

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Unilever builds its first 'carbon neutral' production base in Guangzhou

Unilever recently held a foundation stone laying ceremony for its production base in Conghua District, Guangzhou, and the company plans to invest 1.6 billion yuan in its construction. After the project is completed, it will cover the production of Unilever personal care products, food, ice cream, etc., as the company's first full-category production and marketing base in China. The project is also Unilever's first 'carbon neutral' production base. It will be constructed and operated in accordance with the requirements of Unilever's 'lighthouse factory' and the gradual realization of carbon neutrality and carbon peaking objectives.¹

Internet & E-commerce

Pinduoduo launches cross-border e-commerce platform Temu

Pinduoduo (拼多多) recently launched a cross-border e-commerce platform named Temu, initially targeting the US market. The move confirms Pinduoduo's long-rumoured entry into the cross-border e-commerce market, thought to be inspired by the success of fellow Chinese brand Shein. The Temu platform is set up with 12 top-level categories, including women's and men's clothing, kids fashion, jewellery & accessories, and shoes & bags. Like Shein, products appear to be quite cheap. For example, the women's dresses listed were mostly under US\$20.²

Tmall Global to integrate overseas direct purchase into its own operations

Tmall Global (天猫国际) recently announced it will integrate the overseas direct purchase business into its own operations. The three import models of direct purchase, platform, and self-operation will be integrated to leverage their respective advantages and help cross-border merchants grow in the Chinese market. This means that overseas sellers can choose their own cross-border import model and tap into import business opportunities in the China market. In the past year, more than 300 overseas brands have successfully trialed the 'overseas direct purchase' model before opening overseas flagship stores on Tmall Global.³

Meituan Delivery launches 24-hour convenience store business in Wuhan

Meituan Delivery (美团外卖) has launched a 24-hour convenience store business in Wuhan in partnership with 62 Meiyijia (美宜佳) convenience stores. Users can order items sold in the convenience stores and place orders 24 hours a day which can be delivered as quickly as within half an hour. At present, 52 such convenience stores in Wuhan have been connected to Meituan. The project will help meet night-time shopping demand and help establish 15-minute community living circles in Wuhan.⁴

Bytedance shuts down e-commerce app Douyin Box

ByteDance (字节跳动) withdrew its support for its e-commerce app Douyin Box (抖音盒子) only nine months after its launch. Despite its early success, daily active users on Douyin Box have now fallen to about 50,000, with monthly active users hovering around 350,000. It was designed to be an extension of the Douyin app, allowing users to watch videos and livestreams from Douyin that promote products targeted at younger consumers, such as apparel, handbags, and cosmetics. However, Douyin's exploration of e-commerce continues elsewhere. This past July, Douyin launched the 'Kesong' (可颂) app which is similar to Xiaohongshu (小红书) and partially overlaps with Douyin Box's content-based marketing strategy.⁵

NetEase Yanxuan launches new pet brand 'NetEase Tiancheng'

NetEase Yanxuan (网易严选) recently launched a new pet brand, NetEase Tiancheng (网易天成), which targets the mid-to-high-end pet market. The brand proposes four guarantees of 'natural origin, natural ingredients, natural recipes, and natural freshness'. It has launched the first batch of eight products such as complete cat food. Products are sold through various channels such as the NetEase Yanxuan app, JD.com (京东), Taobao (淘宝) and Tmall (天猫), Douyin (抖音), etc. The price of core cat food products is between 100 and 300 yuan, differentiating it from NetEase Yanxuan's more accessible price range.⁶

Supermarkets & Hypermarkets

JD Supermarket: Nearly 500 brands exceed 100 million yuan in sales

According to JD Supermarket's (京东超市) key operating data, the company has shown strong growth and profitability for brands and merchants – counter to wider industry trends. Nearly 800 product sub-categories grew by more than 50%, and nearly 500 brands exceeded 100 million yuan in sales, a year-on-year increase of 35%. The transaction volume of on-demand consumer retail business increased by more than 6 times year-on-year in the first eight months of 2022. The number of annual active users increased by nearly 30% yoy; the cost of acquiring customers for brand owners was halved; the product offering increased by 80% yoy, and the three-year compound annual growth rate of the number of new brands exceeded 20%. In terms of rural revitalization, JD Supermarket has cooperated with local government agencies to work with 2,336 industrial belts across the country, covering more than 300,000 authentic regional products, and has opened more than 2,000 agricultural specialty shops authorized by local governments across the country.⁷

II. Market Overview

Ministry of Commerce: China's e-commerce transaction volume exceeds 42 trillion yuan in 2021

Recently, the Ministry of Commerce's Department of Electronic Commerce and Informatization released the 2021 China E-Commerce Report. The national e-commerce transaction volume reached 42.3 trillion yuan in 2021, a year-on-year growth of 19.6% – of which the commodity transaction volume reached 31.3 trillion yuan, while the service transaction volume reached 11 trillion yuan. The national online retail sales reached 13.09 trillion yuan, a year-on-year increase of 14.1%. The total number of e-commerce employees nationwide reached 67.278 million. China's e-commerce ranks first in the world in terms of online retail market, online shoppers, digital express service and mobile payment scale.⁸

JD.com and CCFA release the 2022 Report on Consumption Trends of China's Lifestyle Services Industry

JD Life and Services business group (京东生活服务事业群) and the China Chain Store and Franchise Association (CCFA) recently released the *2022 Report on Consumption Trends of China's Lifestyle Services Industry*. The report shows that, over the past three years, the average annual growth rate of lifestyle service consumption was 49%, while the average annual growth rate of users was 70%. Overall, service consumption has become a key growth driver. From a geographical perspective, first- and second-tier cities and counties make up the largest markets of service consumption. In terms of consumer groups and behaviours, post-85 consumers account for 40% of all consumption, and the market is shifting to users over the age of 36. Post-95 consumers prefer motorcycle services, post-85s prefer car rental services, and post-75s prefer traditional Chinese medicine services. Male service consumption accounts for a higher proportion and shows faster growth. Furthermore, nearly 80% of users are influenced by user reviews, and nearly 30% of users are influenced by promotions.⁹

Maimai and Vipshop release the 2022 Trends in Workplace Cosmetics report

Career-oriented social networking platform Maimai (脉脉) and discount e-commerce platform Vipshop (唯品会) recently released the *2022 Trends in Workplace Cosmetics* report. Among the post-90s users who participated in the survey, median spending on beauty products in the last year reached 30,000-50,000 yuan. Post-90s prefer name brands, regardless of product features. Office workers are the most willing to spend money on skin care. In addition, the amount of beauty-related spending is closely linked to region and income level.¹⁰

The maternal and baby segment of Taobao Live grows by 18% yoy

Taobao Live (淘宝直播) recently released the *2022 Taobao Live Maternal and Baby Segment Report*. The Taobao Live's maternal and baby segment grew by 18% yoy in 2021. In the first half of 2022, the number of vertical maternal and baby accounts on Taobao Live increased by 11% yoy, the number of broadcast sessions increased by 11.2% yoy, and the average number of transactions per account increased by 18% yoy. On the consumer side, users in first-tier and new first-tier cities such as Shanghai, Beijing, Hangzhou, etc., have seen their average order value increase by 1.5 times, indicating strong growth in the overall demand for maternal and baby products.¹¹

III. Policy Spotlight

Jiangsu to implement new regulations protecting product returns

The Jiangsu Provincial Administration of Market Supervision and the Jiangsu Provincial Consumer Protection Committee recently issued the *Jiangsu Province Offline Store Product Return Regulations*, which advocates for the 'no-reason-required' returns commitment for offline purchases. The *Regulations* clarifies that the time limit for product returns shall not be less than 7 days. It encourages chain stores, shopping malls and supermarkets to allow consumers to return their products at different stores and in different places. Greater consumer protection for product returns is likely to boost consumption and economic recovery.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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