

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### **Kuaishou E-commerce's order volume during the first three days of 618 Shopping Festival up by over 70% yoy**

Recently, Kuaishou E-commerce (快手电商) released its early preliminary results for the 618 Shopping Festival. During 1-3 June, Kuaishou E-commerce's order volume increased by 72% yoy, the number of buyers increased by over 50% yoy, branded GMV increased by 222% yoy, and short video content GMV increased by 128% yoy. By product category, fresh food products GMV increased by nearly 200% yoy, home appliances GMV increased by nearly 500% yoy, and clothing and footwear GMV continued to grow with an increase of over 60% yoy.<sup>1</sup>

### **Ele.me launches 'Qingmiao Plan' to support new takeaway businesses**

Food delivery platform Ele.me (饿了么) recently launched the 'Qingmiao Plan' (青苗计划), which aims to support new takeaway businesses in the food and beverage industry and help them achieve business growth. The Qingmiao Plan introduces a series of measures across traffic, services, and training. In terms of traffic support, Ele.me will provide new online merchants with up to 28 days of free traffic and prioritize their participation in key promotional activities, enabling these businesses to achieve a 'hot start' during the initial stage. In terms of services, Ele.me continues to implement a simplified self-service onboarding process, allowing merchants to open their stores in one day. The platform will also provide 60 days of customized training and support, guiding new businesses step-by-step to master the skills of operating a food takeaway business from scratch.<sup>2</sup>

### **Mogujie's revenue reaches 117.2 million yuan and GMV reaches 3.241 billion yuan during March half-year**

On 7 June, Mogujie (蘑菇街) announced its unaudited financial results for the six months ended 31 March 2023. During this reporting period, total revenue decreased by 30.2% yoy to 117.2 million yuan. The operating loss was 139.4 million yuan, compared to an operating loss of 240.3 million yuan in the same period last year. The net loss was 113.9 million yuan, while the net loss in the same period last year was 227.9 million yuan. Adjusted EBITDA was negative 6.8 million yuan, compared to negative 16.3 million yuan in the same period last year. Adjusted net loss was 40 million yuan, while the adjusted net loss in the same period last year was 180.6 million yuan.<sup>3</sup>

## **Douyin E-commerce begins self-operated cosmetics business with high-end beauty products**

Douyin E-commerce (抖音电商) has begun its self-operated cosmetics e-commerce business. Previously known as 'Meili Xinxuan' (美力心选), the business was officially renamed 'Douyin E-commerce Self-Operated Beauty' during the Douyin 618 Shopping Festival. It has opened a self-operated store within the Douyin app to sell high-end brand beauty products. According to insiders, the products are primarily sourced from domestic counters.<sup>4</sup>

## **Taobao launches support programme for small and medium businesses**

Following the launch of the Good Price Festival, Taobao (淘宝) has launched a support programme for small and medium-sized merchants which includes advertising subsidy coupons up to 2,000 yuan, exclusive traffic support, etc., to accelerate their growth. Selected merchants will receive exclusive traffic support in search recommendations and livestreams; they can also participate in exclusive marketing activities. In addition, Taobao will also provide one-on-one consultations for small and medium-sized businesses (influencers/designers/anchors, etc.) to support them through their entrepreneurship journey. This programme is part of Taobao's extensive support measures around the 618 period to support small and medium-sized businesses.<sup>5</sup>

## **Retail Logistics**

### **Cainiao upgrades its recycling model with the '618 Recycling Festival'**

On World Environment Day, which fell on 5 June, Cainiao (菜鸟) announced the upgrade of its recycling model and launched the '618 Recycling Festival'. This event expands Cainiao's recycling approach from on single-category paper recycling to a multi-category, multi-modal recycling programme. Together with brand merchants, Cainiao has introduced new projects such as the collection of old clothes, shoes, and books. By including categories such as old clothes, shoes, and books, which are more closely related to consumers' daily lives, the company aims to encourage consumers to recycle and further promote the concept of environmental protection. Additionally, the recycling plan will enable Cainiao to reshape the green recycling chain, building upon its existing full-chain green logistics solutions in areas such as orders, packaging, transportation, warehousing, and recycling, and work towards a circular economy.<sup>6</sup>

## Apparel

### Clarks Originals' first flagship store in China opens in Taikoo Li Sanlitun, Beijing

On 3 June, Clarks Originals, a sub-brand under shoe brand Clarks, opened its first flagship store in China in Taikoo Li Sanlitun, Beijing. The store's interior reflects the exquisite craftsmanship behind Clarks Originals, including the characteristic grid design and original industrial elements.<sup>7</sup>

## Cosmetics

### LE LABO opens flagship store

On 1 June, LE LABO, a fragrance brand under Estée Lauder, opened its first Chinese mainland store in the North Block of Shanghai Xintiandi. As the second global flagship store, it covers over 300 sqm and is divided into two main sections: the retail space and the lifestyle experiential space. LE LABO, established in 2006, positions itself as a high-end perfume brand, focusing on a niche audience. In 2014, LE LABO was acquired by the Estée Lauder Group.<sup>8</sup>

## Home Appliances

### Suning.com's first batch of 1,000 stores now available on Douyin Lifestyle Services

Suning.com (苏宁易购) and Douyin Lifestyle Services (抖音生活服务) have deepened their cooperation, with Suning.com's first batch of 1,000 stores joining the platform on 7 June. Customers can now use the Douyin home appliances and consumer electronics in-store group purchasing coupons at Suning.com locations. Over 9,000 Suning.com home appliance counter staff have opened Douyin accounts to provide consumers with professional services such as home appliance consumption trends, product guides, and product recommendations. The two parties will also carry out livestreaming collaborations.<sup>9</sup>

## Food & Beverage

### Tims China's 1Q23 net revenue increases by 50% yoy to 336 million yuan

Chain coffee brand Tims China recently announced its financial results for 1Q23. The company's total net revenue for this quarter was 336 million yuan, a year-on-year increase of 49.8%. In the quarter, Tims opened 31 new stores in China. As of the end of March, there were 648 stores, a year-on-year increase of 52.8%. Among them, there were 551 self-operated stores and 97 franchised stores across 40 cities.<sup>10</sup>

### **Xiaohongshu leads Series B+ funding for coffee chain M Stand**

Chinese coffee chain M Stand has reportedly raised hundreds of millions of yuan in its Series B+ financing, with lifestyle platform Xiaohongshu (小红书) leading the investment round. This funding comes nearly two years after the company closed its B round financing. Since opening its first store in Shanghai in 2017, M Stand had grown to operate 356 stores across 28 cities nationwide as of 31 May. The store sells a range of unique products such as grapefruit coffee, oatmeal lattes, sea salt and cheese black coffee, etc.<sup>11</sup>

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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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