

China Retail & E-commerce Weekly Update



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..... 2

General Retail..... 2
Suning.com’s revenue reaches 55.538 billion yuan in 1-3Q22 2

Internet & E-commerce 2
Kuaishou resumes external links to Taobao 2
Tmall: Over 2,000 apparel brands see higher sales in the first hour of this year’s ‘Double 11’ than they did over the first day of last year 2

Retail Logistics..... 2
Cainiao delivers first overseas ‘Double 11’ order within two hours..... 2

Supermarkets & Hypermarkets 3
Jiajiayue’s net profit up by 69.33% yoy in 3Q22..... 3
Yonghui Superstores’ revenue reaches 70.907 billion yuan in 1-3Q22 3

Apparel 3
Peacebird’s revenue reaches 6.223 billion yuan with net profit of 153 million yuan in 1-3Q22 3
SHEIN to open first physical store in Tokyo..... 4

Food & Beverage..... 4
HeyTea closes its last Hey Xiaocha location 4

Miscellaneous 4
Express delivery companies launch laundry courier services 4

II. Market Overview 5
JD.com: 90% of consumers think service is important in electric appliances consumption 5
JD.com winter clothing report: Ski down jacket turnover is 4.7 times that of 2020 5

III. Policy Spotlight 6
SAMR approves new mixed-ownership joint venture by China Unicom and Tencent 6
MOFCOM and seven other departments to establish 29 pilot zones for import trade innovation..... 6

References (in Chinese) 7

I. Sector Review

General Retail

Suning.com's revenue reaches 55.538 billion yuan in 1-3Q22

Suning.com (苏宁易购) recently released its financial results for 1-3Q22. In the period, Suning.com achieved an operating income of 55.538 billion yuan and an EBITDA of 1.182 billion yuan. In the period, the company's overall merchandise sales decreased by 46.50% yoy. In 3Q22, Suning.com's overall merchandise sales fell by 5.43% yoy, narrowing from the 55.88% year-on-year decline in 1H22; operating income was 18.328 billion yuan, down 16.57% yoy.¹

Internet & E-commerce

Kuaishou resumes external links to Taobao

Starting from 28 October, Kuaishou (快手) has resumed links to Taobao (淘宝). During Tmall's (天猫) 'Double 11' period, Kuaishou livestreamers and sellers can once again link Taobao products and services in their livestream sessions and videos. The partnership will extend beyond the 'Double 11' period, though the exact timeframe is unclear.²

Tmall: Over 2,000 apparel brands see higher sales in the first hour of this year's 'Double 11' than they did over the first day of last year

Since the beginning of Tmall's (天猫) 'Double 11' period this year, the sales of more than 2,000 clothing brands within the first hour exceeded that of the whole first day last year. The first-hour sales of more than 300 women's clothing brands increased by more than 300% yoy, and the first-hour sales of more than 400 brands exceeded sales of the whole day last year, of which more than 90% are domestic brands.³

Retail Logistics

Cainiao delivers first overseas 'Double 11' order within two hours

Tmall's (天猫) 'Double 11' shopping event will be available worldwide for the first time this year, allowing overseas Chinese consumers to enjoy the promotion as well. The first 'Double 11' overseas express order was delivered to a customer in Paris at 10:17 AM on 1 November, just two hours after they placed the order on AliExpress. This is the first AliExpress 'Double 11' order co-delivered by Cainiao (菜鸟) and 4PX (递四方) in France this year, and it is also the first order in the world shipped directly from an overseas warehouse in France to a customer.⁴

Supermarkets & Hypermarkets

Jiajiayue's net profit up by 69.33% yoy in 3Q22

Jiajiayue (家家悦) released its financial results for 3Q22 on 27 October. During this period, Jiajiayue achieved revenue of 4.584 billion yuan, a year-on-year increase of 4.13%; net profit attributable to shareholders of the listed company was 14.2039 million yuan, a year-on-year increase of 69.33%. In 1-3Q22, Jiajiayue achieved revenue of 13.963 billion yuan, a year-on-year increase of 5.76%; net profit attributable to shareholders of the listed company was 187 million yuan, a year-on-year decrease of 2.4%. In 3Q22, Jiajiayue opened 20 directly operated stores, including 16 in Shandong Province, two in Beijing and two in other provinces, while 11 stores were closed. By the end of the reporting period, Jiajiayue had a total of 1,006 stores, including 969 directly operated stores and 37 franchised stores.⁵

Yonghui Superstores' revenue reaches 70.907 billion yuan in 1-3Q22

Yonghui Superstores (永辉超市) recently released its financial results for 1-3Q22. Its operating income during this period reached 70.907 billion yuan, up 1.53% yoy, and the comprehensive gross profit margin reached 19.94%, up by 1.19% ppts. Though profits were negatively affected by a decline in the fair value of the company's financial assets, Yonghui Superstores' loss in 1-3Q22 narrowed significantly compared with the same period last year. Net profit and net profit after deducting non-recurring items decreased by 1.291 billion yuan and 1.186 billion yuan respectively, representing a year-on-year decrease of 59.29% and 64.86%. At the same time, sales expenses decreased by 3.23% yoy, while administrative expenses decreased by 10.14% yoy. As of the end of September 2022, the company's inventory decreased by 24.91% compared with the beginning of 2022, while inventory turnover and capital efficiency continued to improve.⁶

Apparel

Peacebird's revenue reaches 6.223 billion yuan with net profit of 153 million yuan in 1-3Q22

Peacebird (太平鸟) recently announced its financial results for 1-3Q22. In the period, Peacebird achieved operating income of 6.223 billion yuan, down 16% yoy; net profit attributable to shareholders of the listed company was 153 million yuan, down 72.45% yoy. In 3Q22, Peacebird achieved operating income of 2.027 billion yuan, down 15.35% yoy; net profit attributable to shareholders of the listed company was 19.2306 million yuan, down 86.53% yoy.⁷

SHEIN to open first physical store in Tokyo

Fast fashion retailer SHEIN is opening a showroom in Tokyo's Harajuku district on 13 November. Instead of purchasing directly in-store, shoppers can only browse products and place online orders through QR codes. According to a brand spokesperson, the space may be modified to host fashion shows and designer events as needed. The Chinese retailer has also operated pop-up stores in Japan earlier this year, including a temporary location in Osaka. However, its largest markets are the US and Europe, and this first physical location may be a pilot for SHEIN to further expand in the future.⁸

Food & Beverage

HeyTea closes its last Hey Xiaocha location

Tea drink brand HeyTea (喜茶) recently closed its last Hey Xiaocha (喜小茶) store, which was located in the Chengtuo Building in Guangzhou. Hey Xiaocha was a sub-brand of affordable tea drinks which started operating in April 2020, with products priced between 6-15 yuan. Regarding the closure, HeyTea said that Hey Xiaocha was an exploration of new products and pricing, and its purpose has been achieved.⁹

Miscellaneous

Express delivery companies launch laundry courier services

Some express delivery companies have launched laundry courier services in cities such as Beijing and Chengdu recently. On one express delivery app, prices range from 29 yuan for a down jacket to 55 yuan for a sweater to a special price of five items for 129 yuan. The service covers clothing, shoes, and home textiles, though items that cost more than 2,000 yuan are not accepted for washing for the time being. After an order is placed, the courier will pick up and return the item within as fast as 72 hours. Compared with pricing of physical stores, a piece of clothing is generally about 10 yuan cheaper for the laundry services offered by express delivery companies. SF Express (顺丰) subsidiary Hive Box (丰巢) launched a pilot laundry service in Shenzhen this past April which has now expanded across the country.¹⁰

II. Market Overview

JD.com: 90% of consumers think service is important in electric appliances consumption

JD.com (京东) and the Economic Daily recently released the *China Electric Appliance Service Market Report 2022*. The survey results cited in the report show that 'service' has become an important factor affecting consumer decision-making in electric appliances consumption: 90% of consumers believe service is important and the share is increasing year by year. Furthermore, many consumers believe that innovative and considerate services not only offer peace of mind, but also save money in the long run. Nearly 30% of electrical appliance buyers learn to save money with services such as replacements instead of repairs, price guarantees, and trade-ins.¹¹

JD.com winter clothing report: Ski down jacket turnover is 4.7 times that of 2020

The J Shop (京东新百货) and the JD Consumption and Industrial Development Research Institute (京东消费及产业发展研究院) released the 2022 autumn and winter clothing trend report. According to the report, with rising living standards and consumption power, consumer demand for warm clothing has continued to increase and upgrade. From 2019 to 2021, the per capita turnover of down jackets increased by 80%, while the per capita turnover of warm shoes and boots increased by 90%. Consumer demographics and demands are also evolving. Consumers are becoming more rational over time, and practicality has become their primary consideration. In 2021, the turnover of ski down jacket was 4.7 times that of 2020, and turnover of Gore-TEX high-tech fabric down jackets increased by 4.15 times, showing segmentation of down jacket products.¹²

III. Policy Spotlight

SAMR approves new mixed-ownership joint venture by China Unicom and Tencent

According to an official document released on 27 October by the Anti-Monopoly Bureau under the State Administration for Market Regulation (SAMR), Internet giant Tencent (腾讯) and state-owned telecommunications operator China Unicom (中国联通) have gained unconditional approval to establish a joint venture following the completion of a review on 18 October.¹³

MOFCOM and seven other departments to establish 29 pilot zones for import trade innovation

According to the Ministry of Commerce (MOFCOM) website, eight government departments (including the MOFCOM, the National Development and Reform Commission, the Ministry of Finance, the People's Bank of China, the General Administration of Customs, the State Administration of Market Supervision, etc.) have jointly decided to establish 29 new pilot zones for import trade innovation across the country. This decision was based on Chinese President Xi Jinping's relevant announcement at the Fourth China International Import Expo.¹⁴

References (in Chinese)

- ¹ 《苏宁易购前三季度营收 555.38 亿元》，2022 年 10 月 31 日，龙商网
<https://www.longsook.com/dt/2022/1031/63870.html>
- ² 《快手今日起恢复淘宝外链》，2022 年 10 月 28 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/502583.shtml>
- ³ 《天猫：双 11 超 2000 个服饰品牌开卖首小时超去年全天》，2022 年 11 月 1 日，36 氪
<https://36kr.com/newsflashes/1982900676953352>
- ⁴ 《菜鸟海外双 11 首单 2 小时送达》，2022 年 11 月 3 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504317.shtml>
- ⁵ 《家家悦第三季度净利同比增 69.33%，新开 20 家店》，2022 年 10 月 27 日，联商网
<http://www.linkshop.com/news/2022495352.shtml>
- ⁶ 《永辉超市前三季度营收 709.07 亿元》，2022 年 10 月 29 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/503651.htmlv>
- ⁷ 《太平鸟前三季度营收 62.23 亿 净利润 1.53 亿》，2022 年 10 月 27 日，联商网
<http://www.linkshop.com/news/2022495346.htmlv>
- ⁸ 《SHEIN 将在日本东京开设首个线下实体店》，2022 年 11 月 2 日，联商网
<http://www.linkshop.com/news/2022495622.shtml>
- ⁹ 《喜茶平价子品牌“喜小茶”全部关店》，2022 年 11 月 3 日，36 氪
<https://36kr.com/newsflashes/1985481957999879>
- ¹⁰ 《顺丰等多家快递企业上线洗衣收送服务》，2022 年 10 月 29 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/503650.shtml>
- ¹¹ 《京东：90%的消费者认为服务十分重要》，2022 年 10 月 31 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/503721.shtml>
- ¹² 《京东保暖服饰消费洞察：滑雪羽绒服成交额是 2020 年 4.7 倍》，2022 年 11 月 2 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504264.shtml>
- ¹³ 《国家市场监管总局批准中国联通与腾讯设立混改新公司》，2022 年 11 月 2 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504208.shtml>
- ¹⁴ 《商务部等 8 部门决定设立 29 个国家进口贸易促进创新示范区》，2022 年 11 月 3 日，人民网
<http://finance.people.com.cn/n1/2022/1103/c1004-32558120.html>

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.

For more information, please visit www.funggroup.com.

© Copyright 2022 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.