



CHINA

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RETAIL TRENDS

1. Physical retailers' O2O (Online to Offline) multichannel search has taken place. One after the other, physical retailers have partnered up with the Internet. As of 2015, 85% of the top 100 commercial chain enterprises in China have got into e-commerce. Physical retailers have accelerated their supply chain integration to forge an internationalized supply chain; for example, the establishment of the Global Joint Purchasing & Crowdfunding Platform jointly by a number of companies. Physical retailers are developing from single-format towards multi-format, speeding up their extension into communities by developing convenient stores and small-scale specialty stores; for example, Carrefour and Metro have started to establish convenience stores.
2. The transaction volume of the e-commerce market in China has increased rapidly. E-commerce of food products is gradually developing into an important component of the entire e-commerce industry, as the online platform becomes the fastest developing distribution channel of food products. Among the food products sold on online platforms, imported food products and raw and fresh food are particularly strong in their growth momentum. At the present, imported food products account for 13% of online sales of food products in China, while raw and fresh food accounts for about 1%, both having great potential for further growth.
3. New business models, such as cross-border e-commerce and joint procurement of branded products, have become the new points of growth for import & export trade. There has been an explosive growth in cross-border e-commerce. In the first half of 2015, the volume of China's cross-border e-commerce transactions was two trillion Yuan, of which 85% was import. The growth rate of cross-border e-commerce reached 30% for the whole year. The main driving force for the growth in Internet retail of imported goods has originated from the continuous rise in demand from Chinese consumers for imported consumer products as well as the transformation and innovation of e-commerce companies and retail companies. At the same time, it has also benefited from the recognition and support of the government for cross-border e-commerce.

CONSUMER TRENDS

1. As the transaction volume of online consumer goods surges, mobile shopping has become the biggest highlight. As of December 2015, the Internet population in China is 688 million, with Internet penetration at 50.3%. The mobile phone Internet population is 620 million, which accounts for 90.1% of the overall Internet population. On 11 November 2015 ("double 11"), TMALL.COM, the largest e-commerce retailer in China, posted a single-day transaction volume as high as 91.2 billion Yuan, of which the volume of mobile sales exceeded 62 billion and accounted for 68% of the total sales volume. During the period from January to October 2015, retail sales for online physical products



amounted to 2.4454 trillion Yuan, which is an increase of 33%. Mobile shopping has developed rapidly, with its transaction volume surpassing that of PC terminals for the first time in the second quarter of 2015 and accounted for over 50% of the online shopping market; it has become the main driving force for rapid development of the online shopping market.

2. Online shopping mode and e-commerce promotion have stimulated the consumers' desire to purchase and have encouraged consumption. In product selection, apart from brand names and pricing of the products, the word of mouth by customers, service attitude of the merchants, deliveries and after-sale service have all become important factors influencing consumption behaviors.

TREND 1: SMARTSHOPPING

Online shopping and mobile shopping have become a trend, with more and more consumer groups pouring in for participation. Online platforms such as e-commerce and Weimob will become the platforms for launching new products for more and more food companies. 2O continues to exhibit a pattern of multichannel development: online ordering with collection at store, online ordering with delivery by the store, offline experience with online ordering, group purchase, mobile payment and other new business models will further expand the scope of development.

MEIYITIAN LOW-SUGAR ACTIVE LACTOBACILLUS BEVERAGE

Brand: Inner Mongolia Yili Industrial Group Co., Ltd / Yili Meiyitian

Launch date: 03/2015

Category: Beverages

Family: Soft drinks

General description: This product is an active lactobacillus beverage. Its target group is teenagers and people in their twenties. It contains thirty billion active lactobacilli per 100ml, and sugar does not exceed 5%, lower than similar products, so the point is that it has high active lactobacillus, lower sugar, with a nice flavor and lovely packaging design, and is beneficial to digestion.



Why is this product a success? Release of product's information and advertisement by online, mobile media, entertainment marketing, and targeting its customers precisely. It has achieved a great marketing share, and has taken the leading position in this segment.

TREND 2: BOOM OF CONVENIENCE STORES AND OTHER SMALL-SCALE SPECIALTY STORES

The boom of convenient stores and other small-scale specialty stores is continuing unabated. Downsized and personalized commercial projects with precise positioning and finely defined sectors are exhibiting great vitality. Experts hold a positive outlook for small-scale community stores, specialty stores and convenience stores that can achieve online and offline integration and stay close to the demands of communities. This will be a popular direction for physical retailers to transform beyond their present format. These small-scale specialty stores are characterized by the advantages



of being professionalized, elaborated, differentiated and convenient, and are becoming strong competitors of hypermarkets.

BROWNING FLAVORED FERMENTED MILK

Brand: Beijing Sanyuan Foods Co., Ltd. / SANYUAN / Browning

Launch date: 06/2015

Category: Grocery

Family: Milk

General description: The product is a new kind of yoghurt, is targeted at young people. It is made from fresh milk (not sterilized milk), through a special technology, the milk is heated with lower temperature for a few hours, and then it is fermented by probiotic means. It creates a new flavor, a light caramel smell and taste, with a natural sandy beige color and no food additives. It is packaged in a lovely bottle.



Why is this product a success? The product meets the psychological needs of young people pursuing novelty, difference, fashion and a meticulous lifestyle. Its marketing channels all-round have been opened up, so you can buy it anywhere. It has achieved sales accounting for more than 50 million RMB in the second half of 2015.

TREND 3: GLOBALIZATION

The demand of Chinese market for imported food products remains robust. Import volume for alcoholic beverages, baby and infant formula milk powder, snack food, seasoning and many other types of food products continues to exhibit a strong growth. According to the statistics, import of alcoholic beverages to China for the period from January to November 2015 totaled 1,567 billion liters, of which wine accounts for nearly 490 million liters with a year-on-year increase of 45.02%; while beer is in excess of 500 million liters, with a year-on-year increase of 61.44%. Some superstores have expanded their counters for imported food products, and some have established a special zone for imported food products. Driven by new business models such as cross-border e-commerce and joint procurement of branded products, the trend of internationalization of food trade will be increasingly prominent.

RUIBUEN ORGANIC BABY INFANT FORMULA OF MENGNIU DAIRY

Brand: Oushi Mengniu (Inner Mongolia) Dairy Products Co., Ltd / RUIBUEN

Launch date: 06/2015

Category: Grocery

Family: Milk

General description: The product is an organic milk powder for infants, a series product, including three products for infants in different age groups. Its material is sourced from the Alps





organic ranch in Northern Europe, so it does not contain antibiotics, chemicals, pesticides, GMO ingredients or synthesized hormones. It can promote healthy growth of infants.

Why is this product a success? The product conforms to the will of customers: a natural, organic, scientific formula, so it has a big market in China. As per O2O marketing strategy, 30.42 million RMB sales have been achieved in the second half of year 2015.

NEW RETAIL CONCEPT

1. Opening and sharing have become the mainstream of cognition for the society. The window of “shared economy” has started to open up in China’s traditional commercial market. “Physical retailers + Internet” have developed in partnership, connecting online and offline sales channels while integrating upstream and downstream of the supply chain with cross-industry and cross-border cooperation. This has brought about mutual complementarity of advantages and sharing of benefits.

2. The concept of a consumer-led retail market will be applied to business innovation by an increasing number of merchants, which will overturn the retailer-led business model of the past. Experts suggest that more and more consumer-centered business models will emerge, and some C2B models that are customer-led and focus on customer demand will enjoy faster development.

3. Online platforms are used for launching new products or product trials. This can lower marketing costs and make marketing strategies more precise and highly effective. At the same time, more direct and extensive communication with consumers can be achieved.

OTHER MAJOR RETAILERS

1. More refined product positioning: From product design to marketing and promotion, greater emphasis is placed on precision and high effectiveness of market positioning.

2. Word of mouth marketing: Consumers are encouraged to evaluate the products they purchased and services of the merchants to help customers choose products with high price-performance ratios and promote honest operation of merchants in order to raise service quality.

DO NOT MISS

1. Large scale integrated superstores: in line with the shopping habits of the general public, particularly middle aged and elderly persons.
2. E-commerce: the new point of economic growth for the retail industry, with a vast scope for development.
3. Convenience stores and specialty stores: provide the convenience of nearby shopping to consumers, which facilitates an interactive retail shop model with online and offline integration.