

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Suning.com expects a loss of 42.3-43.3 billion yuan in 2021

Suning.com (苏宁易购) released a performance forecast on 28 January. The company expects that the net loss attributable to shareholders of the company for 2021 will be between 42.3 billion and 43.3 billion yuan, a year-on-year change of -889.54% to -912.94%. 2021 marked the beginning of Suning.com's transformation into a retail service provider. The company expects its EBITDA to turn positive in 1Q22.¹

Internet & E-commerce

ByteDance launches and then closes women's apparel e-commerce website Dmonstudio

ByteDance (字节跳动) recently launched a new women's apparel e-commerce website called Dmonstudio. Both its style and business scope were similar to SHEIN, the leading cross-border e-commerce fashion company which is valued at over US\$50 billion. However, Dmonstudio has ceased operations on 11 February, according to a statement on its website.²

JD.com's prosperity programme drives rural output of 320 billion yuan in 2021

JD.com (京东集团) recently announced that since launching its 'prosperity plan' for rural revitalization in October 2020, the company has driven rural output of 320 billion yuan by the end of 2021. 39 million pieces of agricultural products have been sold so far in the 2022 JD.com Chinese New Year's Festival, raising the income of 3 million farmers by an average of nearly 1,700 yuan.³

Kuaishou's average daily active users reach 320.4 million

The Kuaishou Big Data Research Institute (快手大数据研究院) recently released the *Kuaishou Annual Data Report 2021*. According to Kuaishou's financial report for 3Q21, as of the end of 3Q21, the average daily active users on Kuaishou app reached 320.4 million, and the number of pairs of mutual followers on Kuaishou app exceeded 14 billion on a cumulative basis. The report also shows that users of different ages have their own preferences for emojis: the post-00s love the 'peace sign', the post-90s love 'shooting hearts', the post-70s and post-80s love 'likes', and the post-60s and post-70s like 'applause'. Furthermore, the post-60s generation on Kuaishou are most likely to use expression packs or emojis in their comments.⁴

Apparel

Victoria's Secret sells 49% of its Chinese business to Regina Miracle for US\$45 million

Victoria's Secret announced a partnership agreement with Hong Kong-based Regina Miracle (维珍妮). The two companies have formed a joint venture (JV) to operate all Victoria's Secret stores and the related online business in China. Under the terms of the agreement, Victoria's Secret will own 51% of the JV with Regina Miracle owning the remaining 49%. Victoria's Secret will receive US\$45 million in cash from Regina Miracle as consideration for its investment in the JV. Industry insiders believe that Victoria's Secret hopes to boost sales in the China market with the help of a local partner, while Regina Miracle, as an underwear designer and manufacturer, hopes to take this opportunity to enter the consumer market.⁵

SHEIN to build its GBA Supply Chain Headquarters in Guangzhou

Fast fashion cross-border e-commerce brand SHEIN has reportedly begun preliminary work on its supply chain headquarters project in the Greater Bay Area. The project is located in Zhongxin Town, Zengcheng District, Guangzhou, with a total land area of about 3,000 mu (2 million sqm) and a gross floor area of about 3.3 million sqm. SHEIN's business is focused on fast fashion, mainly for consumer markets in Europe, America, the Middle East, and India. Last year, SHEIN also established a new hub in Singapore to expand into the Southeast Asian market.⁶

E-land down jackets sold at a 20x premium and fined for quality issues

E-Land (Shanghai) Fashion Trading Co., Ltd (衣念(上海)时装贸易有限公司), the Chinese subsidiary of South Korean company E-Land Group, was recently fined for unfair pricing for shoddy products. It was reported that E-Land (Shanghai) Fashion Trading Co., Ltd entrusted Dandong Xiangteng Garments Co., Ltd (丹东翔腾服装有限公司) to produce 80 down jackets in July 2021, and 9 of them were on sale at department store counters in Beijing in September 2021. The cost of this batch of down jackets was 75 yuan per piece, but the counter price was as high as 1,598 yuan per piece (up to a 20x premium). As of 3 November 2021, 2 pieces from this batch of down jackets had been sold, one of which was sold in the random inspection.⁷

Nanji E-commerce acquires 100% equity in South Korean fashion brand Basic House

The original shareholder of Basic House (Shanghai) Fashion Co., Ltd (百家好 (上海) 时装有限公司), TBH HONG KONG LIMITED, has withdrawn its investment, transferring 100% of the company's shares to Nanji E-commerce Co., Ltd (南极电商). Basic House (Shanghai) Fashion Co. Ltd was a subsidiary of South Korean fashion company Basic House Co., Ltd, mainly selling apparel under various brands including Basic House, Mind Bridge, I'M DAVID, JUCY JUDY, and THE CLASS.⁸

Cosmetics

Henkel acquires Shiseido's professional hair care business

On 9 February, Henkel announced that it had signed an agreement with Shiseido to acquire its professional business, which provides hair care, hair colour, and other professional products mainly to hair salons in Asia. The trademark of Shiseido Professional will be licensed to Henkel, while all other hair product brands, such as Sublimic and Primience, will be transferred.⁹

Luxury

Cettire partners with JD.com to enter the Chinese mainland market

Australian online luxury goods platform Cettire recently announced that it has partnered with JD.com to enter the Chinese mainland market. The Chinese mainland is predicted to become the world's largest personal luxury goods market by 2025, accounting for 25% of the global personal luxury goods market which will be worth 600 billion Australian dollar. Cettire predicts that entering the Chinese mainland market represents a market opportunity worth 150 billion Australian dollar.¹⁰

Food & Beverage

SF Express's unmanned retail brand 'Feng 1' completes 300-million-yuan Series A round

On 8 February, unmanned retail operator 'Feng 1' (丰 e 足食) completed its Series A financing with 300 million yuan which was led by SoftBank Ventures Asia (软银亚洲风险投资公司). Other investors included CICC Capital's (中金资本) CICC Cultural Consumption Industry Equity Investment Fund and Shenzhen Capital Group (深圳市创新投资集团). Feng 1 was founded in 2017 and incubated by SF Express. It focuses on the office market, and uses AI-enabled smart vending machines to provide urban white-collar workers with breakfast, afternoon tea, snacks, beverages and other related retail products.¹¹

II. Market Overview

Outlets CN publishes sales rankings of China outlet chains for 2021

According to a list published by Outlets CN (奥莱领秀), in 2021, there were 24 domestic outlets with sales of 1-2 billion yuan, and 10 outlets with sales of 2-3 billion yuan. There are also nine outlets with sales of 3-4 billion yuan, two outlets with sales of 4-5 billion yuan and one outlet with sales of 5+ billion yuan. Among them, Bailian Outlet Plaza (百联奥特莱斯广场) (Qingpu, Shanghai) had the highest sales of 5.5 billion yuan in 2021, a year-on-year increase of 46.5%. On the list, Sasseur (砂之船) had the most number of outlets with eight locations earning total sales exceeding 11 billion yuan. Wangfujing Group (王府井集团) follows with 6 outlets on the list, with total sales exceeding 10 billion yuan.¹²

Data Quest China: The first store economy is highly concentrated in Beijing and Shanghai

Data Quest China (中商数据) recently released *the 2021 Development Report of First Store Economy in Five International Consumption Centre Cities*, which analysed the development of first stores in Shanghai, Beijing, Guangzhou, Tianjin and Chongqing. According to the report, the first store economy is highly concentrated in Beijing and Shanghai. Shanghai maintained its lead with 1,078 first stores in 2021; Beijing introduced 901 first stores in 2021, nearly three times the number in 2020. The format of the first store has gradually shifted from retail and catering to brands related to arts and humanities, sports, and environmental protection. Immersive and experiential settings have continued to flourish, allowing innovative brands to differentiate themselves from competitors.¹³

CCFA: 67.1% of supermarket enterprises' sales down yoy in 2021

On 28 January, the China Chain Store & Franchise Association (CCFA) released the *2021 Supermarket Format Survey Report*. The report pointed out that in 2021, the sales of 67.1% of supermarket companies decreased year-on-year, and the sales of 29.1% of companies increased year-on-year; 72.2% of companies had a year-on-year decrease in net profit; 68.4% of companies saw a year-on-year decrease in the number of visitors, while 20% of companies saw an increase. However, 78.5% of businesses showed year-on-year sales growth. The three major priorities of supermarket operators in 2022 are omni-channel expansion and integration, product optimization, and improving operational efficiency, according to the report.¹⁴

Chanel voted the best brand for gifting by high-net worth individuals in China

According to the *Hurun Chinese Luxury Consumer Survey 2022* released by the Hurun Research Institute (胡润研究院), luxury brand Chanel is voted the best brand for gifting by both men and women, followed by Louis Vuitton and Dior. Furthermore, Bulgari has been the most popular jewellery brand for high-net-worth individuals for the fourth consecutive year.¹⁵

iiMedia Research: China's youth-focused high-quality tea market reaches 101.1 billion yuan in 2021

On 27 January, iiMedia Research (艾媒咨询) released the *2021 Report on the Development Trends of High-Quality Tea Beverages for Young Consumers*. The report pointed out that China's youth-focused high-quality tea market totalled 101.1 billion yuan in 2021, and it is expected to exceed 120 billion yuan in 2022. The market was largely dominated by young people (85.5%), most of whom are middle-income (66.0%) corporate white-collar workers (42.5%) from first- and second-tier cities (70.9%), who have frequent tea drinking habits. Emerging market trends include the fusion of old and new tea culture, and new consumer brands expanding overseas.¹⁶

III. Policy Spotlight

State Council approves plans to set up cross-border e-commerce pilot zones in 27 cities and regions

The State Council approved a plan to set up cross-border e-commerce comprehensive pilot zones in 27 cities and regions, according to an official reply released on 8 February. The 27 cities and regions include Erdos, Yangzhou, Zhenjiang, Taizhou, Jinhua, Zhoushan, Maanshan, Xuancheng, Jingdezhen, Shangrao, Zibo City, Rizhao, Xiangyang, Shaoguan, Shanwei, Heyuan, Yangjiang, Qingyuan, Chaozhou, Jieyang, Yunfu, Nanchong, Meishan, Honghe Hani and Yi Autonomous Prefecture, Baoji, Kashgar, and Alashankou.¹⁷

Seven-day sales of duty-free shops in Hainan during CNY reaches 1.983 billion yuan

According to statistics provided by the Hainan Provincial Department of Commerce, from 30 January to 5 February (the Chinese New Year period), total sales of the 10 duty-free shops in Hainan reached 1.983 billion yuan, an increase of 144% yoy. Of which, tax-free sales amounted to 1.82 billion yuan, an increase of 153% yoy; the number of duty-free shoppers reached 277,800, an increase of 128% yoy; a total of 1,651,700 duty-free items were purchased, an increase of 143% yoy. The total sales of 10 key retail enterprises in Hainan, including Haikou Seaview International Plaza (海口望海国际购物广场), increased by 21% over the same period last year.¹⁸

State Council: Accelerate standardization in emerging service fields such as e-commerce

On 27 January, the State Council issued the 14th Five-Year Plan for market supervision modernization. The plan calls for improving the overall quality of the service industry by promoting standardization and branding; improving the standards of various service industries such as business tourism, domestic services, modern logistics, medical and health care, elderly care services, leisure and entertainment, education and training and sports and fitness; and furthering the development of standards for emerging service fields such as e-commerce, intellectual property, inspection, testing and certification, childcare, and information technology. The plan also calls for improving the service quality certification system, carrying out service certification demonstrations, and establishing a quality certification system for the lifestyle services industry.¹⁹

Hangzhou proposes 10 measures to step up support for the retail and catering industry

On 5 February, the Hangzhou government issued a notice and proposed 10 measures to support enterprises in various industries. The measures include: Increase incentives for manufacturing enterprises; increase support for the retail and catering industries; provide employment services for key enterprises; resume work and production in the construction sector; strengthen COVID-19 prevention on imports; and extend the validity of electronic consumer vouchers for migrant workers who stay in Hangzhou during the Chinese New Year 2022.²⁰

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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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