

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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### **New Sales Channels for Fresh Fruit in China**

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Fresh Fruit

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**Report Highlights:**

Only two decades ago, buying fresh fruit in a modern, well-decorated and high-end retail store was a novel thing. Nowadays, Chinese are quickly adapting to television shopping, internet shopping and even mobile shopping platforms to purchase fresh fruit. These new sales channels are developing at a rapid rate and prove that Chinese consumers, with increasing purchasing power, are willing to pay premium prices for high quality and safe imported American fruit.

## **New Sales Channels for Fresh Fruit are Booming in China**

Things are changing quickly in China. Only two decades ago, buying fresh fruit in a modern, well-decorated and high-end retail store was a novel thing. Nowadays, Chinese are quickly adapting to television shopping, internet shopping and even mobile shopping. These new sales channels are developing at a rapid rate and prove that Chinese consumers, with increasing purchasing power, are willing to pay premium prices for high quality and safe imported American fruit.

The U.S. Agricultural Trade Office (ATO) in Shanghai is tapping into these new channels in order to promote U.S. fresh fruit varieties in East China. Our three-year relationships with Fruitday.com and the OCJ TV shopping channel have been extraordinarily successful, demonstrating the power of new marketing channels in China. For example, a recent live primetime sales promotion on OCJ TV resulted in the sale of nearly US\$100,000 worth (1900 boxes of 2.5kg) of American cherries within 30 minutes. Oranges, apples and grapes from the U.S. have seen similar success through this new marketing channel.

Economic development, changing consumer behavior and cold chain improvements are driving these new sales channels of fresh fruit. At the end of 2011, China had over 500 million internet users - the largest internet population in the world - according to CNNIC (China Internet Network Information Center). More importantly, China had 194 million online shoppers; the number grew almost by 50 percent annually from 2008 to 2010. Our experience indicates that consumers between the ages of 25 and 40 with middle-class income are the target demographic for Internet fruit sales. The demographic of TV shoppers is slightly broader, ranging in age from 25 to 55 years old.

A dozen website operators are tapping into China's e-commerce sector. The same is true with television shopping programs. However, selling fresh fruit online is not easy. Distribution and cold chain capability form the backbone of the digital and televised fruit business. First-tier cities, like Shanghai and Guangzhou, have the lead in these new channels due to their logistics systems and the availability of good cold chain systems.

Take the companies in Shanghai for example. FruitDay.com is an internet-based fruit retailer that was founded in 2006 with the goal of bringing premium fruit to Chinese consumers; their motto is “Every day is Fruitday.” Capitalizing on the growing demand for fast and effortless shopping, their online store was one of the first of its kind. Based in Shanghai, they operate one customer call center, two logistics centers and three cold storage units to provide hand-selected quality fruit for fast home delivery all year-round.

OCJ was jointly founded by Shanghai Media Group and OCJ Shopping in 2004. It is one of the most predominate television shopping channels in China. Besides television shopping programs, OCJ built its own website to provide on-line shopping to its clients. OCJ broadcasts its shopping channel in Shanghai and Nanjing targeting middle-class consumers. American fresh fruit accounts for nearly 40 percent of OCJ’s total sales in its produce and frozen meats category.

The largest obstacles for any online or television fruit retailer in China include the standardization of product quality and a streamlined and efficient cold chain delivery system. Importing high quality fruit from the U.S. has solved the first problem. However, the lack of an efficient cold chain delivery system prevents these fruit retailers from extending their reach too far outside their current range without heavy investments in new infrastructure.

Nonetheless, the growth of U.S. fresh fruit exports to China has been strong, driven by the rising incomes of consumers and demand for high quality products. The U.S. shipped \$415 million in fresh fruit exports to China and Hong Kong in 2011, a record high since China’s accession to WTO. Oranges, apples and grapes are the three most important varieties of U.S. fresh fruit exported to China and Hong Kong, and sales of U.S. cherries are also seeing rapid growth.