

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## General Retail

### **Suning.com's revenue falls by 20.96% in 1H21, with a net loss of 3.45 billion yuan**

Suning.com (苏宁易购) released its 1H21 financial results on 30 August. From January to June of this year, the company made 93.606 billion yuan in revenue, a decrease of 20.96% yoy. Its net loss was 3.45 billion yuan, compared to a net loss of 167 million in the same period last year. As of 30 June, Suning.com had 2,516 self-operated stores and 8,225 retail cloud franchise stores, which cover 3C products (computer, communication, and consumer electronics), electrical appliances, maternal and baby products, hypermarkets, department stores, etc. The stores cover urban commercial districts, residential communities and rural areas. There were 1,381 new retail cloud franchise stores in the period, with a total of 10,000 total stores expected by the end of the year.<sup>1</sup>

## Internet & E-commerce

### **WeChat public accounts launch 'My Shop' function**

WeChat (微信) public account has recently launched a new 'My Shop' function which allows users to promote products within their text posts, making it easier to direct followers to make a purchase. Users can also open a WeChat shop for free if they do not have one yet. After linking the store with the WeChat public account, products can be added via the editing tools; users can then access the products added to a new post. Furthermore, the 'My Shop' function also supports linking mini programs to the public account, which makes selling goods easier.<sup>2</sup>

### **Meituan's revenue up 77% yoy to 43.759 billion yuan in 2Q21; annual transacting users reach 628 million**

Meituan (美团) released its 2Q21 financial results on 30 August. During this period, the company made 43.759 billion yuan in revenue, an increase of 77% yoy. Its operating loss was 3.252 billion yuan, compared to an operating profit of 2.175 billion yuan during the same period last year, and its total loss was 3.356 billion yuan. In the 12 months ended 30 June, Meituan had 628 million annual transacting users (i.e., those who paid for transactions during this period), an increase of 37.4% yoy. It also had 7.7 million annual active merchants, up 23.5% yoy. The company had over 1 million active daily delivery riders on average in 1H21, and its food delivery-related costs amounted to 15.5 billion yuan during 2Q21 – a year-on-year increase of 53%.<sup>3</sup>

### **Lifease sees 67% yoy growth in transacting users during 2Q21**

NetEase (网易) released its unaudited financial results for 2Q21 on 31 August. During this period, the company's net revenue was 20.5 billion yuan, an increase of 13% yoy. Its non-GAAP net income attributable to shareholders was 4.2 billion yuan, beating market expectations. Transacting users of Lifease (网易严选) increased by 67% yoy. Sales via Taobao/Tmall (淘宝/天猫) increased by 153% yoy, while sales via Douyin (抖音) and Kuaishou (快手) increased by almost 300% yoy. During the 618 shopping festival, Lifease topped JD.com's (京东) daily household ranking and was the top vendor for domestic cat food on both Tmall and JD.com. During 2Q21, the number of Lifease Pro members increased by 212% yoy, and the number of new members increased by 156% yoy.<sup>4</sup>

### **Alibaba pledges 100 billion yuan for 'common prosperity'**

On 2 September, Alibaba (阿里巴巴) announced the launch of its new charity programme which will invest a total of 100 billion yuan by 2025 to help achieve 'common prosperity'. This money will go towards technological innovation, rural development, creating 'high-quality employment', supporting vulnerable communities, and establishing a 20 billion yuan development fund.<sup>5</sup>

### **JD.com launches a new secondhand goods platform and renames Paipai as 'Paipai Select'**

JD.com (京东) has recently launched a new secondhand goods trading platform called Jingzhi (鲸置), where users can buy and sell all kinds of secondhand goods. JD.com's other secondhand goods platform, Paipai (拍拍), has been renamed 'Paipai Select' (拍拍严选) and is now positioned as a high-quality secondhand goods trading platform.<sup>6</sup>

### **Louis Vuitton now available on Tencent Huiju's Luxury Goods column**

On 27 August, Tencent Huiju (腾讯惠聚) – a Tencent's mini program – added a Luxury Goods column. This column compiles product and event information, interactive experience and other content, which directly links to the brands' official mini program. Louis Vuitton is the first luxury brand to be available on the Huiju Luxury Goods column. Tencent Huiju, which was launched by Tencent Smart Retail (腾讯智慧零售), brings together official mini programs from various brands into a one-stop shop. It also serves as a channel for private domain traffic. Tencent Huiju currently operates in South China, North China, Northeast China and other regions.<sup>7</sup>

## Retail Logistics

### Cainiao Post's on-demand delivery service now covers all provincial capitals

Following the launch of Cainiao Post's (菜鸟驿站) on-demand delivery services in Beijing, Shanghai and Hangzhou in collaboration with Tmall (天猫) and Taobao (淘宝) in April, the delivery services had extended to most provincial capitals (including Guangzhou, Chengdu, Xi'an, Harbin, Jinan, Wuhan, Changsha, etc.) as of 31 August and the coverage is continually expanding. Users in these cities can choose between door-to-door delivery or self pick-up (Cainiao can store the package for free). Over 90% of Cainiao Posts in Beijing, Shanghai and Hangzhou now offer this service, with a total of 15 million parcels delivered since its launch in April.<sup>8</sup>

### Dada partners with Sam's Club to provide unmanned delivery services

Dada Now (达达快送) launched an unmanned delivery service for Sam's Club members on 1 September. Dada Now has connected its open platform with JD Logistics' (京东物流) unmanned vehicles in order to provide this service. The unmanned vehicles have been customized for Sam's Club, with eight cargo compartments that can fit Sam's Club's larger products. Furthermore, Dada Now is also building a last-mile delivery network – once packages are delivered to office buildings and residential communities, last-mile delivery riders will complete the last 100-metre (door-to-door) deliveries.<sup>9</sup>

## Department Stores & Shopping Malls

### Wangfujing's net profit for 1H21 up 10,121.86% to 481 million

Wangfujing Group Co., Ltd. (王府井集团股份有限公司) recently released its interim financial results for 1H21. During this period, its operating income was 4.688 billion yuan, an increase of 36.88% yoy. Its net profit attributable to shareholders was 481 million yuan, up 10,121.86% from last year. As of the end of the reporting period, Wangfujing operated 58 large-scale retail stores nationwide with a total floor area of 3.4 million sqm across 34 cities in seven major economic regions (North China, Northeast China, Central China, East China, South China, Southwest China and Northwest China).<sup>10</sup>

## Apparel

### La Chapelle loses 237 million yuan and closes 532 stores in 1H21

Chinese women apparel brand La Chapelle (拉夏贝尔) published its interim financial results on 30 August. In 1H21, the company saw 278 million yuan in revenue, a decrease of 79.6% yoy. Net loss attributable to shareholders was 237 million yuan, down 67% yoy. As of 30 June, the company had a total of 427 offline outlets, made up of 242 regular chain stores and 185 franchised/affiliated outlets. This means a reduction in the number of stores of 532 from 959 they had at the end of 2020.<sup>11</sup>

## Cosmetics

### Henkel' beauty care division partners with Alibaba Cloud to build a data centre

On 26 August, Henkel's beauty care division, which owns various brands including Schwarzkopf, announced the official launch of its new data centre which was built in collaboration with Alibaba Cloud (阿里云). This platform will help Henkel's beauty care division operate more efficiently and align with Chinese consumers. Henkel's data centre partnership with Alibaba Cloud began in 2020. The centre will facilitate the upgrades of various departments including e-commerce, marketing, and sales of Henkel's beauty care division.<sup>12</sup>

## Luxury

### Farfetch launches pre-sale service

Luxury e-commerce platform Farfetch recently launched its presale service, which already has secured partnership agreements with ten brands including Nanusha, Balenciaga, Khaite, Off-White, Palm Angels, and Oscar de la Renta. According to Farfetch, this service aims to enhance the customer experience and build engagement, while positioning the platform as a site where customers can buy the newest items at the earliest time.<sup>13</sup>

## Catering

### Guangzhou Arome Bakery closes its doors after 26 years in business

On 27 August, Guangzhou Arome Bakery (Cake House) Food Co., Ltd. (广州东海堂饼屋) officially announced its closure. According to its announcement, due to the impact of COVID-19, the company could not settle some payments to suppliers in time, resulting in its bank accounts being frozen by the court. As a result, the company ran out of cash and had to halt production and close its doors for good. Guangzhou Arome Bakery (Cake House) Food Co., Ltd. was established in 1995 with HK\$6 million in registered capital. Its main products include bread, pastries, cakes, etc.<sup>14</sup>

## II. Market Overview

### CNNIC: Online shoppers in China reach 812 million, now making up 80% of all Internet users

The CNNIC (China Internet Network Information Center 中国互联网络信息中心) published the 48<sup>th</sup> 'Statistical Report on Internet Development in China' on 27 August. As of June 2021, there were over 1.01 billion Internet users in China, who have become a driving force for the high-quality development of China's economy. There were 812 million online shoppers nationwide – up by 29.65 million from December 2020 – accounting for 80.3% of all Internet users. There were 297 million Internet users in rural areas of China, which had 59.2% Internet coverage overall – up by 3.3 ppts from December 2020. The gap between urban and rural Internet coverage further shrank to 19.1 ppts.<sup>15</sup>

### Ministry of Commerce: 73,500 e-commerce businesses have joined one of the 127 national e-commerce demonstration bases nationwide

According to Gao Feng (a spokesperson for the Ministry of Commerce), as of the end of 2020, 73,500 e-commerce companies have joined 127 national e-commerce demonstration bases (国家电子商务示范基地) across the country, an increase of 12.9% yoy. In addition, there were over 10,000 e-commerce companies in the incubation period. Over 1.51 million people were employed in these demonstration bases – including 97,600 migrant workers. Over 90% of these demonstration bases contributed to alleviating poverty through e-commerce. In 2020, e-commerce companies in these demonstration bases received a total investment and financing of 41.7 billion yuan, provided e-commerce training for 75,000 people, and their total e-commerce transaction volume reached 6.37 trillion yuan, an increase of 13.3% yoy.<sup>16</sup>

## **100EC: Livestreaming e-commerce market to reach 2.3 trillion yuan in 2021**

The 100EC E-commerce Research Center (网经社电子商务研究中心) and the 100EC Livestreaming E-commerce Channel (网经社直播电商台) recently published part one of the '2021 China Livestreaming E-commerce Market Report'. According to the report, from 2017 to 2020, the annual transaction volume of China's livestreaming e-commerce market was 19.64 billion yuan, 135.41 billion yuan, 443.7 billion yuan, and 1.2850 trillion yuan respectively. It is estimated that the market transaction volume will reach 2.35 trillion yuan in 2021, an 82.87% year-on-year increase. The growth rate in 2018 reached 589.46% yoy. In 2019 and 2020 it was 227.7% yoy and 136.61% yoy respectively, maintaining three-digit growth.<sup>17</sup>

## **The Rising Lab: Shanghai is luxury brands' favourite city**

The Rising Lab (新一线城市研究所), a big data project by Yicai Media Group, has recently identified the most popular commercial districts for luxury brand stores out of nearly 5,000 locations. Shanghai tops the lists with eight commercial districts, and Chengdu ranks first among emerging first-tier cities with four commercial districts. At the moment, 17 cities have formed two or more luxury centres. Fashionable higher-end shopping centres such as SKP, Hang Lung (恒隆), Taikoo Li (太古里), The Mixc (万象城) and IFS have performed well in the post-pandemic era.<sup>18</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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