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## Guiyang Emerging City Market Report

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### Report Highlights:

This report is intended to provide a broad overview of the Guiyang market for imported agricultural products. It was prepared for a target audience of U.S. exporters, their China representatives, and all other U.S.-China trade specialists with a potential stake in the Guiyang market.

## Introduction

Guiyang is the provincial capital located in the center of Guizhou Province and one of four major cities in southwest China along with Chengdu, Chongqing, and Kunming. The name of the city “Guiyang” translates as “precious sunshine” which is descriptive of the city’s generally cloudy weather. In 2010, Guiyang received the third lowest annual total hours of sunshine in China after Chengdu and Chongqing. Situated about 3,600 feet above sea level, Guiyang had a population in 2010 of 4.3 million ranking third largest in Guizhou province. Although not the largest city in terms of population, Guiyang is the economic center of Guizhou with a gross regional product in 2010 of \$17.8 billion USD, (112.2 billion RMB), ranking fifth-lowest among 36 major Chinese cities.



Guizhou province is home to the production of Moutai, the most famous brand of liquor in China, and is often recognized as being one of the poorest provinces in China: in 2010, the per capita annual disposable income of urban households in Guizhou was 14,143 RMB (\$2,240), also ranking fifth-lowest in China. Nevertheless, Guiyang has a surprisingly active consumer and nightlife sector that has earned the city its nickname among locals as “little Hong Kong.” Those that are only familiar with Guizhou’s statistical profile as a poor province will be genuinely surprised by Guiyang’s appearance as one of the most modern and developed cities in southwest China. Locals explain this phenomenon as being a result of the local culture: although disposable income is one of the lowest in China, Guiyang’s youth tend to save less and prefer to spend their earnings on dining out and fashionable clothing. Guizhou is one of China’s most ethnically diverse provinces with ethnic minorities making up 36.1 percent of the population in 2010. Guizhou is a land-locked province bordering Sichuan Province and Chongqing Municipality in the north, Yunnan Province in the west, Guangxi Province in the south, and Hunan Province in the east.

Guiyang at a Glance 2010	
Population	4,324,600
GDP	\$17,771,096.27
GDP growth in 2010	14.30%
Urban per capita annual disposable income	\$2,629
Urban per capita annual consumption expenditure	\$2,050

Source: Guizhou and China Statistical yearbook 2011 and N.L. Consultants

## Economy

Guizhou is one of China’s major production areas for several agricultural products, home to some of the largest mineral reserves in the country, and a major exporter of electricity to other Chinese provinces. Guiyang is the central economic and commercial hub of Guizhou Province and rich in mineral resources. Out of 120 unique minerals in the province, production of 21 rank among the top three in the nation. Its reserve of coal is the highest among southern Chinese provinces. The ten major industries: tobacco, non-ferrous metallurgy, electricity and thermal power, pharmaceuticals, chemicals, rubber manufacturing, automobiles, ferrous metallurgy, food processing, and nonmetallic mineral products generated a value-added industrial output of \$ 3.63 Billion.

The city’s foreign trade increased 25.7 percent to \$2.28 billion in 2010, including an export value of \$1.44 billion and an import value of \$834 million. Chemical products, steel, and non-ferrous metals are the major exports of the city. Association of South East Asian National (ASEAN), Japan, the European Union, and the United States are the most important trading partners of the city.

Tourism is also an important pillar industry in Guiyang. In 2010, the number of domestic tourists to Guiyang reached 39.4 million, up 45.2 percent over the previous year. In 2010, Guiyang's GDP grew 14.3 percent from a year earlier to \$17.7 billion, becoming the largest economy in Guizhou Province and accounting for 31 percent of the province's total.

### Agricultural Production

At year-end 2008, the total area of cultivated land in Guizhou was almost 4.5 million hectares ranking number 13 in China. The following table outlines Guizhou's major agricultural products by sown area, output, and rank in China.

Guizhou Agricultural Production in 2010				
Crop	Sown Area (1,000 hectares)	Rank	Output (10,000 tons)	Rank
Rice	695.8	13	445.7	17
Wheat	260.8	15	24.8	20
Corn	781.1	13	415.4	13
Soybeans	313.5	10	26.6	20
Tubers	894.8	2	174.1	6
Rapeseed	479.2	6	51.6	8
Sugarcane	13.7	7	52.2	10
Tobacco	195.8	2	39.1	2
Vegetables	647.9	13	1202	NA
Tea	167.2	6	5.2	9
Fruit	151.8	21	123.5	26

Source: N.L. consulting and China statistical yearbook 2011, Guizhou Statistical yearbook 2011

As the above table illustrates, although Guizhou ranks high in the total area sown for some major crops, output typically does not rank as high as area sown. This relative inefficiency is likely a result of difficult farming conditions in much of the province's mountainous landscape.

### Infrastructure

Along with many other second and third tier Chinese cities, Guiyang is undergoing major infrastructure upgrades intended to ease transportation for locals, make the city more accessible to travelers and cargo, and improve the city's attractiveness for business. At the end of 2011, the following projects were in the planning stages, under construction, or recently completed: The Guiyang metro, which is planned to be constructed between 2010 and 2020, will consist of four lines covering 139.3 kilometers with 81 stations, 8 of which will be transfer points. Lines 1 and 2 are scheduled to be completed by 2015 and will cover a total of 56 kilometers with 37 stations having cost around \$3.8 billion.

In 2009, the World Bank approved a loan of \$300 million to support the construction of an 857 kilometer double track electrified railway line directly connecting Guiyang and Guangzhou to be known as the GuiGuang line. The new line will be capable of maximum train speeds of 200 km/hour for passenger and 120 km/hour for freight trains reducing the overall travel time from 19-27 hours to just over 5 hours. The total project construction was originally estimated to take six years and cost over \$12.5 billion. As of June 2011, the project had been delayed for at least one year.

In early 2011, the Guiyang International Conference and Exhibition Center completed construction and hosted the China (Guizhou) International Alcoholic Beverages Expo in August. The new exhibition center is one of the largest and most modern in the country covering an area of 280,000 square meters and capacity of 2,300 booths.

## Retail Sector

Guiyang's retail sector will invariably surprise those that are only familiar with its reputation as the capital of one of the poorest provinces in China. According to the 2011 China Statistical yearbook, the annual per capita disposable income of urban Guizhou is the fifth-lowest in China after Heilongjiang, Gansu, Qinghai, and Xinjiang. Guiyang also has the fifth-lowest gross regional product of all China major cities after Lanzhou, Yinchuan, Xining, and Haikou. Nevertheless, Guiyang has a bustling retail sector boasting a large number of malls and shopping centers home to international luxury and fashion brands as well as one of China's top-five grossing Wal-Mart stores. If one were to tour the major southwest China cities of Chengdu, Chongqing, Kunming, and Guiyang, many would conclude that downtown Guiyang is perhaps second only to Chengdu in levels of development and modernity.

Guiyang Major Retail Outlets		
Company	Business Type	Number of Locations
Xingli	Supermarket/Department	6 stores, 3 supermarkets
	Store/Shopping Mall	
Beijing Hualian (BHG)	Hypermarket	6
Wal-Mart	Hypermarket	3
Yonghui	Hypermarket	3
Parkson	Supermarket/Department Store	3 Stores, 1 Supermarket
Carrefour	Hypermarket	1
Heli	Supermarket	18*
Watsons	Personal Care	3**

\*Number of Stores in Guizhou

\*\*Fourth store currently under renovation

Source: N.L. Consulting

Guiyang has two major groups that dominate the high-end shopping mall sector: Modern Capital Group, and Xingli Group. While each company operates a number of shopping centers that are home to major international fashion brands, they each also have one single outlet that serves as home to the most high-end luxury brands: Modern Capital's Zhonghua Middle Road location, and Xingli's Lavant Diamond Plaza. Although both groups host some small imported food shops in their shopping centers, Xingli also operates high-end supermarkets in 7 of its locations while Modern Capital does not currently have any supermarkets.

Xingli and Yonghui are the two main high-end supermarket chains in Guiyang. Although Yonghui Supermarkets are slightly more upscale than Xingli supermarkets, both have impressive store layouts as well as large selections of imported foods and wine in clearly marked specially designated areas. Wal-Mart, Beijing Hualian, and Carrefour are the main hypermarket chains targeting price-sensitive consumers.

Beijing Hualian (BHG) opened its first store in Guiyang in 2002 and began selling imported foods in Guiyang in 2006. With six stores currently operating in Guiyang, the company plans to open three more stores in 2012. Beijing Hualian stores in Guiyang currently offer more than 100 imported product SKUs.

Wal-Mart currently has six stores in Guizhou, three of which are in Guiyang, and plans to open two more stores in the city in 2012. Guiyang Wal-Marts offer more than 400 imported product SKUs accounting for about \$32,000 per month in sales. Less than 10 percent of imported products are from the United States. The Wal-Mart store in Guiyang’s Renmin Guangchang is among the top-five in China in terms of sales volume.

**Glance at imported food products**

Based on interviews for ATO Chengdu, N.L. Consultants found the most popular imported food products in Guiyang are the following:

Product	Origin
Pomelo honey tea	Korea
Milk powder	U.S., France, Switzerland, Australia
Cookies	Denmark, Japan, Malaysia, Korea, U.S., UK
Chocolate	Europe
Breakfast cereal	Germany, U.S.
Nuts and dried fruit	U.S., Vietnam, Chile
Juice	Spain, Malaysia, U.S.
Honey	New Zealand
Starbucks iced coffee	U.S.
Pasta	Italy

Source: N.L. Consultants

*Pomelo Honey Tea:* In most supermarket imported food sections as well as specialty food stores, pomelo honey tea from Korea is the number one best-selling imported product. In Wal-Mart, pomelo honey tea accounts for about \$159,000 in sales per year.

*Milk Powder:* Milk powder is one of the largest volume imported products in Guiyang. There is one company in Guizhou that sells \$28.5 million worth of imported milk powder per year. One major retailer reported that about 65 percent of its milk powder is imported from the U.S., France, Switzerland, and Australia, while the remaining 35 percent is domestically produced.

*Cookies:* Butter cookies from Denmark and UK are among the best-selling products as reported by supermarkets and distributors. Supermarket imported food sections typically have a large display area devoted to imported cookies packaged in large tins. In addition to European cookies in large attractive packages, several varieties of other cookies and biscuits from other Asian and Southeast Asian countries are also available. Cookies from the U.S. were not observed in any major supermarket imported food sections.

*Chocolate:* European chocolates are often purchased as gifts and thus packaging is an important factor in purchasing decisions. Some distributors commented U.S. chocolates are not as popular among consumers because of unattractive packaging. European cookies are often packaged in attractive round reusable tins, while chocolates are often wrapped in gold foil and packaged in attractive boxes.

**Breakfast Cereal:** Breakfast cereals including oatmeal, muesli, and boxed cereals such as corn flakes are among the top five best-selling products in Guiyang grocery stores. Kellogg’s brand cereals (produced in Thailand) are also widely available in major supermarkets.

**Nuts & Dried fruit:** U.S. almonds, pistachios, and raisins are well recognized and widely available in Guiyang retail outlets. In supermarkets, imported dried fruits and nuts are often offered only via the major brands such as Sunmaid (raisins and Cape Cod cranberries), Sunsweet (prunes), Prunella (prunes from Chile), Ocean Spray (cranberries), and Planters (peanuts and mixed nuts). In small specialty stores other smaller brands were available including 7M brand raisins, Champion brand raisins, raisin + cranberry mix, and antioxidant mix: raisins + blueberries + pomegranate, and Emerald brand almonds and cashews.

**Fresh Fruit:** Among all 31 provinces, municipalities, and autonomous regions in China, Guizhou ranks number 21 in terms of per capita annual expenditure on dried and fresh fruits. In southwest China, it ranks second only to Sichuan. Following a trend among second and third tier cities in China, Guiyang has initiated a policy to demolish wholesale markets within the city and move them to modern facilities outside of the city center. At the time of this report, the largest fruit and vegetable wholesale market and logistics center in Guizhou just recently opened about 30 kilometers south of Guiyang near the satellite city Huaxi. There are currently five distributors specializing in imported fruits that dominate the Guiyang market and all imported fruit is purchased at the Jiangnan Wholesale fruit and Vegetable Market in Guangzhou. Although the imported fruits available in Guiyang are generally the same as those available in other major Chinese cities, tropical fruits were somewhat fewer among imported fruit traders when compared to other cities such as Kunming. The main imported fruits observed in the Guiyang supermarkets include the following:

Fruit	Origin
Apple	U.S., Chile, New Zealand, South Africa, Japan
Grape	U.S.
Cherry	U.S., Chile
Orange	U.S., South Africa
Plum	U.S.
Avocado	Mexico, U.S.
Kiwi	New Zealand
Nectarine	Australia
Longan	Thailand

Source : N.L. Consulting

As is the case throughout China, imported fruits in Guiyang are significantly more expensive than domestically produced fruits and often purchased mainly as gifts. Imported cherries which come from Chile during the winter and from the U.S. during the summer were reported to be one of the best-selling imported fruits. Washington apples and U.S. table grapes are the most common imported fruit and usually sell for 2-3 times the price of domestically produced apples and grapes.

**Wine:** Most wines in Guiyang are purchased as gifts or for drinking at social and business gatherings in restaurants and clubs. Lower priced wines account for the largest volume of sales while sales shares are gradually lower for higher priced wines. Toward the end of the year near Christmas and before the Spring Festival (January or February) higher priced wines take a larger portion of sales. Wines available in supermarkets

are generally at the low or low-to-mid price ranges of around \$8-\$55. Restaurants usually offer imported wines mainly priced between \$24-\$95. Similar to the market for imported foods, Guiyang's imported wine market is still in the very early stages of development and it is dominated by just a few traders. Typically one of the strong indicators of a region's wine consumption, urban Guizhou's per capita annual expenditure on dining out is the lowest in southwest China and the thirteenth lowest in China. Moreover, Guizhou is home to Moutai, one of the most famous liquor brands in China, and the main alcoholic beverage of choice among both tourists and locals in Guiyang. Nevertheless, Guiyang major supermarket chains all have imported wine sections and there are a number of independent wine shops throughout the city catering to Guiyang's niche community of wine connoisseurs.

### **Sourcing**

Most of Guiyang's supermarkets source imported food productions from local distributors. Because of Guiyang's relatively low demand for imported foods, it is difficult to purchase in high enough volumes to receive competitive prices, and reliability of supply is also a challenge. Therefore, most of Guiyang's imported food come from distributors in Guangdong, Shanghai, and Beijing.

### **Hotel, Restaurant and Institutional Sector (HRI)**

Although still not one of the major destinations in China for international tourists, domestic tourism in Guizhou is an increasingly important part of the economy. Between 2001 and 2010, the total tourism income in Guizhou increased by an average annual rate of 33 percent and surpassed 100 billion RMB for the first time in 2010. Guiyang serves as the main transfer point in Guizhou for tourists en route to other Chinese cities as well as those that are specifically seeking culture and eco-tourism experiences in Guizhou ethnic minority and heavily forested scenic areas. The city's steady economic growth along with its rapid growth in tourism has attracted investment by a number of international luxury hotel brands.

The Kempinski Hotel is located in the city center and conveniently adjacent to one of the premier international shopping and entertainment centers. The hotel is also only a few minutes stroll towards Nanming River leading to the 15th Century Jiaxiu Pavilion, Qianling Temple and Qianming Park. The hotel's first six floor house restaurants, including a large western buffet restaurant designed by a French firm.

Sheraton was the first international luxury hotel in downtown Guiyang and is visibly somewhat older than other newly opened five-star hotels in the city. The hotel has a western buffet restaurant and an Italian restaurant which includes a sizable display of imported wines.

Pullman Guiyang had been open for four months at the time of this research. With 410 rooms, it is one of the largest luxury hotels in Guiyang. The western restaurant buffet is also one of the largest in the city.

Howard Johnson is one of the oldest international hotels in Guiyang located outside of the city center on the edge of Qianlingshan Park. Although the hotel offers a buffet with some international cuisine, most dishes offered are Chinese.

### **Products**

Based on interviews with luxury hotels and distributors in Guiyang , the following imported food products were selling in the highest volume:

Product	Origin
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Cheese	Australia, NZ, France, U.S. ( Kraft Parmesan)
Butter	NZ
Cream	NZ
Chocolate	Switzerland
Beef ( Angus )	Australia, U.S.
Salmon	Norway
Crab	U.S.
Muscles	NZ
Scallops	Japan
Shrimp, tiger prawns	Thailand
Nuts	U.S.
Sausage	Germany
Pasta	Italy
Goose liver	France
Ham	Italy
Turkey	U.S.
Mustard	France
Olive oil	Italy
Flavored syrups ( for coffee)	Italy

Source: N.L. consulting, 2012, Survey of Luxury hotels and distributors

## Conclusion & Recommendations

Most people that have not been to Guiyang are only familiar with its role as the capital of a poor mining province that produces China's most famous liquor. This reputation along with its basic statistical profile has perpetuated a low level of interest while other southwest China cities are attracting national and international attention for their rapid and large-scale developments. However at the same time, Guiyang's reputation has also served to conceal its potential as a consumer market. Those that travel to Guiyang will invariably be surprised that the downtown area does not in any way resemble one of the poorest cities in China. Prices for eating out and shopping are generally high and the streets are crowded with fashionably-dressed consumers going in and out of the city's large number of restaurants and shopping malls. Many would conclude that downtown Guiyang is more modern and developed than both Chongqing and Kunming. In comparison with other southwest China cities, Guiyang does not promise the growth of Chongqing, nor does it have the international culture and community of Chengdu and Kunming. It should be recognized that although Guiyang may require significant effort and long-term strategies to introduce new imported food products, most such opportunities are still untapped.

### Market Research

For those considering entering the Guiyang market, it is highly recommended to first conduct in-depth market research on the particular product and its relevant market segments. ATO Chengdu offers advice on the best approach to conducting such research as well as help in identifying companies able to provide local assistance. Although the benefits of market research are sometimes not immediately tangible, those equipped with detailed knowledge of the Guiyang market will be more successful in cooperating with local companies, as well as more able to pursue effective marketing strategies than those without such knowledge.

**Know your customer**

Although market research is an important starting point for entering the Guiyang market, it is absolutely not a substitute for first-hand experience. Those considering doing business in any city in China should first visit a number of cities in order to develop a frame of reference for their observations and expectations. Visiting only one or two cities is likely to obscure more than it reveals about China in general and other Chinese cities in particular. Guiyang's sales venues for imported products are different in number and character than those in other places. Visiting the final sale venues for one's product is necessary to understand what marketing strategies may be most effective, as well as to what extent dealer and consumer education may be necessary. Although Guiyang residents already have a high propensity to consume, they have relatively little knowledge of or experience with foreign food products.

**Choose a local distributor**

Choosing the right local distributor for one's product or promotional activity is essential for achieving one's marketing goals. In Guiyang's retail, wine, and fresh fruit sectors, there are a number of distributors each with their own distinct sales channels and levels of experience. Nevertheless, it is not unusual for one or two traders to dominate a particular sales channel, and most have little or no experience cooperating with foreign entities to hold promotional activities. In addition to a distributor's demonstrated capability to market their products, one must also gauge each distributor's interest in marketing the particular product before establishing a partnership. For kitchen ingredients and bakeries, there are fewer distributors and thus one must be very careful in how the distributor is approached. In all of China, face-to-face meetings are an absolute necessity in conducting business and Guiyang is no exception. Connections are important not only for their practical application, but also as a part of the local culture. If possible, directly contacting distributors with which one has had no previous contact should be avoided. Meetings with potential business partners will always be more successful if an introduction can be provided by a well-respected mutual acquaintance.

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