

China Retail & E-commerce Weekly Update



I. Sector Review 2

Internet & E-commerce 2

- JD.com’s adds new ‘Service Manager’ to provide pet care tips 2
- Number of consumer electronics merchants participating in ‘Double 11’ up 2x on Meituan Delivery 2
- JD.com launches FIRST Programme to support overseas brands entering the Chinese market 2
- WeCom now offers direct customer service for video account stores 2

Retail Logistics 3

- Amazon to set up its first overseas pre-position warehouse in Ningbo 3
- JD Logistics includes consumers in carbon reduction efforts during ‘Double 11’ 3
- Cainiao provides 3,000 flights to ensure cross-border logistics during ‘Double 11’ 3

Apparel 4

- Baozun acquires Gap Greater China for up to US\$50 million 4
- American fashion brand PacSun joins Douyin E-commerce 4
- Adidas’ revenue in Greater China falls by over 25% yoy in 1-3Q22 4

Furniture and Home Improvement 4

- Suning Yijia opens first flagship store in Chongqing 4

II. Market Overview 5

- Over 180,000 new livestreaming-related companies established in 1H22, up 195.4% yoy 5
- 55% of US consumers willing to buy Chinese brands this holiday season 5
- Meituan: Orders for affordable hand creams from domestic brands up by 129% from September to October 5

III. Policy Spotlight 6

- 18 government departments jointly issue action plans to improve the quality of products, engineering, and services 6

References (in Chinese) 7

Helen Chin
Vice President

William Kong
Senior Research Manager

Brigitte Ng
Research Analyst

Vivian Liang
Assistant Manager

Fung Business Intelligence
11/F LiFung Tower
868 Cheung Sha Wan Road
Kowloon, Hong Kong
T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



I. Sector Review

Internet & E-commerce

JD.com's adds new 'Service Manager' to provide pet care tips

JD.com (京东) launched a new 'Service Manager' during this year's 'Double 11' period. The service will start with the Pet Care Service Manager, which is mainly aimed at (new) pet owners, providing care reminders, vet consultations, and pet care content which covers feeding, training, daily interactions, disease prevention, grooming and cleaning, outdoor exercise, pet boarding, etc.¹

Number of consumer electronics merchants participating in 'Double 11' up 2x on Meituan Delivery

According to Meituan Delivery (美团外卖), the number of consumer electronics stores participating in 'Double 11' this year increased two times compared to last year. From 30 October to 1 November, Meituan's delivery sales for consumer electronics products increased by 13 times year-on-year, of which mobile phone sales increased by 13 times and computer sales increased by 73 times. Experts in the e-commerce retail industry said that the participation of instant retail platforms is a new highlight of this year's 'Double 11' period. Instant retail platforms allow offline brick-and-mortar merchants to participate in the shopping festival which was originally limited to online merchants, thus expanding the scope of 'Double 11'.²

JD.com launches FIRST Programme to support overseas brands entering the Chinese market

During the fifth China International Import Expo (CIIE) which was held recently in Shanghai, JD Worldwide (京东国际) announced the FIRST Programme which will help smaller overseas brands and merchants explore the Chinese market. The programme focuses on four popular imported product categories: clean skincare, natural cosmetics, scalp care, and 'skincare black technology'. It will provide strong support for more overseas niche brands to explore the Chinese market. In the past three years, the value of goods of foreign brands sold on JD platform reached 500 billion yuan, exceeding the target of 400 billion yuan announced at the second CIIE in 2019.³

WeCom now offers direct customer service for video account stores

WeChat (微信) recently announced that the latest version of WeCom (企业微信) will feature direct customer service for video account store merchants. Users can access customer service via various pages on the app. Merchants can also access different customer service accounts on the video account home page, the store page, and the livestream studio. When livestream hosts introduce specific products, users can also directly contact the brand's customer service for product inquiries.⁴

Retail Logistics

Amazon to set up its first overseas pre-position warehouse in Ningbo

At the China International Import Expo held on 5 November, Amazon announced its first pre-position bonded warehouse, which will open in Ningbo in 2023. The warehouse, which will be regulated by local customs, will allow overseas merchants to ship their goods to Ningbo, where they can be stored in advance. The new facility is expected to cut delivery times for Amazon shoppers by four to five days, the company said in a statement. The warehouse will first serve Amazon's UK and Germany sites, and will eventually expand to service goods from Amazon's US and Japan sites.⁵

JD Logistics includes consumers in carbon reduction efforts during 'Double 11'

JD Logistics (京东物流) recently pledged to reduce carbon emissions by 200,000 tons during the 'Double 11' period, and it included consumers in these efforts by issuing carbon reduction coupons. Users can automatically receive reductions in their personal carbon accounts by sending and delivering packages through JD Express (京东快递) during the 'Double 11' period. In addition, JD Logistics has also launched green logistics services including green packaging, new-energy storage, green transportation, and recycling.⁶

Cainiao provides 3,000 flights to ensure cross-border logistics during 'Double 11'

This year, Cainiao (菜鸟) participated in the CIIE for the second time with a themed exhibition area for 'Digital Logistics Opening a New Perspective on Supply Chain'. In the past year, the number of cross-border merchants using Cainiao's supply chain services has increased by nearly 20%. Up to now, more than 370 million imported goods shipped from over 200 ports around the world have been stocked in Cainiao bonded warehouses, central warehouses and overseas global fulfilment centres, and entered China through more than 400 Cainiao sea, land, air and rail routes. In addition, Cainiao and the customs agencies have jointly built a stable 'second-level customs clearance' digital system which has achieved full port coverage. Furthermore, Alibaba's (阿里巴巴) 1.3 billion consumers worldwide will begin receiving express deliveries during this year's 'Double 11' period. To this end, Cainiao has opened 15 major distribution centres and overseas warehouses across over 30 countries around the world, and set up more than 3,000 flights to guarantee worldwide express delivery.⁷

Apparel

Baozun acquires Gap Greater China for up to US\$50 million

E-commerce solutions provider Baozun (宝尊) announced on 8 November that it had signed definitive agreements to acquire Gap Greater China, the American apparel company's regional division, in an all-cash transaction of US\$40 million, subject to adjustments within a limit of US\$50 million. Gap opened its first store in China in 2010 and now has more than 200 stores. In 2020, its brand Old Navy withdrew from the Chinese market due to poor development. This year, the company started shutting down stores across the country.⁸

American fashion brand PacSun joins Douyin E-commerce

American fashion specialty retailer PacSun recently announced the launch of its cross-border e-commerce flagship store on Douyin E-commerce Global (抖音电商全球购). The opening of the brand's flagship store coincides with the 'Double 11' shopping festival. PacSun will commence its BigDay promotional event on 6 and 11 November alongside its own brand launch. PacSun plans to cooperate with Douyin's top influencers and well-known Chinese hosts, such as Li Cansen and the Make Friends (交个朋友) livestreaming studio operated by Luo Yonghao. In addition, PacSun plans to launch its first new autumn and winter collection in China on 18 November through the Douyin flagship store.⁹

Adidas' revenue in Greater China falls by over 25% yoy in 1-3Q22

Adidas recently announced its financial results for 3Q22. The Greater China market continued to be sluggish, with revenue in the first three quarters reaching only 2.66 billion euros, down 25.3% yoy. Revenue declined by 27% yoy for the Greater China market in 3Q22. This is Adidas' sixth consecutive quarterly sales decline in Greater China.¹⁰

Furniture and Home Improvement

Suning Yijia opens first flagship store in Chongqing

On 4 November, Suning Yijia (苏宁易购) opened its first domestic flagship store in Guanyinqiao, Chongqing. Suning Yijia is one of Suning.com's (苏宁易购) innovative business models that focuses on home solutions, and the flagship store is another new attempt following the opening of the first plaza store in Xuzhuang, Nanjing in August. The new store provides users with full-chain, one-stop home services such as whole house customization.¹¹

II. Market Overview

Over 180,000 new livestreaming-related companies established in 1H22, up 195.4% yoy

According to data from Qichacha (企查查), there are 589,000 livestreaming-related enterprises in China. In 1H22, there were 181,000 new livestreaming-related enterprises, a significant increase of 195.4% yoy. New registrations of livestreaming-related companies in China have increased over the past ten years. From 2012 to 2019, the growth rate of registrations was relatively moderate, ranging from 31% to 52%. However, livestreaming saw a huge boom in 2020, which led to the new registration of 55,600 livestreaming-related companies throughout the year – a significant increase of 198.6% yoy. The registration volume in 2021 further increased by 234.4% yoy to 185,900. By region, Guangdong ranks first with 70,100 existing livestreaming-related enterprises, followed by Zhejiang and Shandong, with 54,400 and 51,900 respectively. Next is Fujian, Jiangsu and Henan.¹²

55% of US consumers willing to buy Chinese brands this holiday season

New research from advertising technology company The Trade Desk and research firm YouGov shows that most Americans expect to spend the same amount or more than last year on gifts for loved ones (58%) and items for themselves (56%). Furthermore, the survey found that more than one in two US consumers (55%) are willing to buy products from Chinese brands this holiday season. Popular product categories during the holiday season happen to be the same categories where they are willing to consider Chinese brands – this includes apparel and accessories, toys, games and peripheral collectibles, and home products. In addition, hobbies and stationery items, mobile and small electronic devices, consumer electronics, and online games are in high demand.¹³

Meituan: Orders for affordable hand creams from domestic brands up by 129% from September to October

Hand creams and face creams are best-selling products in autumn and winter. Data from Meituan (美团) show that since October, orders for affordable hand creams from domestic brands increased by 129% mom and 52% yoy, while face cream orders increased by 58% mom and 154% yoy. The top cities for hand and face cream sales are Beijing, Shanghai, Tianjin, Chengdu, and Guangzhou. In terms of product prices, the older brands of hand creams below 10 yuan accounted for 49%, while hand creams below 20 yuan reached 75%; the proportion of face creams below 20 yuan reached 56%, while face creams priced below 50 yuan reached 71%.¹⁴

III. Policy Spotlight

18 government departments jointly issue action plans to improve the quality of products, engineering, and services

With the approval of the State Council, 18 government departments, including the State Administration for Market Regulation, recently issued the *Action Plan for Further Improving the Quality of Products, Engineering and Services (2022-2025)*. The Plan clearly states that by 2025, the quality of supply and demand will be better matched, more agricultural products and food will pass inspection, the high-quality supply of consumer goods will increase, the quality of industrial products will steadily move towards the mid-to-high end, and the quality of buildings and their functionalities will continue to improve. Furthermore, producer services will improve and become more specialized, and the accessibility, convenience and public satisfaction towards daily services will improve.¹⁵

References (in Chinese)

- ¹ 《京东双 11 新增“服务管家”产品 首期关注解决养宠难题》，2022 年 11 月 4 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504540.shtml>
- ² 《美团外卖助力实体商家参与 11.11 数码 3C 门店数增长 2 倍》，2022 年 11 月 4 日，联商网
<http://www.linkshop.com/news/2022495739.shtml>
- ³ 《京东国际新增“FIRST 计划”支持海外品牌开拓中国市场》，2022 年 11 月 7 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504728.shtml>
- ⁴ 《微信客服能力正式接入视频号小店》，2022 年 11 月 9 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/505002.shtml>
- ⁵ 《亚马逊海外购首个前置保税仓将落户宁波》，2022 年 11 月 5 日，36 氪
<https://36kr.com/newsflashes/1988518342748165>
- ⁶ 《双 11 京东物流派发 20 万吨减碳券 联合消费者参与脱碳计划》，2022 年 11 月 8 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504888.shtml>
- ⁷ 《菜鸟亮相进博会 3000 架次航班为跨境商品保驾护航》，2022 年 11 月 8 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504900.shtml>
- ⁸ 《宝尊电商最高 5000 万美元收购 Gap 大中华区业务》，2022 年 11 月 8 日，联商网
<http://www.linkshop.com/news/2022495897.shtml>
- ⁹ 《美国时尚品牌 PacSun 入驻抖音电商》，2022 年 11 月 9 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/505021.shtml>
- ¹⁰ 《阿迪达斯三季度中国市场再跌逾 25%》，2022 年 11 月 10 日，36 氪
<https://36kr.com/newsflashes/1995254778163712>
- ¹¹ 《双十一苏宁易家旗舰店首店落地重庆》，2022 年 11 月 4 日，36 氪
<https://36kr.com/newsflashes/1987025593000963>
- ¹² 《上半年我国新增直播相关企业超 18 万家 同比增长 195.4%》，2022 年 11 月 7 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/504739.shtml>
- ¹³ 《今年假日季 55% 的美国消费者愿意购买中国品牌产品》，2022 年 11 月 10 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/505144.shtml>
- ¹⁴ 《美团：10 月以来国货品牌平价护手霜订单环比 9 月增长 129%》，2022 年 11 月 9 日，亿邦动力网
<https://www.ebrun.com/ebrungo/zb/505049.shtml>
- ¹⁵ 《市场监管总局等部门印发进一步提高产品、工程和服务质量行动方案》，2022 年 11 月 10 日，36 氪
<https://36kr.com/newsflashes/1995445870490370>

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.

For more information, please visit www.funggroup.com.

© Copyright 2022 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.