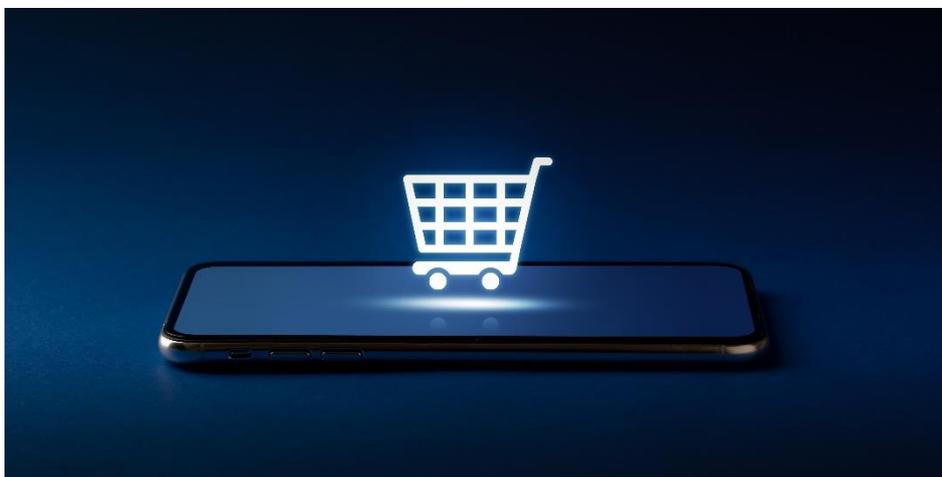


# China Retail & E-commerce Weekly Update



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# I. Sector Review

## Internet & E-commerce

### Baidu to shut down its local O2O group purchasing platform Nuomi

Baidu (百度) recently announced that it will shut down the Nuomi (糯米) app in December 2022. Baidu Nuomi, formerly known as Nuomi.com, was launched on 23 June 2010 by social media platform Renren. Baidu wholly acquired the company in 2014, changing its name to Baidu Nuomi. Similar to other O2O platforms, Nuomi allows users to search for local service providers, make restaurant reservations, book hotel rooms and buy film tickets. Despite Baidu's ambitions and billions of yuan invested, Nuomi has failed to make a dent in Meituan's position in the market.<sup>1</sup>

### JD Express provides delivery services for Douyin E-commerce

JD Express (京东快递), the express delivery business of JD Logistics (京东物流), has become one of the first courier companies to reach an agreement with Douyin (抖音) to provide home delivery services for the latter's express delivery service, Yinxuda (音需达). Douyin set up the express delivery service with the aim of reducing returns and complaints caused by logistics issues affecting its e-commerce services.<sup>2</sup>

### Livestreaming influencer Li Jiaqi's return to Taobao attracts over 600 million viewers

Popular influencer Li Jiaqi (李佳琦) finally returned to his livestream show on the Taobao (淘宝) platform on 20 September, marking his first livestream appearance since 3 June. Li broadcasted for nearly two hours and attracted more than 60 million viewers as he presented 26 products ranging from home supplies and underwear to skincare products. Li repeatedly urged his audience to 'shop rationally,' but almost all of the items he marketed sold out within 30 seconds regardless. He made no mention of his three-month absence.<sup>3</sup>

### Kuaishou to launch online shopping mall channel

Short video platform Kuaishou (快手) is set to launch an online shopping mall channel with a similar look and feel to e-commerce giants such as Taobao (淘宝) and JD.com (京东). It will include a wide variety of new and well-established brands, selling mainly apparel and cosmetics. Online traffic will be directed to merchants on the platform via ads, short video content, livestreaming, and the mall's own page. Livestream hosts will be mainly responsible for front-end marketing, while sellers will be responsible for the delivery, logistics, and after-sales services.<sup>4</sup>

## ByteDance officially launches new fast fashion platform IfYooou

ByteDance (字节跳动) recently announced the full launch of a new fast fashion platform called IfYooou. It is positioned as a 'low price, high quality' platform aimed at the mainstream market in mainly Western and Northern European countries such as the UK, France, Germany, Italy, Spain, Belgium, Ireland, Sweden, and Finland. The main product category is women's fast fashion, including dresses, swimwear, tops and shirts. Most articles of clothing range from 5 to 30 British pound, and accessories mostly below 20 British pound. The delivery time varies, taking up to 15 days. Consumers can return or exchange the goods without reason within 30 days.<sup>5</sup>

## Retail Logistics

### Taobao Global and Cainiao International launch the 'One City One Warehouse' scheme

Taobao Global (淘宝全球购) and Cainiao International (菜鸟国际) recently launched the 'One City One Warehouse' scheme, which will serve the one billion Taobao users for their demand for overseas and new products through the 'bonded warehouse import model. Taobao Global will use the new 'live broadcast + cross-border e-commerce' model to introduce livestreaming into Cainiao's bonded warehouses, expanding the availability of imported goods and improving logistics efficiency through direct delivery from bonded warehouses.<sup>6</sup>

## Apparel

### Apparel brands Xtep and Septwolves are now 'joined through marriage'

A daughter and a son of the founders of Septwolves (七匹狼) and Xtep (特步) two Chinese apparel brands, recently got engaged. Zhou Liyuan, the second son of Septwolves Chairman Zhou Shaoxiong, and Ding Jiamin, the second daughter of Xtep's founder Ding Shuibo, recently held an engagement party which became a hot topic on Chinese social media. The two companies had collaborated previously, setting up an investment fund in 2015.<sup>7</sup>

## Food & Beverage

### Xtep applies for various coffee trademarks

Xtep (特步) recently applied to register three Chinese and English trademarks for 'XTEP COFFEE' (特咖啡), marking the sports brand's entry into the coffee market. Fellow sports brand Li Ning (李宁) has already taken the lead by registering the 'NING COFFEE' trademark earlier this year, as the brand plans to provide in-store coffee services. Industry insiders believe coffee will not become Xtep's main business, but it will serve to increase brand awareness.<sup>8</sup>

## II. Market Overview

### **iResearch, JD Sports: One-stop professional sports service platforms are most popular with consumers**

iResearch and JD Sports (京东运动) recently released the *2022 China Youth Sports Development White Paper*. The report shows that young consumers pay more attention to sports professionalism and are willing to pay for it. Sports equipment, shoes and clothing, and healthy meals have become the 'three major sports items' for young consumers today. The top sports among this group are basketball, football, badminton, running, fitness, yoga, sports, skiing and camping. Though they have different consumption characteristics, consumers generally pursue professionalism in sports. Subsequently, one-stop professional service platforms have become the first choice for sports consumption. In addition, Chinese young people prefer domestic sports brands when purchasing sports equipment. Trendy mainstream domestic brands such as Li Ning (李宁), Anta (安踏), Hongxing Erke (鸿星尔克) and Xtep (特步) are more popular among young people.<sup>9</sup>

### **NBS: Retail sales of consumer goods up 5.4% yoy in August**

According to the National Bureau of Statistics (NBS), in August, China's total retail sales of consumer goods was 3,625.8 billion yuan, an increase of 5.4% yoy. Retail sales of goods reached 3,251.0 billion yuan, an increase of 5.1% yoy; catering revenue was 374.8 billion yuan, up 8.4% yoy. From January to August, the total retail sales of consumer goods were 28.256 trillion yuan, a year-on-year decrease of 0.5%. By retail format, retail sales of supermarkets, convenience stores and professional stores in retail enterprises above designated size increased by 4.1%, 4.8% and 4.6% respectively year-on-year, while that of department stores and specialty stores decreased by 6.6% and 0.5% respectively. During this period, online retail sales of physical goods reached 7.241 trillion yuan, up 5.8% yoy, accounting for 25.6% of the total retail sales of consumer goods; among the online retail sales of physical goods, retail sales of food, clothing and consumer goods increased by 16.5%, 4.0% and 4.8% respectively.<sup>10</sup>

## **iiMedia Research: The ‘new youth’ are driving interest-related consumption**

iiMedia Research recently released the *2022 China Interest-Related Consumption Trend Insights White Paper*. The report pointed out that new young consumer groups (post-90s and post-00s) have become a driving force in the consumer market, prompting changes in demand – the rising trend of ‘interest consumption’. Good-looking, IP co-branding, and ‘attractive, fun, and easy-to-use’ products have a strong influence among these consumer groups. Furthermore, rich media applications and supply chain capabilities are key factors for enterprises to meet the interest consumption trend. IP co-branding, cross-industry cooperation, forming partnerships, social media marketing and private domain operations have become important means for brands to shape consumers’ interests.<sup>11</sup>

## **Xiaohongshu: 81.2% of users are willing to buy unfamiliar cosmetics products**

Xiaohongshu (小红书) recently released the *IDEA Marketing* series of consumer research reports. The first batch of reports covers three major industries: cosmetics, beverages, and consumer electronics. According to the cosmetics report, 82.5% of beauty users prefer using Xiaohongshu to learn about cosmetics and personal care. Nearly half of beauty users are interested in a product after seeing it on Xiaohongshu three times. In terms of content preferences, 77.1% of beauty users prefer to ‘swipe’ on the relevant notes published by beauty bloggers, followed by content published by general users. In this survey, 81.2% of users expressed their willingness to buy unfamiliar new products.<sup>12</sup>

## **Plum: China’s second-hand luxury goods market to reach 38.4 billion yuan by 2025**

Second-hand luxury resale app Plum (红布林), Sina Fashion (新浪时尚) and the Central University of Finance and Economics recently released the *China Circular Fashion Industry Innovation Research Report 2022* – this is the first industry white paper which focuses on ‘circular fashion’. The data shows that second-hand e-commerce transactions totalled 400.17 billion yuan in 2021, a year-on-year increase of 29.27%, and the compound annual growth rate from 2019 to 2021 reached 24.1%. The industry’s transaction volume is predicted to reach 950.22 billion yuan in 2025. According to the report, China’s second-hand luxury goods market has great growth potential, and is expected to reach 38.4 billion yuan by 2025, with a compound annual growth rate of 15%. With the emergence of second-hand luxury e-commerce platforms, it is expected that the scale of the circular fashion industry will exceed 100 billion yuan by 2025.<sup>13</sup>

### III. Policy Spotlight

#### Beijing now has 832 duty-free shops, ranking first in the country

Beijing has opened 832 duty-free shops covering all key commercial areas across the city. Twelve of them have adopted on-site tax refund services, allowing tourists to receive rebate in cash at the stores, according to the Beijing Municipal Tax Service. Furthermore, as part of its efforts to cultivate more duty-free shops, the municipal tax authority has opened a fast track for enterprises that meet the conditions of departure tax refund shops and are willing to expand their duty-free businesses. Since the beginning of this year, the municipal tax authority has completed registrations for 115 departure tax refund stores.<sup>14</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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