

China Retail & E-commerce Weekly Update



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Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Vivian Liang
Assistant Manager

Fung Business Intelligence
1/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



I. Sector Review

General Retail

Douyin begins testing new apparel e-commerce app

Douyin (抖音) recently began testing a new app called 'Douyin Box' (抖音盒子), which is positioned as a trendy apparel e-commerce platform. According to a spokesperson for Douyin e-commerce, the new app will focus on fashionable and trendy products, which is a market that Douyin is exploring. Some content creators have received official invitations from Douyin Box to begin creating content for the app.¹

Ele.me launches new Exiaowei system

On 2 December, Ele.me (饿了么) launched a new AI-powered food analysis system, Exiaowei (饿小味), which will leverage the platform's digital capabilities and market insights to help catering businesses develop new dishes. It has already partnered with various catering brands such as Kungfu (真功夫), Guimanlong (桂满陇), and Guiyuanpu (桂源铺) to develop 12 new dishes and set meals; it has also conducted internal testing in 41 cities. In addition to R&D for new dishes, the Exiaowei system can also suggest improvements to existing dishes and help businesses design set meals. The system is still in the testing stage, and may also be able to account for dietary nutrition and portion sizes in the future.²

WeChat's peer-to-peer chat can directly link to other e-commerce platforms

On 29 November, WeChat (微信) published a blog post entitled *Updated Statement on the 'WeChat External Link Content Management Regulations'*, which announced further plans for platform interconnection under the guidance of regulatory authorities. In peer-to-peer chat scenarios, users will be able to directly access external links; the function will also be tested in group chats. In other words, users can click on links to Taobao and other e-commerce platforms within the WeChat interface without having to copy them to their browser. This had not been possible since 2013, when WeChat's parent company Tencent (腾讯) blocked direct access to Taobao via the app. WeChat plans to develop new functions to allow users to manage external links in the future.³

Jingxi to collaborate with the Shandong Provincial Department of Agriculture and Rural Affairs to build agricultural e-commerce platform

Jingxi (京喜), a discount e-commerce platform under JD.com (京东), has recently partnered with the Shandong Provincial Department of Agriculture and Rural Affairs. The two parties will leverage Jingxi's supply chain and resources such as technology, logistics, and marketing to jointly establish the Jingxi Agricultural Demonstration Base, an e-commerce platform for agricultural products, and other projects to promote the commercialization, digitalization and branding of regional agricultural products, support local farmers and businesses, and enhance the revitalization of Shandong's rural areas.⁴

Pinduoduo's 3Q21 revenue up 51% yoy to 21.5 billion yuan

On 26 November, Pinduoduo (拼多多) released its financial results for 3Q21. Pinduoduo's revenue in the quarter was 21.5058 billion yuan – compared to 14.2098 billion yuan in the same period last year – a 51% yoy increase, though this still fell short of market expectations of 26.5 billion yuan. The net profit attributable to ordinary shareholders of the company was 1.640 billion yuan, compared to a net loss of 784.7 million yuan in the same period last year. Pinduoduo's average monthly active users in 3Q21 reached 741.5 million, a year-on-year increase of 15%. In the twelve months ended 30 September, Pinduoduo had 867.3 million annual active buyers, an increase of 17.4 million from the previous quarter and a year-on-year increase of 19%.⁵

Meituan's 3Q21 revenue up 37.9% to 48.8 billion yuan while annual transacting users reach 668 million

On 26 November, Meituan (美团) announced its financial results for 3Q21. The company's revenue reached 48.8 billion yuan, an increase of 37.9% yoy, while aggregate operating profit reached 4.7 billion yuan. R&D expenses in the quarter increased by 59% yoy to 4.7 billion yuan. Alongside heavy investment in core facilities such as cold chain logistics, the adjusted net loss for the quarter excluding anti-monopoly fines grew to 5.5 billion yuan. Meituan's annual transacting users for the twelve months ended 30 September reached 668 million, and the number of average annual transactions per annual transacting user reached 34.4, an increase of 29% yoy.⁶

Yunji sees net profit of 61.4 million yuan in 3Q21

On 29 November, Yunji (云集), a members-only social e-commerce platform, announced its unaudited financial results for 3Q21. The company achieved a net profit of 61.4 million yuan in 3Q21, compared to 17.1 million yuan in 1Q21 and 17 million yuan in 2Q21. This means that Yunji has remained profitable for three consecutive quarters. In 3Q21, Yunji continued to implement its product curation and supply chain differentiation strategies, and launched a series of private-label products. The company's repeat purchase rate in the twelve months ended 30 September was 80.6%.⁷

Retail Logistics

GLP Supply Chain Services to partner with Ningbo China Institute for Supply Chain Innovation

GLP Supply Chain Services and Ningbo China Institute for Supply Chain Innovation (宁波供应链创新学院) have recently established a strategic partnership. The two parties will work together to build a talent exchange platform, and leverage the Institute's resources in the field of talent development and education to create a high-end talent development system and training base suitable for GLP Supply Chain Services. GLP Supply Chain Services will also become a practice base for the Institute. The two parties will jointly work on the commercialization of their research and development results.⁸

Dada Group's 3Q21 revenue reaches 1.7 billion; JD Daojia's GMV reaches 37.2 billion

On 26 November, on-demand consumer retail and distribution platform Dada Group (达达集团) released its unaudited financial results for 3Q21. The company's revenue was 1.7 billion yuan in the quarter. Looking ahead to the 4Q21, the group's total revenue is forecast to be between 2 billion yuan and 2.1 billion yuan, a year-on-year increase of 88% to 97% on a comparable basis. In addition, JD Daojia (京东到家), an on-demand retail platform under Dada Group, saw its revenue in the third quarter increase by 84% yoy to 1.1 billion yuan. In the twelve months ended 30 September, JD Daojia's GMV was 37.2 billion yuan and the platform had 57.1 million annual active consumers.⁹

Department Stores and Shopping Malls

Guangzhou Wangfujing Department Store has closed after 25 years in operation

The Guangzhou Wangfujing Department Store ceased operations on 30 November due to the expiration of the lease contract for the property. Prior to this, Wangfujing Group also closed three department stores in Urumqi, Nanning, and Fuzhou, while upgrading many others. The Guangzhou Wangfujing Department Store was the first store opened by Wangfujing Group outside of Beijing, and holds great symbolic significance. This 25-year-old department store was also iconic for an entire generation of Guangzhou residents, making its closure highly controversial among locals.¹⁰

Apparel

Bosideng and Bogner set up joint venture to target China's fashionable sportswear market

On 1 December, a wholly-owned subsidiary of Bosideng (波司登) signed an agreement with Bogner to establish a joint venture. This joint venture will introduce BOGNER and FIRE+ICE brands into China's high-end fashion and sportswear markets, and jointly operate Bogner-related brands. The joint venture will also aim to enter the Chinese snow sportswear market and establish an offline network of about 80 retail stores within the first five years of operations.¹¹

Canada Goose agrees to refund customer after controversial refund policy triggers protest

A Shanghai customer was unable to return a 11400-yuan down jacket at a Canada Goose store after finding its logo was incorrectly embroidered. When requesting a refund, she discovered that the brand's product exchange waiver states that all products sold in Canada Goose retail stores in the Chinese mainland cannot be returned. Later, Canada Goose agreed to refund the price of the down jacket after the retailer was strongly condemned by Chinese consumers over its controversial product refund policy and 'discriminatory double-standard operations' in the Chinese mainland. According to a separate statement by Canada Goose, customers are eligible to receive a refund within 14 days of purchase if their product, purchased in a Canada Goose store, is found to have any issues with materials or craftsmanship; and 7-day unconditional return and refunds on official e-commerce platforms.¹²

Catering

Tim Hortons China partners with Metro China

Tim Hortons China (also known as Tims China) recently announced its new partnership with Metro China, where Tims China will become Metro China's exclusive coffee brand in China. With this partnership, Tims China will continue to open Tims Go convenience stores in Metro China locations across the country. The two parties plan to open at least nine Tims Go convenience stores in Metro China locations in Chengdu, Dalian, Qingdao, Nanjing, Langfang and Shanghai by January 2022. Including the first batch of seven Metro China branches already opened, Tim Hortons currently operates over 335 stores in China.¹³

Miscellaneous

Shopping Chic with Ctrip partners with Fosun

On 26 November, Shopping Chic with Ctrip (携程全球购) signed an agreement with Fosun (复星), whereby the two parties will establish a partnership for constructing a business ecosystem. Shopping Chic with Ctrip will invest a significant amount of resources into launching a Fosun Super Brand Week in December which will connect with 10 of Fosun's business segments. As part of this agreement, Ctrip Platinum members and above will also directly receive the benefits of the Fosun Alliance (复星星选) gold card.¹⁴

II. Market Overview

China Chain Store & Franchise Association: China's catering market to reach 6.6 trillion yuan by 2024

On 25 November, the China Chain Store & Franchise Association and China Renaissance (华兴资本) jointly released the *China's Chain Restaurant Industry Report 2021*. According to the report, China's catering market has grown from 2.9 trillion yuan in 2014 to 4.7 trillion yuan in 2019, with a compound annual growth rate of 10.1%. Due to the impact of the COVID-19 pandemic, the catering market declined by 15.4% to 4.0 trillion yuan in 2020. However, it is predicted to return to 4.7 trillion yuan in 2021, followed by a period of healthy growth which should bring the market size to reach 6.6 trillion yuan by 2024. China's food delivery industry continues to grow rapidly due to the online consumption habits of young people.¹⁵

III. Policy Spotlight

SAMR and MOFCOM encourage supermarkets, convenience stores and e-commerce platforms to sell 'Santong' products

Recently, the State Administration for Market Regulation (SAMR) and the Ministry of Commerce (MOFCOM) issued a notice on promoting 'Santong' (三同) products for both export and domestic sales that are produced on the same production lines, meet the same standards, and are of the same quality. The notice suggests encouraging chain supermarkets, convenience stores, and e-commerce platforms to sell 'Santong' products and set up a 'Santong' area to better meet the diverse needs of the market; and supporting 'Santong' products to enter China Import and Export Fair (i.e. the Canton Fair), China International Consumer Products Expo (i.e. Hainan Expo), China Processing Trade Products Fair and other exhibition platforms, increase publicity and promotion, and expand domestic and foreign market influence.¹⁶

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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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