China Retail & E-commerce Weekly Update

Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Fung Business Intelligence
11/F LiFung Tower
868 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2271
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: http://www.fbicgroup.com

I. Sector Review

Internet & E-commerce

Zhihu's cumulative GMV for the Chinese New Year Goods Festival exceeds 200 million yuan

Zhihu's (知乎) recent 'Year of the Loong Good Luck Festival' event organized for the Chinese New Year has accumulated more than 40 million views, and produced more than 50,000 pieces of high-quality Chinese New Year content. Content related to the event has appeared on Zhihu's hot list more than 90 times. Since the Zhihu Chinese New Year Goods Festival began, the cumulative GMV has exceeded 200 million yuan, with more than 10,000 participating creators.[1]

JD Cloud's AI-hosted cosmetics livestreams bring transaction conversion rate to over 14%

On 1 February, JD.com (京东) hosted a special 24-hour Chinese New Year livestream for imported duty-free cosmetics products. The livestream was hosted by AI host Weiwei who was created by JD Cloud's Yanxi (言犀) platform. With professional explanations of the best-selling cosmetics, the livestreaming session helps brands reach a transaction conversion rate of over 14% during normally quiet periods.[2]

Alibaba's revenue reaches 260.35 billion yuan in December quarter

Alibaba Group (阿里巴巴集团) recently announced its financial results for its fiscal third quarter ended 31 December. During this period, revenue grew 5% yoy to 260.35 billion yuan; net income was 10.717 billion yuan, down 77% yoy; non-GAAP net income declined 4% yoy to 47.9 billion yuan. Alibaba International Digital Commerce Group's revenue increased by 44% yoy, and AliExpress orders increased by more than 60% yoy. However, during this period, the company reported year-on-year growth rates of only 2% and 3% for the Taobao and Tmall Group (淘天集团), and its cloud computing business.[3]

Kuaishou Local Life launches 'New Year Group Buying Festival'

Kuaishou Local Life (快手本地生活) recently launched the 'Chinese New Year Group Buying Festival' in order to meet consumers' needs during the Chinese New Year. The activity is centred around 'eat, drink, and have fun on Kuaishou'. It provides vouchers for users and subsidies for key merchants for their celebrations of the Chinese New Year, and guides platform users to share messages through short videos and livestreams to promote the event and boost consumption.[4]

Retail Logistics

Cainiao's quarterly revenue increases by 24% yoy and its cross-border express 'global five-day delivery' now covers 10 countries

Alibaba Group (阿里巴巴集团) recently announced its earnings results for the quarter ended 31 December – including Cainiao's (菜鸟) earnings for this period. During this period, Cainiao's revenue grew 24% yoy to 28.476 billion yuan, primarily driven by revenue from cross-border fulfilment solutions. For cross-border logistics, Cainiao further expanded coverage for its premium 5-day delivery service to 10 countries, with the addition of two new countries this quarter. Order volume for the premium 5-day delivery service achieved robust triple-digit quarter-over-quarter growth. In the Chinese mainland, Cainiao continues to expand its services and support Alibaba's service upgrades. Cainiao Preferred Warehouse Delivery (菜鸟优选仓配) and Tmall Supermarket (天猫超市) jointly launched the '1212 Half-day Delivery Service' in five new cities this quarter, now covering a total of 20 cities.[5]

Apparel & Sports

Skechers' China business sees double digit growth in 2023

Skechers recently announced its financial results for 2023. Full-year sales in 2023 reached US$8 billion, a record high and a year-on-year increase of 7.5%. In 2023, Skechers' full-year sales in the China market increased by 15.6% yoy. As Skechers' largest overseas market outside the US, China has provided a strong boost to Skechers' annual performance with over 3,500 offline outlets across the country.[6]

Nike begins livestreaming on Douyin with plans to include global concept stores

Nike recently launched livestreaming programmes on Douyin (抖音), and its two official flagship stores, NIKE Huaihai Trend Flagship Store and NIKE Guangzhou Brand Flagship Store, were the first to go online. Nike plans to launch livestreams for global concept stores on Douyin in the future, and build a member-centric system for online and offline omni-channels. In addition to enjoying Nike membership benefits online, Douyin users will also have the opportunity to participate in a variety of community and sports activities organized by offline stores.[7]

Food & Beverage

Dominos opens 800th store in China

DPC Dash Ltd (达势股份), the Domino's Pizza's master franchisee in the Greater China region, has opened its 800th location in China – located in Jinan, Shandong. DPC Dash achieved its goal of opening 180 new stores in 2023; it plans to open 240 more stores in 2024. As of 31 January, the company's total number of net new stores, stores currently under construction and contracted stores has exceeded 45% of the full-year target. According to a Frost & Sullivan report in March 2023, DPC Dash is the fastest growing large pizza brand in China in terms of 2022 revenue growth, and ranks as the third largest pizza brand nationwide.[8]

McDonald's opens 900 stores throughout China in 2023

McDonald's recently announced its financial results for the fourth quarter of 2023. As of 31 December 2023, McDonald's had 5,903 locations in China, with 925 new stores added throughout the year. The company plans to open about 1,000 new McDonald's in China by the end of 2024.[9]

ChaPanda to complete its Hong Kong listing in 1Q24 to raise US$300 million

ChaPanda (茶百道) reportedly plans to go public in Hong Kong in the first quarter of this year and raise up to US$300 million in funding. The company submitted an IPO prospectus to the Hong Kong Stock Exchange in August 2023; on 21 December 2023, its IPO was approved by the Securities & Futures Commission. ChaPanda was founded in Chengdu in 2008. As of 8 August 2023, there were a total of 7,117 stores across the country, including only six directly operated stores. The company's revenue from 2020 to 2022 was 1.080 billion yuan, 3.644 billion yuan and 4.232 billion yuan respectively, and its revenue in the first quarter of 2023 was 1.246 billion yuan.[10]

Yum China's 2023 performance reaches record highs with total revenue of US$10.98 billion and operating profit of US$1.1 billion

Yum China Holdings (百胜中国) recently announced its financial results for the fourth quarter and whole year of 2023. Its fourth-quarter revenue grew by 19% yoy to US$2.49 billion while net profit jumped 81% yoy to US$97 million. It was a similar trend for the whole year, with revenue reaching US$10.39 billion and net profit hitting US$827 million, marking an increase of 14% yoy and 87% yoy, respectively. Yum China aims to expand its store count to 20,000 by 2026, with most of that growth coming from lower-tier cities. The company had 14,644 stores at the end of last year. Its two leading brands, KFC and Pizza Hut, accounted for 10,296 and 3,312, respectively.[11]

II. Market Overview

China's cross-border import e-commerce market grows by 4.6% yoy in 2023

Recently, consumer consulting agency Analysys (易观分析) recently released the *Analysis of Consumption Characteristics of Cross-Border Import E-commerce Users in 2023*. According to the report, China's overall cross-border import e-commerce market size reached 551.77 billion yuan in 2023, a year-on-year increase of 4.6%. By transaction share, the top three import retail e-commerce companies are Tmall Global (天猫国际) (37.6%), JD Worldwide (京东国际) (18.7%), and Douyin EC Global (抖音全球购) (12.3%).[12]

MOFCOM: January sales of key e-commerce platforms increase by 20% yoy

The State Council Information Office held a press conference on 7 February. Sheng Qiuping, Vice Minister of Commerce (MOFCOM), said that the national consumer market was operating smoothly and orderly before the Chinese New Year holiday. As the new year atmosphere grows stronger, major shopping malls, supermarkets, and online platforms are all experiencing sales peaks. Accounting for consumption trends during the holiday period, the commerce authorities launched the month-long 'National Online Chinese New Year Shopping Festival' on the eighth day of the twelfth lunar month. In late January, the Ministry of Commerce's key retail companies saw sales grow by 19.9% mom. In January, the sales volume of key e-commerce platforms increased by 20% yoy.[13]

References (in Chinese)

[1]《知乎年货节累计带货 GMV 超 2 亿》，2024 年 2 月 2 日，亿邦动力网
https://www.ebrun.com/ebrungo/zb/540983.shtml

[2]《京东云言犀数字人带货跨境美妆 年货节成交转化超 14%》，2024 年 2 月 5 日，电商报
https://www.dsb.cn/news-flash/134611.html

[3]《阿里巴巴第三财季营收 2603.5 亿元》，2024 年 2 月 7 日，第一财经网
https://m.yicai.com/news/101990431.html

[4]《快手本地生活推出"新春团购节"活动》，2024 年 2 月 8 日，电商报
https://www.dsb.cn/news-flash/134934.html

[5]《菜鸟季度营收同比增长 24% 跨境快递"全球 5 日达"已覆盖 10 国》，2024 年 2 月 8 日，网易
https://www.163.com/dy/article/QDU24R00512DU6N.html

[6]《斯凯奇 2023 财年中国业务双位数增长》，2024 年 2 月 6 日， 中国财经网
http://www.ce.cn/xwzx/gnsz/gdxw/202402/06/t20240206_38895947.shtml

[7]《耐克将在抖音开启直播 并计划布局全球概念门店直播矩阵》，2024 年 2 月 7 日，网经社
https://www.100ec.cn/detail--6636268.html

[8]《达美乐中国第 800 家门店开业》，2024 年 2 月 2 日，联商网
http://www.linkshop.com/news/2024514415.shtml

[9]《麦当劳中国 2023 年新开超 900 家店》，2024 年 2 月 6 日，联商网
http://www.linkshop.com/news/2024514559.shtml

[10]《茶百道预计一季度完成香港上市 拟募集资金 3 亿美元》，2024 年 2 月 6 日，新浪财经网
https://finance.sina.com.cn/stock/estate/integration/2024-02-06/doc-inaharke6742661.shtml?

[11]《百胜中国 2023 年业绩创新高 总收入 109.8 亿美元、经营利润 11 亿美元》，2024 年 2 月 7 日，赢商网
https://news.winshang.com/html/072/1312.html

[12]《2023 中国跨境进口电商整体市场规模同比增长 4.6%》，2024 年 2 月 5 日，新浪财经网
https://finance.sina.cn/stock/relnews/hk/2024-02-05/detail-inafywyy7557929.d.html

[13]《商务部：1 月份重点监测电商平台销售额同比增长 20%》，2024 年 2 月 7 日，电商报
https://www.dsb.cn/news-flash/134831.html

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.

For more information, please visit www.funggroup.com.