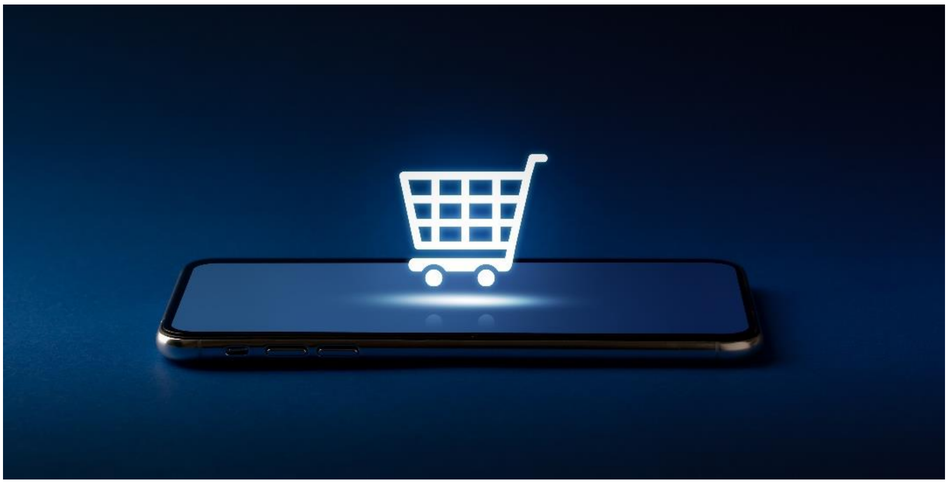
China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Alibaba launches 'Carbon88' programme to encourage low-carbon lifestyles

On 9 August, Alibaba (阿里巴巴) launched a carbon ledger programme called 'Carbon88' across its ecosystem. This is the first multi-scenario consumer carbon accounting system covering more than one billion people in China. Users will earn points for uploading proofs of their low-carbon choices, such as riding public transport and bringing their own cups to cafes. The accumulated points will unlock digital badges and discounts on Alibaba's e-commerce platforms.[1]

Tmall Ecosystem Lab collaborates with Baozun E-commerce to provide digital solutions for brands

Tmall (天猫) recently launched the 'Tmall Ecosystem Laboratory' project, which will cooperate with ecosystem partners such as Baozun E-commerce (宝尊电商) to help provide customized digital business solutions and product services for brands.[2]

Douyin brings service provider to Zhuzhou to support innovation in apparel industry

Zhuzhou Gubang Digital Technology (株洲谷邦数字科技), a subsidiary of Tianze Group (天泽集团), is recently named Douyin E-commerce's (抖音电商) 'industrial belt service provider', which will empower the Tianze Huali e-commerce livestreaming hub in Zhuzhou and support the innovative development of Zhuzhou's apparel industry. Tianze Group has redesigned and renovated more than 1,000 shops in Tianze Huali Wholesale Market to create a new retail business model of 'livestream + physical store supply + platform + operation + host'. The company has also invested in the construction of an 800-sqm Xi Le Ju restaurant (喜乐聚餐厅), a 1,800-sqm hotel-style apartment for livestream hosts, a 3,000-sqm Tianze Huali e-commerce livestreaming hub, a 2,000-sqm e-commerce shooting base, a 980-sqm fashion influencer training centre, etc.[3]

Alibaba's revenue reaches 205.56 billion yuan while net income falls by 30% yoy in the June quarter

On 4 August, Alibaba Group (阿里巴巴集团) announced its financial results for the quarter ended 30 June. Its revenue was 205.56 billion yuan, flat over the same period last year; adjusted net income was 30.25 billion yuan, a year-on-year decrease of 30%. In the 12 months ended 30 June 2022, more than 123 million annual active consumers spent more than 10,000 yuan on Taobao and Tmall; the consumer retention among these consumers was 98%. The percentage of online sales for Freshippo (盒马) and Sun Art (高鑫) reached 68% and 36%, respectively, during the quarter. Ele.me's (饿了么) non-restaurant delivery orders grew steadily. In the quarter, paid GMV of M2C (manufacturers-to-consumers) products on Taobao (淘宝) and Taobao Deals (淘特) grew more than 40% yoy, and the GMV of Taocaicai grew more than 200% yoy.[4]

Retail Logistics

Brand Finance: JD Logistics among world's top 10 strongest logistics brands

JD Logistics (京东物流) was named one of the world's top 10 strongest logistics brands in the *Logistics 25 2022* report released by Brand Finance, an independent brand business valuation consultancy. The report highlights JD Logistics' innovations in the supply chain sector, noting that JD Logistics has invested in cutting-edge technology and research to roll out an automated delivery service offering in selected cities in China. The company is also focusing on ESG projects such as establishing China's first carbon-neutral logistics industrial park which aims to lower energy consumption.[5]

Department Stores & Shopping Malls

Intime now operates 100 Intime 365 stores

The recent opening of a new Intime 365 store (银泰百货云店) in Nanjing means that Intime now operates 100 Intime 365 stores, which are part of Intime's digital transformation efforts. Intime 365 stores can sell products that are distributed in central warehouses, digital store warehouses, and specialty counters. After an order is placed, the system will deliver it to the consumer through the most efficient method.[6]

Supermarkets & Hypermarkets

Yonghui closes Shijiazhuang warehouse store after only one year of operation

Yonghui Superstores (永辉超市) recently announced the closure of its Shijiazhuang Huaite Plaza store. The store opened in November 2014 and became one of Yonghui's experimental stores in July last year, transforming from a hypermarket into a warehouse store. In recent years, domestic supermarkets have gradually entered the warehouse format, operating through membership warehouses and warehouse stores. The former requires paid membership, while the latter has no such requirements. Yonghui is currently the industry leader in warehouse stores. After trial operations in May 2021, it had opened 53 warehouse stores by the end of the year. However, industry insiders believe that domestic supermarkets such as Freshippo (盒马) and Yonghui are still in the early imitation stages.[7]

Apparel & Sports

Axel Arigato expands into China with Tmall flagship store

Swedish lifestyle brand Axel Arigato has entered the Chinese market with the opening of its first-ever flagship store on Tmall (天猫). The move aims to expand its direct-to-consumer model and customer-first approach while building an 'authentic conversation' with its Chinese community, following the brand's positive growth over the last two years. To celebrate the launch, Axel Arigato has launched an exclusive Chinese Valentine's Day limited-edition capsule collection.[8]

Li Ning opens its first 'urban custom store' in Beijing

Li Ning (李宁) recently opened its first 'urban custom store' in Xidan, Beijing. The store carries on Li Ning's spirit and integrates Chinese culture and urban elements into sports trends. The boutique includes an integrated intelligent conveyer belt system, which allows product to reach customers within one minute and forty seconds of placing an order. There is also a modern, club-like VIP room, in addition to displays dedicated to innovations such as plant dyeing.[9]

Gap closes multiple stores in China

US fashion retailer gap has closed stores in various cities across China. According to Tianyancha, one-third of Gap's domestic subsidiaries have been closed. The company has explained that the move is related to the brand's store adjustment plan.[10]

Taobao's iFashion collection store reopens in Shanghai

Taobao's (淘宝) iFashion collection store, which opened in March this year, has resumed normal operations. It is Taobao's first clothing collection store in Shanghai. It carries 21 iFashion-selected brands including Hacikis (哈齿小姐), JNYLON STUDIOS, EKCOOKIES and other trendy domestic brands. The store has two floors covering 1,000 sqm, selling clothing, shoes, bags, etc. The purpose of iFashion collection stores is to expand from online to offline channels.[11]

Cosmetics

US makeup brands Stila and GlamGlow exit the Chinese market

Cosmetics brand Stila ended the operations of its Tmall flagship store at 18:00 on 26 July. Another popular makeup brand, GlamGlow, also ended the operations of its Tmall flagship store in early August – though its online customer service will continue until midnight on 31 August.[12]

China is Shiseido's largest market worldwide

On 10 August, Shiseido released its financial results for 1H22. In 1H22, China was Shiseido's largest market, with net sales reaching a total of 5.792 billion yuan, exceeding Japan's 5.788 billion yuan. However, net sales in China fell by 14.2% yoy on a like-for-like basis, the largest decrease globally.[13]

II. Market Overview

CGCC: China Retail Prosperity Index reaches 50.2% in August

On 6 August, the China General Chamber of Commerce (CGCC) released the China Retail Prosperity Index (CRPI). In August, the CRPI was 50.2%, unchanged from the previous month. As targeted pandemic control measures continue and the country has successively lowered interest rates, confidence in the market has gradually returned and the retail market has stabilized. Recovery in consumption is expected to be stable, but it will take time for the retail ecosystem to fully recover.[14]

III. Policy Spotlight

Four government departments jointly call for high-quality development of the home furnishing industry

The Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development, the Ministry of Commerce, and the State Administration for Market Regulation have jointly issued the *Action Plan for Promoting the High-Quality Development of the Home Furnishing Industry*. The Plan proposes new platforms such as manufacturing innovation centres and digital transformation promotion centres for household appliances, lighting appliances and other industries. It requires that the integration of informatization and industrialization (两化融合) in key industries should reach 65% by 2025. The plan also calls for the nurturing of 5G-enabled factories, smart manufacturing demonstration factories, and outstanding application scenarios. Personalized customization such as C2M customization, whole-house customization, and scene-based integrated customization should grow steadily, the supply of green, smart, and healthy products should increase significantly, and the development of smart homes and other new formats should accelerate.[15]

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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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