

# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### JD.com launches 9.9 Super Savings Day with SMEs across 100 major industry belts

JD.com's (京东) '9.9 Super Savings Day' began at 8PM on 8 September. On this occasion, JD.com has partnered with hundreds of thousands of brands and merchants across 100 major industry belts such as Yiwu in Zhejiang, and Mancheng and Fuquan in Hebei. The Super Savings Day is another move by JD.com to continue its low-price strategy after launching a 10-billion subsidy channel and lowering the free shipping threshold for in-house products. The Super Savings Day event lasted from 8PM on 8 September to midnight on 10 September. Product categories include daily necessities, fruit and vegetables, snacks, clothing accessories, etc.<sup>1</sup>

### Tmall Supermarket makes record investment in this year's 11.11 shopping festival

For the upcoming 11.11 shopping festival, Tmall Supermarket (天猫超市) has made key investments in user base, consumer experience, livestreaming ecosystems and merchant support – much more than in previous years. Furthermore, the '1212' half-day delivery model jointly developed by Tmall Supermarket and Cainiao (菜鸟) is now available in 14 cities, with coverage reaching more cities later this year.<sup>2</sup>

### Douyin to expand group-purchasing and delivery services

Douyin (抖音) will expand its group-purchasing and delivery services to 24 new cities in China. So far, Douyin has introduced these services in 30 cities including Wuhan, Beijing, and Shanghai. Douyin has reached agreements with regional agents in these cities to provide operational support to merchants who want to offer group purchasing and delivery services on Douyin's platform, allowing for a more agile model and faster business expansion using a combination of self-operation and agents.<sup>3</sup>

### Douyin's daily search volume up by nearly 300% in the past two years

At the recent 2023 Douyin Creator Conference, Douyin (抖音) President Han Shangyou announced that the platform's average daily search volume has increased by nearly 300% in the past two years, life service search traffic has increased by 255%, life service search GMV has increased by 254%, product search traffic has increased by 93.3%, and product search GMV increased by 143.8%.<sup>4</sup>

## Supermarkets & Hypermarkets

### Costco to open its first store in South China

Costco recently announced the opening of its sixth location in China, which will open in November 2023. The store, located in Longhua District, Shenzhen with a total area of 44,500 sqm, will be the first Costco store in South China. At present, the store's main building has been largely completed, and construction and opening preparations are being accelerated. The land was put up for sale on 26 February 2021, and was purchased by Galaxy Holding Group (星河控股集团) and Costco at a reserve price of 2.232 billion yuan.<sup>5</sup>

## Apparel

### Polish apparel brand MISBHV opens first global flagship store in Chengdu

On 8 September, Polish high street apparel brand MISBHV opened its first global flagship store on Citang Street in Chengdu. The brand also launched the limited Angelhood collection, in collaboration with Chinese artiste Esther Yu, on the same day. The collection is available at the Chengdu flagship store, the Tmall flagship store, and the ENG concept store.<sup>6</sup>

## Cosmetics

### British perfume brand Penhaligon's opens first store in Guangzhou

British perfume brand Penhaligon's opened its first store in Guangzhou in the Parc Central shopping mall on 15 September. Penhaligon's was founded in 1870 and is owned by the Spanish beauty group Puig. In September 2021, Penhaligon's entered the Chinese mainland market and opened its first store in Shanghai IFC.<sup>7</sup>

## Food & Beverage

### The first Haidilao camping store opens in Shanghai

Haidilao (海底捞) has entered the camping market, with its first camping store recently opening in Xinbang Lotus Garden, Shanghai. In the store, customers can enjoy the dual experience of camping + hot pot without having to pack equipment and food or selecting a camping site. In addition, the camping store also offers fishing, outdoor karaoke and other experiences; it can also host large-scale team-building activities. However, the store currently only accepts reservations, which must be made with the camp manager.<sup>8</sup>

### Lelecha establishes supply chain company in Shanghai

Shanghai Chafu Supply Chain Management Co. (上海茶福供应链管理有限公司) was established on 8 September. It has a registered capital of one million yuan. Its business scope includes supply chain management services, brand management, catering management, takeout delivery services, etc. The company is wholly owned by Shanghai Chatian Catering Management Co., Ltd, an affiliate of Lelecha (乐乐茶) based in Shanghai which mainly operates in the catering industry.<sup>9</sup>

### Yum China aims to reach 20,000 stores by 2026

At its recent Investor Day in Xi'an, Yum China (百胜中国) launched the company's refreshed 'RGM 2.0' strategy (which stands for resilience, growth and moat) with a focus on network expansion, sales growth and increasing profits. Yum China is striving to reach 20,000 stores by 2026 and to achieve high-single-to-double-digit compound annual growth rate (CAGR) for system sales and operating profit as well as double-digit EPS CAGR from 2024 to 2026, compared to base year 2023 and in constant currency.<sup>10</sup>

### Moutai partners with Dove to launch baijiu-filled chocolates

Kweichou Moutai (贵州茅台) launched baijiu-infused chocolates in cooperation with chocolate brand Dove on 16 September, which sold out online within one minute. The co-branded chocolates contain 2% alcohol, and are priced at 78 yuan, according to the product page on Tmall. The liquor brand has been diversifying its business over the past year, starting with the introduction of baijiu-infused ice-cream last May and a baijiu-infused latte in early September.<sup>11</sup>

## II. Market Overview

### Over 80% of listed department store companies achieve profits in 1H23

According to Linkshop.com, in the first half of 2023, 49 listed department store companies achieved total operating income of 144.567 billion yuan and net profit of 10.293 billion yuan. Specifically, in the first half of 2023, 38 listed department store companies achieved an increase in revenue, with Ningbo Zhongbai (宁波中百) ranking first with 85.11% yoy growth; Your-mart (友阿股份) saw the largest revenue drop, with a 37.6% yoy decline. In the first half of 2023, 40 listed department store companies achieved profits. Among them, Yuyuan Co. (豫园股份) had the highest net profit, earning 2.218 billion yuan. It was followed by China Commodities City Group (小商品城), which earned a net profit of 2 billion yuan, and Chongqing Department Store (重庆百货), with a net profit of 906 million yuan.<sup>12</sup>

## **Forbes: SHEIN, Midea, Cainiao Network and SF Holding make the list of 'Top 50 Chinese Enterprises with Transnational Operations'**

Forbes China recently published a list of the 'Top 50 Chinese Enterprises with Transnational Operations' for the first time. In the past year, the overseas revenue of these 50 Chinese companies grew 41% yoy to over 2 trillion yuan – these include retailers SHEIN and Midea (美的) and logistics companies Cainiao Network (菜鸟网络) and SF Holdings (顺丰控股).<sup>13</sup>

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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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