China Retail & E-commerce Weekly Update

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I. Sector Review

Internet & E-commerce

JD.com launches 4 ochama robotic shops in the Netherlands

On 8 April, JD.com (京东) announced that it has opened 4 ochama robotic shops in the Netherlands, marking the company's first physical retail stores in Europe. Ochama will integrate omni-channel shopping, smart supply chains, automated warehouse picking, offline stores and door-to-door delivery services. Consumers can shop online and scan their order code in-store to pick it up. Various robots and automated equipment such as robotic arms, automated ground vehicles and packaging conveyor systems will handle storage, sorting and transportation. Consumers can also choose door-to-door delivery to enjoy a one-stop shopping experience.[1]

Mei ONE launches WeChat mini program 'Qingxuan Club'

Mei ONE (美 ONE) recently launched a WeChat (微信) mini program called 'Qingxuan Club' (鲸选会), which sells products including healthy light meals, nutritious breakfasts, afternoon tea, TV snacks, and a few Never's Family IP peripherals. The platform will also regularly launch various themed products and merchandise. Qingxuan Club has three first-level entry points: 'Home', 'Market', and 'Mine'. After users place an order within the mini program, most of the products will redirect to the 'JD Haowu Street' (京东好物街) mini program, while some products will be linked to the brand's own mini program.[2]

Douyin E-commerce announces 'One-Million-Sales New Products Plan' and new product support system

The apparel division of Douyin E-commerce (抖音电商) recently launched the 'One-Million-Sales New Products Plan' (百万新品计划) and a new product support system. The One-Million-Sales New Products Plan will cover all growth stages of new apparel products, from incubation to sales, and will provide a number of benefits including traffic support, talent support and marketing activities. At the 2021 Douyin E-commerce Apparel New Trend Summit held earlier, Douyin E-commerce's apparel division announced its goal of creating 2,000 popular clothing items. With this One-Million-Sales New Products plan, it has upgraded its goal to 5,000 high-quality new products with sales of a million yuan throughout the year.[3]

Secoo enters the NFT market

Secoo (寺库) has entered the Non-Fungible Token (NFT) market by partnering with ZiWU (誌屋), a cultural space service provider and a subsidiary of Meta Media (超媒体集团). Through this partnership, Secoo will become ZiWU's only online retail platform. Furthermore, Secoo will also make its retail and commercial space available for collaborations with ZiWU in the future. The parties also will co-curate a series of NFT art and collectibles which will be available for sale on the Secoo platform.[4]

Yatsen Holding may be forced to delist from the NYSE

On 12 April, Yatsen Holding (逸仙电商), the parent company of Perfect Diary (完美日记), announced that it had received a letter from the New York Stock Exchange (NYSE) dated 11 April which notified Yatsen that it is below compliance criteria in connection with the performance of its share price – Yatsen's shares have traded at below US$1 for 30 consecutive days. According to NYSE regulations, if the company's share price does not rise above US$1 within six months, the NYSE will initiate suspension and delisting procedures, putting Yatsen at risk of delisting. Yatsen plans to monitor market conditions and consider various measures to avoid any potential delisting.[5]

Apparel & shoes

Victoria's Secret sells 49% stake in China business for US$45 million

American lingerie brand Victoria's Secret announced the completion of the sale of a 49% stake in its China business to Hong Kong-based lingerie company Regina Miracle (维珍妮) for US$45 million; it will continue to hold the remaining 51% in equity. According to Victoria's Secret, this partnership with Regina Miracle is a key step in the reorganization of its international business. It will continue to adjust its business in other global markets to more effectively reach local consumers.[6]

Daphne turns losses into profits in 2021 as revenue is down 71% yoy

Daphne (达芙妮) released its 2021 financial results on 13 April. The company's total revenue in 2021 was HK$106 million, a year-on-year decrease of 71%; its net profit was HK$52.7 million, compared to a loss of HK$242 million in 2020. As of 31 December 2021, Daphne franchisees operated approximately 190 physical stores and 250 online stores.[7]

Urban outdoor brand Beneunder to be listed in Hong Kong; 2021 revenue exceeds 2.4 billion yuan

Beneunder Limited (蕉下控股有限公司) the parent company of urban outdoor brand Beneunder (蕉下), recently submitted a listing application on the Hong Kong Stock Exchange. Beneunder was established in 2013, first launching a sun protective 'double-layer black umbrella' aimed at young female consumers. Since 2017, the company's products have focused on sun protection apparel while also developing its footwear line. Beneunder's revenue from non-sun protection products increased by more than five times year-on-year in 2021, accounting for 20.6% of the total revenue. The company's total 2021 revenue reached 2.407 billion, an increase of more than 5 times compared with 385 million yuan in 2019. Among the emerging brands in China's apparel and footwear industry whose annual retail sales value exceed 1 billion yuan, Beneunder was the largest in terms of retail sales value in 2021 and had the fastest growth rate in 2021.[8]

II. Market Overview

Fung Business Intelligence, CCAGM: The department store retail industry sees positive overall growth in 2021

On 8 April, Fung Business Intelligence and the China Commerce Association for General Merchandise (CCAGM) jointly released the *China's Department Stores Report 2021-2022*. The report shows that despite various challenges, many department stores in China performed well and their net profits increased significantly in 2021, largely due to domestic economic recovery, redirected overseas consumption, and growth in quality consumption. The report collects and analyses data from 85 retail enterprises (single-format or multi-format, including several brand specialty stores, operating in department stores, shopping malls, and outlets across the country). It covers industry development trends in the industry in the past year, discusses major issues and challenges facing the industry, and puts forward policy recommendations from retail enterprises to promote the healthy development of the industry.[9]

Brand Finance: Nike has the highest brand value, while Li Ning is growing fast

A new report from consulting firm Brand Finance shows that among the top 50 brands in the apparel industry, the aggregate brand value of luxury apparel brands increased by 21% in 2022, from US$103 billion to US$125 billion. The aggregate brand value of sportswear brands increased by 10%, from US$68 billion to US$74 billion, while the aggregate brand value of fast fashion brands decreased by 7% from US$44 billion to US$41 billion. Nike's brand value increased by US$9.5 billion to US$33.2 billion, ranking first on the list for eight consecutive years. Li Ning (李宁) is also on the list, with its brand value increasing by 68% to US$2 billion in 2022, making it one of the fastest-growing brands on the list.[10]

Douyin E-commerce's report sheds light on domestic food and beverage consumption

On 12 April, Douyin E-commerce (抖音电商) released the *2022 Domestic Food and Beverage Consumption Insights Report*. The consumption of domestic food and beverages on the platform continued to grow, with sales up 547% yoy. On the Douyin platform, domestic food product e-commerce livestreams increased by 105% yoy, and the number of livestream viewers increased by 217% yoy. Among the consumers of domestic food products on the platform, consumers aged 18-40 account for 75%; the post-80s and post-90s generations have become the main consumer groups. Within this consumption category, female consumers account for 70% and male consumers account for 30%. Shanghai, Beijing, Shenzhen, Guangzhou, Chongqing, Suzhou, Chengdu, Hangzhou, Wuhan and Tianjin are the top ten cities in terms of consumption power towards domestic food products on Douyin.[11]

III. Policy Spotlight

Ministry of Finance and two other departments issue notice supporting county-level commercial construction projects

Recently, the Ministry of Finance, the Ministry of Commerce and the National Rural Revitalization Administration issued a notice supporting the implementation of county-level commercial construction projects. The notice proposes that a county-level commercial system shall be established by 2025. The projects will focus on towns with relatively large populations, support the upgrading and transformation of commercial and trade centres, large and medium-sized supermarkets, bazaars, etc., and improve facilities and equipment such as refrigeration, display, packaging, settlement, and food processing. The authorities also encourage chain commercial circulation enterprises and e-commerce platforms to operate in rural areas, strengthen digital empowerment, develop chain operations and e-commerce, expand new consumption formats and scenarios, and create township commercial clusters.[12]

Ministry of Transport and four other departments: Improve cold chain transportation facilities and encourage the construction of preposition warehouses

Several government departments have released a guideline on speeding up the development of cold-chain logistics and transportation, pledging efforts to improve infrastructure network and push upgrading of technological equipment. China will optimize the layout of cold-chain facilities at hub ports and improve the network of cold-chain transportation facilities for the production and sales of goods, according to a guideline jointly released by several government agencies including the Ministry of Transport, the National Railway Association, the Civil Aviation Administration of China, the State Post Bureau, and China National Railway Group. Further efforts will be made to promote the development of cold-chain transportation tools and advance the application of intelligent temperature control facilities and equipment, the guideline noted. It also detailed measures to cultivate backbone enterprises of cold-chain transportation and enhance service capabilities of cross-border cold-chain logistics. The guideline is aimed at ensuring the safety of food circulation, reducing waste in food circulation, promoting consumption upgrades, and cultivating new growth points such as last-mile delivery and local self-pickup facilities.[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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