晓：京东、阿里、唯品会居前三》，2023 年 5 月 26 日，电商报
<https://www.dsb.cn/news-flash/117167.html>

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.

For more information, please visit www.funggroup.com.

© Copyright 2023 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.