

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Alibaba and JD.com establish strategic partnerships with SPIC

Alibaba (阿里巴巴) and JD.com (京东) have recently signed respective strategic cooperation agreements with State Power Investment Corporation (SPIC) (国家电力投资集团). Alibaba will help the SPIC establish digital bases for the convergence of communications, broadcasting and the Internet (三网融合), and the two parties will cooperate in fields such as new energy resources in rural areas, data centres, new retail, logistics, etc. On the other hand, JD.com's partnership with the SPIC will focus on supply chain and logistics sectors. The two parties will build an integrated energy ecosystem and smart supply chains, including county-level energy infrastructure, procurement, smart logistics, energy supply, carbon neutral planning, and industrial ecosystem.¹

JD Cloud unveils 16 tech products for digital smart supply chains

JD Cloud (京东云) launched 16 tech products during JD.com's annual tech summit JD Discovery held on 13 July, where it also showcased best practices applied across multiple industries such as retail, energy, urban, finance, industrial manufacturing, and more. Aiming to reinforce its technological capabilities for digital smart supply chains, JD Cloud unveiled its breakthroughs by launching engine, storage platform, and data centre-related products, etc.²

Suning.com begins trial operations of 'Privilege House Service'

Suning.com (苏宁易购) recently launched trial operations for the 'Privilege House Service' (私享家), which allows customers to shop for furniture and interior décor products online through immersive 3D showrooms. It also provides video shopping guides, which can provide one-to-one customer service via livestream rooms.³

GMV of Douyin's local lifestyle business exceeds 220 million in 1H22 as it expands to 33 cities

The GMV of Douyin's (抖音) local lifestyle business reached 220 million yuan in 1H22. It exceeded 100 million yuan in the first quarter, and reached between 110 and 120 million in the second quarter. Furthermore, as of June 2022, Douyin's local lifestyle business has expanded to 33 cities, with further plans to reach 50-55 cities this year. Around 150,000 brands and around 40,000 group purchasing merchants joined Douyin's local lifestyle platform in 1H22.⁴

SHEIN now available on Amazon

Chinese fast fashion brand SHEIN has joined the Amazon website in the US, UK, France, and Germany, with available products covering everything from fashion items to home apparel. Amazon has also dedicated a section of its website to the brand's most popular products and featured items, allowing influencers to provide purchase links as well.⁵

Retail Logistics

JD Logistics launches China's first 'suburban warehouse'

JD Logistics' (京东物流) 'Asia No. 1' smart logistics park in Banan, Chongqing was recently designated as Chongqing's 'emergency supply transfer station for central urban areas'. The warehouse covers 8,000 sqm, can store up to 2,500 tons, operates 24 hours a day and can handle over 400,000 orders per day. Goods dispatched from this warehouse are sent to 112 express delivery stations across Chongqing, and then delivered to consumers in central urban areas on the same day and consumers in outer suburban areas on the next day. This logistic park's shipments increased by over 20% yoy during the pandemic period. Orders for daily necessities such as grain, oil, rice, noodles, mineral water, toilet paper, and pet food exceeded 100,000 orders per day.⁶

Supermarkets & Hypermarkets

Hema launches homegrown 'Hetian shrimps'

Hema (盒马) has begun selling its homegrown 'Hetian shrimps' (盒田虾), which are farmed in Chongming, Shanghai. This is the retail industry's first in-house shrimp farming project, achieving vertical integration among production, supply and sales. Hema has registered the 'Hetian Shrimp' trademark for this project. After the project is completed, its annual output will reach nearly 1,300 tons, with expected annual sales reaching 80 million yuan.⁷

Apparel & Sports

Shandong Ruyi's British menswear brand Gieves & Hawkes is up for sale

The sale process for upscale British heritage brand Gieves & Hawkes has begun following the earlier liquidation of its Hong Kong parent company, Trinity Group, which was acquired by Shandong Ruyi in 2017. The brand dates back to 1771 and is known for its royal warrants. The company has an extensive store estate, including five UK locations, but most of its stores are in the Greater China region. Sources say that the sale should include the UK business and Chinese operation/licensing agreements.⁸

Anta's retail sales of Anta and FILA brands fall in 2Q22

Anta Group (安踏集团) recently released its operating results for 1H22. In 1H22, retail sales of FILA branded products saw low-single digit negative growth year-on-year, while the retail sales of Anta branded products and other branded products saw positive growth year-on-year. During 2Q22, retail sales of both Anta and FILA branded products experienced negative growth year-on-year.⁹

Home Products

MINISO completes Hong Kong IPO with a market capitalization of HK\$17 billion

Chinese budget lifestyle retailer Miniso (名创优品) officially listed on the main board of the Hong Kong Stock Exchange on 13 July. Its share price closed at HK\$13.38, with a market capitalization of HK\$17 billion. Since opening its first store in Guangzhou in 2013, Miniso had grown its store network to over 5,100 stores worldwide as of 31 March 2022, of which more than 3,100 stores were in China and around 1,900 stores were overseas.¹⁰

II. Market Overview

CGCC: China Retail Prosperity Index picks up to 50.2% in July

According to the China General Chamber of Commerce (CGCC), the China Retail Prosperity Index (CRPI) was 50.2% in July, a slight increase of 0.5% from the previous month. The CRPI is a barometer of retailers' expectations for the sector. A reading above 50 indicates expansion, while a reading below 50 reflects contraction. In addition, China's retail industry operations showed the following trends in June 2022: further online and offline integration, and a significant rebound in the number of e-commerce products available online.¹¹

CNCIC: Retail sales of women's apparel fall by 35.91% yoy in May

According to data from the China National Commercial Information Center (CNCIC), due to the resurgence of COVID-19, many shopping malls have been relying on essential businesses such as catering and supermarkets. In May 2022, both retail sales and retail volume of women's apparel products declined significantly across China's key large-scale retail enterprises (mainly department stores). Retail sales decreased by 35.91% year-on-year, while sales volume decreased by 31.69% year-on-year. However, according to brand data, average prices of women's apparel has remained flat over the last year.¹²

Taobao Live, iResearch: Diantao's GMV up by over 100% yoy

Taobao Live (淘宝直播) and iResearch recently released the *2022 Taobao Live New Consumption Trends* report, which shows that Taobao Live has accumulated more than 50 billion views since its launch in 2016. The per capita viewing time of Taobao livestreams increased by 25.8% yoy in 2021, while the number of products on the platform increased by 53% yoy. Diantao's (点淘) GMV increased by over 100% yoy in 2021. Through both short videos and livestream sessions, Diantao has allowed livestream hosts to establish their own reputation while also promoting ecosystem verticalization. For example, secondhand luxury products achieved annual growth of 162.8% on Taobao Live. Furthermore, livestream sales of home furnishing and improvement increased significantly in 2021: sales of smart home products rose by over 600% yoy, while design service sales grew by 800% yoy.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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