

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

JD.com's 618 shopping festival: Luxury jewellery sales up by 150% yoy in first four hours

JD.com's (京东) 618 shopping festival started on 13 June. The first four hours saw explosive growth in luxury sales. The turnover of luxury luggage increased by more than 100% yoy, while luxury jewellery turnover increased by 150% yoy. In the first 10 minutes of the 618 shopping festival, the turnover of affordable luxury bag brands such as MCM and PINKO increased by more than 10 times year-on-year, and the turnover of luxury shoes and boots increased by five times year-on-year. PRADA's turnover in the first four hours increased by 230% yoy.¹

Taobao Tmall Commerce Group establishes strategic partnership with Zhejiang Department of Commerce

The 7th 'Chaoqi Qiantang' Global Cross-Border E-Commerce Summit began in Hangzhou on 11 June, where the Zhejiang Department of Commerce signed a strategic partnership agreement with the Taobao Tmall Commerce Group (淘天集团). Other agreements for key e-commerce and cross-border e-commerce projects were also signed at the summit, including the 'Xingyun Cross-border E-commerce Export Headquarters Project' between the Hangzhou Department of Commerce and Xingyun Group (行云集团), and the 'Digital Fashion (Cosmetics and Apparel) Livestreaming Base Project' between the Qiantang Smart City in Shangcheng District and Zhejiang Soudao Network Technology Co. (浙江搜道网络技术). The total value of letters of intent signed at this event exceeded 2 billion yuan.²

Douyin app tests standalone section for food delivery service

The Douyin (抖音) app is testing an independent section for its food delivery service, with a standalone portal and online shop. This is also the first time that Douyin has presented the food delivery service as an independent section within the Douyin app. The portal is located on the 'city' tab on the app's homepage. Tapping the portal will take users to the food delivery section, where takeaway merchants and relevant information will be displayed in order from top to bottom.³

Douyin Lifestyle Services sees 54% increase in number of merchants from January to May

At the recent Douyin Lifestyle Services Industry Summit, general manager Chen Qi announced that the number of merchants within the Douyin Lifestyle Services (抖音生活服务) segment increased by 54% from January to May, livestream orders by new users increased by 61%, the number of influencers increased by 134%, and the number of service providers increased by 39%.⁴

Suning.com products available on Baidu E-commerce

On 13 June, Suning.com (苏宁易购) announced a new partnership with Baidu E-commerce (百度电商) starting from the 618 shopping festival. Millions of products across all categories on Suning.com will be available on Baidu E-commerce, and the partnership involves search recommendations, livestreams, video content, online stores, etc. In the future, the two parties may jointly explore the field of smart e-commerce. For Baidu E-commerce, the partnership may generate further momentum, attracting more e-commerce platforms to join Baidu E-commerce. For Suning.com, this partnership will help it attract more online traffic.⁵

Retail Logistics

JD Logistics unveils world's largest intelligent logistics park with integrated warehousing and sorting capabilities

On 14 June, JD Logistics (京东物流) launched the second phase of its Kunshan Asia No.1 Intelligent Logistics Park in Jiangsu. With a floor area of over 500,000 sqm combined with the existing phase 1, JD's Kunshan Asia No.1 Intelligent Logistics Park now stands as the world's largest intelligent logistics park equipped with integrated warehousing and sorting capabilities. The Park features an automatic sorting centre with more than 80 sorting lines and 10,000 intelligent sorting robots, which ensure a sorting accuracy rate of 99.99%. During peak seasons, such as JD.com's 618 shopping festival, the sorting centre operates around the clock, processing over 4.5 million parcels per day.⁶

Department Stores & Shopping Malls

Wangfujing launches 'Good Products Festival'

Wangfujing Group (王府井集团) and its brand suppliers recently launched the 'Wangfujing Good Products Festival' across apparel and cosmetics categories. Wangfujing Group has invited brand experts and consultants from Aimer (爱慕), NAERSI, Erdos 1980, FILA, Lukfook Jewellery (六福珠宝), TSL (谢瑞麟), Chow Tai Fook (周大福), OLAY, etc., to answer questions, provide recommendations, and design attractive shopping strategies across bestsellers and new products for consumers.⁷

Discount Outlets

Outlets announces nationwide expansion plans, aiming for 200 new stores in 2023

Hard discounter Outlets (奥特乐) recently announced plans for a nationwide expansion. Since first opening in Chengdu less than two years ago, Outlets already has more than 160 directly operated stores across the country, with an average store area of about 300 sqm and an average monthly turnover of more than two million yuan per store. Outlets is a hard discounter that leverages the global supply chain and mainly focuses on beauty and skincare products, daily goods, snacks, and beverages. Outlets plans to open more than 200 new stores in 2023, bringing the store count to 300 stores by the end of 2023.⁸

Food & Beverage

Tea brand Cha Bai Dao completes 1-billion-yuan funding round at a valuation of 18 billion yuan

Chinese tea brand Cha Bai Dao (茶百道) has recently completed a funding round of 1 billion yuan, at a nearly 18 billion yuan valuation. Orchid Asia (兰馨亚洲) led the investment, while Loyal Valley Capital (正心谷), Grass Green Group (草根知本), CICC (中金) and Fanqie Capital (番茄资本) participated. Founded in 2008, Cha Bai Dao is one of China's top four tea brands in terms of scale, and it reported an annual revenue of 4 billion yuan and an annual profit of 900 million yuan last year. As of March this year, the company operated more than 7,000 stores across the country.⁹

II. Market Overview

NBS: Total retail sales of consumer goods in May goes up by 12.7% yoy

In May, total retail sales of consumer goods reached 3.7803 trillion yuan, up by 12.7% yoy. By consumption type, retail sales of physical goods reached 3.3733 trillion yuan, up by 10.5% yoy; catering income was 407.0 billion yuan, up by 35.1% yoy. From January to May, total retail sales of consumer goods were 18.7636 billion yuan, a year-on-year increase of 9.3%. By consumption type, retail sales of physical goods reached 16.7678 trillion yuan, a year-on-year increase of 7.9%; catering revenue was 1.9958 trillion yuan, an increase of 22.6%. Online retail sales of physical goods totalled 4.8055 trillion yuan from January to May, up by 11.8% yoy, accounting for 25.6% of total retail sales of consumer goods.¹⁰

MOFCOM: The consumer market to maintain steady growth in 2Q23

According to Shu Jueting, a spokesperson for the Ministry of Commerce (MOFCOM), with the arrival of the peak summer consumption season, residents' consumption needs for holiday shopping, leisure shopping, and travel will continue to grow. Supported by relevant consumption-promoting policies, the consumer market is expected to maintain a steady growth trend in the second quarter. In order to further stimulate the market and boost consumption, the MOFCOM will continue to improve consumption policies, strengthen departmental coordination, and introduce a series of policies and measures to support consumption growth and recovery.¹¹

III. Policy Spotlight

Customs to research the expansion of pilot projects for cross-border e-commerce returns

At a recent State Council policy briefing, Wu Haiping, director of the Department of General Operation of the General Administration of Customs, said the the Customs issued 16 measures on 12 June to improve the business environment, including measures to promote the innovative development of foreign trade. The Customs will better support the sustainable and healthy development of new formats in foreign trade. It will focus on the needs of enterprises, carrying out comprehensive reform of cross-border e-commerce customs supervision, and further standardizing cross-border e-commerce bonded import and export supervision. In response to the pain points of product returns, the Customs will optimize measures for cross-border e-commerce import and export returns, improve and upgrade the functions of returns warehouses, pilot cross-customs returns for cross-border e-commerce bonded retail import, and study the expansion of pilot projects for cross-border e-commerce returns.¹²

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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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