

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
11/F LiFung Tower
868 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

Internet & E-commerce

MINISO's revenue up 5.0% yoy to 2.34 billion in third quarter of FY22

On 26 May, MINISO (名创优品) announced its unaudited financial results for the third quarter of fiscal year 2022 ended 31 March. During this period, the company's revenue reached 2.34 billion yuan, a year-on-year increase of 5.0%, which exceeded market expectations. Among which, domestic revenue was 1.82 billion yuan, a year-on-year increase of 1.9%, and international revenue was 518 million yuan, a year-on-year increase of 17.4%. As of 31 March, MINISO had 5,113 stores worldwide, including 3,197 domestic stores and 1,916 overseas stores, making it the world's largest private label retailer. In addition, TOP TOY's revenue reached 110 million yuan – increasing by almost 4 times year-on-year.¹

Taobao and Tmall have launched over 700 domestic and foreign IPs

On 1 June, which was Children's Day in China, Taobao (淘宝) and Tmall (天猫) launched the 'Top 100 IP Paradise', where more than 700 top-tier IPs made their collective debut, covering animation and comics, games, film and television, culture, art and e-sports. Products include toys, figurines, clothing, etc. Since 2016, a total of over 700 well-known domestic and international IPs have entered Taobao and Tmall. In addition, during this year's 618 shopping festival, the toy division of Taobao and Tmall will launch the 'Alibaba IP Library' to accelerate the entry of mature IPs into Taobao.²

Toutiao launches in-app livestreaming e-commerce function in collaboration with Douyin

Toutiao (今日头条) recently announced that it will upgrade its livestream function, which will be provided by Douyin (抖音). Douyin livestreaming has now been integrated into the Toutiao app. In the app, a livestream portal will appear for every 5-6 posts on users' feeds. The recommended livestreaming content is mostly e-commerce livestreaming. Users can shop in the Toutiao livestream sessions just like in Douyin. Toutiao also allows users to view Douyin e-commerce orders on their personal homepage and use Douyin coupons to shop in Toutiao app's livestream sessions.³

Alibaba's revenue grows by 19% in FY22 as annual active consumers exceed 1 billion

On 26 May, Alibaba (阿里巴巴) announced its financial results for fiscal year 2022, which ended 31 March 2022. Alibaba's revenue in fiscal 2022 reached 853.062 billion yuan, a year-on-year increase of 19%; net income attributable to ordinary shareholders was 61.959 billion yuan, a year-on-year decrease of 59%. As of 31 March 2022, Alibaba's global annual active consumers reached 1.31 billion, an increase of 28.3 million from the previous quarter. These include more than 1 billion Chinese consumers and 305 million overseas consumers.⁴

Pinduoduo's revenue increases by 7% yoy with net income of 2.6 billion in 1Q22

On 27 May, Pinduoduo (拼多多) released its financial results for 1Q22. During this period, Pinduoduo achieved total revenue of 23.794 billion yuan – a year-on-year increase of 7%, which exceeded market expectations; operating profit reached 2.154 billion yuan, compared with an operating loss of 4.147 billion yuan in the same period last year; net income attributable to ordinary shareholders reached 2.6 billion yuan, while net loss in the same period last year was 2.905 billion yuan. This is also the fourth consecutive quarter that Pinduoduo has achieved profitability. Pinduoduo had 751.3 million average monthly active users during this period, up 4% yoy. Active buyers in the 12-month period ended 31 March reached 881.9 million, an increase of 7% yoy.⁵

Douyin triples e-commerce GMV over last year

For the year ended 30 April, Douyin's (抖音) e-commerce GMV increased by 3.2 times year-on-year, with over 10 billion items sold in total. Some 1.8 million new merchants joined Douyin E-commerce, alongside 3.86 million livestream e-commerce hosts and over 20,000 MCN institutions and service providers. In addition, Douyin Mall's GMV increased by 661% yoy, product search increased by 217% yoy, and active purchasing users increased by 69%. Douyin Mall payment users increased by 431% yoy, while same-store repurchase orders increased by 76% yoy.⁶

Weibo's revenue up 6% yoy to US\$484.6 million in 1Q22

Weibo (微博) recently released its financial results for 1Q22. The company achieved revenue of US\$484.6 million, a year-on-year increase of 6%, against market expectations of US\$472 million. Among which, advertising and marketing revenue was US\$427.1 million, a year-on-year increase of 10%; value-added service revenue was US\$57.5 million, a year-on-year decrease of 17%. Adjusted net income was US\$133 million, compared with US\$131 million in the same period last year. As of 31 March, Weibo had 582 million monthly active users, a net increase of 51 million year-on-year, and 252 million average daily active users, a net increase of 22 million year-on-year.⁷

Retail Logistics

Cainiao's revenue reaches 68.8 billion in FY22, with 69% from external customers

Cainiao's (菜鸟) financial results were announced on 26 May. During fiscal 2022, Cainiao's revenue grew 27% yoy to 66.808 billion yuan, and 69% of the revenue was generated from external customers. For fiscal 2022, Cainiao's daily average cross-border and international package volume exceeded 4.5 million. In China, Cainiao continues to scale its consumer logistics business and penetrate into less developed areas. It also continues to improve its end-to-end smart supply chain solutions for different industry verticals.⁸

Apparel

Regina Miracle partners with Tmall to establish a digital production and research laboratory

Regina Miracle (维珍妮), the world's largest innovative design manufacturer of intimate wear, has reached a strategic partnership agreement with Tmall (天猫). Together, the two parties will establish a T-LAB digital production and research laboratory in the Tmall Innovation Centre. Regina Miracle already holds more than 100 international patents. The strategic partnership is expected to enable Regina Miracle to further develop forward-looking technologies and new fabrics based on Tmall's consumer insights.⁹

A-COLD-WALL* enters the Chinese market

Streetwear brand A-COLD-WALL* makes its foray into the Chinese market with the help of Tomorrow, a showroom company, and local agency POWER RICH. The two firms will be responsible for A-COLD-WALL*'s retail, wholesale, and e-commerce operations, with the goal of establishing in-depth communication with domestic shoppers and enhancing the brand's popularity through online and offline channels. The brand's first store will open at the prestigious shopping centre of Taikoo Li, Sanlitun, in Beijing. Its Fall 2022 collection will be released in-store simultaneously.¹⁰

Sports

China's first Decathlon Sports Park flagship store opens for trial operations

The Decathlon Sports Park (迪卡侬体育公园) flagship store, located in Huguan, Suzhou, opened for trial operations on 2 June. This is a one-stop sports-themed mall jointly created by Decathlon and Yinli Sports Group (银力体育集团). The 6,000-sqm venue has a children's training area, an exercise equipment area, a yoga area and a 3,000-sqm swimming area. Target consumers include those aged between 3 to 65. As an 'upgraded' version of Decathlon's retail store, Sports Park uses most of the store's area for experiential elements. Alongside a product experience area, it also provides sports venues to attract consumers; this type of 'experiential commerce' is popular among foreign retail brands today.¹¹

Food & Beverage

Moutai begins selling high-end ice cream

Kweichow Moutai (贵州茅台) recently opened two Moutai ice cream flagship stores in Guizhou and launched three Moutai ice cream flavours: classic original (75g/cup), green plum boiled wine (78g/cup), and vanilla (75g/cup). Each flavour contains 2%, 1.6% and 2% Moutai respectively; they are priced at 66 yuan, 59 yuan and 66 yuan each. The first ever Moutai ice cream store opened on 19 May in the lobby of the Moutai International Hotel in Moutai town, where the Kweichow Moutai group is headquartered. The second flagship store, located in Guiyang, saw over 200,000 yuan in sales and over 900 orders within the first seven hours of opening. It sold over 50,00 Moutai ice creams in total, serving an average of 2 people per minute and almost reaching full capacity. The company said that the ice cream launch is the company's first breakthrough in targeting younger consumer groups.¹²

II. Market Overview

28 grocery shopping apps including Missfresh found to have infringed upon user rights

On 1 June, the Ministry of Industry and Information Technology listed the fourth batch of apps that infringed upon user rights, and put forward adjustments for 368 apps. 84 apps, including Missfresh (每日优鲜), Dmall (多点), Bianlifeng (便利蜂), BL.com (i百联), T11 Food Market (T11 生鲜超市), Secoo (寺库), and Yipin Fresh (谊品生鲜), have not completed the required adjustments; among the 84 apps, 28 are grocery shopping apps. The main issues include excessive or illegal collection of personal information; forcibly, frequently, and excessively requesting permissions; deceiving and misleading users; forcing users to use targeted push notifications, etc.¹³

JD Apparel issues quality standards for sun protective clothing

JD Apparel (京东服饰), Tianjin Textile Garments Association (天津市纺织服装行业协会), TTTS Detection and Certification Co., Ltd (天纺标检测认证股份有限公司), Beneunder (蕉下), Oh Sunny, VVC and other leading sun protective clothing brands have jointly released the *JD Sun Protection Product Quality Certification Standards*. It has added 'contact coolness' as a new standard for sun protective clothing, and also raised the standard for 'colour fastness to light'.¹⁴

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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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