

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

Date: 11/26/2012

GAIN Report Number: CH11850

China - Peoples Republic of

Post: Guangzhou

Shenzhen Trade and Media Networking Event Report

Report Categories:

CSSF Activity Evaluation

Market Promotion/Competition

Retail Foods

Approved By:

Jorge Sanchez

Prepared By:

May Liu

Report Highlights:

Summary: Shenzhen's high GDP make it an important retail consumption market. For 34 years, Shenzhen has been a test market after China's economic opening and reform period. Shenzhen is also major entry port for U.S. agricultural products in South China as a result many national retail chains have set up corporate headquarters in Shenzhen. Its proximity to Hong Kong helped Shenzhen maintain a leading role in importing overseas brands and in managing transshipments to other cities in Mainland China. In addition to the Olé national supermarket in-store promotion opening ceremony held in Shenzhen in September 2012, ATO Guangzhou arranged two trade networking events in Shenzhen to strengthen the relationships between local distributors, importers, retailers and the media contacts. As a result of the increased contact, trade distribution networks for U.S. agricultural products into the growing retail sector are now more productive. ATO Guangzhou invited USDA Cooperators to join these events, provided introductions to key managers, and arranged face-to-face discussions with the purchasing managers and other decision-makers in the retail food sector. In the long run, these

relationships will help new-to-market products enter the retail channel smoothly and will be a basis for future promotions of U.S. food and beverage items in the region.

General Information:

Promotion briefing & one-on-one meetings: On June 6, ATO Guangzhou co-organized a national supermarket in-store pre-promotion briefing meeting with Olé supermarket. Olé supermarket format is managed by the China Resources Vanguard Group, the largest national supermarket retailer in Mainland China. Olé supermarkets are the highest end supermarket format in China modeled after Whole Foods and Trader Joe's in the United States. ATO Guangzhou invited 22 imported food distributor representatives and seven USDA Cooperators to participate in this meeting. The purpose of this meeting was to inform trade partners of the details and terms of the first U.S.-themed national promotion with Olé senior managers and establish new relationships. The meeting started with Olé's National General Manager and the ATO Guangzhou Director making opening remarks asking for assistance from all of the participating companies. The meetings also helped USDA Cooperators support the upcoming national American Food Festival. Olé's General Merchandise Manager and 12 division managers also presented at the event, providing background information and promotional ideas to the audience. Later on there were group discussions between the Cooperator representatives, traders, and the Olé management team.

Bringing all parties together: ATO Guangzhou also arranged one-on-one meetings between Olé division managers and U.S. agricultural product distributors. The main discussion topics included how to assess what steps were needed to introduce new brands and new SKUs into Olé's national chain. ATO Guangzhou led discussions on how to establish a pool of shared promotional resources to carry out a successful campaign. In addition, Olé managers and individual USDA Cooperator discussed cooperation schemes. Additionally, the local representative office of the Food Export Mid-West and Food Export North-East were introduced to the Olé head office to negotiate a separate promotion outside of what ATO Guangzhou was negotiating. A separate cooperation contract was signed between Olé and Food Export (USA) that fit into the exact timeline of ATO Guangzhou's national promotion.

Trade and Media Reception: On September 1, ATO Guangzhou Director and staff arranged a lunch networking event prior to the opening ceremony of the national promotion in Shenzhen. Eight media contacts and 38 traders attended including a high-ranking Senior Vice President with China Resources Vanguard Corporate Group. Also in attendance was Vice President of China Resources Enterprise – Ng Feng Trading. Six USDA Cooperator representatives also attended and ATO Director expressed his gratitude to all of the parties involved in months of designing and preparing the first national promotion Olé had ever engaged in with any country. The hard work and continuous collaborative efforts were exhausting, but paid off in the end with a successful promotion and the start of a longer term partnership.

Media coverage: After the trade and media networking event, six local reporters covered the event in Shenzhen. With Olé and ATO offices' coordination, a total of 23 media reports and two radio broadcasts were generated to cover the national promotion of U.S. food and beverage from September 1-15. In addition, micro-blogs in South and West regions also helped awareness of the national promotion to its local consumers. Here are some of the links:

- 1) <http://www.1sy1.com/ppsj/show.asp?id=30482>

- 2) http://www.crv.com.cn/CRV/html/2012/09/03/n_134666769488010.html
- 3) <http://gcontent.oeeee.com/9/9b/99bbb17674e75c52/Blog/b03/a626c8.html>
- 4) http://wb.sznews.com/html/2012-09/02/content_2186325.htm
- 5) <http://news.winshang.com/news-124792.html>
- 6) <http://sz.bendibao.com/news/201292/419571.htm>

Traders' view: Few U.S. exporters thoroughly understand China's diverse and growing market. Private U.S. enterprises have provided limited marketing support when compared to European brands. Although understanding where consumer demand is for certain products in Mainland China can be a daunting task, ATOs can help identify which products sell best and offer optimal value for local customers. It is also complicated engaging in business relationships with individual retailers in each region, beyond entry fees and other informal payments that may be required, there is a high initial transactional costs that first-to-market exporters pay. With ATO Guangzhou's trailblazing efforts, U.S. exporters now have access to the supermarket format with the highest cache in Mainland China.

Understanding distribution channels: When considering entering the retail channel it is important to learn about the retailer's national distribution channel. Some products might only have markets in large cities such as daily use items. For example, in the case of perishable food items, a cold chain channel into a second or third tier city might not yet be established. In some cases, distributors might also utilize third party distributors which may increase the cost to consumers. To persuade merchandisers in retail chains to accept new concepts or products is never an easy task. Sometimes traders are required to pay additional fees under the table to have a smooth entry into the retailer's distribution channel. These costs are higher in secondary cities but are expected to decrease with greater market competition.

Conclusion: All of these efforts were funded out of the *Emerging Market Program (EMP)* Distribution Development Fund. The EMP has unequivocally helped ATO Guangzhou's network of retailers and traders in South China reach new markets and jointly product U.S. food and drink items under the U.S. theme in a national promotion. ATO Guangzhou's target is in pushing U.S. snack food items, since these have been growing in tandem with the growth of the retail sector. However, there are still consumers who have insufficient knowledge of U.S. food and beverage, and therefore, multiple events such as media engagements, trade networking events, and in-store promotions are necessary for ATO Guangzhou to continue lead efforts to break into retail chains, secondary markets and promote new products. Post will keep working closely with retailers and traders as well as USDA Cooperators to further promote the sales of U.S. food and beverage items in the booming Mainland China supermarket retail sector.

For further information, please contact us at ATOguangzhou@fas.usda.gov.