

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Kuaishou's short video GMV up by 12% qoq in 2Q22

On 2 December, Kuaishou E-commerce (快手电商) released data on its short video operations. From April to June 2022, Kuaishou's short video channel underwent rapid growth and development. With merchants' rising awareness of the short video channel, the production of short videos with product links continues to rise, driving the rapid growth of short video GMV on the platform. The total value of short video GMV increased by 12% quarter-on-quarter in 2Q22.¹

Meituan: Nationwide delivery of down jackets up by more than 440% mom

Jiangsu, Zhejiang and Shanghai saw the first snow of this winter on 30 November. According to data from Meituan (美团), on 30 November, its delivery of down jackets across the country increased by more than 440% month-on-month, while the average growth rate in Jiangsu, Zhejiang and Shanghai reached 680%. Among them, Shanghai's growth exceeded tenfold, Jiangsu's growth rate exceeded 728%, and Zhejiang's growth rate exceeded 311%.²

Alibaba's Jiangsu subsidiary increases registered capital by 125% to 1.8 billion yuan

On 5 December, the registered capital of Alibaba Jiangsu Information Technology Co. (阿里巴巴江苏信息科技有限公司) increased from 800 million yuan to 1.8 billion yuan, an increase of 125%. The company was established in July 2020 and is wholly owned by Alibaba. Its business scope includes data processing and storage support services; enterprise management; sales of integrated circuit chips and products; wholesale and retail of computer software, hardware and auxiliary equipment, etc.³

Douyin partners with SF Express for local life service logistics

Douyin (抖音) has recently partnered with SF Intra-City (顺丰同城) for intra-city logistics services, specifically for its local life services division. The company aims for an average delivery time of one hour for group purchase food orders. The service has started a trial run in some cities. Douyin life services division also recently announced that it will work with ecosystem partners to launch 'group purchase delivery' and other methods to expand food and beverage delivery services.⁴

Cross-border E-commerce

Alibaba.com publishes list of top ten products for 2022

On December 5, Alibaba.com (阿里巴巴国际站) released the *Top Ten Products of 2022*. The list included electric blankets, household solar energy products, laser cutting machinery, EV charging points, World Cup peripherals, and camping tents. Industry analysts believe that the list reflects the prosperity of private small and medium-sized export enterprises, highlights the integration of the Chinese economy with the world, and indicates new consumption trends overseas.⁵

Cainiao Qingdao's cross-border e-commerce business volume exceeds 3.335 million orders this year

Cainiao (菜鸟) set up a new warehouse in the Bonded Logistics Centre (Type B) within the Qingdao West Coast New Area this August. Alongside the cross-border e-commerce bonded warehouse in the Qingdao Qianwan Comprehensive Bonded Zone, this completes the company's e-commerce infrastructure in Qingdao. Cainiao's cross-border e-commerce business volume in Qingdao has reached a record high this year. Since the beginning of the year, the number of orders has exceeded 3.335 million, a year-on-year increase of 174.5%. Qingdao West Coast New Area Bonded Logistics Centre (Type B) is the only bonded logistics centre in Shandong that mainly serves cross-border e-commerce. It contains a bonded warehouse of 160,000 sqm, and has attracted many leading cross-border e-commerce companies so far.⁶

Convenience Stores

Zhongbai Lawson opens its first fresh food convenience store in Wuhan

Zhongbai Lawson (中百罗森) recently opened its first fresh food convenience store in Wuhan. The store covers an area of nearly 150 sqm and serves several local communities. It sells fresh products such as fruits, eggs, grain and oil. Fruit products mainly include durian, cantaloupe, bananas, oranges, apples, grapes and other products. However, there is a limited selection of fresh products overall. Lawson previously cooperated with Xianfeng Fruit (鲜丰水果) to open a fresh fruit convenience store, providing more than 60 types of fruits.⁷

Food & Beverage

Naixue's parent company increases registered capital to 2.8 billion yuan

Shenzhen Pindao Group (深圳市品道集团) recently increased its registered capital from 2.6 billion yuan to 2.81 billion yuan, an increase of about 8.1%. The company was established in December 2019, and its business scope includes management services for catering; wholesale and retail of pre-packaged food; primary processing services and sales of agricultural products; catering services, etc. It is the parent company of Shenzhen Pindao Catering Management Co., which operates Naixue (奈雪的茶). Earlier, Naixue changed its name from the Japanese-sounding Nayuki to its Chinese pinyin Naixue and removed Japanese branding elements. Naixue also recently announced that it would invest 525 million yuan in high-end tea brand Lelecha (乐乐茶), becoming its largest shareholder.

Miscellaneous

Alibaba and Dufry reinforce strategic partnership

On 3 December, Alibaba's (阿里巴巴) B2C Business Group and Dufry agreed to reinforce the strategic joint venture struck between the two parties in late 2020. The joint venture aims to develop growth opportunities in China's duty free and duty paid business and support Dufry's digital development globally. In the context of the digital collaboration, Alibaba has designed and developed a new digital user experience interface tailored to Chinese consumers. The new mini app, which provides the functionality of an e-commerce platform, allows Dufry to engage with Chinese travellers through key digital ecosystems such as Alipay and to connect them to its pre-order system as well as its customer loyalty platform.⁸

JD Service Plus partners with Peacebird Menswear to provide one-stop laundry services

JD Service Plus (京东服务+) recently partnered with Peacebird (太平鸟) Menswear. Through the brand's membership system, Peacebird Menswear provides various services in exchange for points, leveraging apparel after-sales services to increase user activity and drive sales growth. Users can enjoy one-hour door-to-door laundry pick-up, one-week laundry services, and off-site pick-up and delivery. Reportedly, JD Service Plus has recently partnered with several other clothing brands as well.⁹

II. Market Overview

China's express delivery volume exceeds 100 billion items in 2022

As of 1 December, the cumulative business volume of national express delivery in 2022 exceeded 100 billion items, seven days earlier than last year. Since the beginning of this year, China's postal express industry has remained resilient in the face of various challenges. With the further implementation of the 'express delivery into the villages' project and continuous improvement in the rural delivery logistics system, the postal express industry is playing an increasingly important role in boosting rural revitalization.¹⁰

McKinsey: Chinese consumer spending to recover in 2023

According to the *2023 McKinsey China Consumer Report*, 2022 has been a year of consumer resilience in China, and next year will continue along the same lines. China's upper-middle and high-income consumers accounted for 55% of urban household consumption in 2021, and the segment continues to grow. However, consumers are spending in a more conservative way. Consumers reduced their purchase frequency and changed preferences rather than switching to cheaper brands or products. This was facilitated by the brands available, particularly domestic ones, which have begun offering more widely differentiated products. Consumers have also grown to favour domestic brands over foreign ones.¹¹

III. Policy Spotlight

Hainan steps up efforts to grow its duty-free market

At a recent press conference on duty-free consumption, the Hainan Provincial Government announced that it will launch multiple measures with duty-free business entities to stimulate duty-free consumption and promote ongoing market growth. The measures to be implemented include: launching the 'Hainan Duty-Free New Year's Eve Carnival Season', incentivizing duty-free businesses to expand membership purchases and sales, further gathering and allocating resources for global boutique production and sales, enriching the supply for Hainan's duty-free market, and ensuring that duty-free brands, products, and pricing are on par with their international counterparts.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.

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.

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