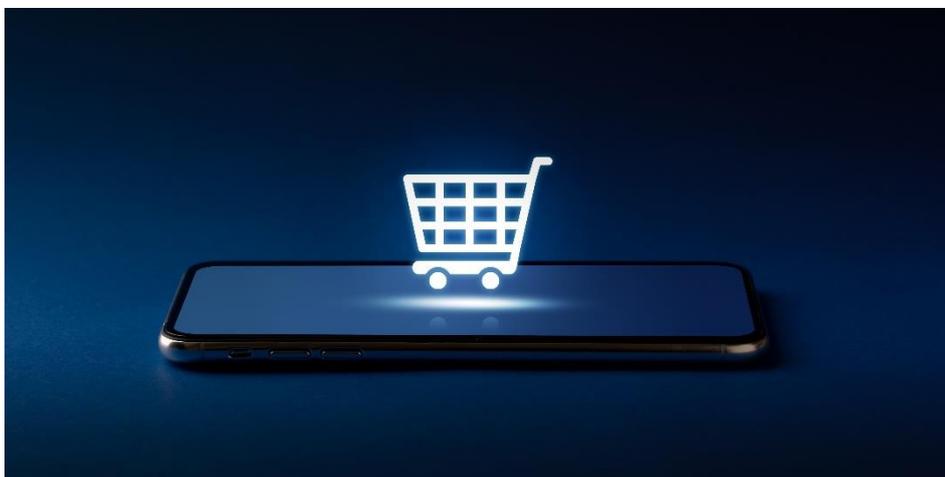


China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Taobao and Tmall test after-sales negotiation tools to help merchants reduce refund rates

Taobao (淘宝) recently announced the launch of an after-sales negotiation tool for all Taobao and Tmall (天猫) merchants to offer an after-sales negotiation feature. The tool has been tested with select merchants and can automatically provide multiple customized negotiation plans for consumers to choose from based on various after-sales scenarios, helping merchants to strengthen their after-sales service capabilities and reduce refund rates. Merchants who have participated in the testing process said that the tool can improve the efficiency of after-sales negotiations. Offering relevant coupons for after-sales services can also increase customer loyalty.¹

Kuaishou's 818 New Season mid-year promotion begins on 8 August

Kuaishou's (快手) 818 New Season mid-year promotion will be held during 8-20 August. It will provide a massive sales boost through the discovery of hot new products as well as select product subsidies and targeted merchant support. Kuaishou has successively launched special category activities such as apparel day, cosmetics day, lifestyle day, food and wine day. It has also launched the 818 opening event, Qixi gift promotions, big sales and other full-category promotion events to help brands and merchants in various sectors achieve growth during the promotion period.²

Xiaohongshu launches new e-commerce feature

Xiaohongshu (小红书) recently launched the 'E-commerce Style Brand Space' for e-commerce scenarios. Livestreaming sessions will appear first in search results, facilitating users to place orders with just one click. The 'E-commerce Style Brand Space' will switch between livestream and non-livestream status for the merchant, improving customer acquisition and transaction conversion, and boosting the number of store visits both during livestreams and otherwise.³

Meituan begins recruitment for satellite store partner merchants

Meituan (美团) recently opened registration for satellite store partners. Merchants who sign up can receive more than 100 million in traffic support in total. Furthermore, they can also get free AI-based location selection and product selection services and six months of commission support. Satellite stores are takeaway-only stores created by chain brands to provide customers with quality takeaways. They can serve as a supplement to dine-in stores and help brands expand their market coverage.⁴

Dingdong's 2Q24 GMV goes up by 16.8% yoy as net profit exceeds 100 million yuan

Dingdong (叮咚买菜) recently released its financial results for the second quarter of 2024. During this period, the company's revenue reached 5.6 billion yuan, a year-on-year increase of 15.7%; its GMV reached 6.22 billion yuan, a year-on-year increase of 16.8%. In terms of profitability, the non-GAAP net income for the quarter was 103 million yuan, a nearly 13-fold increase year-on-year, while the GAAP net income was 67 million yuan. The company was profitable under the GAAP standards for a second consecutive quarter. The company attributes its revenue growth to a steady increase in user scale and average revenue per user. In the second quarter, the monthly average number of users placing orders was 7.3 million, a year-on-year increase of 11.7%; the average monthly revenue per user increased by 6% yoy.⁵

JD.com's 10-billion-yuan subsidy to include three billion yuan for cosmetics products

JD.com (京东) recently announced its 10-billion-yuan subsidy will cover all categories of beauty products, including its self-operated products as well as third-party products. Consumers can enjoy the subsidy when purchasing any category of beauty products on JD.com. Furthermore, the company has announced that within this 10 billion yuan, investment in the beauty category will exceed three billion yuan, with no upper limit. It will mainly be used to reduce the price of beauty products and expand top-brand rewards. The prices of beauty products participating in the subsidy programme are expected to drop by 10-50%.⁶

JD Supermarket partners with Jiuxian Group to introduce wine livestreams

JD Group (京东集团) recently signed a strategic partnership with Jiuxian Group (酒仙集团). According to the partnership agreement, Jiuxian will provide JD Supermarket with livestreaming hosts with millions of followers to carry out livestream sessions. JD Supermarket will leverage its strong supply chain, rich and distinctive products, high-quality consumers and refined marketing operations to provide Jiuxian with exclusive traffic support, products, marketing and other high-quality resources. The two parties will jointly explore the livestream business as well as healthy development of the industry.⁷

Retail Logistics

JD Logistics upgrades logistics supply chain partnership with Lerle supermarket

JD Logistics (京东物流) recently upgraded its strategic partnership with discount supermarket chain brand Lerle (乐尔乐). The two parties will deepen their logistics supply chain partnership in areas such as shared warehouses, unified warehousing and distribution, and improve the logistics management efficiency of 7,000 Lerle stores across the country. The two parties have expanded their scope of cooperation from the provincial level to the national level.⁸

Food & Beverage

Domino's China reaches 900 stores in 1H24

DPC Dash (达势股份), the operator of Domino's China, recently announced that it expects total revenue in the first half of 2024 to reach at least two billion yuan, a year-on-year increase of at least 45.0%; adjusted net profit (non-GAAP) is expected to reach 48 million yuan, while the adjusted net loss (non-GAAP) in the first half of 2023 was 17.4 million yuan. The board of directors believes that the improved operating performance in the first half of 2024 is mainly attributed to the expansion of store network. The total number of stores in China increased from 672 on 30 June 2023 to 768 on 31 December 2023, and further to 914 on 30 June 2024. At the same time, existing stores continued to grow their revenue, while new stores in new growth markets also saw strong sales growth.⁹

Luckin Coffee's 2Q24 revenue reaches a record high of 8.4 billion yuan

Luckin Coffee (瑞幸咖啡) recently announced its financial results for the second quarter of 2024. During this period, the company achieved 35.5% year-on-year sales growth to reach 8.403 billion yuan, a 34% increase from the previous quarter. Overall, Luckin Coffee's total net revenue in the first half of the year reached 14.681 billion yuan, a year-on-year increase of 38%. In the second quarter, Luckin Coffee opened 1,371 net new stores, and the total number of stores increased by 7.4% from the end of the first quarter of 2024. As of the end of the second quarter, Luckin Coffee had a total of 19,961 stores, including 13,056 self-operated stores and 6,905 affiliated stores.¹⁰

McDonald's China to invest four billion yuan in digitalization over the next five years

The new office of McDonald's China's Technology Research and Development Centre officially opened on 6 August. As McDonald's China's research and development headquarters, it can accommodate more than 450 technical experts. In the next five years, McDonald's China plans to invest four billion yuan in digital research and development and innovation. As of the end of June 2024, there were more than 6,200 McDonald's restaurants in the Chinese mainland, with more than 200,000 employees.¹¹

II. Market Overview

JD.com, Alibaba and Vipshop top CCFA's 2024 Top 100 China e-commerce retailers list

The China Chain Store & Franchise Association (CCFA) recently published the 2024 list of top 100 online retailers in China. The total online sales volume of all 100 retailers was 1.91 trillion yuan, an increase of 2.7% yoy. The companies on the list include eight e-commerce companies, 47 physical retail companies and 45 consumer goods companies. The top three companies are JD.com, Alibaba, and Vipshop, and the online sales volume of each of these three companies exceeded 100 billion yuan, an increase of 0.7%, 6.4%, and 8.6% year-on-year respectively. In terms of growth, 65 of the top 100 companies achieved positive growth in online sales, of which 38 achieved double-digit growth or more (including two e-commerce companies, 19 physical retail companies, and 17 consumer goods companies).¹²

III. Policy Spotlight

MOFCOM: Encourage cross-border e-commerce platforms to expand product categories and service functions

Li Xingqian, Director of the Department of Foreign Trade at the Ministry of Commerce (MOFCOM), recently said at a State Council Information Office press conference that the MOFCOM would deepen international cooperation, actively participate in international multilateral and bilateral negotiations, and use communication mechanisms such as the Bilateral Joint Economic and Trade Committee and the Unimpeded Trade Work Group to expand China's cross-border e-commerce development. The MOFCOM called for further development of 'Silk Road e-commerce' and support for cross-border e-commerce comprehensive pilot zones, industries and enterprises to actively carry out international exchanges and cooperation. It also encourages cross-border e-commerce platforms to expand product categories and service functions. It will support the healthy development of direct-to consumer e-commerce platforms, as well as industrial equipment, semi-finished products, and product parts e-commerce platforms that are mainly B2C.¹³

State Council publishes guidelines for high-quality development of service consumption

The State Council recently published guidelines on boosting high-quality development of service consumption to release consumption potential. To tap into the potential of basic consumption, the guideline calls for improving the service quality of the catering industry and encouraging world-renowned catering brands to open their first or flagship store in China. The quality of accommodation services and foreign-related services should also be improved. More efforts will be made to boost new types of consumption such as e-sports, social e-commerce, livestream e-commerce, green consumption, and health consumption.¹⁴

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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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