China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

JD Worldwide and Hemei Group establish partnership in cross-border e-commerce and physical stores

Hemei Group (赫美集团) and JD Worldwide (京东国际) recently established a strategic partnership to cooperate in cross-border e-commerce, physical stores and other business sectors. Hemei Group was established in November 1994 and listed on the Shenzhen Stock Exchange in February 2010. The group operates and manages 221 luxury stores of nearly 40 brands – including Armani, Hugo Boss, MCM, and Furla – in more than 50 cities in China.[1]

Alibaba sets up two new business units, China Digital Commerce and Overseas Digital Commerce

On 6 December, Alibaba (阿里巴巴) announced its organizational restructuring and the establishment of two new business units, China Digital Business and Overseas Digital Business, which will be headed by Dai Shan (戴珊) and Jiang Fan (蒋凡) respectively. Dai Shan will be in charge of the domestic business, including Taobao (淘宝), Tmall (天猫), Alimama (阿里妈妈), B2C retail businesses, Taocaicai (淘菜菜), Taobao Deals (淘特) and 1688.com; Jiang Fan will be in charge of AliExpress, International Core Business Unit (ICBU), Lazada, and other overseas digital businesses.[2]

Taobao adds 'share purchase with a friend' and 'buy one for someone you love' functions

On 7 December, Taobao (淘宝) launched two new functions: 'share purchase with a friend' and 'buy one for someone you love'. 'Share purchase with a friend' allows users to share their order with friends, who can then add to the same order with one click and instant payment. 'Buy one for someone you love' allows users to add an additional address and purchase an extra item for someone they care about. After an order is placed, the user can send a wish card and share the tracking information with the recipient.[3]

Weibo has secondary listing on Hong Kong Stock Exchange

On 8 December, Weibo (微博) began trading on the Hong Kong Stock Exchange in a secondary listing. The shares were initially priced at HK$272.8 per share, but closed down 7.2% to HK$253.2 on first day of trading – bringing the market capitalization down to HK$59.4 billion. As of September, Weibo had 573 million monthly active users, a net increase of 62 million over the same period last year. Among which, about 94% were mobile users. The average number of daily active users reached another record high of 248 million, a net increase of 23 million over the same period last year.[4]

New Oriental enters the e-commerce market with new joint venture 'Oriental Select'

Oriental Select Technology Co., Ltd was recently established with a registered capital of 10 million yuan. The company is jointly held by Beijing New Oriental Xuncheng Network Technology Co., Ltd (北京新东方迅程网络科技股份有限公司) and Beijing Yangde E-commerce (北京仰德电子商务), and its legal representative is Sun Dongxu (孙东旭). Its business scope includes the sale of daily necessities, cosmetics, clothing, shoes and hats; cultural performance management; liquor-related business; and wholesale of publications.[5]

Retail Logistics

The logistics 'National Team' takes shape in the form of China Logistics Group

China Logistics Group was formally established on 6 December as a new central state-owned enterprise with diversified ownership structure under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The new company was formed through a merger of four companies: China National Materials Storage and Transportation Group (中国物资储运集团有限公司), CTS International Logistics (华贸国际物流股份有限公司), China Logistics Co. Ltd (中国物流股份有限公司), and the PACHN Group (中国包装有限责任公司). The company has also introduced three strategic investors: Eastern Airlines (东方航空), COSCO Shipping Holdings (远洋海运), and China Merchants Group. China Logistics Group currently has operating outlets in 30 provinces in China and five continents overseas, with 120 dedicated railway lines and nearly 3 million road freight vehicles.[6]

Apparel

BOY LONDON to close its Tmall flagship store

British streetwear brand BOY LONDON will officially close its Tmall (天猫) flagship store on 31 December. The Tmall store, which has 1.83 million followers, is currently holding a clearance sale. BOY LONDON, which was founded by Stephanie Raynor in 1976, was heavily influenced by Malcolm McLaren and the punk aesthetic. It was once synonymous with music and clothing culture in the 1980s.[7]

Food & Beverage

Hema offers discount products to compete against Dingdong Maicai

Hema (盒马) recently launched a discount promotion logo on its app for users in the Shanghai area. The logo applies to over one hundred products, including seafood and aquatic products, fresh fruits and vegetables, meat, eggs, and poultry. It was found that a variety of similar high-demand products of the same brand on Hema are cheaper than those on Dingdong Maicai. Some industry insiders believe that offering discount products is most likely an undercutting strategy adopted by Hema to compete against Dingdong Maicai.[8]

Miscellaneous

Jiajiayue to open its first members-only warehouse store in Jinan

Jiajiayue (家家悦) will open its first members-only warehouse store in China in Jinan's Hongyang Plaza on 24 December, making it the latest traditional supermarket giant to open a warehouse-style members' store. At present, China's members' warehouse store market has attracted several foreign retail enterprises including COSTCO, Metro, Sam's Club (Walmart), and Carrefour. Local brands such as Hema (盒马), Beijing Hualian (北京华联), Beiguo Supermarket (北国超市), Yonghui (永辉), RenRenLe (人人乐) and Fudi have also entered the competition through market differentiation.[9]

The State Post Bureau officially enters Douyin; China's 2021 express delivery volume reaches 100 billion pieces

On 8 December, the State Post Bureau announced that it has joined Douyin (抖音), and that China's total express delivery in 2021 exceeded 100 billion packages. This is the first time that China's express delivery volume has exceeded 100 billion, and China has ranked first in the world for eight consecutive years and contributed over half of the growth in the global market. At present, China's express delivery network has practically achieved full coverage at the township level, and the service network has continued to extend to the village level. It services an average of nearly 700 million users daily, and annual new employment has remained above 200,000. The maximum timeframe of express delivery services between key regions has been shortened to about 58 hours, and the valid appeal rate has been steadily declining.[10]

The 'Free Trade Port G'mall Global Purchase Livestreaming Base' lands in Haikou, Hainan

On 8 December, the 'Free Trade Port G'mall Global Purchase Livestreaming Base' (自贸港矢免全球购直播基地) has officially settled in Haikou, Hainan. The Base is located in the offline experience centre of Luoshanji City (洛杉矶城), which is located in the Xiuying District of Haikou. With a total area of 1,000 sqm, the Base has more than ten livestreaming studios which are publicly accessible free of charge, while the open areas are mainly used for displaying duty-free cross-border products. The Base hopes to become an Internet-famous site, and explore how livestreaming traffic can be integrated with physical commerce.[11]

II. Market Overview

Master Bao: Female consumers account for nearly 70% of second-hand luxury goods purchases

On 7 December, the second-hand luxury goods service platform Master Bao (包大师) released the *Platform Second-hand Luxury Index Report*. According to the report, second-hand luxury consumers are becoming younger and younger, and bags and luggage still have higher liquidity in the second-hand market. Over half of consumers are aged 25-40, followed by consumers aged 18-24. Female consumers are still the main force in second-hand luxury consumption, accounting for nearly 70%. First-tier cities are still the most active areas for luxury goods consumption – Beijing, Shanghai, Shenzhen, and Guangzhou remain hotspots of domestic luxury goods consumption. The proportion of new first-tier cities gradually increases and the market gradually spreads outwards to more rural areas.[12]

NetEase Data Blog: New consumer brands mainly rely on e-commerce platforms and social marketing

NetEase Data Blog (网易数读) recently released the 'List of New Domestic Consumer Brands with the Most Growth Potential 2021', which finds that new consumer brands mainly rely on e-commerce platforms and social marketing channels. 54.9% of consumers utilise e-commerce platforms such as Taobao (淘宝) and JD.com (京东) to learn about new consumer brands, and 40.9% use Xiaohongshu (小红书), while 39.9% leverage livestreaming platforms such as Douyin (抖音) and Kuaishou (快手). Other channels include word of mouth (recommendations from family and friends), offline physical stores, and livestreaming KOLs.[13]

III. Policy Spotlight

Guangdong introduces measures to promote the high-quality development of cross-border e-commerce

On 2 December, the People's Government of Guangdong Province issued *Several Policies and Measures on Promoting the High-Quality Development of Cross-border E-commerce*, requiring the cultivation of leading cross-border e-commerce companies with the following targets to be reached by 2025: 20 companies with an annual transaction value of more than 5 billion yuan, 10 companies with an annual transaction value of more than 10 billion yuan, and 5 companies with an annual transaction value of more than 20 billion yuan. Relevant policies and measures include the 'industrial cluster + cross-border e-commerce' pilot programme, and supporting the construction of cross-border e-commerce overseas warehouses. By 2025, it aims to have 500 overseas warehouses with a total area of 4 million sqm, forming a specialized smart overseas warehouse network.[14]

NMPA launches 'Little Golden Shield' certification for children's cosmetics

The National Medical Products Administration (NMPA) recently announced the exclusive 'Little Golden Shield' (小金盾) certification for children's cosmetics. This logo should be clearly displayed on the upper left side of the product's display surface and easily identifiable in accordance with NMPA guidelines. Children's cosmetics brands that apply for registration or filing from 1 May next year must use this logo, and existing cosmetics products must update their product labels before 1 May 2023.[15]

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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

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