

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Douyin local life services' transaction volume increases by 256% yoy in 2023

In 2023, the total transaction volume of Douyin's local life services (抖音生活服务) increased by 256% yoy, with over 4.5 million partner stores covering a total of over 370 cities. The number of service providers on the platform increased by 1.79 times, while the number of merchants partnering with service providers increased by nearly two times. The total transaction volume of service providers increased nearly eight times. The number of group-buying experts increased by 2.89 times – more than 580,000 experts have earned a steady income through the platform. The total transaction volume through platform experts more than doubled. Experts' store visits helped physical merchants increase their revenue by 94.6 billion yuan.¹

PDD's Duoduo Maicai halts development of local services

Pinduoduo's (拼多多) grocery business Duoduo Maicai (多多买菜) reportedly halted work on its local life services offerings. Originally set to launch after the Lunar New Year in February, the company postponed the launch as efforts to seek more local partners offering in-store catering coupons, hotel reservations, sightseeing, and movie tickets appeared to fall short. The initiative was suspended in the last week of 2023 and there is currently no information on when work will resume.²

Ele.me invests 10 billion yuan to establish new company in Shenzhen

Shenzhen Lazars Network Technology Co. (深圳拉扎斯网络科技有限公司) was recently established with a registered capital of 10 billion yuan; its legal representative is Chen Changxiao. The company's business scope includes software development, network technology services, information system integration services, and electronic product sales. According to shareholder information, the company is wholly owned by Lazars Network Technology (Shanghai) Co., an affiliate of online food delivery platform Ele.me (饿了么).³

Supermarkets & Hypermarkets

Costco's sales in Chinese mainland market expected to exceed 10 billion yuan in 2024

Costco currently operates five stores in the Chinese mainland: Shanghai Minhang, Shanghai Pudong, Suzhou, Ningbo, and Hangzhou; two more stores are expected to open in the first half of 2024. According to the China Chain Store and Franchise Association, Costco's total sales in the Chinese mainland were three billion yuan in 2022, with average annual sales of 1.5 billion yuan per store. Based on this data, Costco's total sales in the Chinese mainland market are expected to exceed 10 billion yuan by the first half of 2024.⁴

Apparel & Sports

Adidas plans expansion within third and fourth tier cities in China

Adidas recently held its 2024 autumn and winter product ordering meeting in Zhuhai, Guangdong. Xiao Jiale, the brand's managing director for Greater China, said that the brand will gradually reduce its discounts this year. Furthermore, it plans to further develop running products which are made in China, increasing the proportion of domestically produced products to 75%; it will also continue to expand into third- and fourth-tier cities to reach more consumers.⁵

Home Appliances

Suning.com begins Chinese New Year shopping festival with 24-hour logistics services

Suning.com (苏宁易购) recently kicked off its Chinese New Year promotions with various offers such as product trade-in, discounts for multiple purchases and store coupons, as well as upgraded membership privileges and 24-hour logistics services. The Suning.com New Year Shopping Festival will last from 5 January to 17 February. During the event, Suning.com will partner with leading brands such as Midea (美的), Haier (海尔), Hisense (海信), Bosch, and Siemens to offer hundreds of popular products and trade-in deals. Consumers who trade in old phones for new ones can enjoy an additional 10% subsidy on top of the 30-day lowest price guarantee; Suning.com will also provide same-day delivery services for trade-in deals.⁶

Luxury

Loewe and other luxury brands launch special collections for Chinese New Year

Many luxury brands are hoping to capitalize on the upcoming Chinese New Year festivities. Loewe recently collaborated with master jade carvers to craft five exclusive jade pendants. Chloé also recently launched its 2024 Year of the Dragon series, inspired by the magnolia flower. Maison Margiela has also launched the new Snatched Hobo handbag collection, of which the mini size will be exclusive to the Chinese market. According to Bain & Company's 2023 Luxury Goods Worldwide Market Study, the global luxury market is projected to reach 1.5 trillion euros in 2023, an 8-10% growth over 2022. However, the report also predicts a weak personal luxury goods market in 2024, with the year-on-year growth rate remaining at the low to mid-single digit level.⁷

Food & Beverage

Heytea surpasses 3,200 stores in 2023 as store scale increases by 280% yoy

Heytea (喜茶) released its 2023 annual report on 2 January. According to the report, as of the end of 2023, the total number of Heytea stores exceeded 3,200, including 2,300 partnership stores. The overall store scale has increased by 280% yoy and the brand has landed in more than 210 new cities in 2023. In November 2023, the first Heytea Tea House was launched in Guangzhou, creating a brand-new milk tea product category. Heytea has also set up 24-hour stores in eight cities to extend service hours. In terms of store sales, in 2023, Heytea's directly operated stores achieved significant year-on-year sales growth for 12 consecutive months, with the highest single-month sales growth reaching 80% yoy.⁸

II. Market Overview

Total value of social goods logistics nationwide exceeds 300 trillion yuan in first 11 months of 2023

The China Federation of Logistics and Purchasing recently released logistics operation data for the first 11 months of 2023. As industry and consumption recover, logistics demand continues to grow. From January to November 2023, the total value of social goods logistics nationwide was 305.9 trillion yuan, a year-on-year increase of 5%. The growth rate in November was 6.7%, an increase of 1.6% from October.⁹

Hainan offshore duty-free sales increase by 25.4% yoy in 2023

According to Haikou Customs, offshore duty-free sales in Hainan increased 25.4% yoy in 2023 to 43.76 billion yuan. The number of shoppers rose 59.9% yoy to 6.756 million, while per capita consumption reached 6,478 yuan and the number of items purchased grew 3.8% yoy to 51.3 million. Since 1 April, the province has offered the new duty-free 'purchase and pick up' and 'guarantee and pick up' delivery methods to further drive consumption. In total, Hainan has six offshore duty-free retail companies operating a total of 12 shops.¹⁰

Shanghai's online and offline consumption exceeds 40 billion yuan during New Year's Day holiday

Statistics from the Shanghai Municipal Commission of Commerce showed that Shanghai consumption during the New Year's Day holiday has grown significantly, with online and offline consumption exceeding 40 billion yuan. During the New Year's Day period (29-31 December 2023), the city's total offline consumer spending was 25.56 billion yuan, an increase of 38.7% compared with the previous New Year's Day holiday and an increase of 11.7% compared with the 2019 holiday. The offline consumer spending on New Year's Eve 2023 exceeded 10 billion yuan. The total offline passenger flow in Shanghai's 35 key commercial districts reached 15.48 million, an increase of 80% yoy.¹¹

MOFCOM: Instant retail sales of some e-commerce platforms increase by over 20% during 2024 New Year's Day holiday

During the 2024 New Year's Day holiday, new consumption trends such as online retail, live streaming e-commerce, and instant retail continue to accelerate. Livestreaming e-commerce has developed rapidly, and key e-commerce platforms monitored by the Ministry of Commerce (MOFCOM) experienced around 40% growth in livestreaming transactions. Instant retail sales showed rapid growth as 'hourly delivery' and 'minute-delivery' services enhanced the holiday consumer experience. Instant retail sales on some e-commerce platforms increased by more than 20% on New Year's Day holiday.¹²

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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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