

China Store Visits: An MVI/WPP The Store Travelogue

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In October 2007, MVI and some of our WPP colleagues went on a tour of Beijing retail, and MVI used the opportunity to think about the Chinese market, including how Wal-Mart and Carrefour, in particular, compete with each other in developing markets (also see the article, [MVI's Thoughts on the Chinese Retail Industry](#)).

Carrefour Beijing

Some basics:

- The store is located in the Shaungjing region of Beijing.
- It's a three-story store next to a B&Q. There is leased space on the first floor, grocery on the 2nd floor, and general merchandise on the 3rd floor (Figure 1).
- This is one of Carrefour's home delivery grocery stores. After downloading an order form, you can either fill it out, scan it in and e-mail it, or fax it to the store for delivery. Orders over RMB500—roughly USD70—are delivered free (Figure 2).
- Combined, there is about 120,000 square feet of selling space on the two main floors.
- Dry grocery's basic layout is two main aisle sections 32' each, with a 15' "action alley" between the two grocery sections, with 20 aisles in all.
- Fresh meat and produce comprise approximately 20,000 square feet.

Figure 1: Carrefour Beijing Store Map



Source: MVI/WPP store visit

Figure 2: Carrefour's Home Delivery Map



Source: MVI/WPP store visit

Dry grocery section:

- There was a big in-store promotional theme, “Have you tried the new lifestyle?”
- This section included high intensity endcaps typical of Carrefour around the world, particularly in the action alley.
- There was an imported product section with a personalized sign from the imported product buyer: “If you have any questions call me.”
- This section also included branded manufacturers with enormous manufacturing presence—primarily Nestle, who controlled probably 10 to 20% of the display/endcap space in the store.
- There are highly impactful high-color displays.
- This was a co-branded Maggi display with Carrefour—a standard display used in other stores adapted with the Carrefour logo (Figure 4).

Figure 3: Carrefour Beijing's Dry Grocery Selection



Source: MVI/WPP store visit

Figure 4: Co-branded Maggi/Carrefour Display



Source: MVI/WPP store visit

Merchandising points of interest:

- This was a typical Carrefour hypermarket in terms of merchandising intensity and promotional communication.
- The circular was hanging in several the aisles; it comprised 40 pages, with roughly 500 items, and advertised prices good for a two-week period.
- In addition to the red and yellow in-aisle signage, there was also a blue and white pricing motif for the total store and also for key in-aisle items (Figure 5).

Figure 5: Carrefour Beijing’s Blue and White Pricing Motif



Source: MVI/WPP store visit

Fresh food:

- There was very little promotional intensity in fresh food.
- There was a quality emphasis, melon signage for instance, but also:
 - “Local and imported”
 - “Wide selection”
 - “Delivered daily”
- MVI noted a *huge* emphasis on food and product safety and on the quality of Carrefour’s in-store personnel:
 - Instructional signage to shoppers to not handle the seafood and that a trained Carrefour manager will do it for you.
 - A photo of the “shifu” of the seafood department and a guide to the uniform handling techniques of the seafood department (Figure 6).
- In the corner of the bakery, there was a small “diabetic foods” section for low-sugar breads and some other snacks (Figure 7).

Figure 6: Food Safety Emphasis and “Shifu” Signage



Source: MVI/WPP store visit

Figure 7: Carrefour Beijing Bakery's Diabetics Food Section



Source: MVI/WPP store visit

General merchandise:

- This included a typically uninspiring Carrefour general merchandise set isolated from the rest of the store.
- However, there was some clever promotional activity:
 - Floor decals establishing discounts in housewares and
 - Treasure hunt coupons in electronics—shoppers have to find the coupons scattered at kiosks throughout this section and match them to products.

MVI Interpretation

Though Carrefour varies its merchandise and assortment distinctly by market, its core approach to hypermarkets in developing markets remains surprisingly consistent:

- Strong investment in high quality fresh merchandising;
- Highly promotional value messaging; and
- High leverage of manufacturer funding and labor to create a high impact visual store.

At the same time, the retailer's approach to food safety in China appears to be unique—as it puts itself aggressively in front of this core issue in this marketplace.

Wal-Mart Beijing

The basics:

- It's located in the Daliang Mall.
- It has approximately 90,000 square feet of selling space.
- The store is downstairs—the entrance leads into the general merchandise section and shoppers have to work their way around to get to the food section.

General merchandise set:

- This makes up about one-third of the store (roughly 30,000 square feet).
- There is a Baby Club registry at the entrance (though it was not operating when MVI/WPP conducted its store visit).
- There are some very good visual displays, which were highly engaging, and this was far and away the best general merchandise layout that we saw for a hypermarket.
- An example: the great Haier vacuum interactive display to highlight the sucking power of their portable vacuum (Figure 8, with the demo being operated by WPP’s Jennifer Phillips).
- Other good small appliance displays had the product out and easy to see.
- There was significant space dedicated to the Mainstays private label in home.
- The electronics section was similar to an old school Wal-Mart—a mix of TVs, audio, and games.
- In the apparel section we saw some callout signage for a few of Wal-Mart’s captive apparel brands (Figure 9):
 - Simply Basic;
 - Athletic Works;
 - 725; and
 - Penmans (a brand MVI has not seen outside of China).

But at the same time, there was a lack of merchandising intensity in some parts of the apparel section, and as noted before, no real pricing signage of any kind to highlight rollbacks or deals (Figure 10).

Figure 8: Haier Vacuum Interactive Display



Source: MVI/WPP store visit

Figure 9: Wal-Mart's Captive Apparel Brands' Callout Signage



Source: MVI/WPP store visit

Figure 10: No Signage to Highlight Rollbacks or Deals in Apparel



Source: MVI/WPP store visit

Health and Beauty Care:

- This was a highly engaging separate section, bannered separately as the Health Care and Beauty Studio (Figures 11 & 12).
- It made up approximately 3,000 square feet along the back wall of the store.
- It was intensely staffed with advisors and vendor personnel promoting key items.
- There was backlit shelving and high quality vendor signage.

Figure 11: Health Care and Beauty Studio



Source: MVI/WPP store visit

Figure 12: Health Care and Beauty Studio



Source: MVI/WPP store visit

In addition, Wal-Mart had a staffable makeover center with high levels of interactive digital signage carved out at the front of the beauty section, which was probably the most department-store style display we saw in all of the hypermarkets we visited (Figure 13).

Figure 13: Makeover Center



Source: MVI/WPP store visit

It will be interesting to see if Wal-Mart can reapply any of the signage layout or merchandising disciplines on display in China to other markets where it is looking to be more of a decisive presence in both health and beauty.

Grocery section:

The price messaging at this location—unlike many Wal-Mart stores in the market—had radically reduced the amount of pricing signage and activity. There was almost no rollback activity anywhere in the food section and almost no pricing signage anywhere. In recent research, Wal-Mart's price image in the Chinese marketplace seems to be suffering. Some of this may be due to a marked reversal in strategy back to a hardcore EDLP offer (at least in this region, Wal-Mart's various stores have slightly different merchandising strategies, and photos from Wal-Mart stores in Shanghai taken earlier this year suggest that its strategy in that region is more price intensive).

Other grocery merchandising:

- The flooring was very low-cost and “non-atmospheric.”
- There were fairly small sets in some areas (Figure 14).
 - Seafood in particular was problematic in this store—only about 500 square feet is dedicated to seafood, all pinned against a wall and very visually unengaging.
 - A “Fried Food” section was staffed, but very uninspiring.
- There was some good cross-merchandising from Heineken in the prepared foods section.
- There was a very small liquor set (especially when compared to some of the local hypermarkets) and it was very under-represented in premium brands.
- At 5 pm on a weeknight, the store had two grocery aisles closed for restocking!
- There was a limited Great Value presence, but some on some unique items (e.g., Chamomile tea)
- The black fixtures in the fresh set (which can look quite appealing in the US stores) don’t seem to translate to the low quality fluorescent lighting in this store. It made the fresh set look a little bleak.
- Only about 5,000 square feet or so was dedicated to produce, a relatively small space for a hypermarket in China.

Figure 14: Fried Food Section



Source: MVI/WPP store visit

MVI Interpretation

Wal-Mart in China continues to grow (as does every retailer in the country right now). However, there are some core challenges to this growth, notably in fresh food. There appears to be three obstacles that Wal-Mart will need to think seriously about overcoming if it is going to develop a fresh food program in the market that will be extremely relevant to Chinese consumers:

1. **Capital Investment.** One of the core differences between Wal-Mart’s food set (as mentioned above) and Carrefour’s (or even the good domestic player’s) is the fixturing. In particular, the bulk of Wal-Mart’s fresh food merchandising takes place against one of the walls of the building, whereas Carrefour is much more aggressive about bringing fish tanks, food preparation areas, and other fixtures that require power directly into the center of the section. It costs more to build a store this way, but it creates a far more engaging environment. Wal-Mart has historically shied away from this type of capital expense, preferring to give its buildings low capital investment hurdle rates to achieve.
2. **Labor.** The level of staffing and the skill set required to run these stations are both areas where Wal-Mart seems to struggle. The amount of labor continues to be an interesting challenge. Wal-Mart’s labor models



Generally speaking, the one-store-at-a-time model has been more successful in markets in the early stages of market development, while the system-level approach has gained strength as the market matures. In mature markets, Carrefour has begun to learn system-level work—it has spent more energy in the last 24 months optimizing its central relationship with suppliers in its key European markets. The key question for Wal-Mart is, how far can it stray from its core model while developing a food program that attracts more shoppers?