

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

JD.com: Hanfu transaction volume up by 300% since May

According to JD.com's (京东) apparel sales data, since May this year, the search volume for Hanfu, traditional Chinese skirts ('mamianqun' 马面裙), modern Chinese clothing and other apparel with Chinese cultural elements has increased significantly, and the transaction volume of the Hanfu category has increased by 300% yoy.¹

East Buy app's total sales volume across three-day promotional period reaches 80 million yuan

On 28 July, the East Buy (东方甄选) app's daily sales volume exceeded 32 million yuan, breaking the previous records of 17.5 million yuan and 30 million yuan set over the preceding two consecutive days. This occurred during East Buy's three-day promotional period for '15% off all private label products' which was likely in response to its Douyin (抖音) account being temporarily suspended for three days on 26 July. Private label food items such as barbecue sausages, sliced bread and South American prawns were among the bestsellers.²

Home decoration content on Xiaohongshu increases by over 440% from 2021

Xiaohongshu (小红书) has become a source of home decoration inspiration for its users, as related topics have been viewed more than 4.25 billion times. Apart from searching for home improvement and consumer electronics, users are also sharing their personal experiences with each other. As of June 2023, home improvement content on the site increased by more than 440% compared to 2021, and searches increased by more than 200%. In the past year, the number of users who purchase home appliances, home furnishings, furniture and other products on the Xiaohongshu platform has increased significantly.³

Tmall's 'Maoxiang' store to be closed by 30 September

Tmall's (天猫) self-operated business 'Maoxiang' (猫享) recently announced that the Maoxiang store will be closed by 30 September 2023 due to business adjustments. Users can consult with customer service by phone or through the customer service platform if they have questions about products, after-sales or other related issues. 'Maoxiang' is a self-operated business launched by the Tmall mobile app in February last year, and it has only been in operation for a year and a half.⁴

Dingdong Maicai: Sales of Baoma's Selection Channel up by over 10% in North China market

Dingdong Maicai's (叮咚买菜) overall order volume increased in July, as sales of seasonal fruits, vegetables, cold drinks, prepared dishes and other categories increased by about 20% mom. Consumer demand for healthier, tastier, and landmark agricultural products has also increased. In July, the sales of Baoma's Selection Channel (宝妈严选频道) increased by more than 10% in the North China market.⁵

Retail Logistics

Cainiao's '1212' delivery model to reach seven more cities this month

In the first half of this year, Cainiao Supply Chain (菜鸟供应链) and Tmall Supermarket (天猫超市) jointly launched the '1212' half-day delivery model in eight cities, including Hangzhou, Shanghai, Chengdu, Guangzhou, Shenzhen, Foshan, Dongguan and Huizhou. In the second half of the year, Cainiao will further expand its half-day coverage, with coverage reaching another seven cities within this month. '1212' half-day delivery means that orders placed before 12 noon will be delivered before 9PM; orders placed before 12 midnight will be delivered before 12 noon the next day.⁶

Department Stores & Shopping Malls

First JD Mall in Eastern China set to open in Ningbo by September

JD.com (京东) recently announced that the first JD Mall in Eastern China, the eighth to open in China, will be located in Ningbo; trial operations will begin on 28 September. The mall will have an operating area of 30,000 sqm, and its design will integrate Ningbo's 'smart manufacturing' and 'port city' characteristics. With the theme of 'future technology', it will feature more than 200 well-known home appliance brands and over 200,000 trendy products to create a futuristic product offering. So far, JD.com has opened JD Malls in seven cities, including Xi'an, Shenyang, Shijiazhuang, Dongguan, Kunming, Chongqing, and Hefei. These locations allow local consumers to explore consumer electronics technology and trendy products in a modern setting.⁷

Apparel

SHEIN's profits reach record high

SHEIN recently announced in a letter to investors that the company's profits reached a record high in the first half of this year. The letter also stated that since the beginning of 2023, the total number of goods sold in the Brazilian market has increased threefold to nearly US\$100 million, with 6,000 active platform sellers. SHEIN launched the platform model in Brazil and the US in May, with plans to expand further. According to previous reports, SHEIN's sales in 2022 reached US\$23 billion, and its current valuation is US\$66 billion.⁸

Adidas' Greater China revenue up by 16.4% yoy in 2Q23

Adidas recently released its financial results for the second quarter of 2023. In the second quarter, the company's Greater China revenue rose 16.4% yoy to 766 million euro, marking a return to growth in the vital market after successive quarters of decline.⁹

Home Goods

MUJI China's largest flagship store to land in Beijing

Chaoyang Joy City (大悦城) in Beijing recently signed a contract for MUJI's largest flagship retail store in China, which will also be the brand's first flagship store in Beijing. The store will cover an area of about 5,000 sqm across two floors and is expected to open early next year. MUJI hopes to deliver a 'feel-good lifestyle' to Chinese consumers with a new space, which will display MUJI clothing, and new products, such as designer series products and environment-friendly antibacterial products. The store will also provide better personalized services as well.¹⁰

Food & Beverage

Yum China's revenue up by 25% yoy in 2Q23

Yum China (百胜中国) recently announced its financial results for the second quarter of 2023. The company reached multiple milestones during this period, with total revenue, operating profit and net new stores all hitting new highs. In the second quarter of 2023, Yum China's total revenue was US\$2.65 billion, a year-on-year increase of 25%; system sales increased by 32% yoy, of which KFC and Pizza Hut increased by 32% yoy and 30% yoy respectively, mainly due to growth in same-store sales, contribution from new stores, and a low-base effect from the impact of temporary store closures in the same period last year.¹¹

Luckin Coffee's revenue surpasses Starbucks China in 2Q23

Luckin Coffee (瑞幸咖啡) recently released its financial results for the second quarter of 2023. During this period, its revenue increased by 88% yoy to 6.2 billion yuan, outpacing Starbucks China by nearly 300 million yuan. Luckin Coffee opened a net total of 1,485 new stores in the second quarter, bring the store count to 10,836 as of 30 June, of which 7,188 were self-operated stores and 3,548 were jointly operated stores.¹²

II. Policy Spotlight

NDRC unveils new measures to boost consumption

The National Development and Reform Commission (NDRC) recently released a policy document containing 20 measures to restore and expand consumption, covering the auto, housing, home appliance, and other sectors. The NDRC wants to see an expansion of consumption in the catering, cultural tourism, entertainment, sports, exhibition, and health services among other service sectors. It also emphasised the need to step up financial support for the consumer sector as a way to enhance the consumption environment.¹³

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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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