

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Douyin's food delivery service now available in 18 cities across the country

On 5 March, Douyin (抖音) launched its food delivery service in 15 cities across the country. To date, the service now covers 18 cities in total – in addition to the pilot cities of Beijing, Shanghai and Chengdu, new additions include Nanjing, Xiamen, Hefei, Jiaxing, Ningbo, Guangzhou, Wuxi, Hangzhou, Wuhan, Shenzhen, Wenzhou, Suzhou, Jinhua, Changsha, and Fuzhou. At present, Douyin's food delivery service has two distinct business models: One is the cooperation between Douyin and Ele.me (饿了么) based on the Douyin open platform, which operates in Ningbo, Shanghai and various other cities. The other is the 'group-buying delivery' project, operated exclusively by Douyin, where delivery is carried out by third-party aggregator platforms such as SF Intra-city (顺丰同城), FlashEX (闪送), Dada Express (达达快送), and UU Paotui (UU跑腿), or by restaurants themselves. This service is only available in Beijing, Shanghai, and Chengdu at present.¹

Mogujie's GMV down 48.1% yoy to 2.828 billion yuan in the first half of fiscal 2023

Mogujie (蘑菇街) recently announced its unaudited financial results for the first half of fiscal 2023, ended 30 September 2022. During the reporting period, the company's gross merchandise value (GMV) was 2.828 billion yuan, a year-on-year decrease of 48.1%. Among them, livestreaming GMV decreased by 45.6% year-on-year to 2.703 billion yuan, accounting for 95.6% of the total GMV. During the period, Mogujie's total revenue decreased by 32.2% yoy from 169.5 million yuan to 114.8 million yuan.²

Shanghai Secoo E-Commerce ruled as a judgment debtor for 4.8 million yuan

Shanghai Secoo E-Commerce Co. Ltd (上海寺库电子商务有限公司) has been ruled by the People's Court of Jiading District, Shanghai as a judgment debtor for 4.8 million yuan due to a contract dispute with Tod's (Shanghai) Trading Co. Ltd. Since March, Shanghai Secoo E-Commerce has been ruled as a judgment debtor in various court orders for a sum of over 35.93 million. Shanghai Secoo E-Commerce was established in 2013. Headquartered in Shanghai, its main business is software and information technology services.³

TVB's Taobao livestream debut generates sales of over 23.5 million yuan in six hours

Hong Kong Television Broadcasts Limited (TVB) hosted a six-hour livestream on Taobao on the evening of 7 March. Thirty minutes after the livestream started, TVB's Taobao account had 13,000 followers, while its livestream had amassed over 180,000 viewers. By 24:00 on 7 March, TVB's livestream sales exceeded 23.5 million yuan, the cumulative number of unique viewers exceeded 3.2 million, the cumulative number of viewers exceeded 4.85 million, and the maximum number of online viewers exceeded 30,000. TVB recently announced a partnership between its subsidiary Television Broadcasts China Limited (上海翡翠东方传播) and Taobao. The two parties will jointly host over 48 e-commerce livestreams this year. The company expects this partnership to bring in tens of millions of Hong Kong dollars in revenue.⁴

JD.com's net revenue up 7.1% yoy to 295.4 billion yuan in 4Q22

JD.com (京东) recently released its financial report for the fourth quarter and full year of 2022. JD.com's net revenue in the fourth quarter was 295.4 billion yuan, a year-on-year increase of 7.1%. Among them, net product revenue increased by 1.2% year-on-year, and net service revenue increased by 40.3% year-on-year. For the full year of 2022, JD.com's net revenue reached 1,046.2 billion yuan, a year-on-year increase of 9.9%. The net profit attributable to ordinary shareholders was 10.4 billion yuan, compared with a net loss of 3.6 billion yuan in 2021.⁵

Retail Logistics

JD Logistics's revenue up 31.2% yoy to 137.4 billion yuan in 2022

JD Logistics (京东物流) recently released its full-year financial results for 2022. The company's revenue reached 137.4 billion yuan this past year, a year-on-year increase of 31.2%; of which, external customer revenue reached 89.1 billion yuan, a year-on-year increase of 50.8%, accounting for 64.9% of total revenue. In 2022, JD Logistics' integrated supply chain service revenue reached 77.4 billion yuan, and the number of external integrated supply chain customers and the average income per customer both maintained steady growth. In 2022, revenue from other customers including express delivery and freight delivery service reached 60 billion yuan, a year-on-year increase of 78.3%. As of 31 December 2022, JD Logistics operated more than 1,500 warehouses and more than 2,000 cloud warehouses across the country, and the warehouse network has an aggregate gross floor area of more than 30 million sqms.⁶

Department Stores & Shopping Malls

Intime Department Store: Female consumers' consumption for pleasure up by 35% compared to before the pandemic

Intime Department Store (银泰百货) recently released a report entitled *Female Consumers' Personal Growth*, its first-ever female consumer profile report. The profile shows that female Intime shoppers have upgraded their consumption habits in recent years, displaying both self-confidence and pragmatism. According to data from Intime Department Store, women aged 30+ are most likely to spend on consumption for pleasure, and their consumption for pleasure has increased by 35% compared to before the COVID-19 pandemic. Their consumption categories include clothing and beauty, as well as camping supplies, treadmills, game consoles and other leisure activities. In the past year, female shoppers have spent seven times more on gold jewellery compared to before the pandemic, and the number of female shoppers who purchase rings at Intime has also doubled in this period.⁷

Apparel

SHEIN launches smart industrial park to improve its supply chain

SHEIN recently launched its Smart Industrial Park project in Zhaoqing New District. The Smart Industrial Park is comprised of a smart sorting centre, an order distribution centre, and smart manufacturing factories, with a total investment of 3.5 billion yuan. SHEIN bought the land in late 2022 and preliminary work began immediately. SHEIN has formed a supply chain ecosystem covering Guangzhou, Foshan, Zhaoqing, Jiangmen and other cities. The industrial park project shows SHEIN's ongoing efforts to strengthen its supply chain.⁸

Taobao publishes white paper on SS23 apparel trends

On 7 March, Taobao Apparel (淘宝服饰), Taobao Education (淘宝教育), and Qingqu Insights (清渠数据) jointly released the *2023 White Paper on Taobao Apparel Spring and Summer Trends*. The white paper combines insights into the apparel industry with changes in consumption trends, identifying nine major style trends: rocker girls, new traditional clothing, refined leisure, sweet and cute, relaxed holiday style, retro sports, functional outdoors, old money aesthetic, and fashion deconstruction. For example, in the spring and summer of 2023, denim styles have changed, and more high-end womenswear designers have begun to cater to the Y2K trend. The rocker girl trend has gained significant popularity, as the annual compound growth rate of sales exceeded 100% between 2020 and 2022, and sales volume increased by more than 300%. The number of merchants selling rocker style clothing has increased to more than 10,000 in the past three years and continues to grow rapidly.⁹

Food & Beverage

Luckin Coffee's 4Q22 net profit down by 94% alongside a net increase of 368 stores

Luckin Coffee (瑞幸咖啡) recently released its financial results for the fourth quarter and full year of 2022. The company's operating income in the fourth quarter was 3.695 billion yuan, an increase of 51.9% yoy. Its net profit in the quarter was 54.5 million yuan, a year-on-year decrease of 94%. Net new store openings in the fourth quarter was 368. As of the end of the fourth quarter, the company had a total of 8,214 stores, including 5,652 self-operated stores and 2,562 franchise stores. Revenue from self-operated stores in the fourth quarter was 2.6073 billion yuan, an increase of 41.9% yoy.¹⁰

HEYTEA partner stores now in dozens of cities, with daily sales of a single store exceeding 60,000 yuan

HEYTEA's (喜茶) partnership business has attracted significant attention since its launch last November. To date, HEYTEA's business partner stores have opened in dozens of new cities, and applications for overseas markets have also been open. Among the partner stores that have opened, the highest daily sales volume of a single store reached 3,500 cups, or 60,000 yuan. The average daily sales volume of a single store reached 2,000 cups. Through the partnership business, HEYTEA has also opened first stores in new cities such as Zigong, Deyang, Meizhou, Lishui, Panjin, Xuancheng, Ma'anshan, etc.¹¹

II. Market Overview

JD Home's report sheds light on home furnishing industry

JD Home (京东居家) and home services platform Wan Shifu (万师傅) recently released *the 2022 Home Furnishing Service Industry Analysis Report*. The report pointed out that as consumption habits change, home furnishing consumption has gradually migrated online, e-commerce platforms have become an important channel, and the home furnishing service market has shown steady growth. According to data from JD.com, key words such as logistics, distribution, after-sales service, and installation service are frequently mentioned in the sales process. This means that one-stop service solutions have become an important factor for consumers.¹²

China remains world's largest logistics market for seventh consecutive year

China maintained its position as the world's largest logistics market for the seventh consecutive year in 2022. Total revenue of the country's logistics sector came in at 12.7 trillion yuan last year, while social logistics expanded to 347.6 trillion yuan. China's top 50 logistics companies raked in about 2 trillion yuan in total revenue last year as various internationally competitive enterprises have started to emerge.¹³

III. Policy Spotlight

MOFCOM sets three-year plan to establish more 15-minute community living circles across the country

According to Wang Wentao, head of the Ministry of Commerce (MOFCOM), studies show that over half of urban residents' daily consumption expenditure is concentrated within one kilometre of their community, i.e., a 15-minute walking radius. The consumer market has great potential within this range. At present, 1,402 convenient living circles have been built across the country, serving more than 32 million community residents. The next step is to carry out a three-year action plan to establish 15-minute community living circles across the country. This includes city-specific or even circle-specific policies; instead of adopting a blanket approach, these living circles should reflect individuality and diversification. Community consumption areas should be optimized, integrating smart technologies and better convenience as well as diversified types of consumption.¹⁴

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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.

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