

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-Commerce

Alibaba's supply chain platform 1688 launches its 'INSIDE Program'

Alibaba's (阿里巴巴) online supply chain platform 1688 has upgraded its customisation, wholesale, and retail capabilities by connecting manufacturers with retailers through its new INSIDE Program. Through 1688, factories can directly access various retail trade platforms including e-commerce platforms, lifestyle services platforms, and industry conventions.¹

No in-app purchases in Pinduoduo's new apparel and lifestyle app 'Mei Mei Da'

Pinduoduo (拼多多) has launched a new mobile app, Mei Mei Da (美美哒), which mainly promotes apparel, cosmetics, and home products. The app interface is divided into two sections: Select Categories and Bestsellers. Select Categories includes womenswear, shoes and bags, beauty and cosmetics, underwear and shape wear, fruit and beverages, etc. The Bestsellers section showcases individual top products such as lipstick and lip masks. However, the app currently does not support direct in-app purchases – instead, users must copy the purchase link and use their Internet browser to make a purchase.²

JD.com appoints Xu Lei as president and Xin Lijun as CEO of JD Retail

JD.com (京东集团) recently announced on the Hong Kong Stock Exchange that it has appointed Xu Lei as its president – a newly created role – while Xin Lijun and Jin Enlin have been appointed as CEO of JD Retail (京东零售) and CEO of JD Health (京东健康股份有限公司) respectively, effective immediately. Current chairman and CEO Richard Liu (the founder of JD.com) will shift his focus to long-term strategy, talent development, and rural development.³

JD.com to acquire a 26.38% stake in CNLP

China Logistics Property Holdings (CNLP, 中国物流资产) recently announced that JD Property Group Corporation (京东智能产业发展集团) will purchase 916 million shares of CNLP, representing a 26.38% stake in the company, from Yupei International (宇培国际) at a share price of HK\$4.35 for a total cash consideration of HK\$3.987 billion (roughly 3.3 billion yuan). This transaction will make JD.com the largest shareholder of CNLP with a stake of 37.02%, while the second and third largest shareholders will hold 21.94% and 18.1% of shares respectively. According to CNLP's financial reports, as of 30 June, the company operated 38 logistics parks in 19 provinces/municipalities, with a total of 179 logistics facilities in operation. Its logistics parks maintain a 91% occupancy rate.⁴

Tmall International launches new cosmetics brand incubator

Tmall International (天猫国际) has announced a new cosmetics brand incubator. The incubator will provide platform marketing, industry expertise, new trend development, supply chain capabilities, platform support, and other services in order to help overseas brands expand into the Chinese market. This will help the Alibaba Group (阿里巴巴) achieve its five-year import goal of US\$200 billion. Tmall plans to bring in 1,000 new overseas cosmetics brands in the coming year and incubate over 50 new brands that have an annual turnover of at least 10 million yuan.⁵

Vipshop invests 250 million yuan in new consumer finance company

Vipshop Fubon Consumer Finance Company (唯品富邦消费金融公司) has received approval from the Sichuan Office of the China Banking and Insurance Regulatory Commission (CBIRC). According to the announcement on the CBIRC website, the company has a registered capital of 500 million yuan. As the largest shareholder, Vipshop (唯品会) has invested 249.5 million yuan in the company, holding a 49.9% stake. Some investors believe that with a female-dominated (80%) user base, Vipshop has a significant advantage in the consumer finance market in terms of user traffic and data, thus facilitating its development of the consumer instalment business.⁶

Douyin e-commerce report: 76% of users have purchased best-selling items in the past year

Together with Trend Insight (巨量算数, Ocean Engine's trend forecasting division), Douyin e-commerce (抖音电商) published the *2021 Douyin E-Commerce Trend Insights Report* on 3 September. According to Douyin's user data, 76% of users purchased at least one best-selling item in the past year, with 51% making a repeat purchase. Within these users, 80% made their purchases through Douyin as they felt that shopping directly in the app was more convenient. Since Douyin's 'Dou-In Bestsellers List' was launched in April, it has published over 15,000 lists covering nearly 100 main product categories. More than 700,000 products have made the list, purchased by a total of over 6.6 million shoppers.⁷

Chengxin Youxuan to downsize significantly from nine to three operating regions

Chengxin Youxuan (橙心优选) will downsize its operations from 31 provinces in nine regions to 9 provinces in three regions. These three regions will be managed by CEO Chen Ting, head of sales An Tai, and head of operations Lai Chunbo respectively. The company is still in the process of restructuring, which will be completed before 15 September. Prior to the restructuring, its daily order volume was around 6 million, having fallen by nearly half since its peak of over 10 million. Its current daily gross merchandise value (GMV) is between 40-50 million yuan. According to an insider, Chengxin Youxuan has invested more than 20 billion yuan in its business over the past year.⁸

Department Stores & Shopping Malls

Wangfujing plans to transform Dong'an Market into an international department store on a buyer model

Wangfujing Group (王府井集团) recently announced its plans to revamp its business, transforming Wangfujing Street and modernising its brand in the process. Wangfujing Group aims to establish Dong'an Market (东安市场) as an international department store on a buyer model, which will also help further transform and develop China's department store industry.⁹

Supermarkets & Hypermarkets

Freshippo upgrades its wine business with the first ten 'X18 Wine Cellars'

On 8 September, Freshippo (盒马) announced its plan to upgrade its wine business by rolling out the first ten 'X18 Wine Cellars' (盒马 X18 酒窖) in major cities including Beijing, Shanghai, Shenzhen, and Hangzhou. It will continue to expand the concept by upgrading nearly 300 stores nationwide. The wine cellars will carry over 1,200 products across various categories including liquor, wine, foreign wines, beer, and low-alcohol drinks.¹⁰

Apparel

Fashion brand Everlane to exit the Chinese market

Following in the footsteps of Urban outfitters, Everlane – which has only been on the Tmall (天猫) platform for two years – has announced a global restructuring which involves closing its Tmall International flagship store on 12 September. The store currently has 533,000 followers. After-sales and customer services will remain operational until 10 October, but the brand's WeChat (微信) mini program had already been taken offline on 30 August. However, the move does not represent a full departure from the Chinese market, as Chinese consumers can continue to shop on Everlane's international website.¹¹

Unisex apparel brand bosie receives equity investment from Bilibili's affiliated company

An affiliated company of Bilibili (B站/哔哩哔哩) has become a shareholder of clothing brand 'bosie' with a 4.9% stake. Bilibili's COO Li Ni also serves as a director of bosie. bosie is a casual apparel brand that focuses on unisex clothing for post-1995 consumers. Established in May 2018, bosie's sales exceeded 100 million yuan in its first year, making it the fastest growing menswear brand in Taobao/Tmall history. As of June 2021, bosie had 21 offline stores which are mostly 200-500 sqm each.¹²

Sports

Swedish sportswear fashion brand Peak Performance enters the Chinese market

Swedish sportswear fashion brand Peak Performance has established a Tmall (天猫) flagship store and plans to open offline stores in China as well. Peak Performance was established in 1986, and its first physical store, located in Stockholm, opened in 1991. The brand initially focused on exporting its products to neighbouring countries (Norway, Denmark, Finland and Switzerland) before gradually expanding to become a well-known sportswear brand across Northern Europe.¹³

Catering

Ele.me opens several hundred new Grocery Select stores across Shanghai, Hangzhou and Guangzhou

Ele.me (饿了么) recently opened several hundred new Grocery Select (挑菜达人) stores across Shanghai, Hangzhou and Guangzhou. According to the head of Ele.me's fresh food division, the Grocery Select stores in Chengdu have performed well after operating for the past half year – some stores have seen over 200% growth in daily orders, while some vendors have online sales nearly making up 50% of the total sales. In order to ensure a good shopping experience, Ele.me has stringent standards for its vegetables, meat and dairy, and aquaculture products, and the platform also guarantees refunds for spoiled goods. Ele.me is currently hiring over 1,000 new employees to further expand the Grocery Select concept.¹⁴

II. Market Overview

CATIS: China's social e-commerce market to reach 5.8 trillion in 2021

The social e-commerce branch of the China Association for Trade in Services (CATIS, 中国服务贸易协会) recently published the *2021 Social E-Commerce Development Report*. According to the report, China's social e-commerce market is expected to reach 5.8 trillion in 2021, a year-on-year increase of 45%. Social e-commerce has multiple modes of development – besides from the rapid growth of livestreaming e-commerce and community group purchasing, social shopping guides are favoured by mothers, college students and unemployed groups due to low risks and no barriers to entry. As such, it has provided new opportunities for private entrepreneurship and employment.¹⁵

III. Policy Spotlight

Beijing to develop 2-3 large-scale international commercial districts in five years

The Beijing Municipal Commerce Bureau (北京市商务局) recently issued the *Implementation Plan for the Construction of an International Consumption Centre City*. Beijing aims to build itself into an international consumption centre city with global influence, competitiveness and reputation over the next five years. In terms of international visibility, Beijing will aim to significantly improve its global competitiveness ranking and develop two to three world-class commercial districts each with a scale of 100 billion yuan. By 2025, there will be over 3,000 first stores, innovative stores and flagship stores in Beijing established by domestic and international brands alike. Beijing will also build about 10 cluster areas featuring 230 domestic time-honoured brands, and incubate more than 100 new consumer brands.¹⁶

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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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