China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

Tmall 6.18 event to begin on 20 May with no pre-sale period

Tmall (天猫) recently began accepting registrations for its upcoming 618 promotional event. The Tmall 618 event this year is much simpler than in previous years – the biggest change is that the official pre-sale has been cancelled, and the first wave of sales will begin at 8pm on 20 May. There are three major changes regarding the Tmall 618 event this year. First, the sales process is simpler. Without the pre-sale, there will be two waves of sales this year, where Taobao (淘宝) and Tmall will open multiple marketing venues for different types of merchant. Second, it is easier for merchants to participate. This year, Tmall will simplify the merchant registration process, allowing merchants who meet the requirements to register directly. Third, it is easier for consumers to make purchases. Taobao and Tmall will upgrade their price guarantees, allowing consumers to shop with confidence. Tmall will provide full price guarantee services for products from the time of purchase to 5 July.[1]

JD.com launches 'JD.com New Domestic Products' brand

JD.com (京东) recently launched the 'JD New Domestic Products' brand, including a new section on its app. It has partnered with Midea (美的), Lenovo, Want Want (旺旺) and other top domestic brands to offer a wide range of domestic products. In the future, JD New Domestic Products will continue to explore and promote high-quality domestic brands and products, share new market trends with users, and offer a one-stop shop for the latest domestic products. It will also provide traffic support and marketing support for high-quality domestic brands, helping them boost sales as well as brand reputation.[2]

KeeTa becomes largest food delivery platform in Hong Kong

KeeTa, the takeaway platform operated by Meituan (美团), has seized 43% of the food delivery market share in Hong Kong in March 2024, becoming the largest food delivery service provider by order number in the city. As of March, KeeTa's market share in food delivery (not including grocery and pickup services), reached 32% by gross merchandise value (GMV) and 43% by order volume. During the same period, foodpanda Hong Kong accounted for 37% of the market share, while Deliveroo Hong Kong held a 20% share. Since entering the Hong Kong market in May last year, the number of catering merchants on KeeTa has also grown rapidly, with the average monthly growth rate of over 30% and reaching a total of almost 10,000 merchants at present. In addition, the on-time rate has remained stable at above 98%, and the average delivery time has remained stable at less than 30 minutes.[3]

Kuaishou May Day Consumption Report: Average proportion of new customer orders exceeds 30%

Kuaishou Local Life (快手本地生活) recently released a report on group buying consumption during the May Day holiday. The report shows that during the May Day holiday, Kuaishou’s group buying GMV increased by 420% yoy, and the number of daily paid users increased by 417% yoy, setting off a group buying consumption boom. During the holiday, brand merchants could acquire one new customer for every three transactions on average. For example, during the May Day holiday, KFC received more than 82,000 new customer orders with the help of its single-product promotion. Furthermore, the report pointed out that cost-effectiveness is still the most mainstream holiday consumption trend for users, and the most popular catering categories were snacks and fast food, drinks, buffets, breads, desserts, and hot pot during the May Day holiday.[4]

Retail Logistics

JD Logistics improves express delivery times in Central China

JD Logistics (京东物流) recently announced that it will upgrade more than 10 express routes from Wuhan to Zhengzhou, Changsha, Zhuzhou, Hengyang, Nanchang, etc. The shipping service in four provinces across central China has been upgraded to next-day delivery. From May onwards, JD Logistics will provide direct delivery routes from Wuhan. After packages are collected, they can be shipped directly to the destination without transit, reducing loading, unloading and transportation time. Furthermore, JD Logistics will also deploy personnel to collect goods from some partner merchants. There are nearly one hundred collectors in Hanzheng Street Market alone to serve nearby merchants.[5]

Apparel & Footwear

Adidas achieves four consecutive quarters of growth in Greater China region as of 1Q24

Adidas recently reported its financial results for the first quarter of 2024. Greater China, a key market for Adidas, contributed 900 million euros in revenue, up by 8% yoy, marking four consecutive quarters of growth since 2Q23. Adidas attributes this success to its focus on sports, leading fashion trends, and catering to Chinese consumer preferences.[6]

Brooks Running plans to open its first store in Shanghai this year

Berkshire Hathaway-owned running shoe brand Brooks Running recently appointed Dan Sheridan as its new chief executive officer. In a recent interview, Sheridan said that Brooks plans to open its first store in China this fall in Shanghai, with possibly more to follow. ‘China is a top-10 market for running participation,’ he said. ‘This is a 30- to 50-year strategy for Brooks. We’re in this for the long haul.’ The company views China and Europe as growth areas for a business that generates most revenue in the US.[7]

Crocs continues rapid growth in the Chinese market in 1Q24

According to its financial report for the first quarter of 2024, Crocs’ revenue in the Chinese market achieved triple-digit growth year-on-year, a faster pace than the previous quarter (4Q23), when revenue increased by more than 80% yoy. The Chinese market is an important growth engine for the brand. From 2021 to 2023, Crocs' revenue in China achieved double-digit growth every year, due to the brand’s focus on marketing, channel expansion, and product investment. Crocs will expand its sales channels in the Chinese market in the future. The company previously focused on wholesale rather than retail sales, but Crocs plans to open a large number of franchise stores across the country in 2024.[8]

Cosmetics

Drunk Elephant makes retail debut at Sephora in Chinese mainland

Beauty retailer Sephora has launched skincare brand Drunk Elephant, a sub-brand of Shiseido, across its 250 brick-and-mortar stores and online channels in the Chinese mainland. Drunk Elephant products are now available in 250 Sephora stores across major cities such as Beijing, Shanghai, Guangzhou, and Chengdu, on Sephora’s digital and e-commerce platforms, and at its flagship store on Tmall (天猫). Founded in 2013, Drunk Elephant offers biocompatible skincare products and is now present in more than 40 markets. The brand was acquired by Shiseido in 2019 for US$845 million and is now the company’s fastest-growing brand.[9]

Home Appliances

Suning.com: Instant retail orders increase by more than 150% during May Day holiday

Suning.com (苏宁易购) recently published its insights on home consumption during the May Day holiday. Sunning.com provided trade-in subsidies to promote the expansion and improvement of home appliance consumption. Data shows that during 1-5 May, the average sales of 17 newly opened large stores doubled year-on-year; the national trade-in order volume increased by 70% yoy; the passenger flow of large stores increased by more than 100%; the sales of colour TV sets worth 10,000 yuan or above increased by 90% yoy. Instant retail order volume increased by more than 150%. Sunning.com also identified new consumption trends during the May Day holiday, including one-stop shopping, buying larger and newer products, green and healthy consumption, and growth of smart products.[10]

Food & Beverage

Domino's Pizza China plans to open over 800 new stores in the next three years

DPC Dash, the exclusive master franchisee of Domino's Pizza's in China, recently announced its financial results for 2023. The company saw its net loss improve to 26.6 million yuan last year amid same-store sales growth of 8.9%. This marks the 27th consecutive quarter for positive same-store sales growth since the third quarter of 2017. Annual revenue surged 51% yoy to 3.05 billion yuan, with strong performance across all markets. The company added 180 net new stores last year. The company expects about 240 net new stores in 2024 as it targets to reach the 1000th store milestone by the end of the fourth quarter. It also expects to open 300-350 stores in both 2025 and 2026.[11]

II. Market Overview

Hainan duty-free shopping reaches 547 million yuan during May Day holiday

During this year's May Day holiday, Hainan's duty-free shopping venues proved a magnet for tourists. Haikou Customs reported that 85,800 shoppers spent an estimated 547 million yuan on tax-free purchases during the period. To support major duty-free shops in Hainan during the May Day duty-free shopping peak, Haikou Customs continues to build smart supervision methods and leverage the online booking system for customs clearance to ensure that all duty-free goods imported to Hainan are reviewed, unloaded and shelved for sales in a timely manner.[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

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