

China Retail & E-commerce Weekly Update



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>



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I. Sector Review

General Retail

CRE and Fung Investments set up an investment platform worth US\$300 million

China Resources Enterprise (CRE) and Fung Investments announced the establishment of a 50/50 US\$300 million joint venture investment platform, focusing on businesses with quality brands, products, services and technologies. The two parties will each be responsible for US\$150 million in contribution to the joint venture. The joint venture will make investments in offshore companies which sell consumer and lifestyle related quality brands, products, services and/or innovative technology, which have potential for introduction to or expansion in China particularly in the Greater Bay Area and which are in alignment or synergistic with the forecasted consumption growth trends in the Greater Bay Area with respect to the lifestyle, fashion and healthcare sectors. The joint venture marks an important step by the Fung family to raise its stake in capturing growth opportunities in China's burgeoning consumer market.¹

Intime Department Store acquires ICON&STORIES

Intime Department Store (银泰百货) recently acquired the ICON&STORIES trademark which formerly belonged to the buyer shop chain. After the transaction is completed, Intime will operate a dual-brand model through Shopliq (西有) and ICON&STORIES. ICON&STORIES is a Beijing-based chain of buyer shops, with various locations in several core business districts. The brand focuses on niche designer brands from Europe and the US, with an average price of 1,000 yuan per item. Three store locations, which are located in Taikoo Li Sanlitun, Seasons Place, and Parkview Green FangCaoDi, have been renamed to Shopliq.²

Internet & E-commerce

JD.com launches O2O department store business

On 9 May, JD.com launched a new department store channel by integrating several existing businesses from its fashion and lifestyle sections, including clothing, cosmetics, sports, housewares, and luxury. The JD Department Store (京东新百货) is currently available via the JD.com app. In addition to the online channel, the company will build an offline presence for the service with plans to open themed bricks-and-mortar stores in major cities which will target younger consumers.³

JD.com opens new immersive entertainment centre at The Mixc in Wuhan

JD.com recently opened a new entertainment centre, YuFeiFan (娱非凡), which offers games and gadgets from Lenovo, HP, Pico, Nintendo and other brands for consumers to enjoy. The store, located at The Mixc in Wuhan, offers immersive, interactive experiences across five different areas: video games, technology, ACG, consoles, and VR. There is also a retail area with blind boxes, figurines and other smart products alongside game-related items and peripherals.⁴

JD Worldwide offers officially appraised products as part of a full-chain product guarantee system

JD Worldwide (京东国际) began offering authentication services on 6 May – authenticated products are marked as ‘Appraised Genuine Products’. Jointly developed by JD Worldwide, China Certification & Inspection Group (中国检验认证集团), the Cosmetics Technology Center under Chinese Academy of Inspection and Quarantine (Beijing) (中国检验检疫科学研究院(北京)化妆品技术中心) and more, the service enables authentication professionals from the state-certified institutions to authenticate products at the bonded warehouse before they are available online. Furthermore, JD Worldwide is also offering ‘product authenticity insurance’ – if consumers receive a counterfeit product, they can be reimbursed through JD.com’s insurance partner.⁵

Kuaishou E-Commerce sets up real estate business centre

Kuaishou E-commerce (快手电商) announced the establishment of a real estate business centre via an internal letter this past April. According to company insiders, Kuaishou began researching the real estate business in 2019. Last year, the company’s e-commerce unit set up a dedicated team to explore the livestreaming e-commerce model for real estate business, especially in second and third tier cities in China in order to avoid directly competing with leading real estate service platform Beike (贝壳). The real estate business centre aims to develop a feasible business model and reach 10 billion yuan in total turnover this year.⁶

Tmall has opened over 400 baby care rooms nationwide

Tmall’s (天猫) maternal and child division has launched more than 400 baby care rooms to date and has served 1 million mothers in the past year. In addition, it has also cooperated with Ali Health to set up parent-child consultation clinics in flagship stores of baby formula brands such as Feihe (飞鹤) and Nestle. Store members can enjoy free consultation services from professional pediatricians when they place an order. Tmall will continue to invest in the construction of smart baby care rooms in public areas, which will provide product samples such as diapers and wet wipes for only 1 cent. The baby care rooms will cover 40 cities by the end of the year, with priority going to public areas such as children’s hospitals, high-speed railways, and airports.⁷

China Post joins livestreaming e-commerce industry

Leveraged China Post's postal outlets nationwide, several China Post branches have opened accounts for livestreaming e-commerce, mainly selling cosmetics products and local specialties as well as own-brand peripherals. China Post has even established a multi-channel network company which is responsible for the full-chain commercial operations including livestream hosts' training, professional support, and supply chain cooperation.⁸

Apparel

Lingzhi to close all SELECTED offline stores in China by the end of July

On 9 May, Bestseller Fashion Group China (绫致时装) announced that it will close all offline stores of menswear brand SELECTED in China by 31 July this year. SELECTED is a Danish clothing brand which officially entered the Chinese market in 2008. At present, SELECTED has over 1,300 stores in China, and the brand has 4.06 million followers on its Tmall flagship store.⁹

Cosmetics

L'Oreal establishes first China investment firm with focus on open innovation and transformation

L'Oreal Group recently set up its first investment vehicle in China, Shanghai Meicifang Investment, which will be based in the Fengxian district of Shanghai. It is supported by BOLD, or Business Opportunities for L'Oreal Development, a venture capital fund L'Oreal uses to invest in innovative tech firms with high potential in digital services, marketing, data, supply chains and packaging. This may be a sign of a strategic shift from acquisitions to investments in the Chinese market, according to industry analysts.¹⁰

Luxury

CELINE partners with JD Luxury to open official flagship store

CELINE, a fashion brand under the LVMH Group, established a partnership with JD Luxury to open a flagship store on JD.com. Users who purchase products in the flagship store can conveniently synchronize their delivery address and mobile phone number with one click, and choose home delivery or in-store pickup. CELINE will also provide standard pre-sales and after-sales services for purchases made through JD.com. Customers can also visit designated stores to enjoy after-sales services.¹¹

Food & Beverage

Li Ning applies for registration of Ning Coffee trademark

Li Ning Sports (Shanghai) Co., Ltd (李宁体育(上海)有限公司) recently applied to register the 'NING COFFEE' trademark, which is classified under catering and accommodation. The status of the trademark is pending inspection. Industry insiders predict that Li Ning may open a coffee shop which will add an experiential element to its brand concept. Leveraging Li Ning's brand image and crossover appeal, Ning Coffee will attract young people and boost its volume.¹²

II. Market Overview

Linkshop Retail Research Centre: Two-thirds of listed supermarket companies suffer losses in 2021

According to the Linkshop Retail Research Centre, 12 out of 14 publicly listed supermarket enterprises suffered year-on-year decrease in revenue in 2021, including Yonghui Supermarket (永辉超市), Lianhua Supermarket (联华超市), BBK (步步高), Zhongbai Group (中百集团), Beijing Jingkelong (北京京客隆), Hualian (华联综超), Liqun (利群股份), RenRenLe (人人乐), Xinhua (新华都), Sanjiang (三江购物), Guoguang (国光连锁), and Huangshang (黄商). Out of the 14 enterprises, only Jiayiyue (家家悦) and Chendgu Hongqi Chain (红旗连锁) saw a year-on-year increase in revenue. In terms of net profit, all 14 companies experienced a sharp year-on-year decline, while 9 companies suffered losses. The 14 listed supermarket companies opened 1,276 new stores and closed 725 stores in 2021; by the end of 2021, the total number of stores of the 14 listed supermarket companies reached 11,996.¹³

JD.com report: Consumption of domestic products among young people is growing rapidly

On 10 May, JD.com (京东) released the *Young People's Domestic Product Consumption Report 2022*. In 2022, young consumers have purchased more domestic products than ever before. Among larger domestic brands, the proportion of consumers born after 1995 increased by 11 percentage points compared with last year, and the overall ratio of the number of users who purchased domestic products to imported products was 1.7, up from 1.3 during the same period in 2021. The top three domestic product categories among young consumers are kitchenware, fresh food, and household appliances, while the top three imported product categories are personal care, cosmetics and skincare, and toys and musical instruments.¹⁴

Savills: 55% of new store openings in the luxury sector takes place on the Chinese market last year

in 2021, 55% of new store openings in the luxury sector took place on the Chinese market, according to a study by British real estate consultants Savills, as pandemic-related restrictions on international travel have caused Chinese luxury consumers to shop domestically instead. However, the renewed COVID-19 surge in China may require luxury brands to adjust their strategy as store openings will be down significantly in the first half of 2022, according to the head of retail at Savills Asia.¹⁵

Report: China's rural e-commerce up 14.2% to 2.05 trillion yuan in 2021

The *China Agricultural Products E-commerce Development Report 2022* was released at the 2022 China Agricultural Products E-commerce Conference recently held online. In 2021, China's rural e-commerce sales reached 2.05 trillion yuan, a year-on-year increase of 14.23%. In the first half of 2021, the volume of express delivery in rural areas exceeded 20 billion packages, while over 100 million parcels were sent to or from rural areas daily. In 2021, the logistics volume of domestic agricultural products reached 5 trillion yuan for the first time, and the scale of express delivery in rural areas will continue to grow in the next five years.¹⁶

iiMedia Research: China's camping market eyes two-fold growth by 2025

According to data from iiMedia Research (艾媒咨询), China's core camping market reached 74.75 billion yuan in 2021, while camping-related market reached 381.23 billion yuan. By 2025, China's core camping market is expected to reach 248.3 billion yuan, while camping-related market is expected to reach 1.44 trillion yuan. Further insights show that 28.8% of Chinese camping consumers choose to camp once every 1-2 months, 35.4% camp once every 3-6 months, and 19.0% camp once a year. Currently, due to the pandemic, most consumers prefer short-distance camping, while young people tend to choose multi-element camping experiences.¹⁷

CCFA and Ele.me establish first standards for the pre-sliced fruit industry

On 5 May, the China Chain Store & Franchise Association released the *Service Specifications for Ready-to-eat Pre-sliced Fruits and Vegetables* on its official website. The *Specifications*, jointly written with Ele.me (饿了么), provides clear guidelines for fresh fruit merchants in terms of merchant qualifications and hygiene requirements, procurement, transportation, delivery and storage of raw materials, food safety and quality control in the production process, etc. It also provides detailed guidelines for cleaning and disinfection procedures and cutting methods, allowing further standardization within the industry.¹⁸

III. Policy Spotlight

China to launch pilot projects integrating domestic and foreign trade

14 government departments recently issued a notice about launching pilot projects to advance the integration of domestic and foreign trade by removing institutional barriers. The notice set a clear target of using three years to cultivate a number of companies in domestic and foreign trade integrated businesses, building corresponding supportive platforms, and forming a group of industrial clusters with international competitiveness and integrated development. Various innovative and supportive measures will be put in place.¹⁹

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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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