

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## China - Peoples Republic of

**Post:** Shanghai ATO

### **New-product Launch with Suzhou Enjoycity Supermarket Chain**

**Report Categories:**

ATO ACTIVITIES reports

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**Report Highlights:**

From Jun 25- July 24, 2011, ATO Shanghai conducted a month-long product launch at nine Enjoycity supermarket stores in Suzhou after introducing the chain to five new importers/distributors of American products. Almost 600 new products (SKUs) were introduced for the first time to consumers in Suzhou. Total U.S. food sales during the event exceeded US\$100,000, which was three times greater than sales from the same period last year. ATO also helped Enjoycity supermarket develop relationships with new suppliers, such as a Shanghai based American craft beer importer/distributor. Sales of these new beer products in the chain ranked 5<sup>th</sup> among all categories.

## **General Information:**

### **EMP BUDGET ACTIVITY REPORT**

Activity Code & Name: New-product launch with Suzhou Enjoycity Supermarkets  
Activity Date: June 25 – July 24, 2011

#### **1) Project Background**

Suzhou is one of the wealthiest cities in the Yangtze River Delta area and in all of China. With the largest economy in Jiangsu Province, Suzhou's accounts for 19.6% of the province's total GDP. The city has taken two major strategic directions: to build the city as the "leading destination of FDI" (foreign direct investment), and to become the "base for new and high-tech industries." Suzhou has become an externally oriented economy. Foreign investment and international trade are playing an increasingly important role in its economic development. At the end of 2006, 113 Fortune 500 companies had established a presence in Suzhou. These companies are scattered in five state level economic development zones, namely Suzhou Industrial Park, Suzhou Hi-tech Development Zone, Kunshan Hi-tech Development Zone, Zhangjiagang Bonded Zone, and Taihu State Tourist and Resort Development Zone. Not surprisingly, many small and independent import gourmet stores are emerging and located around these areas to serve expatriates and high-end local consumers' needs.

Enjoycity supermarket chain is a leading high-end community store chain in Suzhou. It has 9 outlets in Suzhou located around Suzhou industrial park and one in Wuxi. Its main customers are expatriates and local Chinese with overseas experience.

As an import gourmet store retailer located in Suzhou-even though it less than an hour's drive outside of Shanghai - product supply is still an issue for Enjoycity supermarket chain. Big importers and distributors located in Shanghai often ignore their needs, and ask their sub-distributors to provide service to them. This not only adds purchasing costs but also may impact the quality of service. In certain categories, the sales volume generated by Enjoycity supermarket chain is already the largest in Suzhou. ATO spoke with several Shanghai based importers and distributors and addressed the issue with them. Quite often, ATO Shanghai found the main operational person at large import/distribution companies was not aware of Enjoycity supermarket's situation and that they were their largest sales channel in Suzhou.

ATO also helped to resolve some misunderstandings from the past. Some importers who stopped cooperating with Enjoycity supermarket restarted their cooperation with them. Besides the normal supply chain problems for import products that impede penetration into markets outside of Shanghai, ATO found that communication between importers in Shanghai and their retail clients outside of Shanghai is another issue. Outside retailers like Enjoycity supermarket often don't get enough attention and support from first-hand importers in Shanghai. ATO Shanghai introduced Enjoycity supermarket buyers to more than 10 new importers/distributors. At least five were selected to participate in the new-product launch.

After resolving all the above issues in the preparation process, ATO Shanghai cooperated with Enjoycity supermarket chain and conducted a month-long product launch at nine of its outlets in Suzhou from June 25<sup>th</sup> till July 24<sup>th</sup>, 2011

#### **2) Project description**



**ATO deputy director Alan Hallman made remarks at the opening ceremony**

candy, nuts, snack bar, milk and pop corn.

In Suzhou, imported products first popped up in independent community stores that catered to the needs of expatriates. Nowadays, like the trend in Shanghai, more and more Chinese have become consumers of imported products. Enjoycity Supermarket chain, as the largest import products community store in Suzhou, has taken the lead in introducing new food and beverage products to consumers in Suzhou and Wuxi. That is why ATO Shanghai decided to conduct a month-long product launch with them. We wanted to introduce as many new American products to Suzhou as possible and test the market reaction there. After a long and difficult preparation, about 600 new U.S. product SKUs were introduced and featured in the product launch. These ranged from craft beer, to wine, soda water, juice, chocolate, spam,



**Consumers tasting U.S. products at one of the outlets.**

On June/25<sup>th</sup>, the opening ceremony was held at the Rainbow Shopping Center in Suzhou. Many Chinese officials attended the opening ceremony, including Chen Gao, Vice Director of Suzhou Foreign Affairs Office, Jiang ZhongJian, Director of the Suzhou Agricultural Commission and others. Alan Hallman, deputy director of ATO Shanghai, made opening remarks. At each participating store, a tasting table was set up and consumers were welcomed to try the products first before making their purchasing decision. This is still the most effective way to promote imported food products - especially for those products hard to judge and figure out how to use from the package which is generally all in English except for the Chinese stick on label on the back of the product. A small discount was offered during the new-product launch period.

### 3) Sales results

Overall, this month-long product launch was remarkably successful and exceeded total sales of US\$100,00, an almost 300% increase compared with the same period last year. Approximately 600 new SKUs were introduced through this project to the Enjoycity supermarket chain and its consumers.

New products introduced	Almost 600 Sku
Total Sales(during product launch)	USD 100,500
Sales pre-product launch	USD 33,500

Because the product launch was held during the summer, Enjoycity supermarket introduced many new labels of craft beer, wine, and soft drinks to their stores. Among them, Starbucks coffee drinks were the most popular. American snack food products such as raisins, tortilla chips, dried nuts plus breakfast cereal products made up the second largest sales category during the product launch period. Craft beer, as a completely new category introduced to the stores, ranked 5<sup>th</sup> on the sales list. Sales of wine ranked third. The most popular wines were those with a price of a little more than RMB100.00 or about US\$15/bottle. Cheese ranked seventh. Land O'Lakes is still the dominant cheese brand, largely due to its importer's highly successful sales and distribution network in China.

#### **U.S. product sales rank by category:**

1. Starbucks coffee
2. Snack foods such as Sunmaid raisin, tortilla chips plus breakfast cereals products.
3. Wine
4. Florida Natural Juice
5. Craft Beer
6. Soda Water
7. Cheese

#### **New products sales**

The product launch provided the best platform to display and sell new products. Most of new products arrived before the opening ceremony but there were still some on the way. And the product launch proved again that free tasting is still an important way to introduce new products to consumers. For example, sales of a new brand of Popcorn increased 3.5 times due to free tasting arrangements in the stores. Snack foods are still the most popular to sample, because it's easy to try and recognized for its usage. Seasonality also affected certain categories, like U.S. beer, as summer is a peak beer sales season, so even as a new category, it achieved good sales result and ranked 5<sup>th</sup> in the sales list.

#### **Famous brands sales are the largest contributor to overall sales**

From the articles list provided by Enjoycity supermarket, post can see that famous brands such as Starbucks, Sunmaid raisin, Betty Crocker, Land O'lakes, Pepperidge farm and Planters played a dominant role in most categories or are the only products that sell in those categories. This is in large part because many smaller U.S. food manufacturers rarely provide marketing support to their Chinese importers. Due to tight margins, Chinese importers and retailers will not provide much assistance toward marketing or brand building without support from the U.S. suppliers; products are put on the shelves to sell by themselves. Famous brand products are the most easily recognized and selected by consumers. Products from middle to small enterprises are basically competing on price.

#### **4) Conclusions**

##### **Potential Category for Future Retail Product launches**

###### a. Bakery products

Pancake mix, muffin mix, chocolate jam, baking flour and related nuts products are all gaining popularity in the market. More and more fashionable Chinese consumers also joined this home baking category and are starting to try and make their own home-made bakery products. As Chinese incomes continue to grow, along with apartments and appliances, more and more Chinese will do more cooking/baking at home in the future.

###### a. Dairy products

Milk, low-fat and low sugar yogurt products, cheese, and butter, are also on the fast track. They are not only sold well in

expatriates' community but also among Chinese consumers. In fact, there are not many U.S. brands and products available in this category. After the melamine scandal in dairy industry in China, more and more middle to high-end Chinese consumers prefer to buy imported dairy products to meet their or their children's protein needs. The attractive exchange rate between U.S. dollar and RMB is another catalyst promoting sales of U.S. dairy products to Chinese consumers.

a. Drinks

With peoples' increased concern for food safety issues, imported drinks that include tea, functional drinks and mineral water sales are picking up. For functional drinks like sports drinks, there are few products available in this category from domestic suppliers.

a. Ready to eat products

Since fast-paced lifestyles leave people with less time to cook, ready-to-eat, semi-prepared and microwave products are gaining market share quickly. For example, frozen pizza sales are also on the rise.

a. Organic and natural products

Like in the U.S., demand for imported organic and natural products is increasing due to both food safety and health concerns. But due to Chinese labeling requirements, there are not many American organic and natural products available in the market. This area holds great potential, but there are some concerns about future labeling requirements for organic products. USDA is working with Chinese authorities to find a solution to minimize this concern.