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## China - Peoples Republic of

### Retail Foods

## Increasing Change and Competition but Strong Growth Presents Plenty of Opportunities for U.S. Food Exports

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**Report Highlights:**

China remains one of the most dynamic retail markets in the world, and offers great opportunities for U.S. food exporters. Exporters should be aware of several new trends that are changing China's retail landscape. Imported food consumption growth is shifting from China's major coastal metropolitan areas (e.g., Shanghai; Beijing) to dozens of emerging market cities. China is also experimenting with new retail models, such as 24-hour unstaffed convenience stores and expanded mobile payment platforms. E-commerce sales continue to grow, but major e-commerce retailers are competing for shrinking numbers of new consumers.

We caution U.S. exporters not to consider China as a single retail market. Over the past 10 years, the Chinese middle-class has grown larger and more diverse, and China has become a collection of

niche markets separated by geography, culture, cuisine, demographics, and commercial trends. Competition for these markets has become fierce. Shanghai and the surrounding region continues to lead national retail trends, however Beijing and Guangzhou are also important centers of retail innovation. Chengdu and Shenyang are two key cities leading China's economic expansion into international trade and commerce. Residents in these two regions are using their new found wealth to purchase imported food products.

## **2017 Annual Retail Food Report for China**

### **Executive Summary**

China remains an important market for U.S. retail food exports with strong economic growth, a growing middle class, and continued urbanization. In 2016, China's consumer good retail sales were valued at \$4.98 trillion, and online sales accounted for 15 percent of all consumer good retail sales. Convenience store purchases grew at the fastest rate compared to other retail layouts (e.g., hypermarkets; supermarkets). Retail merchants have begun to experiment with several innovative business models. Inspired in part by Amazon.com, start-ups and established companies are testing new retail models such as 24-hour unattended convenience stores and all-inclusive mobile payment platforms. Online sales continue to grow in China, but e-commerce market leaders are beginning to open physical retail spaces in urban areas.

We urge readers to understand that while China is one country, it should not be considered one retail market. China's retail landscape is made up of multiple, mutable, interwoven, and overlapping markets. In the past 10 years we have seen e-commerce dramatically change how consumer goods are marketed, bought, and sold. Retail continues to innovate new ways to reach consumers through social media. In a few short years, China has moved from a cash-based society to a world leader in utilizing mobile payment platforms. China is a large, diverse, and competitive market for imported food products. Before considering entering the market, we urge U.S. exporters to carefully conduct market research, identify market niches, and consider which geographical locations are best suited for their products.

The U.S. Department of Agriculture (USDA) Foreign Agricultural Service (FAS) operates five Agricultural Trade Offices (ATOs) in China. ATO Shanghai covers East China, the most dynamic and innovative retail market. Shanghai remains the innovation hub for China's retail sector, and tends to be the trend setter for other large cities. ATO Beijing covers the greater Beijing region and many of the western provinces. The Beijing retail market shares many characteristics with Shanghai, as both regions have growing numbers of consumers who purchase imported food products. ATO Guangzhou covers South China. Guangzhou is a key distribution hub for imported fruit and other products. Its proximity to Hong Kong and southern manufacturing cities has led affluent consumers to seek imported food products. ATO Chengdu covers Southwest China. Chengdu is Southwest China's major city, and plays a key role in the government's One Belt One Road economic initiative. ATO Shenyang covers the Northeast region. Northwest China is the major grain and heavy manufacturing region and has a maturing retail sector anchored in its port cities and inland transportation hubs.

## Key Trends

**Convenience: Successful products are easy to buy.** Mobile payment services (e.g., Ali-Pay, WePay) are quickly becoming ubiquitous in China's urban retail landscape. Many Chinese do not regularly carry cash, and even some small retail establishments are beginning to not keep large amounts of change. Successful retailers make mobile payment effortless, and they offer home delivery and customer support hotlines to make purchasing easy and convenient.

**Value:** Chinese consumers are resourceful and collaborative. Consumers research a product's brand, status in society, safety, and price relative to substitutes. Consumers utilize social media and traditional social networks to share their feelings about products. **Consumer comments about products tend to travel much faster on social media than in many Western countries.** Customer service and product consistency are highly valued.

**Specialization:** China's retailers are developing food product specialties. For example, retailers are **specializing or exclusively offering organics, meat products, and fresh fruit on their sales platforms.** Retailers are also developing niche marketing schemes such as selling "farm-to-table" products. This is occurring in traditional and e-commerce retail sectors.

**New Retail:** In China, "New Retail" is a concept that integrates online and offline shopping. Leading e-commerce businesses are using their large datasets on buyers to determine in which districts and residential neighborhoods they should open physical stores. These stores are relatively small, and do not offer the same choices as their online platform do, **but retailers can use data to target customers and divert online customers to these physical stores.**

## Retail Sector Overview

China's retail sector is the primary method in which U.S. exporters can reach consumers in China. Rapid urbanization and a growing middle class are driving China's retail sales to record levels. China's younger generations have become accustomed to imported food products being available in major cities. Imported products are perceived to be high quality, safe, and are still considered luxury items for many Chinese.

In 2016, total retail sales of consumer goods reached \$4.98 trillion, up 10.4 percent from 2015. In the same year, food consumption averaged 30 percent for China's annual urban household expenditures. In recent years, large retailers are gaining market share as they are able to realize greater efficiencies through better supply chains and wider distribution channels. Large retailers have the resources to source directly from domestic and international suppliers thereby allowing them to realize greater profits and have more control over the quality and genuineness of products. However, many different retail business models have emerged recently. Smaller convenience and specialty e-commerce stores are two exciting retail models.

China's food retail landscape is in transition. High quality and premium priced food products are expected to continue to be successful in first-tier (e.g., Shanghai, Beijing) cities. Retailers are now focusing on imported food sales in second- and third-tier cities. Despite the opportunities, U.S. food

exporters face difficulties. High import tariffs, regulations, and complicated logistics (i.e., shipping costs, shipping time, and cold storage) are the main hurdles. For example, Xi Ning is a growing Northwest Chinese second-tier city whose consumers are beginning to demand more imported food products. However, at more than two thousand meters above sea level, traders noted that imported snack products shipped from low altitudes sometimes burst during transport. Chinese distributors are cautious when they source imported products.

In China, there is a saying “民以食为天” (Mín yǐ shí wéi tiān), which means “food is the most important in one’s life”. To be successful, U.S. exporters should maintain and enhance Chinese consumer perceptions that U.S. food is of high quality and safe. Consumers are also interested in imported foods that could improve their beauty, health, and well-being. Successful Chinese retail establishments integrate consumer perceptions of quality, safety, and health with their offerings.

### Consumer Purchasing Power

China is the world’s second largest retail market after the United States by sales. In 2016, China’s average per capita urban household’s disposable income was \$3,570, an 8.9 percent increase from 2015. According to China’s National Statistical Bureau, 2016 average urban incomes were approximately three times rural incomes. In terms of per capita disposable income, China’s top areas include Shanghai, Beijing, Tianjin, Zhejiang, and Guangzhou (Table 1). Other areas with modest per capita disposable incomes include Fujian, Shandong, Inner Mongolia and Hunan. China’s first-tier cities continue to increase in residents (including non-permanent residents who are not officially recognized by the Chinese government), per capita GDP, and disposable income (Table 2)

Table 1: Top Urban Consumption Markets for Food

<i>2016 Per capita expenditure on food, tobacco and drinks by urban household</i>	Shanghai	Tianjin	Guangzhou	Beijing	Zhejiang
	\$1,433	\$1,202	\$1,201	\$1,140	\$1,111

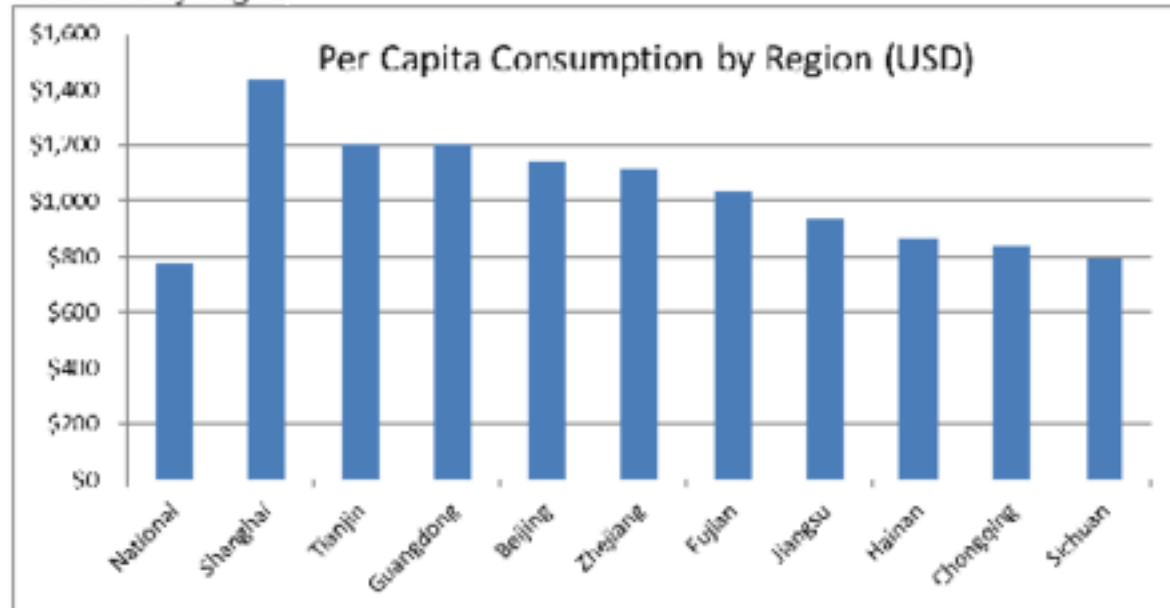
(2017 China Yearbook, National Bureau of Statistics of China)

Table 2: First-tier Cities at a Glance

2016	Shanghai	Beijing	Shenzhen	Guangzhou
Permanent Population (million)	24	22	11	13
Per capita GDP (USD)	\$17,468	\$17,713	\$25,671	\$21,767
Per capita urban household disposable income (USD)	\$8,646	\$8,583	\$7,297	\$7,634

(2017 China Yearbook, National Bureau of Statistics of China)

Figure 1: Top 10 Food, Tobacco, and Liquor Per Capita Consumption Expenditure of Urban Households by Region



(2017 China Yearbook, National Bureau of Statistics of China)

Average per capita expenditures on food, tobacco and beverage consumption was approximately \$772. There is a large disparity between the national average and major urban areas (Figure 1).

### Consumer Demographics

China's population continues its shift from rural to urban areas. In 2016, 57 percent of China's population lived in urban areas, a seven percent increase from 2010. In addition to urbanization, China's population is also aging (Table 3). At the end of 2016, China had over 10.8 percent of its population aged above 65 years old. Because of China's one-child policy and increasing life expectancies, this trend toward an aging population is expected to increase.

Table 3: China's Demographic Development (2013-2016)

Population	2013	2014	2015	2016
Total (billion)	1.361	1.368	1.375	1.383
Age above 65 (%)	9.7	10.1	10.5	10.8

(2017 China Yearbook, National Bureau of Statistics of China)

### Consumers Groups Importing Food Products

Foreign nationals living in China seek products they are familiar with, and they are willing to pay premium prices. More chain retailers (e.g., BHG, Ole) are starting to target these foreign consumers. Small local specialty retailers (e.g., Jenny Lou's, City Super, and Corner's Deli) also have reported successes in attracting foreign nationals.

**Affluent Chinese consumers** seek high quality products that portray an image of status. High-end retail chains (e.g., Sam’s Club, Taste, Great, Treat) cater to these buyers, and tend to focus on products with special health claims. Labeling and brand image are important to these consumers.

**Middle-class Chinese consumers** seek the same high quality and safe products the affluent and foreign national consumers do, but are willing to seek out the best value. These consumers tend to be somewhat price-sensitive and will compare several brands before they make a purchase. On average, this group is looking for food products that are fresh, easy-to-prepare, and consistent. Companies that offer value-added services and great customer service seem to do well with this group of consumers.

**China’s younger generation** has become more knowledgeable about imported food products. These consumers will still purchase in the many traditional “wet markets,” but at a much lower frequency than older generations. Younger consumers now purchase through hypermarkets (combine grocery and consumer goods in one store), supermarkets, and online. Healthy eating and convenience are important considerations for Chinese youth. Many will buy online and/or pay using mobile applications.

## Food Retail Update

Table 4: 2016 Major Foreign Capital Chained Retailer Performance

Sales Rank	Name	Pre-tax Sales (million USD)	Sales Growth	Store number in 2015	Store number growth
1	RT Mart	13,987	4.00%	368	9.90%
2	Walmart	11,499	4.30%	439	1.60%
3	Carrefour	7,568	25.90%	319	36.30%
4	Dennis Zhenzhou	3,118	15.60%	411	39.30%
5	Metro Cash & Carry	2,893	1.00%	87	6.10%
6	Watsons	2,778	2.30%	2929	18.00%
7	Parkson	2,489	-8.30%	53	-8.60%
8	CP Lotus	1,949	-3.70%	82	0.00%
9	Jusco	1,675	4.90%	56	3.70%

(China Chain Store & Franchise Association, May 2017)

Foreign retailers continue to be successful in China, however growth rates for some major chains slowed or decreased in 2016 (Table 4). In general, traditional retailers are transitioning to include an online component to their business. The era of traditional standalone retail stores is being phased out. Offline (i.e., no online offering) food retailers include hypermarkets, supermarkets, specialty stores, discount stores, community stores, and conveniences stores (Table 5). Online food retailers, such as fruitday.com or chunbo.com, are two examples of specialty retailers that provide food products online and deliver the items to the consumer.

Online retailers enjoy several advantages over traditional offline retailers. Online retailers are able to scale quickly because they are not dependent on obtaining expensive real-estate in areas with high foot traffic. Real estate prices in China's urban areas continue to increase. Online retailers buy warehouses outside of cities and have the food delivered to the consumer's destination. Another advantage for online retailers is their ability to adjust to trends quickly. Online retailers analyze data obtained from consumers and then tailor their offerings.

In response to growing online competition, traditional hypermarkets and supermarkets are actively trying to differentiate themselves. Large hypermarkets and supermarket chains launch in-store promotions and offer on-site demonstrations. Furthermore, to tailor to the consumers demand for convenience, offline retailers are now locating themselves in the basements of major shopping malls. High real-estate prices and rising labor cost in first-tier cities have forced many traditional retailers to slow their expansion plans. In the last few years, retailers have started to penetrate third- and fourth-tier cities where consumers may not be as savvy.

Inspired by Amazon.com, 24-hour unattended convenience stores emerged in China in 2017 and have developed rapidly. This type of store is less than 15 meters squared and has no staff. Customers enter the store after they scan a QR code on the door. Customers check out by scanning the product barcodes and pay using their smart phones. Bingbo Box and Xiaomai are the key 24-hr unattended convenience store operators in China. They operate over 200 outlets nationwide.

Table 5: 2017 Major Retail Formats at a Glance

	Number of stores (unit)	Employees (10,000 persons)	Sales (\$ billion)	Purchase Value (\$ billion)	Centralized Purchase and Delivery (\$ billion)
Hypermarket	8,452	53.5	77	70	52
Supermarket	33,372	42	46	42	35
Department Store	4,987	26.3	58	48	21
Convenience store	18,588	8.4	6	5	4
Warehouse club	97	1.2	4	4	0.48
Specialty store	118,601	90.0	308	266	229
Discount store	540	0.2	0.45	0.39	0.20
Franchised store	32,413	17.6	30	23	15

(2017 China Yearbook, National Bureau of Statistics of China)

### Major Hypermarkets and Supermarkets

Foreign chains such as Wal-Mart, Carrefour, and Metro are facing keen competition from leading domestic chains like China Resources Vanguard and Yonghui (永辉). These retailers are

transitioning from old to new neighborhoods. Old facilities are being closed, and facilities are being built in newly established suburban areas. However, the number of stores has remained nearly the same over the past year. Nearly all hypermarkets and supermarkets sell imported food products. In 2016, the leading retailers selling consumer packaged products include China Resources Vanguard, RT-Mart (大润发), Wal-Mart, Lianhua (联华), Carrefour, Yonghui (永辉), Bubugao (步步高), Wumart (物美), Metro, and AEON China. High-end chains include Ole', BLT, Sam's Club, Bravo, and BHG.

**China Resources Vanguard** (<http://www.crvanguard.com.cn>): Was first established in 1994 in Hong Kong and created the brand "CR-Vanguard" in 2003. In 2014, China Resources Vanguard acquired Tesco China. After years of mergers and acquisitions, China Resources Vanguard now has over 5,000 outlets under multiple brands including Vanguard, Suggio, Vivo, Ole', Lesyou Express, Vango, BLT, Voila!, Leonardo, etc. In 2015, China Resources Vanguard launched its online <http://www.ewj.com> platform as well as a cross-border shopping experiment called EWJ Zone.

**Ole' & BLT**: Currently there are over 65 Ole' and BLT stores in China targeting high-end consumers in first- and second-tier cities. Ole' is a popular retailer among foreign nationals, because of the large sales floor and full range of foreign brands and categories.

**RT-Mart (大润发)**: RT-Mart has 368 hypermarkets in mainland China. This retail chain (originated from Taiwan) opened its first store in Shanghai in 1998. In 2011, RT-Mart joined hands with Auchan and later re-organized a new company named *Gaoxin Retail*, which was listed in the Hong Kong stock exchange. Unlike other retailers, 68% of RT-Mart and Auchan are in third- and fourth-tier cities. Only 9 percent of stores are located in first-tier cities. In 2014, RT-Mart launched its "Feiniu" online platform and recently started its "Feiniu global sourcing" project aimed at international food and beverages. The company also purchased FieldsChina.com in 2015.

**Wal-Mart China**: Wal-Mart entered into Shenzhen, China in 1996 and now owns 439 stores in 189 cities throughout the country. In 2015, Wal-Mart opened nine distribution centers for dry goods and 11 for fresh and frozen products. Wal-Mart's main retail formats include Wal-Mart Supercenters and Sam's Club membership stores. After its acquisition of Yihaodian.com in July 2015, Wal-Mart launched its mobile shopping application which provides home delivery service in the Shenzhen area. In June 2016, Walmart and JD.com (China's largest e-commerce company by revenue) announced a strategic alliance to better serve consumers across China.

**Sam's Club** (<http://www.samsclub.cn>): There are 13 Sam's Clubs in China mostly in first-tier cities and other cities with high disposable incomes (e.g., Dalian and Hangzhou). Sam's Club targets high-end consumers. The first Sam's Club in Shenzhen has the highest sales of all Sam's Clubs globally. Sam's Club opened its online service in 2010 providing home delivery in first-tier cities.

**Lianhua (联华)**: There are 4,325 Lianhua stores in various retail formats, mainly located in the east. In 2016, sales revenues were \$230 million. Lianhua had a consecutive drop in sales and negative profits since 2016. In 2013, Lianhua opened its online platform "Lianhua Yigou", providing home delivery mainly in Shanghai area.

**Carrefour** (<http://www.carrefour.cn>): The second largest international retailer from France opened



its first store in China 20 years ago. Currently Carrefour has 319 stores, located in 73 cities.

**Yonghui (永辉)** (<http://www.yonghui.com.cn>): Yonghui owns 580 supermarkets in 150 cities, mostly in Fujian, Zhejiang, Jiangsu, Sichuan, Shanghai, Guizhou, Chongqing, Henan, Shanxi, Hebei, Beijing and Tianjin. In 2014, Yonghui set up its first “YH Wei store”, providing home delivery in Fuzhou. In 2015, JD.com invested \$660 million to acquire 10 percent of Yonghui’s stock.

**Bravo YH:** Bravo YH is Yonghui’s high-end retail store selling imported fresh fruit, frozen beef and live seafood (e.g., lobster and clams). There are 60 Bravo YH stores throughout China.

**Bubugao (步步高):** Bubugao has 420 retail outlets in Hunan, Guangxi, Jiangxi, and Sichuan. In 2008, this chain became a publicly-listed company in the Shenzhen Security Exchange. In 2013, Bubugao officially launched its online platform “Yunhou” selling imported foods.

**Wu-Mart (物美):** Established in 1994, Wu-Mart has over 500 stores in Beijing, Tianjin, Hebei, Ningxia, and Zhejiang. Wu-Mart has various retail formats including hypermarkets, supermarkets, convenience stores, and department stores. It targets middle- to lower-end consumers. Wu-Mart began using electric labeling in its 48 Eastern China outlets in 2017. This will help Wu-Mart synchronize its online and offline databases. Inspired by Amazon’s Go, Wu-Mart created “Free Buy” for all its 148 stores in Beijing. Customers can scan the product’s bar code in these stores, and then check out via their smart phones. This allows them to simply walk out without lining up to check out.

**Metro:** Metro entered China in 1996 as a multi-channel retailer. Metro now operates over 80 stores throughout China with its headquarters in Shanghai. Metro’s target consumers are small and medium restaurants and/or individual consumers with medium to high income. Half of the Metro stores are in the east, including Shanghai, Jiangsu, and Zhejiang.

**Beijing BHG:** is the leading imported food supermarket targeting upper-middle level Chinese customers. The company offers a wide range of international products, with around eight percent from the United States. BHG completed an equity restructuring in June 2017. Post restructuring, 15 BHG outlets were separated from the Beijing BHG as a spate entity and managed by an individual company.

**Ito-Yokado:** A major Japanese retailer entered the Chinese market in 1997 and has achieved good results from its policy of putting down local roots. Ito-Yokado’s China headquarters is located in Chengdu, and now has a total of six stores in Chengdu and one in close by Meishan. In the past, Ito-Yokado has earned a good reputation by consumers for its strict management skills and food quality control.

**Happy Family Group (兴隆大家庭):** Happy Family Group is headquartered in Shenyang, and is the largest privately-owned retailer chain in Northeast China. Happy Family Group operates over 30 shopping malls in Northeast China. Happy Family Group’s retail sales revenue reached \$2 billion in 2015, and has plans to expand its operations into Inner Mongolia, Hebei, and Beijing. In 2015, Happy Family opened its first dedicated imported goods store in Shenyang (called “OK”)

with a large area dedicated to fresh and processed food.

### Convenience and Specialty Stores

Overall, China's convenience retail sector continues to grow (Table 6). Convenience stores and community stores can be found in public transportation centers (e.g., subway stations, airports, and train stations), shopping centers, and other high pedestrian traffic areas. Nearly every housing community in the major cities has at least one convenience store. Convenience store retail space varies in size, but averages 50 to 150 square meters. These stores target young urban consumers, mostly students, white collar workers, and tourists. Target customers are typically aged from 16 to 40 and lead a busy lifestyle.

Table 6: Convenience Stores by 2016 Sales Rank

Sales Rank	Store Name	Corporation	Number of Stores in 2015	Growth Rate
1	Ejoy	Sinopec Ejoy	25,000	3.30%
2	uSmile	PetroChina	17,000	3.00%
3	Meiyijia	Dongguan Sugar and Liquor Group	9,300	25.70%
4	Tianfu	Guangdong Tianfu Group	3,311	17.00%
5	Hongqi (Redflag)	Chengdu Hongqi	2,704	18.90%
6	Shizu	Zhejiang Shizu	1,936	18.60%
7	FamilyMart	Shanghai FamilyMart Co.,Ltd	1,810	20.60%
8	Quick	Shanghai Lianhua	1,551	-3.30%
9	Kedi,Allday	NGS Group	1,400	-6.70%
10	Tang Jiu	Taiyuan Tang Jiu Group	1,420	2.20%

*(2017 China Yearbook, National Bureau of Statistics of China)*

Specialty retail markets appeal to affluent consumers in China. The stores are located inside downtown commercial buildings, close to high-end shopping centers, or within wealthy residential communities. The number of specialty supermarkets and boutique stores has increased over the past three years. Consumers in this space value high quality products that are available for purchase in stress free environments. Convenience stores in China can be crowded and unkempt. Specialty stores could be considered high-end equivalents to convenience stores.

**7-Eleven:** There are over 1000 outlets nationwide providing 24-hour service. An average 7-Eleven outlet is 80 square meters and features snacks, wine and liquor, drinks, cigarettes, hot and cold delicatessen food items, and non-food items such as small toys and magazines.

**Corner's Deli (每一角落):** This chain has 12 outlets in Guangdong and Hainan featuring a wide range of imported food items. Examples include U.S. cheese, condiments, breakfast cereal and packaged products such as dried fruits, snacks, and nuts are widely available.

**Jenny Lou's:** A major specialty imported food chain in Beijing targets expatriates, upper-middle income Chinese consumers, and others who have lived abroad. In 2011, the company split into two separate companies, Jenny Lou's and Jenny's Store. Jenny Lou's operates in upscale communities, often near diplomatic compounds and missions. Half of the products sold in this chain are from the United States.

**Pagoda (百果园):** This rapidly growing specialty fresh fruit retail chain now operates over 1,500 outlets. With the head office in Shenzhen, Pagoda recently opened several new stores in Beijing and Shanghai. Seasonal U.S. imported fruits such as table grapes, cherries, apples, pears, and citrus are often displayed on their shelves.

**City Super:** City Super is an upscale retailer growing in popularity. It operates three large stores in Shanghai's premium malls. City Super is known for offering a wide variety of imported food products. The chain is active in sourcing gourmet products that appeal to niche markets. For example, City Super was the first retailer in Shanghai to offer U.S. beef in 2017 after the market reopened.

**City Shop:** City Shop has 13 outlets in Shanghai. Established over 20 years ago, City Shop has developed a loyal customer base with local medium- to high-end Chinese consumers and expatriates. The retailer was recently bought by Fruit Day. Fruit Day is an online retailer who would like to establish itself as an online-to-offline retailer, and compete with Alibaba and JD.com.

**Dili Fresh (地利生鲜):** Dili Fresh was established in August 2016 in Shenyang. Dili Fresh has about 80 outlets in Shenyang and over 300 in China. Dili Fresh sells vegetables, fruits, seafood, meat, nuts, and snacks. Some of its stores also sell rice, flour and cooking oil. Dili Fresh works with local farmers to provide fresh items at competitive prices. Stores are located adjacent to residential communities. Within two years, Dili Fresh plans to expand to 500 outlets in Shenyang.

## E-commerce

E-commerce sales continue to grow in China. E-commerce accounts for over 15% of total retail sales, which translates to about \$750 billion in sales. Industry insiders estimate 10 to 30 percent of retail food and drink imports are sold through e-commerce channels in China. Almost all major online retailers such as Amazon, JD, Tmall, Womai and YHD sell food and beverages. Other niche retailers target fresh fruit, imported wine and spirits, cakes, and tree nuts. Cross-border e-commerce is an emerging sub-sector, although regulations and import tax policies are different (i.e., more complex) than domestic product e-commerce channels. For more information about Chinese government cross-border e-commerce policy changes, please [see the Global Agricultural Information Network report](#). In 2016, e-commerce grew significantly in second-tier cities such as Nanjing, Wuhan, Suzhou and Xi'an. Major e-commerce retailers see these second-tier markets as key future growth markets.

E-commerce growth has begun to slow after the dramatic expansion from 2006 to 2016. Major e-

commerce retailers are beginning to experiment with opening physical retail outlets and utilizing their e-commerce platform to direct consumers to these retail stores. In 2016, China's e-commerce leader Alibaba, opened its first offline store HeMa Fresh in Shanghai. Following Alibaba's lead, JD.com also announced that it will enter the offline market in 2017. According to their marketing plan, JD.com will open one million convenience stores over the next five years. Interestingly, they announced that half of these stores will be opened in rural areas.

**Alibaba's HeMa Fresh:** Alibaba is the largest business-to-consumer (B2C) online retailer in China. Alibaba has several platforms that provide opportunities for American food companies to export products. The platforms include Tmall, Tmall Global, and 1688. Alibaba recently expanded their services to offer online-to-offline shopping, such as HeMa Fresh. HeMa Fresh now has 20 stores in China (15 of these are in Shanghai). Alibaba informed ATO Shanghai that they plan to open hundreds of stores in the next three years. HeMa Fresh offers one hour quick delivery within a three kilometers radius of its stores. Similar to conventional retail shops, HeMa Fresh offers fresh fruit, vegetables, meats, seafood, and dairy as well as shelf-stable prepackaged products. In 2017, Alibaba announced it would take a \$2.9 billion stake in leading food retailer Sun Art Retail Group. Sun Art Retail Group operates 400 hypermarkets under the Auchan and RT-Mart brands. This investment will help Alibaba expand its offline business.

**JD.com:** JD (京东; Jīngdōng) is the second largest e-commerce platform in China with a 30 percent market share and 250 million active users. JD benefitted by partnering with what has quickly become the most popular social media platform in China, WeChat. Over 80 percent of JD's users use mobile devices to place orders, and they can use WeChat to pay for orders. JD.com established its Fresh Products Department in 2016 to help them strengthen its ability to source imported fresh products. JD also signed a \$1.2 billion purchase agreement for U.S. beef and pork during President Trump's visit to China in November 2017.

**Amazon.cn:** Amazon.cn accounts for less than one percent of market share in China's e-commerce sector, however, it is trying to expand its business. Amazon.cn launched its flagship store on Tmall.com in 2015 focusing on directly sourcing products from overseas. Based on its global supply chain, and 96 large operation centers in the world, Chinese customers can order products via Amazon's website in the United States, Germany, Spain, France, UK, and Italy. Amazon.cn launched its prime membership program in China in 2016 to lure more Chinese customers.

**Netease Kaola:** Netease Kaola is a leading cross-border e-commerce platform headquartered in Hangzhou. Kaola can provide a one-stop service to overseas suppliers such as logistics, customs clearance, bonded warehouse storage, and customer service. Most popular items on Kaola include mother and infant care, nutritional supplements, cosmetics, and fashion apparel.

### **Regional (Smaller) E-commerce Business**

**Chunbo.com:** Is a regional e-commerce business in Beijing. It was founded in March 2014, and operates its own organic farms in suburban Beijing which offer fresh vegetables. Its target customers are upper-middle income customers and young mothers living in Beijing. Customers can source fresh products, seafood, beverages, snacks, and health food. Chunbo.com has one million registered users. In 2017, Chunbo.com is planning to enter Zhejiang and Jiangsu Provinces.

**Tiangou.com:** Was founded by the Dashang Group in 2014. Dashang Group is headquartered in Dalian, and operates stores in 17 provinces. It is the largest retailer in Northeast China. Tiangou's e-commerce platform optimized for mobile (smartphone) use.

**Xinglongdayuan.com:** Was founded by Happy Family Group in 2016. Happy Family Group operates over 30 shopping malls in Northeast China. Xinglongdayuan's e-commerce platform is also optimized for mobile use. It focuses on providing catering, entertainment services, and grocery service to its members. In 2018, the company is planning to expand to more grocery shopping.

## Recommendations for U.S. Food Exporters

### Opportunities and Challenges

The China market offers many opportunities for U.S. exporters, however for all the opportunities there are also challenges to consider. These opportunities and challenges have been explained in detail in the preceding sections. For convenience, they are also summarized below:

Opportunities:	Challenges:
<ul style="list-style-type: none"> <li>• Increasing disposable incomes</li> <li>• Focus on healthy eating, and food safety</li> <li>• Online shopping convenience</li> <li>• Large datasets allows retailers to quickly adapt to consumer preferences</li> <li>• Social media enhances consumer awareness of U.S. food products</li> <li>• Cold storage development</li> <li>• Enhanced distribution networks into second-, third-, and fourth-tier cities</li> <li>• Cross-border e-commerce</li> <li>• Popularity of private labels</li> </ul>	<ul style="list-style-type: none"> <li>• China's overall (and potential) economic slowdown</li> <li>• Increased competition from other exporting countries</li> <li>• Market access and import tariffs</li> <li>• Cultural differences, package size and labeling differences</li> <li>• Lack of brand awareness</li> <li>• Short shelf-life; logistics in third- and fourth tier cities still needs improvement</li> <li>• Currency exchange rate</li> <li>• GMO labeling; organic registration, and other labeling issues</li> </ul>

### U.S. Food Products with a Strong Presence

The United States is one of the largest consumer-oriented food product exporters to China. A wide range of U.S. products are available in China's retail markets. Examples of U.S. snack brands that have been successfully introduced to Chinese consumers include: Coca-Cola, Mars, Lays, Kettle Potato Chips, SunMaid, Snyder's, Pepperidge Farm, Wonderful, and Blue Diamond. Popular U.S. products with a strong presence in the market include tree nuts and dried fruit (prunes, raisins), seafood (especially live seafood, including lobster, crab and geoduck), pork, beef, vegetables (especially sweet corn and baby carrot), infant formula, dairy products (cheese and butter), baking ingredients and bread bases, cereals, fresh fruit (oranges, apples, and especially cherries), premium ice cream, and wines and spirits.

## Market Entry Recommendations

China is comprised of overlapping markets differentiated by geography, culture, cuisine, demographics, dialects, and economics. Though there is no single formula for success in China, exporters must identify and follow a solid market entry strategy. China's retail business environment is evolving quickly, and thus a market entry strategy should be targeted yet adaptable. Exporters should be prepared to invest resources, and to encounter difficulties. If an exporter is committed to adapting to many challenges, China offers great opportunities.

The following are market entry steps for U.S. food exporters. While the suggestions are relatively straightforward, in our experience some exporters have failed to consider these key steps. They are presented here your benefit:

- Conduct tailored market research for your specific product.
- Research and understand the basic Chinese import regulations and certifications.
- If possible, identify Chinese/local partners; decide on strategic plans.
- Attend food trade shows and/or exhibit your products at a trade show.
- Adapt your products to the particular market.
- Identify your product(s) likely distribution channel (e.g., online, offline, direct-to-consumer, etc.)
- Prepare your exporting documents; utilize local partners to confirm documentation.
- Attend USDA Agricultural Trade Office marketing activities, and/or participate in U.S. agricultural trade group seminars and trade missions.
- Invest in market promotions that are regularly launched by U.S. agricultural trade groups (i.e., Cooperators).
- Research the market from afar; consider investigating Chinese social media to enhance your product(s) awareness.

We encourage U.S. food exporters to approach Cooperators, local agricultural trade promotion offices, and [state and regional trade groups](#) to learn about promotion and partnership opportunities. U.S. food exporters may also approach the five USDA ATOs in Beijing, Shanghai, Guangzhou, Shenyang, and Chengdu for information on the local retail market. However, be aware that while these organizations may provide your business with recommendations, distributor lists, activities, and other advice, they are not well suited (and many times unable) to provide you with a comprehensive exporting business plan.

## China Regional Market Profiles

### South China: ATO Guangzhou

ATO Guangzhou's South China region includes the provinces of Guangdong, Fujian, Hunan, Guangxi and Hainan. This area has a population of 274 million, an estimated per capita GDP of \$8,500, and accounts for roughly 32 percent of China's consumer oriented food and beverage imports (according to Chinese Customs data). As the primary manufacturing hub, this relatively affluent region has a dynamic economy. It has two first-tier cities (Guangzhou and Shenzhen) and several rapidly expanding second- and third-tier city markets (e.g. Dongguan, Zhuhai, Xiamen, etc.). Travel times to other major international trading hubs are diminishing with high-speed rail

upgrades between Guangzhou and Hong Kong.

Hypermarkets and supermarkets are the primary outlets for purchasing imported consumer-oriented food and beverage products in South China. Several major retail chains are headquartered in the region including Wal-Mart China, China Resources Vanguard, Yonghui Supermarkets, and AEON China.

### **Province Breakdown**

#### **Guangdong**

This province contains the two first-tier cities of Guangzhou and Shenzhen, and has a population of 109 million. Guangdong is South China's key market for consumers. According to the Chinese Bureau of Statistics, Guangdong's GDP reached \$1.24 trillion in 2016, an increase of 7.8 percent from the previous year. Consumer goods sales in 2016 reached \$535 billion, an increase of 10.2 percent from the previous year. Leading retail chains in Guangdong include Wal-Mart and China Resource Vanguard. Specialty chains like Corner's Deli (grocery) and Pagoda (fresh fruits) are also prominent. Several second- and third-tier cities in the Pearl River Delta region such as Zhuhai, Zhongshan, and Jiangmen are important emerging retail markets. Guangdong Yihua Group is a leading domestic retailer based in Zhongshan, and has started to gain significant market share in the region.

#### **Fujian**

Fujian has a population of 38 million and a 2016 GDP of \$430 billion. Consumer goods sales in 2016 reached \$180 billion, an increase of 11 percent from the previous year. Key markets in the province include the capital city of Fuzhou and the coastal city of Xiamen. Emerging third-tier city markets in Fujian include Zhangzhou, Quanzhou and Nanping. Wal-Mart, Carrefour, Metro, Yonghui, and RT-Mart have a strong presence in Fujian.

#### **Hunan**

Hunan has a population of 68 million and a 2016 GDP of \$476 billion. Consumer goods sales in 2016 reached \$207 billion, an increase of 11.7 percent from the previous year. Key markets include the capital city of Changsha as well as the nearby cities of Zhuzhou and Xiangtan. Yueyang, Changde, Yiyang, Lodi, and Hengyang are all emerging markets in the region. RT-Mart, Wal-Mart, Carrefour, and regional retailers "Better Life" and "Jiarunduo" have a strong presence in this province.

#### **Guangxi**

Guangxi has a population of 48 million and a 2016 GDP of \$281 billion. Consumer goods sales in 2016 reached \$108 billion, an increase of 10.7 percent from the previous year. Key markets include the capital city of Nanning as well as Guilin (a tourism hot spot), Liuzhou (a key industrial hub) and Beihai (the province's primary port city). China Resources Vanguard and Wal-Mart have a strong presence in this province.

#### **Hainan**

The flourishing tourist province of Hainan (i.e., China's 'Hawaii') has a population of nine million and a 2016 GDP of \$62 billion. Consumer good sales reached \$22.3 billion, an increase of

9.7percent from the previous year. Key markets in the province include the cities of Haikou and Sanya.

### **North China: ATO Beijing**

The North China region consists of Hebei, Henan, Gansu, Shandong, Shanxi, Shannxi, and Qinghai Provinces, Beijing and Tianjin Municipalities, and Ningxia, Inner Mongolia and Xinjiang Autonomous Regions. The total population in the region is over 490 million. It accounts for 34% of China's population. The major sea ports in North China region are Tianjin and Qingdao.

### **Province Breakdown**

#### **Beijing**

The key international hypermarket operators such as, Carrefour, Wal-Mart, Jusco, Ito-Yokado, RT-Mart and Metro, are all established in Beijing. Beijing's retail market is near saturation, and it is increasingly difficult to find downtown store locations given rising property and rental prices. Retail industry growth has slowed along with the Chinese economy. For example, BHG closed two outlets, Wu-Mart closed its first membership store, and Charter closed its one supermarket in 2016. Beijing is one of the most dynamic cities for e-commerce, contributing 20 percent of retail consumer good sales. The headquarters of JD.com, Amazon.cn, and Womai.com are based in Beijing. Alibaba Group opened its first offline store HeMa Fresh in Beijing in 2017. JD.com, Chunbo.com, and Miss Fresh offer two-hour express delivery in downtown areas.

#### **Qingdao**

Qingdao is a key second-tier city market in North China with per capita disposable income of \$6,547 and consumer goods sales exceeding \$60 billion. Consumers have shifted from traditional wet markets to supermarkets because of increasing disposable income and a growing preference for convenience. Most retailers have outlets located in the downtown area. Local and multinational retailer competition is expected to intensify as Qingdao-based Liqun Group and Hisense expand and defend their market share. High-end supermarkets operated by Hisense Plaza and CRV offer a wide selection of imported products. Given the geographical advantages of importing foods from into this port city, Korean and Japanese products are very popular in Qingdao. Qingdao's market is much more receptive to new food products compared to inland cities.

#### **Tianjin**

Tianjin is another important second-tier city market. In 2016, per capita GDP in Tianjin reached \$17,400. High-end supermarkets in upscale department stores and e-commerce platforms are the major sources for consumers to purchase imported foods. Anti-South Korean sentiment has decreased sales of imported food from South Korea. In 2015, bonded supermarkets have begun to appear since the Chinese central government declared Tianjin as the eighth cross-border e-commerce pilot city. Customers can purchase international goods in these stores at competitive prices since the goods are taxed at the lower cross-border rate.

#### **Zhengzhou**

This second-tier city has developed rapidly as a major inland commercial and transportation hub. Multinational retailers such as Carrefour, Wal-Mart, Metro and RT-Mart have all established outlets in the city. The domestic retailer, Hua Run (Vanguard), has been expanding in the city since setting



up a regional headquarters in Xi'an. The majority of imported food products carried by retailers are from Korea and Southeast Asia. Group purchasing is the primary channel to sell imported food products. Zhengzhou is also a key distribution center for imported foods to inland third-tier cities given its convenient transportation links. Zhengzhou is a cross-border e-commerce pilot city with a leading 43 percent share of cross-border business. In 2016, cross-border e-commerce trade was nearly \$1 billion, a 63 percent increase from the previous year.

### **Xi'an**

Xi'an is the capital of Shaanxi Province, and the city is considered the gateway to northwestern China. Over the last five years the retail sector has developed rapidly with China Resources Vanguard (CRV) dominating the region with 43 stores. To compete with other retailers and build a unique image, CRV runs one BLT (upper-middle level) and two Ole (high-end) supermarkets in Xi'an. The Yong Hui supermarket chain entered Xi'an in 2013. It operates nine stores, and has become a strong competitor for CRV. Metro operates two stores in the city and is the top destination for HRI operators and upper-middle income consumers to source wine, meat, flavorings, and cooking equipment.

### **East China: ATO Shanghai**

East China is well known for its retail sector, and is a national leader in e-commerce, convenience store outlets, specialty stores, supermarkets, and wholesale markets. The East China region (as covered by ATO Shanghai) includes one municipality and five provinces along the Yangtze River (Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province and Hubei Province). As China's business center, companies have invested in the region's food distribution and food storage capabilities to supply its 323 million people.

### **Shanghai**

Shanghai's retail sector has become increasingly saturated. It is home to many supermarkets, hypermarkets, specialty stores, and convenience stores headquarters. Supermarkets remain the dominant retail format. According to CBNweekly's 2016 China Import Food Report, major imported food products include snacks, dairy products, beverages, health food supplements, condiments, and coffee/tea. Traditional markets, such as wet markets, grocery stores and fruit booths, have a wide presence in Shanghai but are losing their dominance. The low food safety standards associated with such retailers have resulted in the market shifting to online and/or high-end offline retailers, especially for the younger generation. In 2013, the Chinese government established the Shanghai Pilot Free Trade Zone (FTZ). This designation led to key government reforms and private business innovation in investment, foreign trade, finance, and the legal framework necessary to conduct trade within the FTZ.

### **Beyond Shanghai**

The immediate area surrounding Shanghai (the Yangtze River Delta) is filled with many relatively smaller cities dedicated to industrial production and commerce. Here retail development is already well advanced. Suzhou and Hangzhou are home to Carrefour, other hypermarkets, and many convenience stores. Hypermarkets in this region tend to source imports through Shanghai. Distributors can source imported products at competitive prices through the region's established distribution channels and Shanghai's experienced food importers. The supermarket sector is dominated by Century Lianhua, Hualian, and RT-Mart.

### **Zhejiang**

Hangzhou, in Zhejiang Province, has become China's e-commerce capital. Alibaba Group is based in Hangzhou, and the leading e-commerce giant has had a big impact on local consumers. According to the National Bureau of Statistics over half of consumable goods purchases are made online in Hangzhou. Popular imported products are dairy, nuts, fruits and wine. U.S. fruits have the highest market growth potential in this area. Foreign hypermarkets in Hangzhou include Wal-Mart, Sam's Club, RT-Mart, Metro, Carrefour and Auchan. Foreign convenience stores have developed rapidly in Hangzhou, including Family Mart, Watsons, C-Store, Lawson and Mannings. Domestic hypermarkets and local brand supermarkets include G-Super, Century Mart, Lianhua, Yintai Choice, Wu Mart, Vanguard, and Huidelong.

### **Jiangsu**

Nanjing, the capital of Jiangsu Province, is known for its famous university and rich history. The retail market and imported product consumption has increased substantially, but are not as advanced as Shanghai, Hangzhou, or Suzhou. Nanjing is home to Suguo, a retail giant that holds more than 50 percent of the city's market. Other major retailers include Metro, Gold Eagle, and Carrefour. The Suning Group is headquartered in Nanjing and is one of the largest non-government retailers in China. Its e-commerce platform, Suning.com ranks among the top three Chinese business-to-consumer companies. In 2017, Suning Group launched "BIU", an automated (no employees) store in Shanghai.

Suzhou is a prefecture level city in Jiangsu. It is the second largest industrial city in East China, and the second largest city in the Yangtze River Delta. Suzhou's retail market is steadily growing. The city has a privately-owned cold chain system with temperature-controlled warehouses and delivery trucks. Metro established itself in Suzhou as the destination for one-stop shopping. It now has 130,000 members. To further stimulate economic growth, the city invested in infrastructure including high-speed rail where one can reach Shanghai in one hour.

### **Hubei**

Wuhan, in Hubei Province, has a reasonably well-developed retail sector. Foreign retailers include Metro, Carrefour, and Wal-Mart, as well as the domestic Wushang Liangfan. The city seems receptive to U.S. food products, with the rapid increase of supermarkets, hypermarkets, and convenience stores. It also has more than 40,000 restaurants and a reasonably developed retail sector, although the city and the surrounding region are still dominated by state-owned retailers.

### **Jiangxi**

Wal-Mart's remarkable success in Nanchang, the capital of Jiangxi Province, provides a good case study for retail in China's inner cities. Nanchang is not generally regarded as a leading retail market because the city's development is far behind tier-one cities. As the surrounding cities prominence spreads, consumers are becoming more familiar with new retail offerings. In 2017, the first Sam's Club in Jiangxi Province was opened.

### **Southwest China: ATO Chengdu**

The Southwest region consists of Sichuan, Yunnan, and Guizhou Provinces, the Chongqing Municipality, and the Tibet Autonomous Region. Southwest China's major urban centers are

Chengdu, Chongqing, Kunming, and Guiyang. These second-tier cities offer reasonable access to imported food products, and serve as distribution hubs for imported products to their respective provinces.

### **Chengdu**

Chengdu is the wealthiest and most advanced city in Southwest China. It is a key part of the China's One Belt One Road initiative. Upscale department stores, supermarkets, and hypermarkets offer the highest concentrations of imported products. Upscale department stores in the city include Ito-Yokado, Isetan, Renhe Spring, and Wang Fu Jing. High-end supermarkets include Ole'. Other hypermarkets and supermarkets such as Wal-Mart, Beijing Hualian Group (BHG) have considerably less selection. In 2017, Fresh HeMa (Alibaba's new online-offline new retail approach) will open its first store in Chengdu. Yonghui will also launch "Super Species" a smaller-sized supermarket meant to compete with e-commerce. The 800 square meter store targets middle class consumers who like to combine shopping and dining. Chengdu-based convenience store chains Hongqi, Owo, and Wudongfeng have a major presence and are expanding business to surrounding areas.

### **Chongqing**

Chongqing is the largest of the four municipalities in China. The nine million registered urban residents had an average disposable income of \$4,486 in 2016. This is \$877 more than the national average. The Chongqing Department Store is a state-owned retailer that dominates the region, but has a limited imported food selection. The best retailers for U.S. food products are Clé supermarkets and Far Eastern department stores. Yonghui will also launch one "Super Species" in Chongqing at the end of 2017.

Chongqing was one of the first national e-commerce cross-border pilot cities, and an important cluster of e-commerce businesses have developed here. In 2016, Chongqing became the first city approved by the General Administration of Customs to operate the China-Europe railway mail service. The Chongqing-Xinjiang-Europe rail service was later assigned to carry out this service. The National Development and Reform Commission estimated in 2016 that 5,000 cargo trains will operate between China and Europe by 2020.

### **Kunming**

Kunming has long enjoyed a reputation as one of China's most livable cities. Like Chengdu, Kunming offers openness to international products and culture. The best retail outlets for U.S. products are Parkson department stores and Gingko Supermarkets. More independent small-sized retail and convenience stores are carrying imported food products. Yangshushu is a good example of this business model, with four stores in Kunming and plans to expand to 10 in 2017. U.S. products have reached Yunnan province and its third- and fourth-tier cities such as Qujing, Chuxiong, Dali, Baoshan, Mangshi (Dehong), Ruili and Yuxi. Kunming acts as a distribution point for the province. Yunnan also has significant volumes of imported products from Southeast Asia since it maintains border crossings with Vietnam, Laos, and Burma.

### **Guiyang**

Guizhou is a very mountainous province, relatively poor and underdeveloped, but rich in natural resources. Pockets of upper class consumers exist, and they are demonstrating demand for U.S.

foods and beverages. The provincial capital, Guiyang, offers the greatest opportunity. Xingli department store and Olé dominate the imported food market. Opportunities in Guizhou's third- and fourth-tier cities are very limited. The best prospects would likely be in Zunyi, through major retailers Vanguard and Xingli.

#### **Tibet Autonomous Region (Tibet)**

Tibet is often referred to as the "Roof of the World". Tibet is China's most remote and smallest retail market for imported products. It has only 890,000 urban residents, and any imported foods and beverages destined for Tibet flow through the Chengdu distribution channel.

#### **Northeast China: ATO Shenyang**

Northeast China, called *Dongbei* in Chinese, includes the three provinces of Liaoning, Jilin and Heilongjiang. The three provincial capitals are Shenyang, Changchun and Harbin. Each provincial capital is home to seven to 10 million residents. Dongbei is home to 110 million people and has 30 more cities with populations of over one million. Northeast China has a land area of 780,000 square kilometers and is roughly the size of Pakistan. The port city of Dalian is the wealthiest city in Northeast China. In 2016, it had six million people and per capita income of over \$14,000.

#### **Northeast China's GDP overview**

Province	GDP (Billion U.S. Dollars)			Per Capita GDP (U.S. Dollars)
	2015	2016	Growth	2016
Liaoning	365	356	-2.5%	7,614
Jilin	229	242	5.9%	8,076
Heilongjiang	242	247	2.0%	6,062
<b>TOTAL</b>	932	845	1.8%	7,658

In Northeast China, independent department stores used to be the major retail channel for most items including apparel, footwear, and snack foods. Today, modern shopping malls have replaced them, and dominate the retail market by offering more food and drink choices such as high-end and fast food restaurants, pubs, movie theaters, and Karaoke bars. Many major multinational retailers have set up stores in Northeast China, including Wal-Mart, Carrefour and Metro. Carrefour was the first to establish operations in Northeast China in 1999. China Resources (华润) is a leading domestic conglomerate; it also set up more supermarkets in Northeast China. Taiwan-based RT Mart has also become a major player and has opened 34 stores in major and second-tier cities.

Convenience stores are becoming more prominent in Northeast China, and provide closer access to customers, longer business hours, and special value-added services such as door-to-door food delivery and mobile phone bill payment. ATO Shenyang notes that convenience stores are now selling increasing amounts of western style sweet and salty snack items. Convenience stores in this region focus on selling alcoholic and non-alcoholic beverages, sweets, snack items, and dairy products.

## **Shenyang**

Shenyang is the capital of Liaoning Province, and is the economic, cultural, transportation, and trade center of Northeast China. During China's planned economy era, Shenyang was well known for its heavy industry. The permanent resident population is currently eight million, and has grown by nearly one million people over the past ten years. Shenyang's GDP grew three percent to \$115 billion in 2016. This rate was significantly lower than China's national average of 6.7 percent.

From 2005 to 2016, Shenyang's average disposable income increased dramatically. In 2005, Shenyang's urban per capita disposable income was \$1,600. In 2016, Shenyang's urban per capita disposable income grew to \$5,800. Shenyang has an excellent infrastructure base including two subway lines, high speed trains, and an international airport. In 2017, the Shenyang Expo and Maoye Mansion opened. The former is a state-of-the-art conference facility and the latter a major urban office center. In 2018, Hilton and Marriott will open hotels in Shenyang.

### **Shenyang Retail Overview**

Shenyang's retail market is concentrated in the traditional downtown shopping areas of Taiyuan and Zhongjie Streets. Shenyang's shopping mall construction grew dramatically since 2007, with many constructed along the Golden Corridor of Qingnian Boulevard, especially in the Wulihe area, and new districts like Hunnan in southern Shenyang. Sales in these areas have been growing rapidly, increasing on average by 10 percent per year over the past five years. A number of international chains set up supermarkets in many of the city's major retail areas. Carrefour opened its first store in Shenyang in 1999 and now has 12 stores in Shenyang. Wal-Mart operates four stores and Metro operates two. Lotte Mart opened its first store in 2011, and a second one in 2013.

### **High-end Supermarkets in Shenyang**

Olé opened its first store in 2011 in Mix-C, one of Shenyang's most prominent shopping malls. China Resources opened its second Olé Supermarket in the Forum 66 Shopping Mall in 2012. Olé focuses on imports, with more than half its shelf space dedicated to foreign products with the remainder dedicated to premium domestic products. In 2013, Vanguard set up a dedicated imported product area in one of its stores in Shenyang. The dedicated area targets consumers with higher disposable income and a desire for imported foods. YooHoo (雍户) is a local high-end supermarket that opened in 2010, and is one of the largest high-end supermarkets in Northeast China with over 7,000 square meters of floor space.

### **Retail Oversupply Issues**

Shenyang's quick expansion of retail space during the past decade has unwittingly put this city's retail into oversupply. Many retailers are finding it difficult to differentiate themselves from competitors, and the less competitive companies have closed. Food retailers are still performing well because more consumers are transitioning from purchasing at wet markets to supermarkets. In 2018, Sam's Club is expected to open its first store in Shenyang, and K11 - a Hong Kong retailer specializing in managing high-end malls - will open its first shopping mall in Shenyang.

## **Dalian**

Dalian is the second largest city in Liaoning Province, and home to China's northernmost warm-water port. According to the World Shipping Council, Dalian was the seventh busiest port in China in terms of volume in 2015. In 2016, Dalian had the highest GDP in Liaoning at \$123 billion, a 6.5

percent increase from the previous year.

### **Dalian Retail Overview**

Qingniwaqiao and Xi'an Road are the two most important retail areas in Dalian. Dashang Group (大商集团) is headquartered in Dalian, and is the largest retailer in Northeast China with retail businesses in 17 provinces. Dashang has numerous supermarkets, including a flagship store in MyKal. MyKal has the most extensive food selection in all of Dalian. Imports from Korea and Japan dominate the market given the geographical proximity, with other imported products come from Southeast Asia and the United States.

Dalian's grocery store chain development is extensive. Wal-Mart operates four outlets and one Sam's Club, Carrefour operates four stores, and Tesco operates five. Metro has one outlet in Dalian close to Sam's Club. China Resources opened two Olé outlets in Dalian. Over ten new retail projects (including shopping malls and hypermarkets) are expected to launch in Dalian by 2018.

### **Changchun**

Changchun is the capital and largest city of Jilin Province. It has been the center of China's automotive industry since the 1950s. In 2016, it had a population of over seven million, and a GDP of \$88 billion. The Changchun Eurasia Shopping Center is over 560,000 square meters, making it the biggest independent shopping center in the Northeast and among the largest in all of China. Eurasia is planning to expand its operation area by another 700,000 square meters which would make it the largest standalone shopping center in China. Charter is a high-end shopping mall in Changchun, and over 20 percent of the food at Charter's supermarket is imported. Similar to Shenyang, the competition among retailers and supermarkets has been intense. However, U.S. food imports are popular especially seafood, red wine, beer, peanuts, and many consumer-ready items.

### **Harbin**

Harbin is the capital city of Heilongjiang Province and is home to 10 million people. In 2016, Harbin achieved a GDP of \$94 billion, an increase of 8 percent over the previous year.

Besides seven Carrefour stores, five Wal-Mart stores, and three Trust Mart Stores, Harbin has quite a few shopping centers. Harbin's major shopping centers include Yuanda, Songlei, Mykal, and Charter. Approximately 30 percent of the items at these supermarkets are imported. Yuanda's latest supermarket carries even more imported items and has set up a professional kitchen inside the store. In 2015, ATO Shenyang conducted an American food cooking demonstration using American food from the supermarket. The event attracted strong interest in American food cooking techniques.

## Appendix

Organization	Address	Contact Information
Foreign Agricultural Service, Office Of Agricultural Affairs, Beijing	U.S. Embassy, Beijing, No. 55 An Jia Lou Rd., Beijing, China, 100600	Tel: (86-10) 8531-3600 Fax: (86-10) 8531-3636 <a href="mailto:AgBeijing@fas.usda.gov">AgBeijing@fas.usda.gov</a> <a href="http://www.usdachina.com">www.usdachina.com</a>
Agricultural Trade Office, Beijing	U.S. Embassy, Beijing, No. 55 An Jia Lou Rd., Beijing, China, 100600	Tel: (86-10) 8531-3950 Fax: (86-10) 8531-3974 <a href="mailto:ATOBeijing@fas.usda.gov">ATOBeijing@fas.usda.gov</a> <a href="http://www.usdachina.com">www.usdachina.com</a>
Agricultural Trade Office, Shanghai	U.S. Consulate General Shanghai, Shanghai Centre, Suite 331, 1376 Nanjing West Road, Shanghai, China, 200040	Tel: (86-21) 6279-8622 Fax: (86-21) 6279-8336 <a href="mailto:ATOShanghai@fas.usda.gov">ATOShanghai@fas.usda.gov</a> <a href="http://www.usdachina.com">www.usdachina.com</a>
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Agricultural Trade Office, Chengdu	Suite 1222, Western Tower No.19, 4th Section Renminnan Road, Chengdu, China, 610041	Tel: (86-28)8526-8668 Fax: (86-28)8526-8118 <a href="mailto:ATOChengdu@fas.usda.gov">ATOChengdu@fas.usda.gov</a> <a href="http://www.usdachina.com">www.usdachina.com</a>
Agricultural Trade Office, Shenyang	Suite 1903, North Media Building, No.167 Qing Nian street, Shenhe District Shenyang, Liaoning China, 110014	Tel: (86-24)2318-1380 2318-1338 Fax: (86-24)2318-1332 <a href="mailto:ATOShenyang@usda.gov">ATOShenyang@usda.gov</a> <a href="http://www.usdachina.com">www.usdachina.com</a>
Animal And Plant Health Inspection Service, Beijing (USDA/APHIS)	U.S. Embassy, Beijing, No. 55 An Jia Lou Rd., Beijing, China, 100600	Tel: (86-10) 8531-3030; Fax: (86-10) 8531-3033 <a href="http://www.usdachina.com">www.usdachina.com</a>