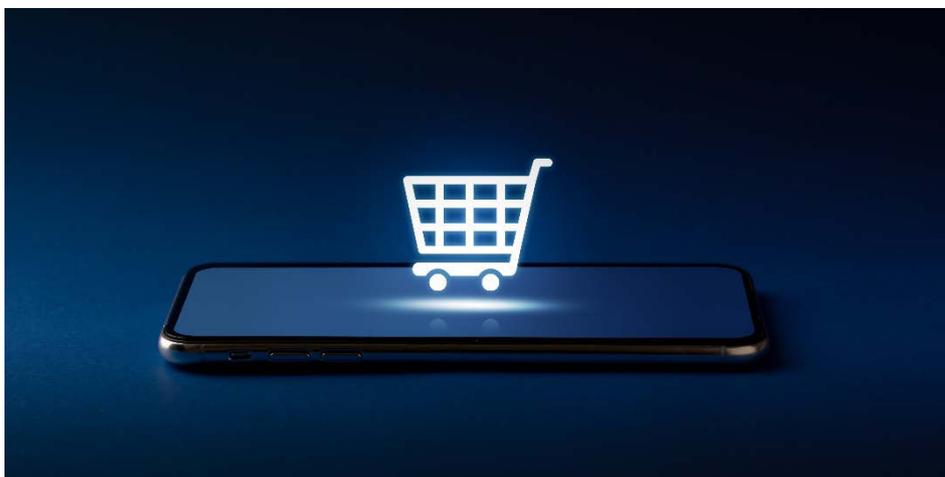


China Retail & E-commerce Weekly Update



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I. Sector Review

General Retail

Sinopec EasyJet Coffee launches in-car delivery service

Sinopec EasyJet Coffee (中石化易捷咖啡) has launched a 'one-click in-car delivery' service in its WeChat mini program. After placing an order in the mini program, drivers can enter their car plate number and EasyJet Coffee staff will deliver their drinks directly to the car. From entering the coffee market to establishing a joint venture, joining the coffee retail industry and now launching this delivery service, it is clear that EasyJet Coffee aims to pave the way for this business model by enriching its modes of operations. This new delivery service is currently available in Beijing, Suzhou, and Hefei only.¹

Internet & E-commerce

SHEIN ceases operations in Indonesia; comes under scrutiny in the UK and Australia for intransparent supply chain practices

According to SHEIN Indonesia's official website, the company ceased its operations in Indonesia on 29 July. According to web analytics platform SimilarWeb, there have been less than 5,000 hits on SHEIN Indonesia's website since September 2020. In comparison, Zalora – the country's largest fashion retail website – had over 2.7 million hits during the same period. Furthermore, although the CSR page of SHEIN's official website declares that it 'never engages in child or forced labour', the company has not provided the full supply chain disclosures required by British law, which may lead to prosecution. SHEIN's subsidiary in Australia has also failed to provide an annual statement on modern slavery. According to a SHEIN spokesperson, the company is formulating a comprehensive policy on these issues which will be published on its website in the coming weeks.²

Zhihu launches 'Zhihu Zhiwu' with coffee as its first product

Question-and-answer website Zhihu (知乎) opened a new Weibo account and a WeChat public account called 'Zhihu Zhiwu' (知乎知物) in July. 'Zhihu Zhiwu' is positioned as Zhihu's original design brand. The official introduction is 'focusing on the research and development of daily life items'. Their first product is drip bag coffee. As of 5 August, the first batch of 50,000 pieces has been sold out.³

Douyin launches takeaway ordering function by connecting to Meituan and Ele.me

Douyin (抖音) has launched its in-app takeaway ordering function. Users can order takeaway from delivery platforms or brands via Douyin and will be redirected to an ordering page. At the moment, the function is connected with the delivery services for Ele.me (饿了么), Meituan Delivery (美团外卖), and consumer brands such as Heytea (喜茶). In July, there were reports of a new takeaway business division within Douyin called 'Heartbeat Takeaway' (心动外卖) which had begun in-app testing. However, this function is still in the beta testing stage and is not open to the public.⁴

People's Daily comments on sexual assault incident at Alibaba Group: 'As a whale dies, other animals thrive'

The sexual assault of a female employee at Alibaba Group (阿里巴巴集团) has received significant media attention recently. People's Daily New Media commented that when an industry giant violates social justice, there is no need for another industry giant to step in; it can be defeated by an ordinary person. The company should not assume that they are 'too big to fail'. The laws of nature tell us that when a whale falls, other animals thrive. Furthermore, in China, large companies should not presume they can manipulate the situation like the Korean chaebol. On 9 August, Zhang Yong, Chairman and CEO of Alibaba, announced the following decisions on the Alibaba intranet: Li Yonghe and Xu Kun, the president and an HR staff of Alibaba Hyperlocal Retail Business Group (阿里巴巴同城零售事业群), have resigned; disciplinary action has been taken against Tong Wenhong, the chief human resources officer of Alibaba; and the suspected male employee was fired and will never be rehired. The police are investigating the case.⁵

Beibei Group's social commerce platform Beidian shifts to shopping guide e-commerce

Beibei Group's (贝贝集团) social commerce platform Beidian (贝店) has transformed into a shopping guide e-commerce company. The newly updated Beidian app's home page has been connected to Taobao, Pinduoduo, Vipshop and Meituan Delivery. The original supply chain resources have been moved to the 'Mall' channel. Beidian was launched by Beibei Group as a social commerce platform in 2017. The Group also launched an e-commerce discount platform, Beicang (贝仓), in 2019. In addition, Beibei Group's business also includes maternal products e-commerce platform Beibei (贝贝) and shopping guide rebate platform Beisheng (贝省). At present, Beibei Group has removed Beicang and Beisheng from the business overview section of its website, leaving only Beibei, Beidian and Ximei (希美) as its main businesses.⁶

Supermarkets & Hypermarkets

Carrefour's first members-only store in China to open in Shanghai in 4Q21

Carrefour recently announced that its first members-only store in the Chinese market is expected to open in Shanghai in 4Q21. The company plans to open over 30 members-only stores in China by 2026. According to Carrefour, the upcoming members-only stores in China will operate under one of three models: standard stores (such as the first store), basic stores, and flagship stores. Members-only stores are warehouse-type supermarkets that operate under a membership model, with a larger operating area and bigger product packages than regular supermarkets and hyper markets. In addition, the current SKU of Carrefour members-only stores is below 4,000. It is expected that there will be 1,500 private brands in members-only stores in five years, accounting for about 35% of sales.⁷

Apparel

Levi's announces its withdrawal from the BCI

American denim brand Levi's recently announced its withdrawal from the Swiss cotton sustainability programme Better Cotton Initiative (BCI). BCI has previously suspended the issuance of BCI licenses for Xinjiang cotton over its alleged 'forced labour' concerns, causing the boycott against brands such as Nike, H&M, and adidas in China. Adidas's revenue in China fell by 16% yoy in 2Q21 as a result.⁸

Cosmetics

SK-II partners with JD.com to launch their first online virtual city

SK-II has partnered with JD.com (京东) to launch their first online virtual city, SK-II CITY, which consumers can explore by swiping the screen while accompanied by JD.com's mascot dog Joy. The city can be explored through visual, auditory, and sensory experiences, and users can also interact with Joy, further increasing the interactivity and novelty of the experience. SK-II aims to create an all-new online shopping experience through consumer-led exploration and discovery in the virtual branded world which also integrates the shopping element, thus providing a fully seamless shopping experience.⁹

L’Oreal Group announces a partnership with menstrual cycle tracking software company Clue

French cosmetics giant L’Oreal Group recently announced a partnership with menstrual cycle tracking software developer Clue, with the aim of understanding the effects of the menstrual cycle on skin health. The Clue team will partner with L’Oreal’s active cosmetics division and clinical experts. They will publish menstrual cycle-related and skin health-related scientific content on their official website, helloclue.com.¹⁰

International brand Henkel fined for violating Chinese cosmetics regulations

According to the Shanghai Municipal Administration for Market Regulation website, between July 2019 and April 2020, six batches of Schwarzkopf hair dye produced for Henkel by Jiangsu Meiaisai Cosmetics Corp. Ltd were found to contain ingredients not listed in the approval documents for those products. As a result, the Shanghai authorities have confiscated 110,600 yuan in illegally earned income and fined Henkel three times this amount (331,800 yuan) for ‘producing special-purpose cosmetics without approval documents’. Henkel is the latest international cosmetics giant fined for violating regulations after Estée Lauder and Sephora.¹¹

LVMH’s high-end cosmetics brand Guerlain joins JD.com

High-end cosmetics brand Guerlain, which is part of global luxury giant LVMH Group, has joined JD.com and launched its official flagship store on the platform. The online flagship store currently sells perfume, skincare, and make-up products. Guerlain is the seventh global cosmetics brand to join JD.com since July.¹²

Furniture

IKEA Shanghai Xuhui store becomes the first IKEA store to feature ‘Home Experience of Tomorrow’ concept

IKEA Shanghai Xuhui store was reinaugurated on 12 August to feature its ‘Home Experience of Tomorrow’ concept. This experiential store adopts an all-new shopping route design. The store is re-divided into five main spaces according to people’s daily home activities: sleeping and washing spaces, creation and working spaces, cooking and dining spaces, meeting and leisure spaces, and storage and display spaces. In addition, there are also fine living exhibition areas, and exhibition streets to showcase new products, latest trends and lifestyles.¹³

II. Policy Spotlight

Live-streaming e-commerce included in the national service industry standardisation pilot for the first time

Recently, the Ministry of Commerce and the State Administration for Market Supervision jointly issued the document 'Regarding the Evaluation Results of the National Service Industry Standardisation Pilot (Commercial and Trade Circulation Project)' (《关于国家级服务业标准化试点(商贸流通专项)评审结果》). This document sets strict requirements for participating enterprises of the pilot programme and selected a total of 15 pilot cities and 95 pilot enterprises. Among them, Meione (Shanghai) Network Technology Co., Ltd (美腕(上海)网络科技有限公司), where leading KOL Li Jiaqi (李佳琦) is based, is the only livestreaming enterprise that has been included in the pilot programme. This is the first time that the country has included livestreaming e-commerce in the 'National Service Industry Standardisation Pilot'.¹⁴

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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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