

China Retail & E-commerce Weekly Update



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I. Sector Review..... 2

Internet & E-commerce 2

- Meituan Delivery begins testing 15-minute express delivery service..... 2
- Douyin E-commerce partners with Fujian’s Department of Commerce 2
- Zhejiang government establishes strategic partnership with Alibaba 2
- Ocean Engine launches ‘video ranking’ feature on Douyin, Toutiao, and its WeChat mini app..... 3

Retail Technology 3

- JD Technology joins Beijing’s AGI Industry Innovation Partnership Programme 3

Supermarkets & Hypermarkets 4

- Sam’s Club launches cross-border new retail project..... 4

Convenience Stores 4

- Over 1,500 JD Convenience Stores now available on JDDJ 4

Apparel 4

- Nike’s revenue in Greater China region up by 4% yoy in fiscal 2023 4

General Retail 5

- Suning Retail Cloud opens first Super store 5

Food & Beverage 5

- HeyTea develops smart technology to automate in-store operations..... 5

II. Market Overview 5

- Tmall Supermarket publishes 2023 food trend report..... 5
- Hainan’s offshore duty-free shop sales reach 32.4 billion yuan in 1H23 6
- Livestreaming retail sales in Shanghai exceed 200 billion yuan in 2022 6

References (in Chinese) 7

I. Sector Review

Internet & E-commerce

Meituan Delivery begins testing 15-minute express delivery service

Meituan Delivery (美团外卖) recently began testing its new 15-minute express delivery service, which is only available in certain areas of Beijing at the moment. Additionally, this service is only available from 11 AM to 2PM on weekdays. According to insiders at Meituan, the express delivery service has launched for some time, and employs a dedicated delivery model. Merchants would prepare the necessary ingredients in advance. Once an order is placed, the merchant would immediately call the delivery rider and then quickly prepare the meal. Since the delivery riders are specifically assigned and operate within a limited area, the pick-up time is extremely short. The service is currently limited to specific merchants and serves a relatively small number of users. The system has already determined the delivery routes and estimated time using algorithms, ensuring a high completion rate for deliveries within 15 minutes.¹

Douyin E-commerce partners with Fujian's Department of Commerce

Douyin E-commerce (抖音电商) recently established a partnership with the commerce department of Fujian. The two parties will cooperate in areas such as agricultural product sales, the inheritance of intangible cultural heritage, industrial upgrading, and the cultivation of small and medium-sized businesses. They will work together to promote Fujian's distinctive products through the interest-based e-commerce model and support the digital transformation of Fujian's leading industries, while also enhancing consumption quality and capacity. This partnership will leverage interest-based e-commerce to connect unique products with potential consumer groups, and aims to expand the market for diverse Fujian products and bring about new opportunities for the local economy.²

Zhejiang government establishes strategic partnership with Alibaba

On 5 July, during the Zhejiang Platform Economy High-quality Development Conference, the Zhejiang provincial government and Alibaba (阿里巴巴) signed a comprehensive strategic partnership agreement. Alibaba Group's seven business groups and subsidiaries will further their collaboration with the Zhejiang provincial government to jointly develop innovative and highly competitive digital technology, digital commerce, digital lifestyle, digital trade, digital logistics, and digital culture and tourism industries. This agreement marks a new era for deeper and more extensive strategic cooperation between Zhejiang provincial government and Alibaba.³

Ocean Engine launches ‘video ranking’ feature on Douyin, Toutiao, and its WeChat mini app

Ocean Engine (巨量算数), the digital marketing platform of ByteDance (字节跳动), recently launched its Video Ranking feature on three platforms: Douyin (抖音), Toutiao (今日头条) and its WeChat’s mini app. The feature presents high-quality video content in a ranking format, sorted by different criteria. This feature allows users to monitor the overall content ecosystem on Douyin, gain insights into content trends, be inspired in creating creative content, and analyze the attribution of popular content.⁴

Retail Technology

JD Technology joins Beijing’s AGI Industry Innovation Partnership Programme

JD Technology (京东科技) has joined Beijing’s AGI Industry Innovation Partnership Programme as a ‘computing power partner’. The latest group of programme partners includes a total of 63 enterprises, includes 10 computing power partners, 10 data partners, 10 modelling partners, 24 application partners, and 9 investment partners. The partnership programme is initiated jointly by the Beijing Municipal Bureau of Economy and Information Technology, the Beijing Municipal Science and Technology Commission, the Administrative Commission of Zhongguancun Science Park, and the Beijing Municipal Development and Reform Commission. It aims to leverage the resources of major tech companies to advance the development and application of large language models (LLMs), focusing on areas such as computing power, data, applications, and investment. Beijing’s plan is to implement more than 10 commercial applications of LLMs each year and foster a technologically advanced artificial general intelligence (AGI) industry to support the digital economy’s high-quality development. The first batch of 39 programme partners, announced in May, include Alibaba Cloud and Baidu, among others.⁵

Supermarkets & Hypermarkets

Sam's Club launches cross-border new retail project

The Sam's Club located in Suzhou Industrial Park recently launched its cross-border e-commerce new retail project. Among the 45 Sam's Club stores nationwide, this Suzhou Industrial Park location is the first to pilot this project, offering consumers a convenient shopping experience through 'on-site experience, online ordering, and express delivery'. The project was officially launched on 29 June, featuring approximately 150 selected products from key categories such as cosmetics, health, and maternity, all of which are part of the over 1,000 cross-border e-commerce products currently offered in the existing Sam's Club app. Members can select desired products from the cross-border e-commerce display area at the store's entrance and place orders online through the Sam's Club app. After completing real-name authentication and online payment, they can expect to receive the goods fairly quickly.⁶

Convenience Stores

Over 1,500 JD Convenience Stores now available on JDDJ

Over 1,500 JD Convenience Stores (京东便利店) are now available on JDDJ (京东到家), JD.com's on-demand delivery service, providing round-the-clock 'hourly shopping' services to consumers nationwide. JD Convenience Store has also partnered with well-known national FMCG brands such as Master Kong (康师傅), Coca-Cola, Pepsi-Cola, Mengniu (蒙牛), and Yili (伊利) to launch a summer promotional campaign, offering various promotions such as 40% off coupons for popular products and up to 30 yuan off discounts for orders over 99 yuan. Consumers can order from nearby JD Convenience Stores through the JD.com app's city channel or the JDDJ app to enjoy a convenient and efficient on-demand retail experience.⁷

Apparel

Nike's revenue in Greater China region up by 4% yoy in fiscal 2023

Nike recently released its financial results for the fourth quarter and full year of 2023 ended 31 May 2023. The company's revenue for the fiscal year reached US\$51.2 billion, up by 16% yoy. In the fourth quarter, Nike's revenue was US\$1.81 billion, up by 25% yoy. The Greater China region remained the third-largest market for Nike globally, recording an annual revenue of US\$7.248 billion, a 4% year-on-year growth. The region achieved a fourth-quarter revenue of US\$1.81 billion, representing a 25% year-on-year increase and three consecutive quarters of growth. In the quarter, sales of footwear, apparel, and equipment products in the region grew by 22% yoy, 36% yoy, and 19% yoy, respectively.⁸

General Retail

Suning Retail Cloud opens first Super store

Suning Retail Cloud's (苏宁易购零售云) first Super store recently opened in Shenzhen's Longgang district. Sales on the first day exceeded 1.8 million yuan, with mid- and high-end products accounting for over 60% of sales. The inaugural Super store is located in a prime commercial area and spans over 1,000 sqm. All newly upgraded Super stores have a business area exceeding 800 sqm and a sales volume surpassing 10 million yuan. These stores feature new upgrades in store image, settings, products and services, providing consumers with a one-stop shopping experience for home goods.⁹

Food & Beverage

HeyTea develops smart technology to automate in-store operations

HeyTea (喜茶) has developed a complete set of smart equipment, enabling the full automation of store operations. The company has gradually introduced three major categories of smart equipment in their stores since early 2022, covering raw material preparation, raw material management, and tea brewing. The equipment includes smart scales, smart tea dispensers, automatic peeling machines, automatic pitting machines, automatic lemon juicing machines, automatic dicing machines, and smart cooking machines. This set of equipment has enabled HeyTea to achieve full-process automation in their stores, marking a significant advancement in the industry's transition towards smart operations.¹⁰

II. Market Overview

Tmall Supermarket publishes 2023 food trend report

Tmall Supermarket (天猫超市) recently published its 2023 Food Trend Report. Based on data and indicators from Tmall Supermarket and selected social media platforms, as well as interviews with over one thousand experienced food consumers, the report identified five major emerging consumer trends in the food domain. These trends include the rise of 'elemental' wellness, DIY food, healing the body and mind with food, building local memories with food, and the emphasis on seasonal food.¹¹

Hainan's offshore duty-free shop sales reach 32.4 billion yuan in 1H23

The total sales revenue of offshore duty-free shops in Hainan province reached 32.4 billion yuan in the first half of this year, increasing by 31% yoy. Since the beginning of this year, Hainan has distributed nearly 200 million yuan worth of consumer vouchers, providing full support for offshore duty-free shopping and cultural tourism to boost the rapid recovery and expansion of its consumer market. The province also launched an international offshore duty-free shopping festival on 4 July. In the upcoming two months, more than 30 diverse promotional events will be organized through 12 duty-free shops across Hainan.¹²

Livestreaming retail sales in Shanghai exceed 200 billion yuan in 2022

Livestreaming retail sales in Shanghai exceeded 200 billion yuan in 2022, accounting for 19.8% of the national total and ranking first among all cities in China. On 6 July, the 2023 Brand Summit Forum' was held in Shanghai, where the '2022 Shanghai Top 50 New Online Consumer Brands' were unveiled. Shanghai accounted for one-fifth of all new online consumer brands in the country.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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