

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

WeChat: Livestreams on video accounts during the October Golden Week up by 51% yoy

WeChat (微信) recently released a report on the Mid-Autumn Festival and National Day Golden Week holiday period. Compared with the National Day holiday period in 2022, the average daily consumption amount of hospitality and tourism, transportation, and film and drama performances increased by 46% to 83% yoy. The total number of videos published on WeChat video accounts increased by 35% yoy, and the number of video account livestreams increased by 51% yoy.¹

Revenue of Meituan's core local commerce up by 39.2% yoy in 2Q23

Meituan (美团) recently released its 2023 interim report. In the second quarter of 2023, for its core local commerce segment, total revenue increased by 39.2% yoy to 51.2 billion yuan, operating profit increased by 34.8% yoy to 11.1 billion yuan, and operating profit margin was 21.8%, compared with 22.5% in the same period in 2022. The number of on-demand delivery transactions increased by 31.6% yoy.²

Xiaohongshu increases investment in home appliances and home furnishing

Xiaohongshu (小红书) recently hosted the '11.11 E-commerce Partner Mobilization Conference', where it announced several support policies and preferential measures for merchants, buyers, and consumers. Among them, the meticulous operation strategy and the 11.11 promotion strategy for consumer electronics, home appliances and home furnishings are particularly notable. These strategies suggest that Xiaohongshu plans to increase its investment in these product categories, slowly expanding into a full-category e-commerce platform.³

Vipshop partners with Xi'an government to distribute 20 million yuan in consumption vouchers

In order to further stimulate local consumption following the recent October Golden Week period, starting from 13 October, Xi'an and discount retailer Vipshop (唯品会) will jointly launch the 'Golden Autumn Cloud Shopping' promotional activity. Consumers in Shaanxi Province will receive consumption vouchers worth a total of 20 million yuan. The voucher distribution is divided into three phases across the last two weeks of October, where consumers can access the promotions via the Vipshop app's homepage.⁴

Supermarket & Hypermarkets

Yonghui Superstores launches new discount store

After launching its first batch of optimized stores earlier this year, Yonghui Superstores (永辉超市) recently announced plans to launch a new type of discount store in its supermarkets, while also adding a discount section to its app and WeChat mini program. Instead of discounting products that will expire soon, Yonghui's focus is on improving product efficiency and evaluating product performance through digital methods. Using its digital sales data, Yonghui will select various new products, online bestsellers, and regular products to enter the discount product pool every day, at a discount of 30%, 50% or 30% off the original price.⁵

Freshippo establishes new supply chain company in Shanghai

Shanghai Hema Lingtou Supply Chain Co., Ltd (上海盒马翎头供应链有限公司) was recently established, which is wholly owned by Freshippo China (盒马). The company's registered capital is two million yuan. Its business scope includes supply chain management services, sales of daily necessities, general warehousing services, catering management, network technology services, etc.⁶

Apparel

Nike's Greater China revenue continues double-digit growth in the August quarter

Nike recently released its financial results for its fiscal first quarter ended 31 August 2023. During the period, Nike's Greater China revenue reached US\$1.735 billion, a year-on-year increase of 12%, achieving double-digit growth for two consecutive quarters. The Greater China region is one of Nike's most important markets, and the company plans to further strengthen its investment in the region.⁷

Streetwear brand Supra enters China with five store openings

High-end streetwear brand Supra recently entered the Chinese mainland market with five store openings in Shanghai, Xiamen, Dalian, Harbin and Chongqing on 1 October. The brand is operated by Fengfan (China) Trading Co., Ltd (丰梵(中国)商贸), which is a subsidiary of the Korean fashion group F&F Group. Supra was founded in 2006 by skateboarder Chad Muska in Los Angeles and was initially positioned as a skate shoe brand. The brand has subsequently expanded into other product categories such as knitwear, jackets, and quilts.⁸

Home Appliances

Suning.com highlights five new trends in county-level consumption during the October Golden Week

Suning.com (苏宁易购) recently released a report on the lower-tier market during the October Golden Week period. The report highlights five new consumption trends at the county level: one-stop shopping for home appliances and home furnishings, new 'three key items (dryers, dishwashers, and floor scrubbers), front-end integration, high-end retail intelligence, and green and healthy products. During the Golden Week period, Siemens dryer sales increased by 332%, Tineco (添可) floor scrubber sales increased tenfold, laser TV sales increased by 253%, Cheers (芝华仕) home furnishing sales increased by 50%, and Jomoo (九牧) showerhead sales increased by 161%.⁹

Luxury

LVMH subsidiary DFS Group to launch DFS Yalong Bay in Sanya

LVMH subsidiary DFS Group is set to launch its inaugural world-class luxury retail and entertainment destination, known as DFS Yalong Bay, in the city of Sanya in Hainan by 2026. Spanning a total area of 128,000 sqm, DFS Yalong Bay will showcase over 1,000 luxury brands, including iconic brands from the LVMH Group, offering a wide selection of elevated experiences across various categories. The company expects DFS Yalong Bay to attract over 16 million visitors per year by 2030 and create sizeable local economic opportunities.¹⁰

Food & Beverage

Naixue's online delivery orders increase by more than 200% in some cities during October Golden Week

Recent data from tea beverage brand Naixue (奈雪的茶) showed that during the October Golden Week holiday period, Naixue stores saw a significant increase in offline orders as tea sales exceeded 10 million cups. Compared to before the holiday, in-store sales in many cities increased by more than 500%, and online delivery orders in some cities increased by more than 200%. In addition, the company sold over three million cups of the '9.9 yuan Naixue fresh milk tea' and gained 1.5 million new loyalty programme members.¹¹

Dominos opens 700th location in China

DPC Dash (达势股份), a master franchisee of Domino's Pizza in China, recently opened the 700th location of Domino's Pizza in Wenzhou. The opening of the new location is part of DPC Dash's plan to expand Domino's footprint in China. As of 30 September 2023, DPC Dash directly operates 716 stores spread across 21 cities in the Chinese mainland. DPC Dash also announced plans to open two new Domino's locations in Jiaxing and Zhejiang. With these store openings, the company is on track to meet its target to open around 180 and 240 new stores in 2023 and 2024, respectively.¹²

II. Market Overview

Hainan's duty-free sales exceed one billion yuan during the first six days of October Golden Week

Duty-free shopping in Hainan continued to boom during the recent October Golden Week holiday period. According to Haikou Customs statistics, during the first six days of the Golden Week (29 September to 4 October), Haikou Customs supervised a total of 1.01 billion yuan in duty-free sales in Hainan, an increase of 94.2% over the same period in 2022, and 130,000 duty-free shoppers, an increase of 120% compared with the same period in 2022. On 4 October (the sixth day of the holiday), Haikou Customs supervised a total of 202 million yuan in duty-free sales, an increase of 294% compared to the sixth day of the holiday (6 October) of 2022.¹³

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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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