

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

P&G's sales in Greater China down 4% yoy in fiscal 2022

Procter & Gamble (P&G) announced its fourth quarter and annual financial results for fiscal year 2022. The company achieved net sales of US\$80.2 billion (about 540.9 billion yuan) in fiscal 2022, a year-on-year increase of 5%. However, P&G's sales in Greater China fell by 4% yoy for the fiscal year, and fell by 11% yoy in the fourth quarter. P&G attributes this to the COVID-19 pandemic.¹

Internet & E-commerce

Alibaba's self-operated Miaosuda Electronics launches Taobao flagship store

Alibaba's (阿里巴巴) self-operated Miaosuda Electronics (喵速达电器) opened its Taobao (淘宝) flagship store on 3 August. Miaosuda Electronics is a new brand under Alibaba's B2C retail business. The platform emphasizes self-operation and pays special attention to service and transaction performance.²

JD.com partners with national enterprise cultivation hub in Hangzhou

The National Cultivation Hub for Technologically Advanced Enterprises (Hangzhou) (全国“专精特新”企业培育基地(杭州)) recently opened. It was jointly established by the China Centre for Promotion of SME Development, the Economy and Information Technology Department of Zhejiang, and the Zhejiang Lishui Government. The cultivation hub and JD.com (京东) signed a strategic cooperation agreement. The two parties will 'mutually share channels and content', empowering enterprises through research programmes, course development, livestreaming training, hub services and other activities, and providing enterprises with presentations, training, and support and services in digital transformation, finance, investment, talent cultivation, etc. JD.com also launched its 'Starry Sky Project' (满天星计划) in Zhejiang at the same time.³

JD.com's Digital Economy Industrial Park to land in Xiamen

The Xiamen Haicang District Government, JD Technology (京东科技), and Xiamen Jingcai Digital Technology (厦门京采数字科技) recently held a signing ceremony for the Jingdong Digital Economy Industrial Park project. The project is jointly established and operated by Haicang District Government and Xiamen Jingcai Digital Technology. The two parties will join hands to boost the development of the industrial park and promote the all-rounded development of Xiamen's digital economy in an innovative way. In the next five years, it is expected to drive nearly 20 billion yuan in sales for local companies in Haicang. In addition, the project will promote the upgrading and transformation of industries such as medicine and health, e-commerce, and logistics, thus promoting the digital economy.⁴

Pinduoduo announces 2022 'Duoduo Xinjiangzao' campaign to support local craft industries

On 30 July, Pinduoduo (拼多多) officially launched the 2022 'Duoduo Xinjiangzao' campaign, which will take place in industrial belts such as Fenghuang (Hunan), Xuancheng (Anhui), Qixian (Shanxi), Yixing (Jiangsu), Dongxing (Guangxi), Zhangqiu (Shandong), Yiwu (Zhejiang), and Jingdezhen (Jiangxi), in order to promote the digital upgrading of the local handicraft industry, intangible cultural heritage industry and the secondary sector (i.e., manufacturing). The company plans to invest one-billion-yuan worth of traffic and subsidies to bring craft products from villages to cities, and set up a special training team to develop e-commerce training courses for handmade products and cultivate at least 100,000 new farm suppliers.⁵

Kuaishou launches '2022 Happy Village Leaders Programme' to promote rural development

Kuaishou (快手) recently launched the '2022 Happy Village Leader Programme', which will provide traffic, brand resources and training for more than 100 'happy village' leaders, in order to promote rural e-commerce and rural revitalization. As of July this year, the 'Happy Village Leaders Programme' has supported more than 100 village leaders across 27 provinces and regions. Next, Kuaishou will provide three billion yuan in traffic support for agricultural experts. In the next three years, Kuaishou will expand the programme to support over 1,000 rural entrepreneurs and conduct short video + live-streaming training for more than one million rural residents.⁶

Missfresh shuts down its 30-minute express delivery business

On 28 July, Missfresh (每日优鲜) released a service change notice on its app's home page. The notice shows that the fastest delivery option has changed from the original 30 minutes to next-day delivery. The company confirmed that it had completely shut down its express delivery business (极速达), marking the company's departure from the preposition-warehouse model.⁷

Supermarkets and Hypermarkets

Chengdu Post Office to open 105 ‘shop-in-shop’ supermarkets this year

Rongyou Supermarket (蓉邮生活超市), located within the post office at Caotang North Road in Chengdu, has officially begun its trial operations. Rongyou Supermarket is the first ‘shop-in-shop’ new retail store developed by Chengdu Post Office, combining post office, supermarkets, community group purchases, and postal stores. Chengdu Post Office expects to build 105 ‘shop-in-shops’ this year.⁸

Yonghui Supermarket has built 600 direct sourcing hubs across the country

Yonghui Supermarket (永辉超市) has built a total of 600 direct sourcing hubs across the country. Product origins include Fujian (yellow croaker), Yunnan (leafy vegetables), Shandong, Hebei (two egg warehouses in Guantao and Xinji), the Northeast (Panjin rice), etc.⁹

Convenience Stores

Lawson China opens its 5,000th store in China

Lawson China opened its 5,000th store in Chengdu on 28 July. The company first landed in Shanghai as China’s first foreign convenience store chain in 1996, followed by locations in Chongqing, Liaoning, Zhejiang, Beijing, Jiangsu, Hunan and other provinces. In 2020, Lawson China achieved an annual profit for the first time, the first for Japanese-owned convenience store chains in China. At the end of 2020, the total number of Lawson stores exceeded 3,000, surpassing FamilyMart to become the number one Japanese-owned convenience store in China. Lawson China expects to have 10,000 stores in China by 2025.¹⁰

Luxury

Salvatore Ferragamo joins the Dewu app

Italian luxury brand Salvatore Ferragamo recently joined the Dewu (得物) app, selling a variety of products including leather goods, shoes, and handbags. In order to reach the younger audience, Ferragamo will also join the Dewu App community to establish their social media presence. According to Ferragamo, China’s young consumer market has become an important driver for the brand’s growth.¹¹

Food & Beverage

Tims China partners with Sinopec's Easy Joy Convenience Stores

Tims China recently announced its new strategic partnership with Sinopec Easy Joy (中石化易捷). The two parties will open Tims coffee shops in select Easy Joy convenience stores. They will also develop co-branded ready-to-drink coffee products, which will be sold in Easy Joy convenience stores nationwide. At present, Tims Coffee and Easy Joy Coffee (易捷咖啡) have launched three co-branded stores at three Easy Joy convenience stores in Beijing.¹²

II. Market Overview

CCA: Consumer complaints up by 5.71% yoy in 1H22

According to the China Consumers Association (CCA), in the first half of 2022, consumers associations across the country received a total of 551,780 consumer complaints, a year-on-year increase of 5.71%. Regarding the nature of the complaints, after-sales service problems accounted for 33.84%, contract issues accounted for 26.67%, quality problems accounted for 20.28%, price issues accounted for 4.17%, false advertising accounted for 4.12%, safety issues accounted for 2.65%, counterfeiting issues accounted for 1.40%, personal respect issues accounted for 1.06%, measurement problems accounted for 0.73%, and other problems accounted for 5.08%.¹³

Alibaba report sheds light on online consumption of pre-made food in China

The Ali New Service Research Center and Tmall Fresh's (天猫生鲜) pre-made food division recently released the *Digital Consumption of Pre-made Food in China Report 2022*. The market size of pre-made dishes in 2021 was about 300 billion yuan, while the cumulative annual growth rate over the past 10 years was 20%. In addition, 2019-2022 data from Ali Local Life (阿里本地生活) shows that within the online consumption market of pre-made dishes, female users account for a relatively large proportion of orders, and the growth rate of orders for users aged 18-24 exceeds 70%.¹⁴

III. Policy Spotlight

Hangzhou Administration for Market Regulation meets with food delivery platforms

The Hangzhou Administration for Market Regulation recently met with food delivery platforms such as Meituan (美团) and Ele.me (饿了么), requiring the various platforms to implement food safety management as well as refraining from price wars. The specific requirements include prioritizing food safety issues and fulfilling relevant responsibilities strictly in accordance with the law; furthermore, aggressive price wars, which are often accompanied by potential food safety problems, are now strictly prohibited; and finally, food delivery platforms should conduct self-check and rectify problems, and draw inferences from past cases to ensure that the same problems do not occur again.¹⁵

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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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