

China Retail & E-commerce Weekly Update



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I. Sector Review

Internet & E-commerce

Bilibili's revenue reaches 4.9 billion yuan in 2Q22

Video platform Bilibili (哔哩哔哩) recently reported total net revenue of 4.9 billion yuan in 2Q22, a 9% increase year-on-year. Of which, revenue from e-commerce and others reached 601 million yuan, a year-on-year increase of 4%. During the second quarter, the platform's average daily active users (DAU) reached 83.5 million, a year-on-year increase of 33%; the monthly active users (MAU) reached 305.7 million, a year-on-year increase of 29%; the average monthly paying users (MPU) reached 27.5 million, a year-on-year increase of 32%.¹

Tmall partners with F&B brands for sustainable mooncake packaging

Tmall (天猫) has partnered with nine major food & beverage brands, including Starbucks, Nayuki (奈雪的茶), and Wufangzhai (五芳斋), to produce environmentally friendly mooncake boxes for the Mid-Autumn Festival. The gift boxes are made from organic materials such as bagasse (which comes from extracted sugarcane), coffee grounds and bamboo fibre, in order to promote low-carbon celebrations and green consumption. The boxes can also be repurposed into lunchboxes, photo frames, etc. after the festival.²

Tmall announces new support plan for Time-honoured brands with 12 support measures

Tmall (天猫) recently announced the '2022 Tmall Time-honoured Brand Support Plan', which provides 12 support measures for time-honoured brand enterprises on the platform from the three dimensions of new supply, new marketing, and new operations. Within these measures, the 'supply innovation' part is the most significant. It covers all parts of the product incubation process: discovering product trends, product innovation, cooperation with artists, designers and IP resources, packaging customization, etc. Nearly half of the 1,128 time-honoured Chinese brands certified by the Ministry of Commerce have already opened flagship stores on Tmall. In fiscal year 2022, 7% of the flagship stores of time-honoured brands on Tmall reached an annual turnover of more than 100 million yuan.³

Department Stores & Shopping Malls

Intime Department Store's Miaojie app launches 'shopping guide' function

Intime Department Store's (银泰百货) Miaojie (喵街) app has launched a new 'ask a shopping guide' function. Users can contact a department store counter shopping online to inquire about product information, events or fashion and beauty advice. Text messages, voice notes and pictures can be sent during the consultation process. Since trial operations began six months ago, online consultations for cosmetics shopping guides have increased by 46%.⁴

Cosmetics

L'Oréal China subsidiary invests in high-end fragrance brand DOCUMENTS

Shanghai Meicifang Investment Co. (上海美次方), L'Oréal's investment company in China, recently announced a minority investment in DOCUMENTS (闻献), a high-end fragrance brand in China. This investment is Meicifang's first venture capital investment in China, and is supported by BOLD, L'Oréal's venture capital fund. DOCUMENTS was founded in 2021. It is committed to developing and using raw materials produced or originating from China and creating fragrance through solid craftsmanship. The brand is aimed at Gen-Z consumers who value choice and artistic expression.⁵

MLB Beauty enters the Chinese market

MLB Beauty, a cosmetics brand under the MLB fashion brand, has officially entered the Chinese market. The brand's Tmall (天猫) flagship store currently sells MLB perfume and cushion foundation products. Founded in 1997, MLB is a streetwear lifestyle and sports brand which is famous for its baseball design elements. The brand sells a full range of products such as clothing, accessories, and pet supplies.⁶

Furniture and Home Improvement

ByteDance launches two new housing services

ByteDance (字节跳动) has launched two new housing-related services: offline real estate agency 'Xiaomai Real Estate' (小麦房产) and home renovation business 'Zhuhaojia' (住好家). Xiaomai Real Estate has opened several offline stores in Fuzhou, offering the sale and purchase of secondhand and new housing. Meanwhile, Zhuhaojia, owned by ByteDance's home improvement company Zhuxiaobang (住小帮), has begun offering home decoration services in Beijing. ByteDance has acquired a property broker, a home improvement service provider, and a building material seller since last year, marking the company's entry into the real estate market.⁷

Food & Beverage

Yuanfudao enters the coffee market with its first store in Beijing

Online education platform Yuanfudao (猿辅导) has launched a coffee brand called Grid Coffee, which recently opened its first store at the Wangfujing Intime (银泰) in 88 mall in Beijing. Grid Coffee is wholly-owned by an affiliate of Yuanfudao's parent company, and most of its management team comes from Yuanfudao's founding team. In terms of product, the brand is positioned as a specialty coffee, featuring two series of classic coffee and hand-brewed coffee across a total of 21 SKUs which are priced between 25 and 30 yuan.⁸

Starbucks China plans to reach 9,000 stores by 2025

Starbucks China plans to increase the number of stores in China, its second largest market, by 50% to 9,000 stores by 2025. It also plans to double its sales and quadruple its operating income through store expansions and omni-channel growth as well as at-home and on-the-go coffee services. In the past ten years, Starbucks stores in the Chinese mainland have grown by nearly 10 times and have been on track to reach 6,000 stores by the end of this year. By 2025, the company is expected to open a new store every nine hours to add 3,000 new stores in about 300 cities throughout the country. In first and second tier cities, Starbucks China will optimize its store portfolio and density in key areas. In the next three years, Starbucks China is investing 1.46 billion yuan into a Digital Technology Innovation Centre which will facilitate the digitization of store operations as well as in-house technology and data infrastructure.⁹

Miscellaneous

Huawei's car-hailing platform Petal Travel goes live

Huawei (华为) recently launched the public beta version of its new car-hailing platform, Petal Travel. Based on Huawei's self-developed HarmonyOS and map engine capability, the platform provides aggregated car-hailing services – users do not need to download an app and will get the same experience using any device.¹⁰

Freshippo begins recruiting flower sellers for its Freshippo Garden business

Freshippo (盒马) plans to recruit over 60 partners to operate its flower business in 19 cities, including Shanghai, Beijing, Chengdu and Shenzhen. At present, the company has opened nearly 300 Freshippo Garden (盒马花园) locations in more than 20 cities, while also establishing a nationwide flower industry chain. Partners can use the Freshippo Garden store as their own flower shop without having to pay rent, joining fees, utilities, or manage inventory. They could leverage Freshippo's existing supply chain and omni channel, and merely have to manage store operations; their estimated monthly income can reach up to 50,000 yuan.¹¹

II. Market Overview

CCFA: Convenience store sales total 349.2 billion yuan in 2021

According to a recent report by the China Chain Store and Franchise Association (CCFA), the number of convenience stores across the country exceeded 253,000 in 2021, with their total sales amounting to 349.2 billion yuan. In terms of scale, EasyJoy (易捷), Meiyijia (美宜佳) and uSmile (昆仑好客) have the most stores. Over 80% of convenience stores have launched online business to adopt an omni-channel strategy – though offline channels are still the main revenue stream.¹²

2022 Workplace Fashion Consumption Report: 40.5% of respondents have reduced clothing consumption

China Fashion Week and Zhaopin.com recently released the *2022 Workplace Fashion Consumption Report*. According to the report, 40.5% of surveyed respondents have reduced their clothing consumption in the past year. Reasons include saving money (37.9%), less social activities (22.6%), simplifying their lifestyles (20.5%), and a lack of desire to spend (19.0%). For those who have increased their clothing consumption, 37.4% say that higher-quality apparel products are necessary as income and workplace status increase, and 28% attribute the spending increase to more diverse apparel products.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.

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