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## **China - Peoples Republic of**

**Post:** Guangzhou

### **South China Food Retail Sector Snapshot Report**

**Report Categories:**

Market Development Reports

**Approved By:**

Jorge, Sanchez

**Prepared By:**

May Liu

**Report Highlights:**

South China has an official population in 2008 of 252 million or 19 percent of China's total population.

Guangdong Province has the highest GDP of any single province in China for the previous three years.

Fujian Province's GDP in 2008 was up 13 percent from the previous year and four percent higher than the national average. Moreover, Guangdong also ranked No. 1 in per capita annual food consumption expenditure at \$863.

## **General Information:**

**Overview:** South China has an official population in 2008 of 252 million or 19 percent of China's total population. Guangdong Province has the highest GDP of any single province in China for the previous three years. Fujian Province's GDP in 2008 was up 13 percent from the previous year and four percent higher than the national average. Moreover, Guangdong also ranked No. 1 in per capita annual food consumption expenditure at \$863.

**Marketing drivers:** South China is a vibrant imported food market with tremendous growth potential. It plays an important role in marketing almonds, pistachios, pecans, walnuts, candies, juices, wine, dairy, condiments, as well as fresh deciduous fruit, especially imported apples, oranges, and table grapes. U.S. cherries have gained ground in recent years.

In general, food consumption accounted for 35 percent of Southern consumers' total expenditure. Continued urbanization has resulted in higher disposable incomes and the creation of a middle class consumer group that is open to new tastes and higher quality imported foods from the States. Higher disposable incomes and continued urbanization have led to a more diverse diet and greater consumer receptiveness to imported foods. Affluent consumers in urban cities are less price sensitive than others.

Substantial investment in construction and infrastructure such as ports and railways made the 2010 Asian Games a success. The *Hong Kong-Zhuhai-Macau Bridge* project is under construction. Guangdong province and Hong Kong reached a framework agreement on a range of co-operative issues to "build the most vibrant and competitive city cluster in the Asian-Pacific region". This also helps facilitate trade as well as the retail businesses. Meanwhile, Guangzhou and Foshan municipal governments encouraged "Same city partnership" project (cooperation in various aspects such as transportation, service, culture, technology, and finance etc.) which is expected to help stimulate trade.

**New Trends:** Women become main consumption group for many retailers. It is said that 55 percent of women in first tier cities tend to gain information through the Internet, as compared to 35 percent of women living in second tier cities. In addition, traditional media (TV, newspaper, magazine, LCD and public transportation advertisement and direct mail), continues to play a significant role in advertising and providing information to female consumers.

Gift-giving is a popular cultural trend. Chinese holiday's celebration and group purchase for special events is the highlight of sales. It is worth noting that gift-packaged fresh fruit (baskets and special designed boxes) are also available on retail shelves. Private label and special package design become popular. Cold chain logistics have improved while training has been introduced to distributor and retailer personnel.

Economic ties between Fujian and Taiwan have strengthened; this has helped Fujian weather the global economic slowdown. It was reported recently that Guangxi purchased \$600,000 worth in Taiwanese fruit. Guangxi fruit and Taiwanese fruit complement each other both in variety and quality during harvest seasons.

**Consumption Market:** In 2008, South China's GDP reached \$ 8.3 trillion and Guangdong had the highest GDP at \$525 billion of any single province in China (up 15 percent from the previous year) with retail sales valued at over \$155.9 billion, up 29 percent on 2007 figures.

Key consumption markets in Guangdong for U.S. imported food are in Guangzhou and Shenzhen. Many retailers have already set up stores in satellite cities around Shenzhen such as in Longgang and Nanshan District. Supermarkets continue to be the most common retail format, but hypermarkets are gaining in ground and are present in most medium and large-sized cities.

Emerging markets include cities in the Pearl River Delta such as Dongguan, Foshan, Zhuhai, Zhongshan, Huiyang as well as Zhanjian and Shantou in Guangdong. In nearby provinces such as Fujian and Hunan, Fuzhou, Xiamen and Changsha are also seen as attractive locations for retailers. In the near future, Quanzhou, Zhangzhou, Jinjiang in Fujian, and Chenzhou, Loudi, Yueyang in Hunan are also recognized as high potential markets.

**Retailer's Profile:** The key multinational retailers in South China are Wal-Mart (56), up by 6 from the previous year; Carrefour (29); Jusco (17), Metro (9) and Tesco (8). Southern consumers' are increasingly concerned with healthy and natural products. Therefore, many supermarkets carry natural/healthy sector to upgrade the stores' image. In addition, recent years, domestic supermarkets such as China Resources Vanguard also introduced many imported food items in its selected stores.

**Table 1: Key retailers in South China**

Retailers	Guangzhou	Shenzhen	Dongguan	Fuzhou	Xiamen	*Total in South China
<i>Wal-Mart</i>	0	18	5	4	3	56
<i>Trust Mart</i>	17	4	3	5	4	40
<i>Sam's Club</i>	1	1	0	1	0	3
<i>Carrefour</i>	5	8	4	2	1	30
<i>Metro</i>	2	2	2	1	1	10
<i>Tesco</i>	2	1	3	0	1	8
<i>Jusco</i>	3	6	1	0	0	17
<i>CR-Vanguard</i>	19	112	8	0	0	350
<i>Ole</i>	0	2	0	0	0	2

(Source: ATO Guangzhou)

Regional retail players include Parkn'shop, Renrenle, Trust-Mart and Rainbow in Guangdong; Nancheng Department and Nikko Nikodo in Guangxi as well as Better Life chain store in Hunan. Taiwan R-T Mart also has stores in second-tier cities. There is a tendency that these supermarkets are aware of the increasing demand for imported food items. Among them, Jusco, Wal-Mart, Ole, Metro and Sam's Club remain the best venues for U.S. imported products sales while other retailers carry fewer SKUs. Various branded items are selling well in these hypermarkets and supermarkets. Every so often, these retailers will launch 'in-store food festivals' and promotions to attract more traffic.

In addition, convenience stores are one of the most dynamic retail sectors in Guangzhou and Shenzhen. *7-Eleven* still take the lead in the South and set to soar even further in South China with more than 600 outlets concentrated in Guangzhou, Shenzhen and neighboring cities like Dongguan and Zhuhai. Watson's also expand rapidly with over 200 stores offering select imported food items. Taiwan-based *XiShiduo (C-Store)* has over 120 convenience stores in the Guangzhou and Shenzhen area. Most are located in up-scale communities. Besides, there are other brands such as *BP* gas station stores, *OK*, *Jiadeshi* and *Quanjia*.