China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

SGS partners with JD.com's own brands

SGS has partnered with JD.com (京东) to issue independent SGS product certifications for JD.com's own-brand products, and the two parties will cooperate on ensuring product quality and performances. The JD.com brands included in this partnership are J.Zao (京东京造), Huixun (惠寻), Hommy (佳佰), Latit, Feng Wei Zuo Biao (风味坐标), Jing Meng (京萌), Need, etc. SGS provides quality assurance services through factory audits, product testing and post-certification supervision across four product dimensions: performance, features, efficacy and durability. This will enable JD.com to highlight its own brands' strengths and differentiate its products from others. Furthermore, the independent certification label will gain consumer trust and help them easily recognise JD.com's product quality.[1]

Zhihu launches new self-operated e-commerce business

Zhihu (知乎) launched its new self-operated e-commerce business during the 11.11 shopping festival in the form of a flash sales zone, and its theme was 'Zhiyou Benefits' (知友福利站). However, the product offering was limited, with very few well-known products. Zhihu first entered the e-commerce market in 2019 with 'Zhihu Haowu' (知乎好物). On 21 October this year, the company's official account announced the 'Self-operated Demand Generation Programme', encouraging creators to link Zhihu products in their answers in exchange for rewards.[2]

Weixin and WeChat have a total of 1.263 billion monthly active user accounts in 3Q21

Tencent (腾讯) recently released its 3Q21 financial results. As of 30 September, the combined monthly active user accounts of Weixin (微信) and WeChat reached 1.263 billion, a year-on-year increase of 4.1%. According to Tencent, they have enriched Weixin's video content (through its resources in official accounts and sports and game content) and improved its recommendation technology, which has resulted in a healthy increase in video views. The number of active Mini Programs increased by more than 40% yoy due to a stronger commerce ecosystem and deeper penetration across industries such as catering, retailing and transportation.[3]

Retail Logistics

JD Logistics achieves same-day or next-day delivery in 93% of districts and counties and 84% of towns across China

As of 8 November, JD Logistics's (京东物流) delivery had covered almost all towns and villages in the country, achieving same-day or next-day delivery in 93% of districts and counties and 84% of towns across the country – significant improvement since its 6.18 shopping festival. Established in 2007, JD Logistics has achieved full coverage of both large and small- and medium-sized goods logistics in almost all districts and counties in the Chinese mainland in 10 years, and continues to strengthen the 'county-town-village' three-level logistics network for express delivery into the rural areas. This year, JD Logistics has brought Sichuan spring tea, Yantai cherries, Lingnan lychees, Gannan navel oranges, Inner Mongolia beef and mutton and other agricultural products from over 1,000 agricultural industrial belts to the rest of country, facilitating the sales of agricultural products to cities.[4]

Supermarkets & hypermarkets

MUJI China partners with JD.com's 7FRESH to launch a fresh food complex store

On 11 November, MUJI and JD.com's gourmet fresh food supermarket 7FRESH (七鲜) jointly launched their first fresh food complex store in China. This is MUJI's first entry into the Chinese fresh food market as well as 7FRESH's first store in Shanghai. The complex store's product categories include fruits and vegetables, maternal and baby products and fresh aquatic products. It covers an area of 4,130 sqm with two major areas: the MUJI store and the supermarket. The MUJI store is designed and operated by MUJI. The supermarket is designed by MUJI and operated by 7FRESH. The complex store also provides diet plans alongside their products.[5]

Catering

Haidilao to close 300 restaurants after losing HK$350 billion in market capitalization

On 5 November, Haidilao (海底捞) announced its plans to gradually close 300 Haidilao restaurants by 31 December – the largest wave of restaurant closures since its IPO. However, the closures are not permanent, as some restaurants will reopen after adjustment. In February this year, Haidilao's share price reached a record high of more than HK$80 per share, and its market capitalization was once close to HK$470 billion. The share price has fallen by 70% since then, and the company has lost over HK$350 billion in market capitalization.[6]

Miscellaneous

Emerging brand 'SEEDIST' opens new offline retail channel

SEEDIST's (有种生物) first flagship store recently opened in Guangzhou's M·LIVE Plaza. The multi-business lifestyle store is divided into six major sections: plants and greenery, pets, aquatics, flowers, home and children, and light beverages. The traditional flower, bird, fish, and insect market now has a younger and more open layout – each format is presented in a modular and scene-oriented manner to appeal to a wide range of consumers while promoting parent-child interaction and strengthening the relationship between man and nature. SEEDIST plans to open offline flagship stores in various cities next year, including Shenzhen, Shanghai, Beijing, Chongqing, and Wuhan.[7]

Walmart China and GLP announce the establishment of a joint innovation centre

Walmart China, GLP and Plug and Play China held a joint innovation event in Shenzhen on 3-4 November, where Walmart and GLP also announced the establishment of a joint innovation centre. Themed 'the unknowns and future of the retail supply chain', the event was aimed at inviting a new generation of innovative forces to cooperate with Walmart China and GLP to jointly explore and improve technological solutions in retail supply chains, in order to respond to various business challenges, upgrade business growth models and bring new experiences to consumers.[8]

Hema launches 'Clean by tomorrow' laundry service

On 8 November, Hema (盒马) added to its lifestyle service offerings by launching a laundry service. The service covers down jackets, sweaters, suits, shirts, etc. Users can choose a specific time slot for in-home pickup and delivery, and products with the 'Clean by tomorrow' (隔日净) label will be returned within 72 hours. According to the terms and conditions, categories such as leather goods, shoes and bags have a longer turnaround time (between 7-10 days).[9]

II. Market Overview

China Chain Store and Franchise Association: Sales of top 100 supermarket chains reach 968 billion yuan, up 4.4% yoy

On 8 November, the China Chain Store & Franchise Association released the *2021 Report on Chain Supermarket Operations*. According to the report, the total sales of the top 100 supermarket chains in 2020 was 968 billion yuan, an increase of 4.4% yoy; there were a total of 31,000 stores, an increase of 7.4% yoy. Among them, large supermarkets accounted for 14.4% of stores, supermarkets accounted for 12.3%, and community supermarkets accounted for 73.3%. Most of the new stores are community stores that focus on fresh food. In addition, supermarket chains are showing the following development trends: leading enterprises are still developing rapidly and the degree of concentration has further increased; there are differentiation in profitability among supermarket chains, and differentiation of performance among cities and retail format; supermarkets chains are continuing their adjustments in store format, market positioning and product categories.[10]

Linkshop Retail Research Centre: 39 new commercial projects open in October, up 39% yoy

According to the Linkshop Retail Research Centre, 39 new commercial projects opened nationwide in October 2021, down 52.4% from September (which had 82 openings) and up 39% yoy. Eastern China is still leading with 24 new projects, providing 2.05 million sqm of commercial space. Southern China comes in second, with two projects each in Guangdong, Guangxi and Hainan. Central China and Northwest China each had three new projects, followed by two in Southwest China, one in North China and none in Northeast China.[11]

Winshang.com: Fast fashion brands open 70 stores in 3Q21

According to incomplete statistics from Winshang.com, in 3Q21, the eight major fast fashion brands (MJstyle, Uniqlo, UR, MUJI, C&A, GAP, ZARA, H&M) opened a total of 70 new stores in the Chinese Mainland (excluding reopened stores), fewer than the same period last year (which saw 81 new store openings). Uniqlo takes the lead with 33 new stores; UR and MUJI rank second and third with 13 and 10 respectively; new stores of GAP, MJstyle, and Zara are all in the single digits, and both H&M and C&A have no new stores. Note that H&M has only closed stores in the Chinese market this year without opening new ones while its online operations have also continued to shrink.[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

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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