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Analysts in high spirits on *baijiu* giant's digital move

By **ZHU WENQIAN** in Beijing and **YANG JUN** in Guiyang

Kweichow Moutai Co Ltd, China's iconic high-end spirits maker in Southwest China's Guizhou province, announced that it will launch its official digital sales platform on Thursday for pilot operation, and analysts are bullish on the company's long-term growth prospects.

Consumers can already download the app — iMaotai — on their mobile devices. When the app is officially launched, buyers over the age of 18 can make advanced purchases of the latest four types of the company's alcoholic products. But the new app won't be selling Moutai's classic Feitian 53 percent liquor in 500 milliliter bottles.

The app has become the one with the highest downloading volume among all free apps.

All products available on the app use a reservation system, and each identification number can be bound to one account. The reservation time is between 9 am and 10 am, and consumers need to pick up their products at offline stores.

Shanghai-listed Moutai saw its shares close at 1,667 yuan ($262) per share on Tuesday, edging up 0.37 percent. Currently, Moutai stands as the most expensive food and beverage stock globally. Its valuation reached 2.1 trillion yuan, which exceeded that of Nasdaq-listed US multinational Coca Cola Co since mid-2020.

Shares of many other leading Chinese liquor distillers, such as Sichuan-based Wuliangye Yibin Co Ltd and Luzhou Laojiao Group, slipped in Tuesday trade.

Meanwhile, Moutai released its latest earnings forecast on Monday evening. In the first three months, Moutai is expected to achieve sales of 33.1 billion yuan, up 18 percent year-on-year. During the period, its net profit is likely to have reached 16.6 billion yuan, up 10 percent year-on-year. This is the best first-quarter performance in three years, the company said.

"In the first quarter, sales of *baijiu* (spirit) have been robust in the country. With a richer product portfolio of Moutai and given its scarcity, it is expected to show good profitability in the mid and long term," said a report by Hua Chuang Securities.

Moutai also made substantial gains last year. In 2021, it achieved sales of 109.4 billion yuan, growing 11.71 percent over the previous year, representing the first time annual sales exceeded 100 billion yuan. Last year, net profits reached 52.5 billion yuan, up 12.34 percent year-on-year.

"Now, sales of higher-end *baijiu* products only account for about 5 percent of the total in China, and they boast significant room for future growth. Sustained economic growth will ensure sufficient consumption capacity, despite the COVID-19 pandemic having aggravated negative emotions in the short term," said a research report of China Securities.

This is not the first time that Moutai made an attempt to grow its e-commerce footprint. In 2014, the distiller spent 100 million yuan to establish its e-commerce business. The platform was launched in 2017, and more than 2,800 distillers settled their business via the platform. In late 2019, the e-commerce platform ceased operations and underwent liquidation.

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A bottle of Moutai on display during a product release event of Kweichow Moutai Co Ltd in Guiyang, Guizhou province. PROVIDED TO CHINA DAILY

109.4 billion yuan

Moutai's total sales in 2021, up 11.71 percent over that of the previous year

Major layoffs seen in internet companies

By **FAN FEIFEI**
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Chinese internet companies, including Alibaba Group Holding Ltd, Tencent Holdings Ltd and JD, are reportedly downsizing, amid economic downward pressure and a complex external environment, but they are still stepping up recruitment efforts for skilled talent in research and development.

Industry experts said tech heavyweights are adjusting development strategies, optimizing organizational structure and shifting their focus to operational efficiency-oriented business model, with an emphasis on long-term, sustainable growth.

Jingxi, a social e-commerce platform under Chinese e-commerce giant JD, plans to lay off 10 to 15 percent of its workforce, according to JD. Launched in 2019, Jingxi focuses on lower-tier cities and townships, providing coupons and incentives on team purchases to target users.

The planned layoffs are mainly concentrated on Jingxi Pinpin, a community group-buying platform of Jingxi, and some employees will be moved to other businesses, JD said, while noting its main business will not be affected.

JD reported a net loss of 5.2 billion yuan ($817 million) in the fourth quarter, compared with a net profit of 24.3 billion yuan in the same period in 2020. Losses from JD's new businesses, including Jingxi, stood at 3.22 billion yuan in the fourth quarter.

"JD's goal is not to chase high growth in single operating financial metrics. In fact, we focus on healthy and sustainable growth of our business as a whole," Xu Lei, president of JD, said during the company's earnings call.

"As China's internet industry develops into a more mature stage, the traffic-driven growth model buoyed by subsidies is being replaced by the use of quality and operating efficiency-oriented models," Xu said.

JD's layoffs came after media reported tech behemoths Tencent and Alibaba are preparing to shed tens of thousands of jobs this year in one of their biggest layoff rounds.

Alibaba could cut more than 15 percent of its staff members, while Tencent plans to lay off employees in some of its business units this year, according to a report from Reuters, citing people with knowledge of the matter. The two companies did not immediately respond to requests for comments.

Ouyang Rihui, assistant dean of the China Center for Internet Economy Research at the Central University of Finance and Economics, said internet companies have started to adjust their diversified operational strategies and gradually concentrate on some core businesses and look for new profit growth points amid the country's strengthened supervision over platform-based economy and efforts to prevent the disorderly expansion of capital.

He said these companies should accelerate steps to promote the in-depth integration of digital technologies with the real economy, empower small and medium-sized enterprises and pour more resources into technological innovation.

"We are proactively embracing changes to better align ourselves with the new industry paradigm," Martin Lau, president of Tencent, said in an earnings call with investors last week, adding the company is progressively implementing initiatives to control marketing and staff costs and to rationalize its noncore businesses.

Meanwhile, a string of tech giants have launched campus recruitment campaigns in dozens of cities. For instance, food delivery platform Meituan plans to hire more than 10,000 fresh graduates, offering positions covering R&D, sales, products, operations, design and marketing.

"Most of the internet companies that have achieved profitability are adjusting talent structure, rather than simply downsizing," said Pan Helin, co-director of the Digital Economy and Financial Innovation Research Center at Zhejiang University's International Business School, adding there is surging demand for professionals in fields like corporate compliance, risk control and sustainable development.

Pan said internet companies will undertake more social responsibilities, increase capital input to compliance management, data security and risk control, as well as pay more attention to environmental, social and governance or ESG efforts.

The COVID-19 pandemic and downward economic pressure are weighing on internet companies, said Shen Meng, director of boutique investment bank Chanson & Co, adding as the representative of new technologies, internet companies should push forward innovation in technological R&D and expand application scenarios of emerging technologies.

A logistics facility of Jingxi, a social e-commerce platform under Chinese e-commerce giant JD, in Xiangyang, Hubei province. LI FUHUA / FOR CHINA DAILY

Briefly

GSMA sees 892m 5G lines by 2025-end

The number of 5G connections in China is expected to reach 892 million by the end of 2025, according to a recent analysis by the GSMA, an international association of mobile operators. This figure is higher than the GSMA's forecast around half a year ago at the World Internet Conference Wuzhen Summit, despite the fact that some Chinese provinces and cities are currently combating COVID-19 outbreaks. Strong 5G demand has made the Chinese mainland the single largest 5G market in the world, with 5G connections accounting for over 75 percent of the global total at the end of 2021, according to the association's latest report entitled *The Mobile Economy China 2022*.

Friendship Medical Building operational

The Cambodia-China Friendship Medical Building in Phnom Penh has begun operations. State-owned China State Construction Engineering Corp has built the project — the main building of the Cambodia-China Friendship Preah Kossamak Hospital. Construction started in October 2018. It covers about 15,000 square meters and has a total construction area of 33,000 sq m.

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RIGHT TRACK

Proactive fiscal policies proving effective so far

Bonds boost infrastructure investment; urban renovation may drive growth

By **ZHANG YUE**
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China's proactive fiscal policies have been effective so far, going by the positive results generated by expedited issuance of local government bonds, which has boosted investment in infrastructure and could underpin growth for the whole year, experts said.

Data from the Ministry of Finance showed that in the first two months of this year, local government bonds worth some 1.2 trillion yuan ($189.4 billion) have been issued, including newly issued local government bonds worth 1.07 trillion yuan.

By the end of February, special local government bonds raised 877.5 billion yuan. The pace of issuance was said to be "expedited", according to insiders of the financial services industry and macroeconomic experts.

Gao Ruidong, chief economist at Everbright Securities, said that by the end of March, local government bond issuances will likely reach 37 percent of the year's total, much faster than that in the January-March period of 2020 and one of the fastest issuances in recent years.

"The expedited issuance of special local government bonds reflects that this year, fiscal policies have been front-loaded," he said. "Special local government bonds are an important fulcrum in keeping growth stable. Expediting such issuances will better facilitate funding for key projects and catalyze effective investment at the earliest possible time."

A circular from the State Council, China's Cabinet, last week decided on the division of responsibilities on key economic tasks stated in this year's Government Work Report, which underlined the imperativeness to enhance consistency in macroeconomic policies. It said that proactive fiscal policies should be more effective and targeted. Policies shall be front-loaded and more forward-looking, and policy tools in the reserves shall be put to use in a timely manner to facilitate stable economic performance.

Gao said bond issuances at a faster clip and deployment of funds raised from the special local government bonds have led to a visible rebound in infrastructure investment from January to February.

"With fiscal policies staying front-loaded and generating policy impact, we expect infrastructure investment to keep rebounding. This is critically important for changing the demand contraction and anchoring market sentiment," he said.

He said the proportion of funds (raised from the increased allocation of special local government bonds) invested in projects in areas like agriculture, forestry and water conservancy has increased by a large margin. This indicates investment projects related to urban renovation are likely to become new growth drivers.

Shi Yinghua, a professor at the Chinese Academy of Fiscal Sciences, said that a key factor in effective investment is to optimize supply — and government-backed investment is likely to offer guidance and lead improvement on the supply front.

Unilever's largest ice cream plant opens

By **HE WEI** in Shanghai
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Consumer goods giant Unilever on Tuesday unveiled its largest ice cream factory worldwide in Taicang, a county-level city under the jurisdiction of Suzhou in eastern Jiangsu province.

Unilever executives said the factory reflects the company's "China speed, determination and capability".

The factory uses digital technologies like artificial intelligence and the internet of things. Thus, it is part of the "Advanced Fourth Industrial Revolution Lighthouses", a consortium of intelligent manufacturing sites recognized by the World Economic Forum.

It can produce 2 million units of Wall's, Magnum and Cornetto ice creams daily. The factory also aims to achieve carbon neutrality in two years, said Han Fangjun, nutrition chief product supply chain officer at Unilever, during a video conference.

"Unveiling the plant today represents … the unparalleled China speed, China determination and China capability, while carrying hefty symbolic meaning for the ice cream market in China and globally," Han said.

The Wall's ice cream factory in Taicang is the first ice cream lighthouse factory in the world. It is also the second "lighthouse factory" in China following the Hefei production base.

AI-backed sales forecasting models, which leverage social listening across various platforms, allow accurate prediction of consumer demand so that the company can respond to consumer needs in close to real time.

The speed of rolling out innovation will be cut to three months from 12 months. For instance, the R&D team uses 3D printing to mock up packaging samples and develops new nozzles about 80 percent quicker than the time taken for developing a typical stainless-steel component.

Other technology highlights include a brand new single-scan tracing app that enables end-to-end chain traceability and direct product delivery to customers.

China has become the largest consumer market for Magnum and Cornetto. With the COVID-19 pandemic unlocking people's desire to consume ice cream at home, the company aims to develop unique products that pamper the taste buds of the Chinese, said Benny Xu, ice cream general manager for Unilever North Asia.

They (Chinese customers) prefer not too sweet or greasy flavors … (value) quality and healthy raw materials as well as diverse and green packaging, he said. "At the same time, e-commerce consumption is growing rapidly."

Ice cream was not a popular treat at home until the pandemic hit, when locked-down consumers sought comfort food, according to a report on China's FMCG landscape published last year by consultancies Bain and Kantar Worldpanel.

"Now people are buying ice cream at record rates," said Jason Yu, general manager of Kantar Worldpanel in China and a seasoned retail expert.

"In that case, the new pandemic-inspired behavior, combined with a long-term shift to premium products, is delivering record sales for that category."

Apart from adopting intelligent tools to increase efficiency and realize a flexible and fully automated production, the site is also pioneering sustainable factory practices, capable of reducing 14 percent of energy and water consumption and cutting carbon emissions by 83 percent.

The energy management system collects and monitors consumption data on a daily basis, identifying areas where it can make further improvements.