

China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

South Korea-based Lotte closes China headquarters

Recently, South Korea-based Lotte Group (乐天集团) announced that it will close its China headquarters in Shanghai as it shifts focus to Southeast Asia. Lotte Group entered the Chinese market in 1994. However, since 2016, Lotte's operations in China have been facing various obstacles. A spokesperson for Lotte Group said that the group made the decision to dissolve its China headquarters at the end of last year, and it is expected that relevant procedures will be completed in the first half of 2022. However, this does not mean that Lotte has fully exited the Chinese market, as it will continue to develop Lotte Chemical and other projects in China.¹

Watsons China's revenue sees largest growth in seven years

CK Hutchison Holdings (长江和记实业), A.S. Watson's (屈臣氏集团) parent company, recently released its 2021 financial results. During the year, A.S. Watson achieved growth in both revenue and profit, with total revenue rising 8.7% yoy to HK\$173.6 billion and profit of HK\$12.46 billion. Its revenue in the Chinese mainland reached HK\$22.77 billion in 2021, a year-on-year increase of 14% and the highest growth in seven years. However, its profits in the Chinese mainland continued to decline, reaching only HK\$1.808 billion, compared with HK\$1.952 billion in 2020.²

Convenience Stores

Meiyijia convenience stores begin selling OTC drugs

Recently, Meiyijia Convenience Store (美宜佳便利店) obtained a sales license for Class B over-the-counter (OTC) drugs, the first of its kind in Guangdong Province, marking the launch of Guangdong's pilot programme on selling OTC drugs through convenience stores. This means that consumers can enjoy the convenience of 24-hour drug purchases (Class B OTC drugs) at specific pilot convenience stores. Meiyijia currently has a total of 17,049 convenience stores across Guangdong, with over 8,600 24-hour stores which can fill in the gaps between traditional pharmacy opening hours.³

Internet & E-commerce

Luxury e-commerce platform MyTheresa officially joins JD.com

German luxury e-commerce platform MyTheresa has officially launched on JD.com (京东), selling brands such as Roger Vivier, Jimmy Choo, The Row, Isabel Marant and Marni. It will provide JD.com users with direct express delivery from its German headquarters, free returns within 30 days, and Chinese-language customer service.⁴

Taobao Deals launches two 'new product incubators': Taobao Deals 100 and Taobao Deals 10 Yuan Store

On 23 March, Taobao Deals (淘特) announced the launch of Taobao Deals 10 Yuan Store (淘特 10 元店) and Taobao Deals 100 (淘特 100). The Taobao Deals 10 Yuan Store is positioned to cover small lifestyle products, which can realize 'X yuan for X pieces', direct supply from the factory, full inspection of warehouse products, one-stop shopping, and bundled package delivery. On the other hand, Taobao Deals 100 provides higher-quality trendy products, focusing on cost-effective and high-quality products that can be alternatives to big brand products, and the incubation of factory brands. Together with factories in industrial belts nationwide, Taobao Deals hopes to continuously provide good products directly from the source through Taobao Deals 10 Yuan Store and Taobao Deals 100.⁵

Douyin officially enters the cross-border business with import supermarkets

Douyin (抖音) recently released the 'Global Select Import Supermarket (全球优选进口超市) Partnership Criteria' (which came into effect on 24 March), officially launching its cross-border business and inviting cross-border brand merchants to join. In terms of categories, it covers daily necessities, wine and snacks, beauty and skin care, and mother and baby. At present, only merchants invited by Douyin can participate in the partnership.⁶

Pinduoduo reaches 93.950 billion in revenue with 869 million annual active buyers in 2021

On 21 March, Pinduoduo (拼多多) released its fourth-quarter and full-year financial results for 2021. In 2021, Pinduoduo's total revenue was 93.95 billion yuan, a year-on-year increase of 58%; net income attributable to ordinary shareholders was 7.7687 billion yuan, compared with net loss of 7.1797 billion yuan in 2020. In 4Q21, Pinduoduo's total revenue was 27.231 billion yuan, a year-on-year increase of 3%; net income was 6.6195 billion yuan, compared with net loss of 1.3764 billion yuan in 2020. GMV in 2021 was 2.441 trillion yuan, a year-on-year increase of 46%. The average monthly active users of the Pinduoduo app in 4Q21 was 733 million, a year-on-year increase of 2%. By the end of 2021, the number of active buyers reached 868.7 million, a year-on-year increase of 10%, and a quarter-on-quarter increase of about 1.4 million.⁷

Tencent's net profit reaches 224.82 billion yuan in 2021

Recently, Tencent (腾讯) released its fourth-quarter and full-year financial results for 2021. In 4Q21, Tencent's total revenue was 144.2 billion yuan, an increase of 8% year-on-year. In 2021, Tencent's total revenue reached 560.1 billion yuan, up by 16% yoy; net profit was 224.82 billion yuan, up by 41% yoy. The combined monthly active users of Weixin (微信) and WeChat (the international version) reached 1.286 billion. The physical goods GMV of Weixin Mini Programmes merchants doubled year-on-year, and Weixin Video Accounts' time spent per user and total video views more than doubled year-on-year.⁸

Apparel & Shoes

Nike's revenue in Greater China falls by 5% yoy in fiscal 2022 third quarter

On 22 March, American sportswear brand Nike released its financial results for fiscal 2022 third quarter ended 28 February. Sales in Greater China, its third largest market, fell by 5% year-on-year. Footwear sales in Greater China declined by 4% yoy while apparel sales fell by 11% yoy in the quarter.⁹

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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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