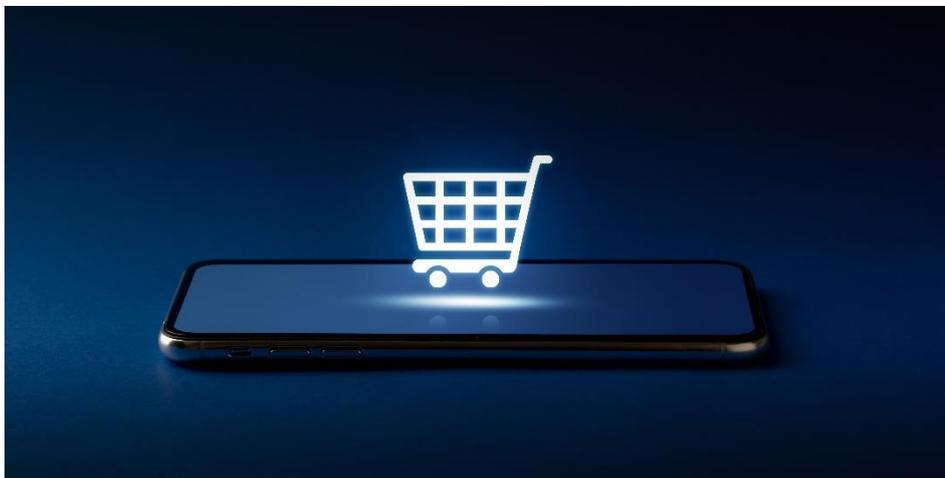


China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

JD.com commits one billion yuan to develop JD Fashion as a premier fashion platform

JD.com (京东) recently announced an expansion in its apparel business with an additional investment of one billion yuan, aimed at establishing JD Fashion as a leading destination for stylish global apparel. This investment, a combination of financial capital and market resources, will broaden and enhance the range of fashion offerings available to consumers, providing a significant boost for both domestic and international brands. This initiative aims to introduce a variety of stylish new products to JD.com's customers, featuring simultaneous launches by thousands of brands on JD.com online platform. In addition, JD.com will collaborate with the People's Daily New Media Centre and the China National Garment Association to provide special support for local designers and further develop original domestic brands.¹

Kuaishou E-commerce upgrades one-stop customer service platform

Kuaishou E-commerce (快手电商) recently upgraded and renamed its customer service platform as the 'Kuaiyu (快语) Customer Service Platform'. Merchants can use Kuaiyu to efficiently handle customers' pre-sales and after-sales issues, further improving user satisfaction and operating efficiency. Since the beginning of this year, the Kuaishou E-commerce's customer service platform has served more than 2.8 million merchants and a total of 130 million users; the 'three-minute response rate' for merchant customer service has remained above an average of 85%, the 'average manual response time' of customer service is less than 46.8 seconds, and consumers' satisfaction rate for customer service is above 82% on average.²

Xiaohongshu launches catering group buying in 49 cities

Xiaohongshu (小红书) recently launched its catering group buying business in 49 core cities nationwide, with a commission rate (technical service fee) of 0.6%, and the service is temporarily exempted from merchant deposits. The business falls within the open platform product under the Xiaohongshu's transaction product team. The team is small and currently does not have ongoing business development personnel. At this stage, it will rely on third-party service providers to expand merchant relationships.³

Tmall Supermarket invests 500 million yuan to expand user scale and aims for 50% growth during 11.11

Tmall Supermarket (天猫超市) recently held the 2024 11.11 Merchant Conference. According to Jiao Jin, director of operations at Tmall Supermarket, the platform has agreed with brand merchants to begin preparing for the upcoming 11.11 promotional period earlier than usual. Tmall Supermarket will invest 500 million yuan to expand user scale and aim for a 50% growth during the 11.11 period this year. Since the beginning of the year, Tmall Supermarket has launched a new model for business growth, focusing on the operation of 'super users' and 'super links' and achieving very good results. Since the beginning of this year, Tmall Supermarket's transaction volume has maintained double-digit growth. At the same time, the scale of 88VIP high-value users has increased by 40%, and the transaction contribution of 88VIP is as high as 73%, an increase of 12 percentage points year-on-year.⁴

Department Stores & Shopping Mall

JD MALL upgrades store experience with Mid-Autumn promotions

JD MALL (京东 MALL) recently announced that it has upgraded its in-store experience across all locations nationwide. It has launched a Mid-Autumn Festival experience area, which includes a baked goods and coffee area, a family game experience area, an e-sports experience area, a beauty and personal care experience area, etc. These various zones allow consumers to experience JD.com's offline products and services.⁵

Supermarkets & Hypermarkets

Sam's Club opens in Wuhou, Chengdu and brings China store count to 49

Sam's Club recently opened a new location in Wuhou, Chengdu. This is the third Sam's Club in Chengdu and its 49th store nationwide. The store covers an area of 19,000 sqm, offering more than 4,000 selected products from over 30 countries and regions, including Sam's own brand 'Member's Mark' and covering snacks, wine, baked goods, fresh food, general merchandise, daily chemicals, digital home appliances, beauty, mother and baby and other categories to meet customers' one-stop shopping needs. According to Sam's club's expansion plan, it will open several more locations in the second half of this year.⁶

Yonghui Superstores sets up a supply chain management company in Guangzhou

Guangzhou Yonghui Caishixian Supply Chain Management Co., Ltd was established on 5 September, and it has a registered capital of 50 million yuan. Its business scope includes supply chain management and catering management services as well as the sale of food additives, agricultural byproducts, cosmetics, daily necessities and auto parts. The company is wholly owned by Yonghui Caishixian Development Co., Ltd, which is jointly held by Yonghui Superstores (永辉超市), Hillhouse Capital (高瓴资本), Sequoia Capital (红杉资本), etc.⁷

Apparel

Lululemon sees 34% revenue growth in China for 2Q24

Lululemon recently announced its financial results for the second quarter of 2024. During this period, comparable sales increased by 23% yoy in the Chinese mainland. The company saw a 34% year-on-year increase in net revenue on the Chinese mainland, driven by an influx of new customers through its stores and e-commerce platforms, alongside a diverse product portfolio. Lululemon's footprint in the Chinese market is still relatively small, with 132 stores as of the end of the quarter, an increase of five stores from the previous quarter. In addition to new products, the company continues to attract new customers through offline stores and multiple e-commerce platforms, as well community activities across the country.⁸

Home Appliances & Consumer Electronics

Suning.com's 1H24 profit reaches 15 million yuan after losses in previous 12 quarters

Suning.com (苏宁易购) recently released its 2024 interim report. In the first half of the year, the company achieved a net profit attributable to shareholders of the company of 15 million yuan, of which the net profit attributable to shareholders of the company in the second quarter was 112 million yuan. According to a company spokesperson, turning from loss to profit in the first half of 2024 and achieving the first quarterly profit in 12 quarters in the second quarter of 2024 marked a key turning point for the business. In order to strengthen the construction of experience-based stores, during the reporting period, the company focused on the development of large stores, while opening and upgrading and a number of new stores such as Suning Max and Suning Pro which offer family home solutions.⁹

Gome Retail's 1H24 revenue is 169 million yuan as net loss reaches 4.432 billion yuan

Gome Retail (国美零售) recently released its unaudited interim results for the first six months of 2024. The company's revenue in the period was 169 million yuan, down 59.22% yoy. The loss attributable to the parent company was 4.432 billion yuan, an increase of 25.23% yoy. In the first half of the year, Gome Retail continued to focus on its retail business, activate the 'Home•Living' omni-retail ecosystem, develop a variety of procurement channels and methods, and focus on the retail of home appliances, consumer electronics, groceries and daily necessities. It also promoted offline upgrades, and strengthened new operating methods such as livestreams. It accelerated the development of franchising business and opened the Gome Automobile Experience Hall, creating new growth opportunities.¹⁰

Home Products

MINISO's overseas sales make up over 30% of total revenue and become new growth driver

In a recent interview, Liu Xiaobin, Vice President and Chief Marketing Officer of MINISO (名创优品) Group said that MINISO's overseas revenue contributed 35.2% of its overall income in the first half of the year. The company is looking to further expand its overseas presence, increasing the number of stores outside China as well as overseas contribution to total GMV. The number of MINISO stores increased by 455 during the first half of 2024 to 6,868 globally, with 4,115 in China and 2,753 abroad. If counting its designer toy label TOP TOY, the group now has over 7,000 stores. Its overseas revenue grew 42.6% yoy during this period, reaching 2.73 billion yuan.¹¹

Food & Beverage

Tims China announces franchise progress: 3,600 applications received and 21 stores opened

Tim Hortons China recently released its financial results for the second quarter of 2024. During this period, Tims China's total revenue was 366 million yuan, a year-on-year decrease of 10.9%; system sales were 403.8 million yuan, a year-on-year increase of 1.6%. The operating loss was 54.7 million yuan, a significant decrease year-on-year. In May this year, Tims China began opening franchise business nationwide. It now offers more choice for store types and the franchise threshold has been lowered, with a minimum capital requirement of 400,000 yuan. As of 30 June 2024, the number of franchise applications has exceeded 3,600, with a total of 21 franchised store already opened. In addition, 52 stores have signed letters of intent.¹²

Starbucks China launches three new products inspired by baristas

Starbucks China recently announced that for the first time, it will launch three seasonal drinks with local flavours inspired by its partners (i.e. baristas) in more than 7,300 stores across the country: Yanzhao chestnut red bean latte, Qinjin fire crystal persimmon frappuccino, and Bamin grapefruit Tieguanyin tea latte. Starbucks reportedly sent 6,000 questionnaires to partners across the country, inviting them to share their inspiration for beverage creation. In the end, 151 partner representatives formed a 'think tank' to participate in a month-long process of new product development.¹³

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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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