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

I. Sector Review

Internet & E-commerce

Alibaba: Tmall and Taobao to be fully integrated with three new business centres

Alibaba (阿里巴巴) recently announced the new organizational structure of its Taobao (淘宝) and Tmall (天猫) businesses. The company has established a user operation and development centre on the user side on the basis of dual-brand operations. Meanwhile, an industry operation and development centre will be established on the merchant side, which will integrate Taobao and Tmall's respective operations while providing full-cycle consumer and product operation services for merchants (including SMEs). Furthermore, Alibaba will also establish a strategy and operation centre on the platform side. According to industry insiders, the establishment of these three centres means that Taobao and Tmall businesses will be fully integrated on the back end, forming a unified platform system.[1]

Cainiao establishes its first bonded warehouse livestreaming hub in Yiwu Comprehensive Bonded Zone

On 6 January, Cainiao unveiled its new Bonded Warehouse Cross-border Livestreaming Alliance (菜鸟保税仓跨境直播联盟) at the Cainiao Yiwu Bonded Warehouse, making this the company's first domestic bonded warehouse livestreaming 'sample room'. The Alliance represents a new cross-border e-commerce model based on Cainiao's partnerships with various ports, bonded warehouses under customs supervision, livestreaming agencies, and cross-border merchants. The Alliance currently covers the five Cainiao bonded warehouses in Yiwu, Hangzhou, Wuhan, Guangzhou, and Zhengzhou. The average delivery time for products ordered through livestreaming from the bonded warehouses is 2-3 days.[2]

JD.com becomes the first domestic company to enable third-party sellers to use e-CNY

JD.com is enriching the usage scenario of e-CNY by becoming the first company to enable third-party sellers together with self-operated businesses to use the digital currency as a new payment method since 7 January. Various online and offline channels such as the JD.com app, JD Finance (京东金融) app, Jingxi (京喜) App, and 7Fresh Supermarket (七鲜超市) now accept e-CNY payments. Tens of thousands of offline merchants under JD Pay (京东聚合支付) have also been able to accept e-CNY.[3]

JD.com launches its first physical retail stores on the European market

JD.com (京东) has opened two brick-and-mortar retail stores in the Netherlands, using robots to prepare and deliver parcels. The company says that shoppers can use the 'Ochama' app to order food, beauty and household products, which they can then pick up at the physical stores. According to industry insiders, JD.com's entry into the European market signifies a new challenge to the American e-commerce giant Amazon, which has launched its own cashier-free grocery store 'Amazon Go' in the US and the UK. JD.com plans to open two more stores in the Netherlands, in Amsterdam and Utrecht.[4]

Shopee and SHEIN rank first and second in global 2021 shopping app downloads

According to app analysis platform Apptopia, Shopee was the most downloaded shopping app worldwide in 2021, with 203 million downloads, while fast fashion e-commerce brand SHEIN's app ranked second with 190 million downloads – up 70% from 2020. Meesho, Amazon Shopping, Flipkart, AliExpress, Wish, Pinduoduo (拼多多), Lazada and Alibaba ranked third through tenth respectively.[5]

Douyin increases its logistics capabilities by launching new 'Yinzunda' home delivery service

Douyin E-commerce (抖音电商) recently began testing its home delivery service 'Yinzunda' (音尊达) in response to consumers' logistics complaints, such as lack of communication and poor customer service. The company's first three delivery partners are ZTO Express (中通), YTO Express (圆通), and Yunda Express (韵达), and there are several more partners expected to join in the future. Furthermore, ByteDance's supply chain management subsidiary Xingchen Yuedong (星辰跃动) has partnered with Yunda Express's cloud-based warehouse services in order to establish production warehouses near the suppliers and improve distribution efficiency.[6]

Douyin E-commerce new brands growth report: Purchase rate of 'hot products' reaches 76% in 2021

On January 12, together with the Ocean Engine Mass Consumption Business Centre (巨量引擎大众消费业务中心) and the Algorithmic E-commerce Research Institute (算数电商研究院), Douyin E-commerce (抖音电商) released the *2022 Douyin E-commerce New Brands Growth Report*. According to the Algorithmic E-commerce Research Institute, from March 2020 to November 2021, 23% of Douyin E-commerce consumers purchased new brand products, and this proportion is still increasing; and the purchase rate of Douyin E-commerce's 'hot products' reached 76% in 2021. Furthermore, since Douyin E-commerce launched its 'Dou-in Hot Products List', through large-scale recognition and word-of-mouth recommendations, the number of selected hot products of new brands has increased over fourfold within seven months.[7]

Convenience Stores

Missfresh acquires unmanned convenience store brand Zailouxia

According to business registration information, the original shareholders of Beijing Zailouxia Technology Co., Ltd (北京在楼下科技有限公司), which operates unmanned convenience store chain Zailouxia, have successively withdrawn their investments, and Beijing Missfresh E-Commerce Co., Ltd (北京每日优鲜便利购电子商务有限公司) has acquired the full equity of Zailouxia. Missfresh first began developing its unmanned retail convenience store model in 2017. According to the company's financial reports, its daily 'other income' in 2Q21 was 40.4 million yuan, a year-on-year increase of 23.6%, mainly due to increased product sales in its smart vending machine business.[8]

Apparel

Inditex's premium fashion brand Uterqüe closes its Tmall flagship store

Uterqüe, a high-end brand under the Inditex Group (Zara's parent company), has closed its Tmall flagship store, which is no longer available on the platform. According to an unnamed source, the brand's offline stores worldwide will also be closed in February, and its product line will be merged into other Inditex brands. Uterqüe was founded in 2008, entered Tmall in 2018, and opened its first offline store in China that same year in Shanghai.[9]

Sports

Anta and Donghua University to establish joint innovation research institute

Anta Sports (安踏体育) recently announced that they will establish a joint innovation research institute with Donghua University and form a mutually beneficial long-term partnership. Through this partnership, the two parties hope to develop an innovative and cutting-edge design platform and promote scientific and technological R&D alongside commercial applications and talent development within the sportswear industry.[10]

Cosmetics

Shiseido China to sell Za and Pure&Mild cosmetics brands

Shiseido China has reportedly decided to sell its Za and Pure&Mild brands, and the transaction is expected to be completed by March 2022. Shiseido has previously sold 15 brands in just over a year, bringing them closer to divesting its full portfolio of affordable brands. The company's remaining mass-market cosmetics brands consist mostly of mid- to high-end brands such as Anessa, Revital, Elixir, and d program – industry insiders believe that this is in line with Shiseido's high-end business strategy.[11]

Miscellaneous

Pop Mart to open its first offline theme park in Beijing

Pop Mart recently established a partnership with Beijing Chaoyang Park, which has given Pop Mart permission to use the 'European Charm' (欧陆风韵) project and its surrounding streets and forests – this is where Pop Mart will establish its first offline theme park. Pop Mart had already landed at Universal Studios Beijing and Shanghai Disneyland last year and opened its first global concept store in Universal Studios Beijing as part of a mutually beneficial partnership.[12]

II. Market Overview

JD.com's IP Co-branding Consumption Report: Women buy 62.6% of IP co-branded products

JD Research Institute for Consumption and Industrial Development (京东消费及产业发展研究院) recently released the *IP Co-branding Consumption Report*, which shows that in 2021, young people aged 35 and below bought nearly 70% of IP co-branded products, and consumers aged 26-35 bought more than 50%. The 35-and-below group also has strong growth potential – in recent years, the growth rate of their IP co-branded product consumption has reached 1-2 times that of other groups. In addition, the proportion of female consumers in the total sales of IP co-branded products continues to increase. In 2020, female consumers accounted for 56.7% of sales of IP co-branded products, surpassing male consumers for the first time. In 2021, this proportion further increased to 62.6%.[13]

Hongbulin: Domestic brands become a hotspot of the secondhand market

On 10 January, domestic second-hand fashion platform Hongbulin (红布林) released the *Secondhand Fashion Consumption List 2H21*, which shows that second-hand luxury goods have performed well during this period. Domestic brands have become a new hotspot of secondhand market consumption. Domestic brands such as Erdos, MO&Co., and Laomiao Gold (老庙黄金) have become widely favoured among consumers. The improved circulation of domestic products in the secondhand market means that users are becoming more aware and accepting of their secondhand consumption. The list also pointed out that secondhand fashion presents four major consumption booms: price drops, prevalence in social talk, rise of domestic brands, and impulsive consumption.[14]

Kaidianbang releases the Chain Store Industry Development Blue Book 2022

On 11 January, Kaidianbang (开店邦) released the *Chain Store Industry Development Blue Book 2022*. According to the report, the chain store retail format has grown steadily. While the rise of e-commerce has certainly made a dent in offline sales, physical stores are still important. Overall, however, digitalization is the only way forward to remain competitive – the significant growth of Rainbow (天虹) and Intime (银泰) are good examples. Furthermore, China's catering market has surpassed 4 trillion yuan in annual revenue in 2021, with a net increase of 2 million stores. The impact of the pandemic has lessened, while competition has intensified. The industry has also entered the 10,000-store era where more and more store chains have over 10,000 stores, characterised by the scalable store model, universal products, and stable supply chains.[15]

Only Alibaba and JD.com score above passing grade in Greenpeace's climate action rankings

Greenpeace's Beijing office recently released the *China's E-commerce Platform Companies' Current Status on Climate Responsiveness 2021* report, which rated seven e-commerce enterprises (Alibaba 阿里巴巴, JD.com 京东, Pinduoduo 拼多多, Suning.com 苏宁易购, NetEase 网易, VIPShop 唯品会, and Xiaomi 小米) on their goals and actions in addressing climate change and environmental governance. Only two of the seven companies – Alibaba and JD.com – scored above the passing grade. Alibaba topped the list overall, while Pinduoduo scored lowest as it has not disclosed information on its climate change response and environmental governance.[16]

III. Policy Spotlight

CCA calls for boycott of KFC-Pop Mart blind box meals

On 12 January, the China Consumers' Association (CCA) called for boycott of the DIMOO Blind Box Meal, which is offered by KFC in collaboration with Pop Mart and has received a lot of hype since its release. According to the terms of sale, consumers must purchase at least six meals in order to collect the full set of figurines, and the probability of getting a rare figurine is 1:72. The CCA argues that selling limited-edition blind boxes falls under 'scarcity marketing', which will encourage impulsive consumer behaviour and contribute to needless food waste.[17]

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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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