

# China Retail & E-commerce Weekly Update



**Helen Chin**  
Vice President

**William Kong**  
Senior Research Manager

**Brigitte Ng**  
Research Analyst

**Fung Business Intelligence**  
11/F LiFung Tower  
868 Cheung Sha Wan Road  
Kowloon, Hong Kong  
T: (852) 2300 2271  
F: (852) 2635 1598  
E: fbicgroup@fung1937.com  
W: <http://www.fbicgroup.com>



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# I. Sector Review

## Internet & E-commerce

### Kuaishou E-commerce's large home appliance sales show explosive growth during 11.11 period

Kuaishou E-commerce's (快手电商) large home appliance category has shown explosive growth during the 11.11 promotional period. From 31 October to 4 November, the GMV of major home appliances exceeded the full 11.11 period last year, with a year-on-year growth of 909%. 11 merchants' GMV surpassed 10 million yuan, and 31 merchants' GMV surpassed one million yuan. The GMV of refrigerators, washing machines and air conditioners increased by 618% yoy, the GMV of TV sets increased by 509% yoy, and the GMV of kitchen appliances increased by 969% yoy. Haier (海尔), TCL and Hisense (海信) ranked top three in brand transactions.<sup>1</sup>

### Meituan launches its first interactive AI app 'Wow'

Meituan (美团) recently launched an AI-based social app called 'Wow', marking the company's first move into the growing field of generative AI. Wow is an interactive social community for young people. The product was developed by one of Meituan's subsidiaries and is still in the pilot stage. It is based on multiple large language models that have been registered in China, and is still undergoing technical and functional improvements.<sup>2</sup>

### Taobao welcomes 200,000 new influencers and 1,000 new institutions this year

More than 200,000 influencers and 1,000 professional institutions have joined the Taobao (淘宝) platform this year. Since 11.11, Taobao's short video users have increased by 142% yoy, and total viewing time has increased by 439% yoy. 31 brands have achieved annual sales of over 100 million yuan. Some influencers have even used their profits from content views to start their own businesses, and their overall revenue has increased sevenfold year-on-year.<sup>3</sup>

### Dingdong Maicai partners with Taobao Maicai to provide one-hour home delivery service

Dingdong Maicai (叮咚买菜) has joined Taobao Maicai (淘宝买菜) during the 11.11 period to provide a one-hour home delivery service. This is the first collaboration between Dingdong Maicai and Taobao (淘宝). Dingdong's approximately 1,000 locations are now all available on Taobao's hourly grocery shopping section. Since its arrival, Dingdong's grocery shopping transaction volume and number of users have achieved strong growth of more than 100% week-on-week.<sup>4</sup>

## Tmall sets new record for private member orders during 11.11 period

During this year's 11.11 period, Taobao (淘宝) and Tmall (天猫) private members orders increased by more than 100% yoy for several consecutive days. Many sectors have performed well, with member sales making up almost 30% of total sales. Repurchase orders from regular customers on Taobao and Tmall platforms recorded double-digit year-on-year growth for many days, among which the apparel, FMCG, sports and outdoor, and food sectors have seen a year-on-year growth of over 45% for many days. This year, Taobao and Tmall took five major measures, including free tools for membership management and driving return visits from regular customers, to help merchants increase repurchases and obtain more orders from private members during the 11.11 period. Furthermore, during the promotion period, the number of active merchants on the platform doubled for several consecutive days.<sup>5</sup>

## Retail Logistics

### JD Logistics establishes strategic partnership with Kweichow Moutai

JD Logistics (京东物流) and Kweichow Moutai Distillery (Group) Logistics (贵州茅台酒厂(集团)物流) recently signed a strategic partnership agreement. The two parties will jointly explore the digital transformation of the supply chain, consumer experience upgrades, full-chain collaboration to increase efficiency, green logistics and other fields. Together they will promote global smart logistics collaboration, as well as industry and technological innovation through high-value supply chain solutions such as digitalization, warehousing and distribution integration, express delivery, cold chain logistics, and transportation capacity integration.<sup>6</sup>

### JD Logistics' Lanzhou Intelligent Industrial Park is now fully operational

JD Logistics' (京东物流) 'Asia One' Lanzhou Intelligent Industrial Park, also known as 'Lanzhou Asia One', recently commenced operations. It is the largest intelligent logistics park in Gansu. This state-of-the-art logistics hub has seamlessly integrated cutting-edge technologies, including a high-speed automated matrix, high-speed narrow-band sorting system, ring sorter, and an automatic sorting system tailored for irregular items. It further employs a combination of RFID technology and six-sided photographic intelligence identification, utilizing hybrid code-reading techniques to achieve a sorting accuracy rate of 99.9%. The park covers a total of 200,000 sqm, covering a full range of products such as consumer electronics, daily necessities, personal care and beauty, home appliances and home furnishings.<sup>7</sup>

## Supermarkets & Hypermarkets

### Costco's first full-ecosystem flagship store in China to open in June 2024

Costco's Nanjing store is currently under construction and is expected to start operations in June 2024. The store is expected to achieve annual sales revenue of more than 1.4 billion yuan. Unlike other stores, this store will operate as a full-ecosystem model and will include a membership-based gas station.<sup>8</sup>

## Cosmetics

### WOW COLOUR x Meituan collaboration pop-up store opens in Beijing

Beauty collection store WOW COLOUR and Meituan (美团) recently joined forces to co-create the 'WOW COLOUR Retro Restaurant Bar' pop-up store in Wangfujing, Beijing. This event lasted until 12 November and was aimed at promoting the upcoming WOW COLOUR Beijing store.<sup>9</sup>

## Food & Beverage

### Starbucks records robust revenue growth in Chinese mainland in its fiscal fourth quarter

Starbucks recently announced that the company has opened 326 new stores in the Chinese mainland during its fiscal fourth quarter from 3 July to 1 October, with a strong revenue growth of 15% yoy for its Chinese mainland business, bringing total revenue to US\$840.6 million. During this period, same-store sales increased by 5% yoy, and same-store transaction volume increased by 8% yoy. Full-year revenue for fiscal 2023 reached US\$3.0 billion, a year-on-year increase of 11%, while same-store sales increased by 2% yoy. As of the end of fiscal 2023, the number of stores in the Chinese mainland reached 6,806, and there were over 21 million active members in the Starbucks Rewards Club, a year-on-year increase of 22%.<sup>10</sup>

### McDonald's China launches collaboration with Crocs

Crocs launched its inaugural collaboration with McDonald's China in the Chinese mainland on 8 November, featuring a series of creative items such as shoes, stockings, and Jibbitz shoe charms. The product designs reference Crocs' classic slippers and clogs, as well as McDonald's iconic characters, like Milkshake Brother, Birdie, and Burger Thief. Consumers can purchase the Crocs x McDonald's China products at a pop-up store in Shenzhen as well as various online channels and physical stores.<sup>11</sup>

## II. Market Overview

### Nearly 900 store closures in 3Q23

According to the National Bureau of Statistics, total retail sales of consumer goods in September was 39.826 trillion yuan, a year-on-year increase of 5.5%. Although retail sales improved in September, there was still a significant number of store closures nationwide in the third quarter – reaching 874 stores across 39 brands. Furthermore, a total of 3.8434 million companies across the country ceased operations during this period.<sup>12</sup>

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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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