

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Kuaishou E-commerce's major appliance GMV increases by 55% yoy in 1Q24

In the first quarter of 2024, the paid GMV of Kuaishou E-commerce's (快手电商) major appliance industry increased by 55% yoy, and the paid GMV of the digital industry increased by 62% yoy. This year, Kuaishou E-commerce has launched marketing activities such as special trade-in activities and the Ideal Life Festival. With the help of event traffic and policy support, the major appliance and digital industries are witnessing a period of booming sales. Kuaishou e-commerce's trade-in programme covers core categories of consumer electronics such as mobile phones, digital products, and major appliances, through which consumers receive a certain percentage of subsidies when purchasing new products.¹

Meituan: Group buying orders for traditional catering brands increase by 90% yoy in 2023

Meituan (美团) recently released the *2023 Traditional Catering Brand Consumption Report*. The data show that group buying orders for traditional catering brands on the platform increased by 90% yoy in 2023. The top five markets for dine-in orders are Beijing, Shanghai, Guangzhou, Shenzhen, and Chengdu, with order growth rates in Beijing and Shanghai reaching 124% yoy and 150% yoy respectively. The top five markets with the fastest growth rates are Gannan Tibetan Autonomous Prefecture, Heihe, Shigatse, Qamdo and Wujiaqu. The report also found that traditional catering brands are becoming more popular with younger consumers – consumers under 30 years old accounted for 35% of all orders, 9 percentage points higher than the previous year.²

Ele.me launches the first AI tool for instant retail merchants

Ele.me's (饿了么) retail SaaS platform Aelophy (翱象) recently launched the 'AI Business Assistant' function for instant retail merchants. This tool allows merchants to generate key business reports and data to further enhance their business capabilities and identify new opportunities. The tool is powered by AI technology which integrates advanced natural language processing, smart decision-making, and deep learning capabilities. It offers a wide range of services such as weekly reports, identification of business changes, alignment with competing merchants, as well as product selection based on market trends.³

Tmall: More than 660 home lifestyle merchants record transaction value of over 100 million yuan in 2023

At the recent 2024 Tmall (天猫) TopTalk conference, the general manager of Tmall's Home Lifestyle Division announced that the company will deepen the integration of home decoration, home furnishings, and home appliances, focusing on creating a 'home life' setting through AI + 3D technology, livestreams and short video shopping guides. It will provide merchants with a new one-stop sales model from single product sales to cross-category purchases. In 2023, the growth of Tmall's home lifestyle industry exceeded expectations – over 660 merchants' transaction value exceeded 100 million yuan, while over 7,600 merchants' transaction value exceeded 10 million yuan.⁴

Supermarkets & Hypermarkets

Yonghui Superstores shuts down six stores since late March

Yonghui Superstores (永辉超市) has recently closed several stores: the Shijiazhuang Pingshan store was closed on 28 March, the Beijing Tomorrow First City store was closed on 31 March, the Nanjing Xiyue Plaza store and the Shanghai Wuzhong Aegean Place store both closed on 1 April, and Shaoxing Zhuji Wanda store and Xuchang Wanda store ceased operations on 8 April. Only two stores have announced the reasons for their closures – the Nanjing Xiyue Plaza store, which had been in operation for about eight years, was closed due to business strategy adjustments, and the Zhuji Wanda store, which had been in operation for seven years, reached the end of its rental contract. Yonghui Superstores has shut down a total of at least 16 stores this year.⁵

Convenience Stores

Guangdong 7-Eleven partners with Meituan for four-minute drone delivery service

Guangdong 7-Eleven recently partnered with Meituan (美团) to test drone delivery services in the Chinese market for the first time. Customers can choose drone delivery in Shenzhen's Longgang COCO Park commercial district when they purchase 7-Eleven products. The goods can be delivered in as little as four minutes after being packaged. 7-Eleven currently has more than 3,000 types of products online, including nearly 100 types of fresh food. As of the end of December 2023, Meituan's drone delivery service has launched 25 routes in 11 commercial districts in Shenzhen, Shanghai and other cities, covering offices, scenic attractions, municipal parks, hospitals, and school campuses.⁶

Retail Logistics

JD Express upgrades its offerings and expands next-morning delivery

On 29 March, JD Express (京东快递) announced the name change and upgrade of two major products: 'Express Delivery' was upgraded to 'JD Speedy Express', and 'Special Delivery' was upgraded to 'JD Standard Express'. Since the beginning of this year, JD Express has invested in all-cargo aircraft, combined with high-density and frequent ground cargo consolidation and deconsolidation capabilities, to continuously expand the scope of next-morning air delivery from Beijing, Shanghai, Guangzhou and Chengdu, to more core cities. In the future, it will expand to the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim, and core cities across the country. Since the announcement of faster delivery times in December last year, the coverage of JD Standard Express's intra-provincial next-morning delivery has expanded from nine provinces and municipalities (including Beijing, Shanghai, and Guangdong) to nearly 20 provinces and municipalities. Furthermore, the package pick-up time for JD couriers has also been extended to 11PM, and packages can be delivered as early as 8AM the next day.⁷

Freshippo opens Nanjing Supply Chain Centre which will cover 35 stores

After two years of construction, Freshippo's (盒马) supply chain centre in Nanjing officially began operating this month, making it the company's eighth supply chain centre nationwide. The Nanjing Supply Chain Centre will cover 35 stores in Nanjing and Hefei, providing thousands of fresh and standard products, including fruits and vegetables, flowers, rice, noodles, grains and oils, baking, alcohol, beverages, frozen food, aquatic products, etc. According to a company spokesperson, Freshippo aims to 'achieve full coverage in stores in Jiangsu and Anhui provinces within the year, helping Nanjing build an integrated urban-rural logistics system that serves East China'.⁸

Food & Beverage

Luckin Coffee and Kweichow Moutai launch themed store in Shenzhen

The cooperation between Luckin Coffee (瑞幸咖啡) and Kweichow Moutai (贵州茅台) has expanded from crossover products to themed stores. The two retailers recently launched a new store in Shenzhen, integrating traditional Chinese paintings of the four seasons and eight solstices and equinoxes into the store design, inspired by Qi Baishi's calligraphy and paintings.⁹

Miscellaneous

Suning.com's 2023 revenue down 12% yoy to 62.6 billion yuan

Suning.com (苏宁易购) recently released its financial report for 2023. During the year, the company's revenue reached 62.627 billion yuan, a decrease of 12.25% yoy. The company achieved merchandise sales revenue of 55.36 billion yuan, a decrease of 12.28% yoy, which was mainly affected by the rapid decline in everyday goods revenue caused by business adjustments. Suning.com's net loss in 2023 was 4.09 billion yuan, compared with 16.2 billion yuan last year, representing a year-on-year decrease of 74.79%; the net loss after non-recurring items was 5.174 billion yuan, a year-on-year decrease of 72.89% from 190.87 billion yuan last year.¹⁰

II. Market Overview

At least 31 supermarkets close in 1Q24

According to Linkshop.com data, at least 31 supermarkets across the country closed in the first quarter of 2024, including stores of well-known supermarket brands such as Walmart, RT-Mart (大润发), Yonghui (永辉), Wumart (物美), Rainbow Supermarket (天虹超市), Freshippo (盒马鲜生), CP Lotus (卜蜂莲花), etc. Yonghui has closed 10 stores, Walmart has closed five stores, RT-Mart has closed four stores, and Freshippo and Rainbow Supermarket have closed two stores each. Reasons for store closures include poor management, strategic adjustments, lease expiration, government planning, etc. – the most common reason is poor performance.¹¹

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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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