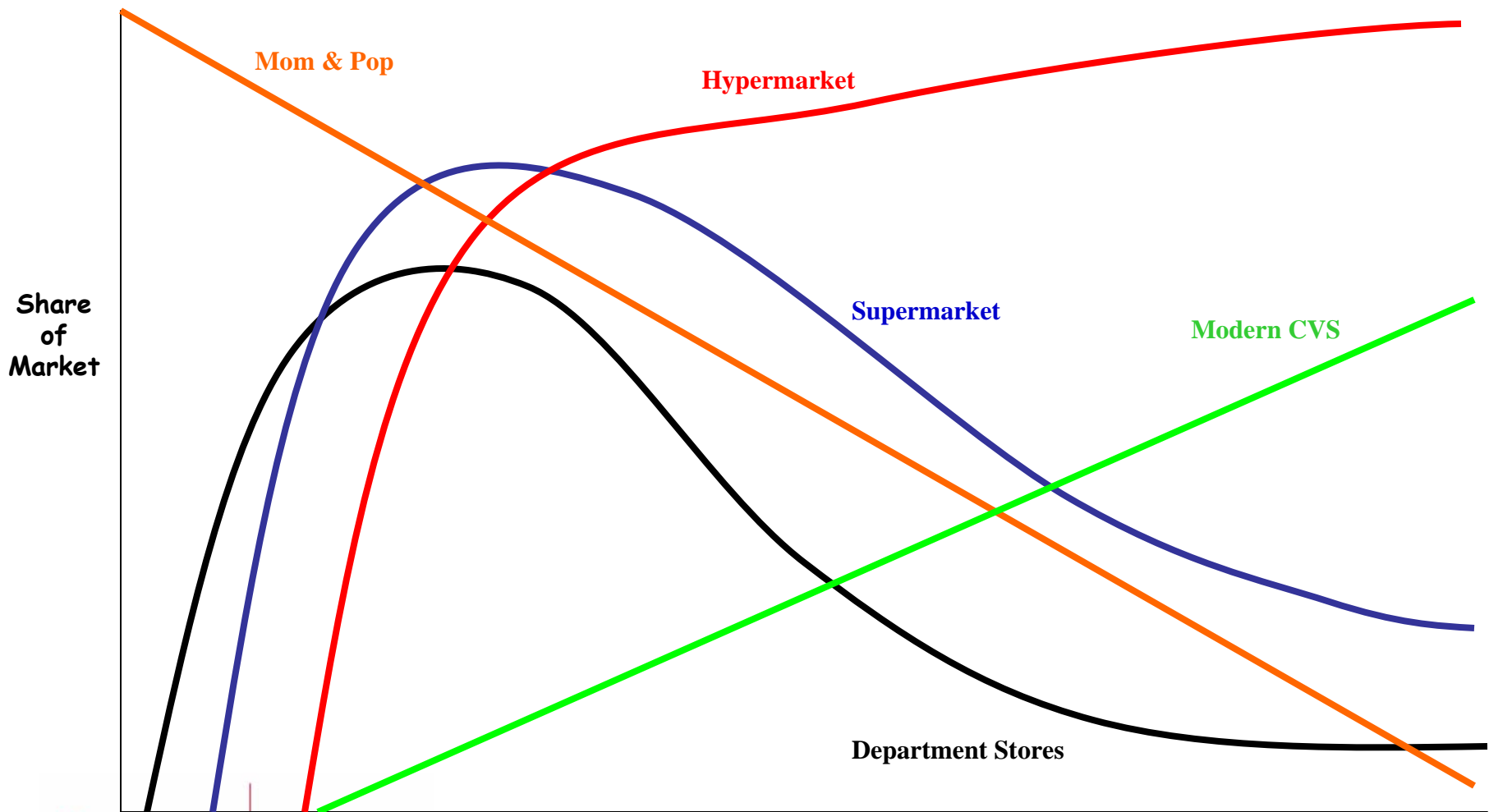




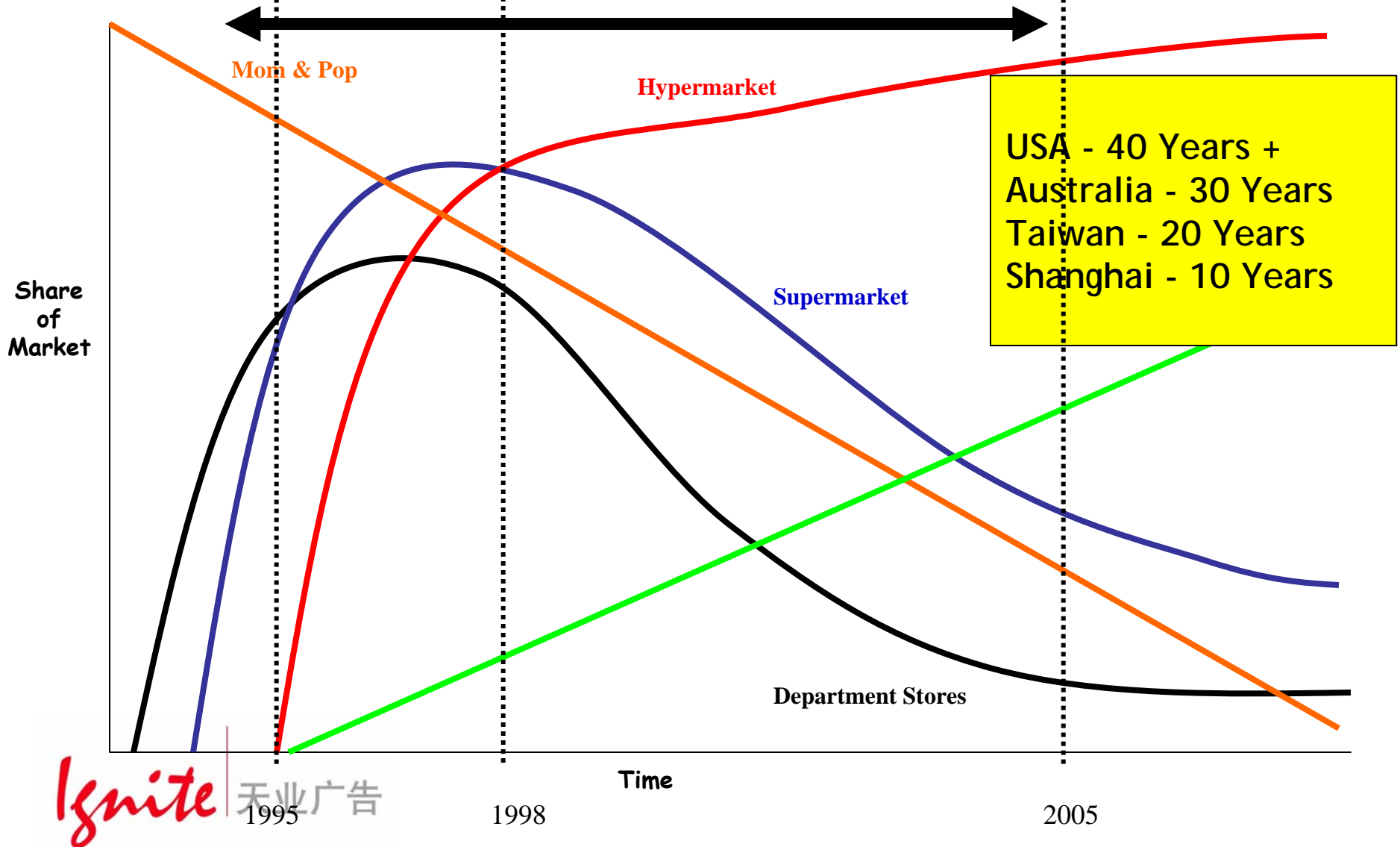
Retailing Environment in China Market

(Content in this presentation was provided by JWT Shanghai)

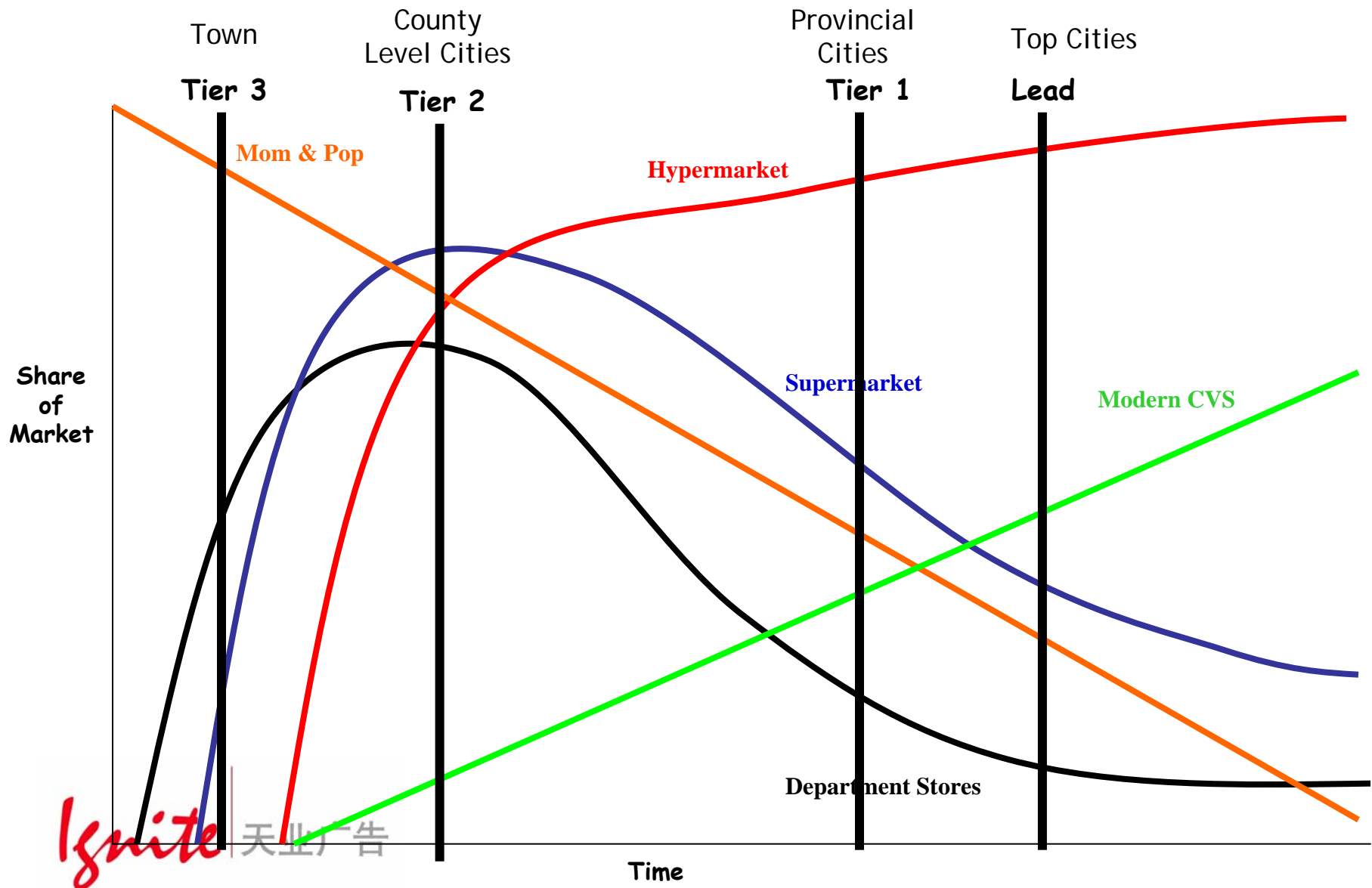
A Normal Trade Development Model Over Time.



Shanghai's Supersonic Trade Development in Just 10 Years.



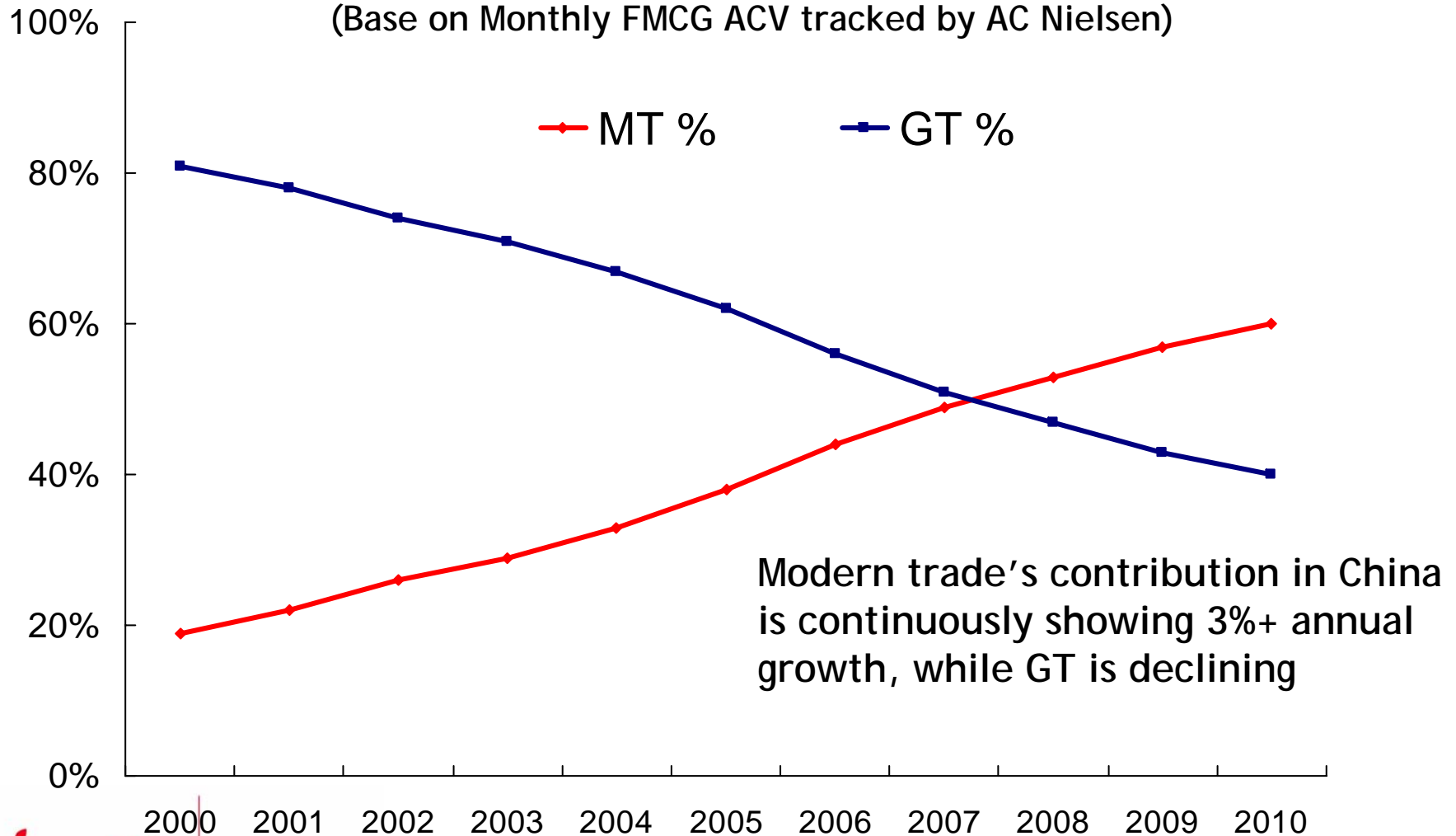
China is "Multi Developing"



The Changing Retail Landscape in China

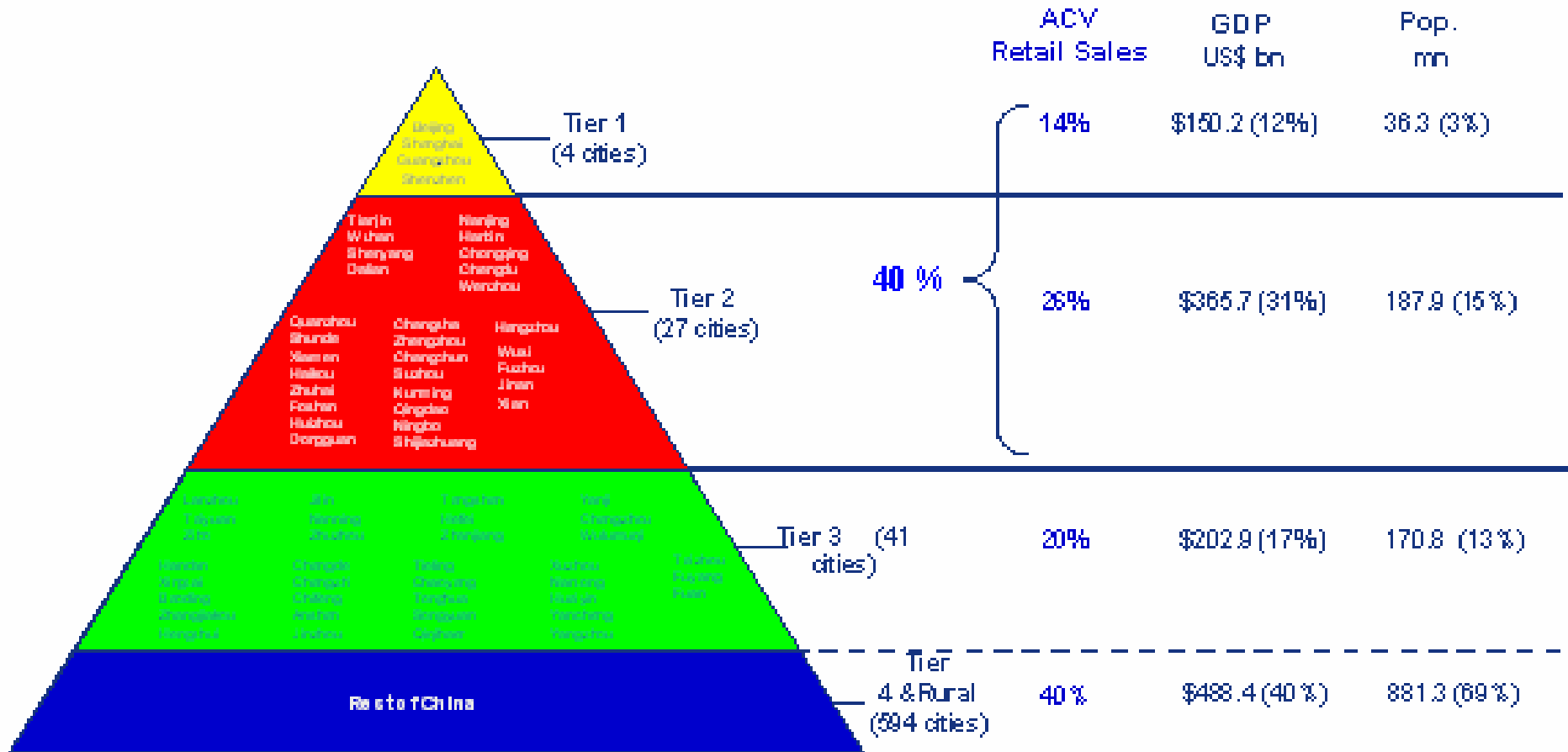
MT / GT Share of China market

(Base on Monthly FMCG ACV tracked by AC Nielsen)



Modern trade's contribution in China is continuously showing 3%+ annual growth, while GT is declining

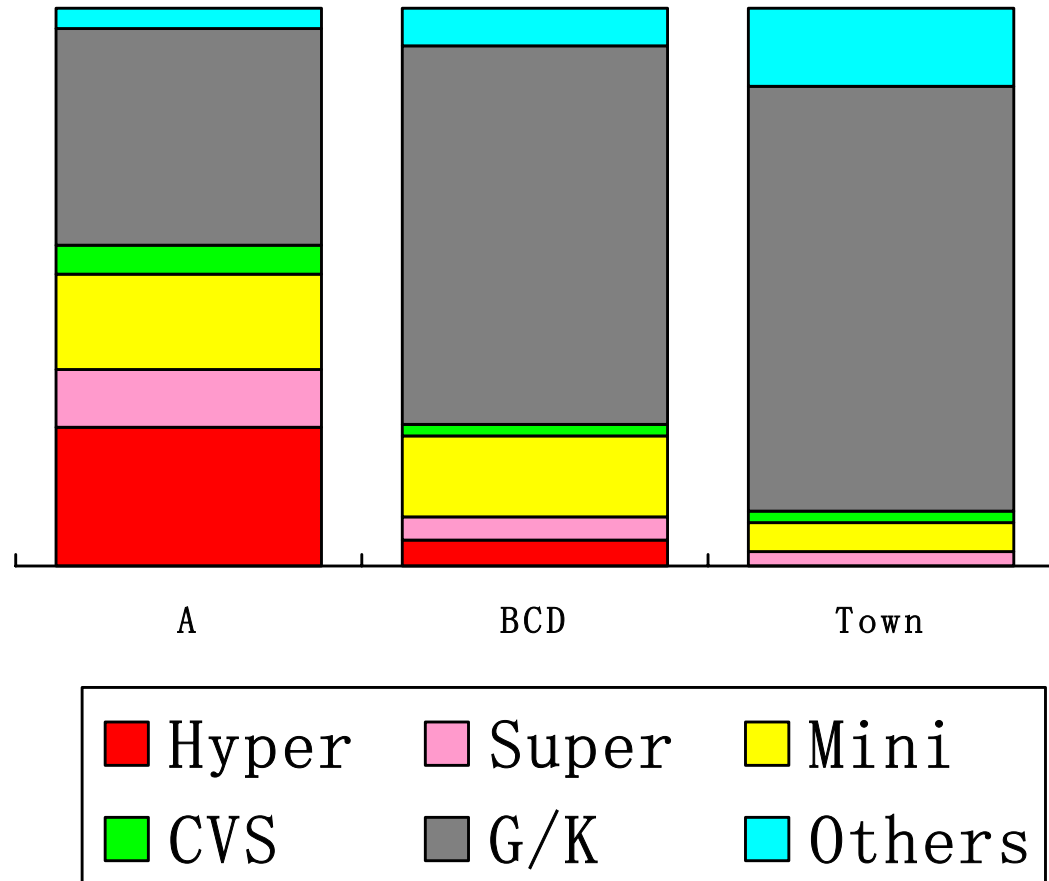
Retail Opportunities Concentrated in Larger Cities



Source: McKinsey analysis; China Statistical Yearbook, China City Statistical Yearbook (2002)

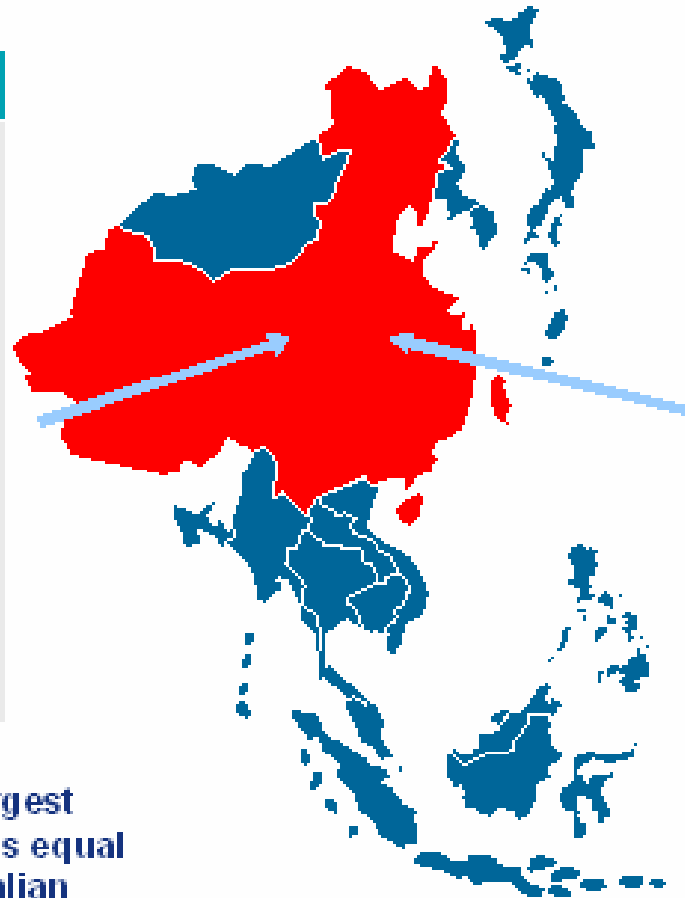
General Trade Still just Dominates but is Being Replaced Rapidly.

- Hyper mainly presents in A cities but is growing explosively in BCD
- Although still small, CVS has been growing very fast across city tiers.
- Meanwhile competition within MT channels has heightened evidenced by declining per outlet sales



China is the New Battleground but Local Retailers Rule

INTERNATIONAL RETAILERS
Wal-Mart*
B+Q
Carrefour
Metro
Tesco - Hymall
7-11
Auchan
Trustmart
Ito Yokado
E Mart
DFI
Park and Shop
AS Watsons
Circle K
Casino
Costco



LOCAL RETAILERS		Market Share (%)
Company		
Lianhua	*2,000 Outlets in Shanghai alone!!!	3.2
Hualian Supermarket		2.4
China resource Enterprises		2.2
Beijing Hualian		1.6

Wal-Mart China's largest international retailer has equal share to Beijing Hualian

- These retailers have combined to form 1 group to "fight" the international retailers

Source: M+M Plans of Retail - www.plansinternational.net







International Retailers are Rapidly Entering and Developing in China

- Most retailers are growing organically but Tesco entered as a joint venture with Hymall
- Wal-Mart and Carrefour are the largest.
- Carrefour is also opening the discount format Dia
- Local retailers are grouping together to compete in this environment
- Different retailers have different strategies relating to geographic and city focus









Competition

Competitors – No.s and Covering Cities

Brand	Wal-Mart	Trust-Mart	RT-Mart	Auchan	Hymall	Lotus
						
Store number	64	100	65	15	44	75
Covered cities	34	34	47	10	17	33







- Carrefour has 84 outlets in 31 cities so far in China market

Competitors – Advantages and Brand Images

Brand	Wal-Mart	Trust-Mart	RT-Mart	Auchan	Hymall	Lotus
						
strength	No.1 retail worldwide	Highest store number	Friendly, Trustworthy, Approachable, brand image strong price image strong in egg/oil/pork	Friendly, Trustworthy, Approachable, Fashion, brand image strong price Image strong on pork	Point collection program	Strong on textile / imported item

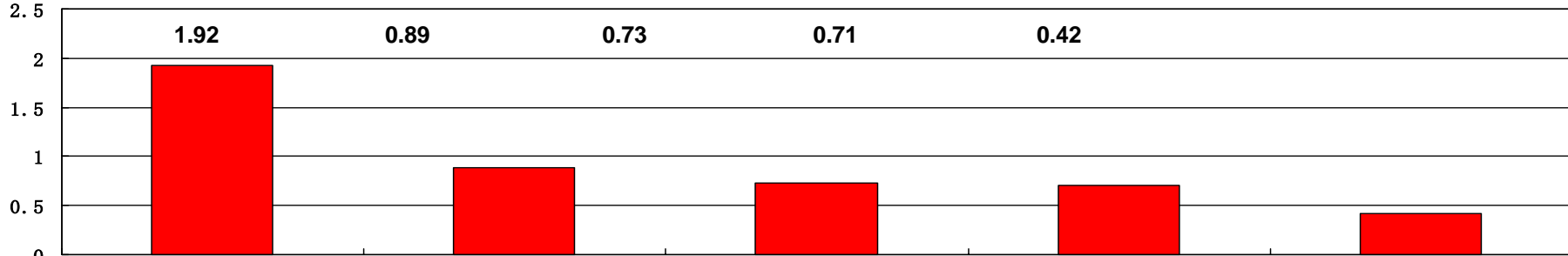
- Service quality need to be improved, not friendly
- Pricing perceived to be expensive comparing to competitors

Competitors – VIP Membership

Brand	Wal-Mart	Trust-Mart	RT-Mart	Auchan	Hymall	Lotus
						
Member card	No	Yes .Free DM, Member price	Yes .Free DM, Member price	No	Yes .Free DM, Member price, Point collection	Yes .Free DM, E-nesletter, Member promotion/activity
remarks		Acquisited by Wal-Mart		Merged by RT-Mart	Merged by "Tesco" group	

- No membership for Carrefour in China so far

Wal-mart and Trustmart are more accepted by young/mid age shoppers with relatively higher HHI



Carrefour

Wal-mart

RT-Mart

Trustmart

Lotus

15-24 yrs -1.88
25-34 yrs -1.82
35-29 yrs -1.77
40-49 yrs -2.02
50-65 yrs -1.99

Very Low SEC-2.85
Low SEC-2.09
Med SEC-1.90
High SEC-1.31

Shanghai-1.29
Beijing-2.07
Guangzhou-1.78
Tianjin-3.57
Shenzhen-1.01
Shenyang-2.56
Qingdao-3.01
Changzhou-0.07

15-24 yrs -1.35
25-34 yrs -1.11
35-29 yrs -1.14
40-49 yrs -0.70
50-65 yrs -0.53

Very Low SEC-0.73
Low SEC-0.91
Med SEC-0.74
High SEC-1.62

Shanghai-0.16
Beijing-0.12
Guangzhou-0.03
Tianjin-0.87
Shenzhen-3.15
Shenyang-1.65
Qingdao-0.94
Changzhou-0.12

15-24 yrs -0.60
25-34 yrs -0.61
35-29 yrs -0.75
40-49 yrs -0.83
50-65 yrs -0.81

Very Low SEC-1.34
Low SEC-0.70
Med SEC-0.70
High SEC-0.61

Shanghai-0.93
Beijing-0.00
Guangzhou-0.00
Tianjin-0.00
Shenzhen-0.00
Shenyang-1.31
Qingdao-0.91
Changzhou-2.71

15-24 yrs -0.95
25-34 yrs -0.83
35-29 yrs -0.72
40-49 yrs -0.66
50-65 yrs -0.53

Very Low SEC-0.15
Low SEC-0.41
Med SEC-0.84
High SEC-0.95

Shanghai-0.54
Beijing-0.26
Guangzhou-3.62
Tianjin-0.02
Shenzhen-1.03
Shenyang-0.00
Qingdao-0.00
Changzhou-0.40

15-24 yrs -0.32
25-34 yrs -0.30
35-29 yrs -0.27
40-49 yrs -0.55
50-65 yrs -0.53

Very Low SEC-0.18
Low SEC-0.39
Med SEC-0.48
High SEC-0.37

Shanghai-1.77
Beijing-0.32
Guangzhou-0.76
Tianjin-0.51
Shenzhen-0.00
Shenyang-0.00
Qingdao-0.01
Changzhou-0.05

Base: Random samples-All Supermarket Shoppers(n=3160)



Consumers/Shopper

Shoppers and Consumers

The Consumer:

Can enter a store 70% +/- propensed toward a particular brand
(though this is a commonly accepted fact, it can vary by category
and shopper mode)

Can leave a store only 15-35% of the time with the planned brand

Often not the shopper

Shoppers and Consumers

The Shopper

Is heavily influenced by the environment, the communications, the service and the relationship of these to her value equation.

Separates her shopping into shopping and buying modes:

Buying: predisposed to a rote behavior (I always buy brand x and this is the product I am used to)

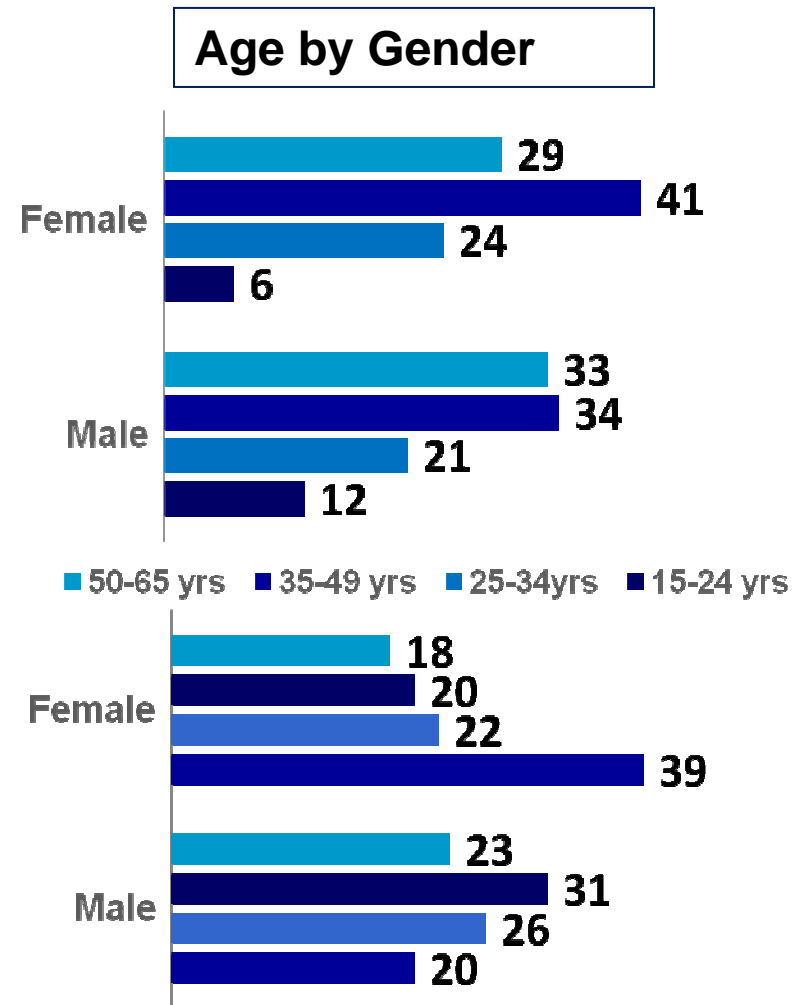
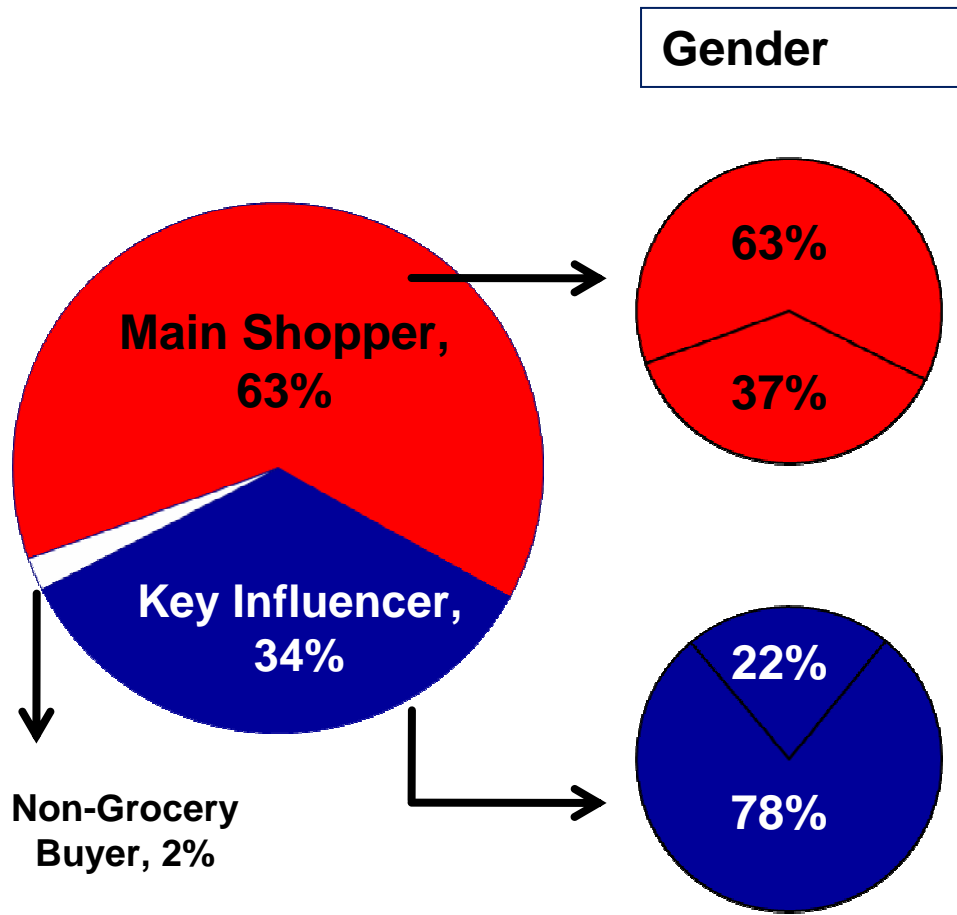
Shopping: interested in category but open to suggestion and inspiration; also can be moved to shopping mode due to problem solving need



Ignite | 天业广告

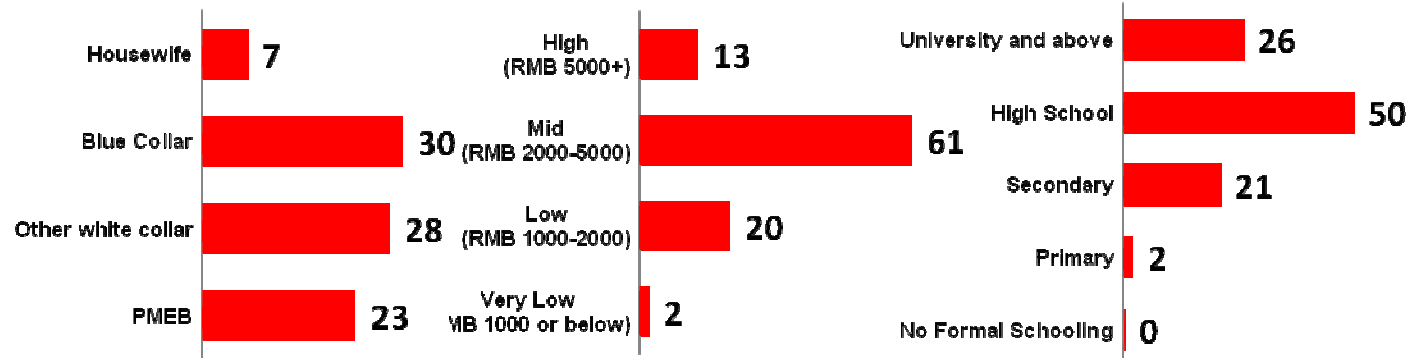
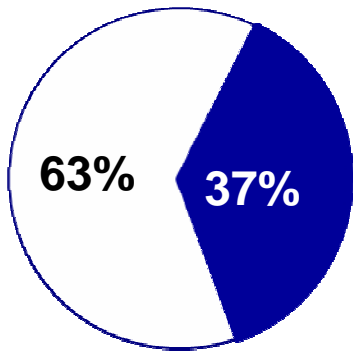
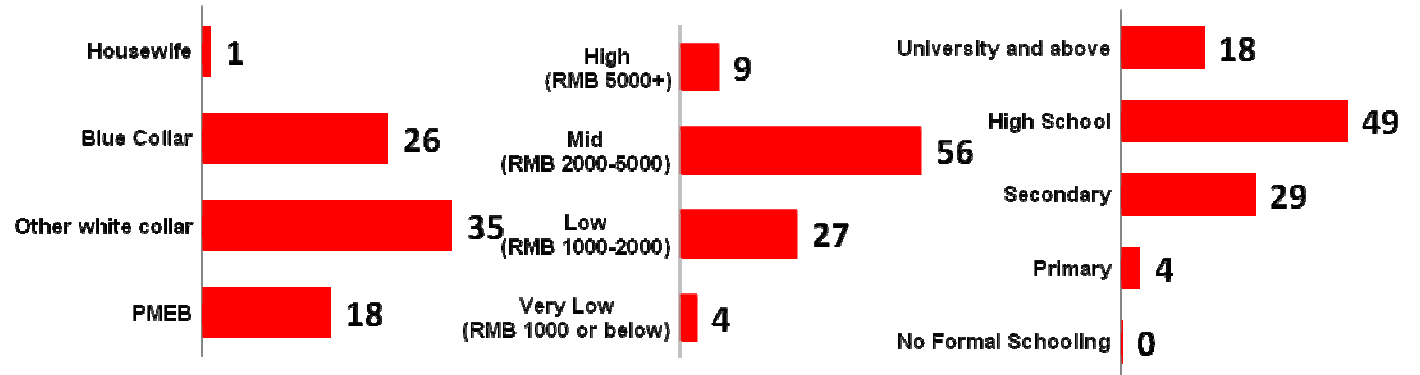
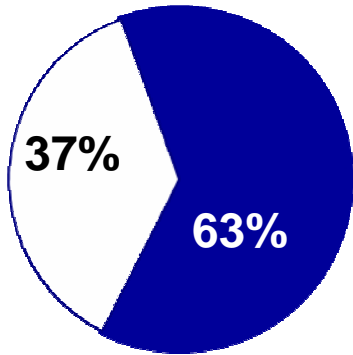
Sample Profile

Key shoppers are female aged 35-49



Base: Random samples-All Respondents (n=3274)

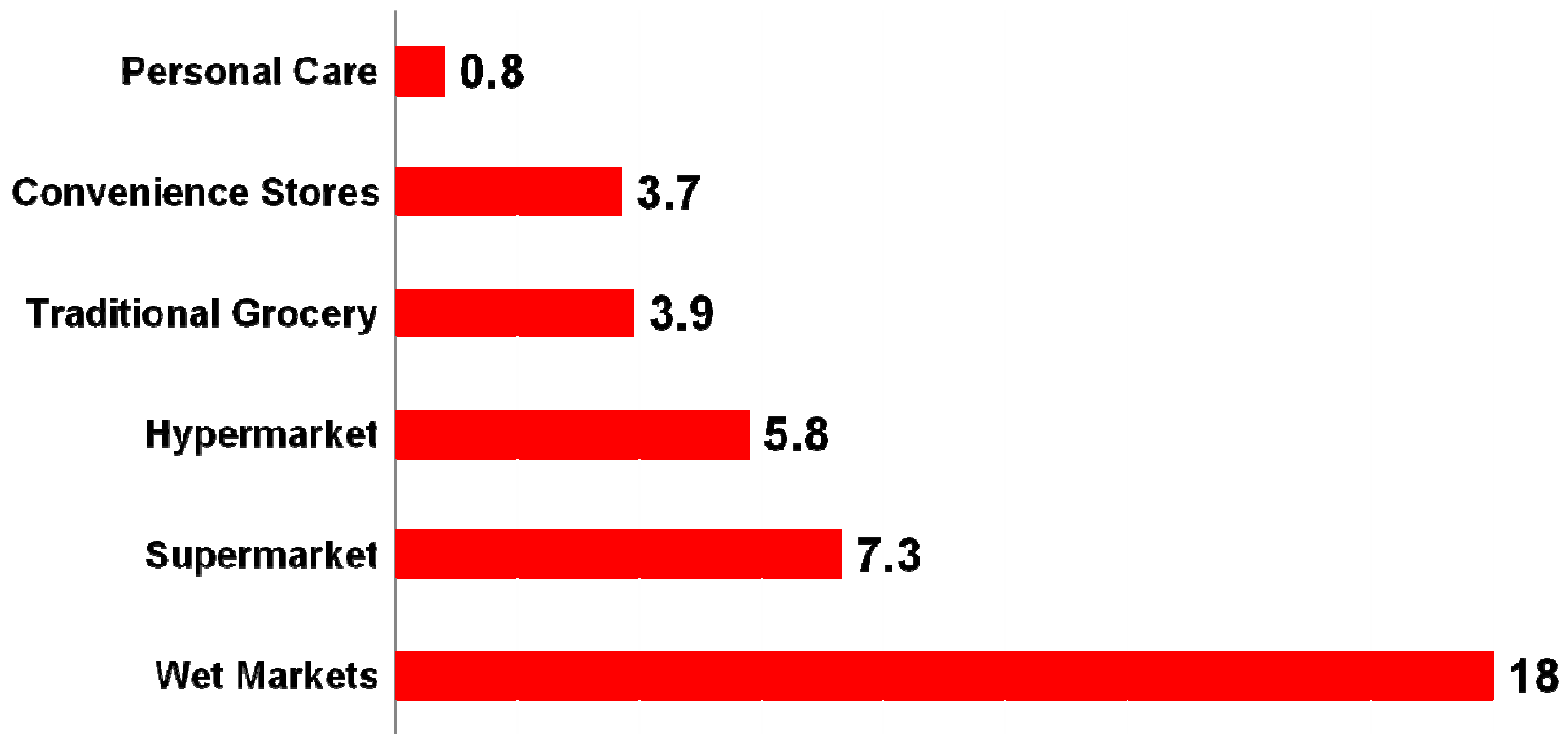
Most shoppers are white collars, with mid household income and well educated



Base: Random samples-All Respondents (n=3274)

Wet markets enjoy highest visit frequency in China.
Supermarkets gain higher visit frequency than
hypermarkets mainly because of more convenience

Trade Sector Average Number of Visiter Per Month – 2005



Base: Visited in Past Year

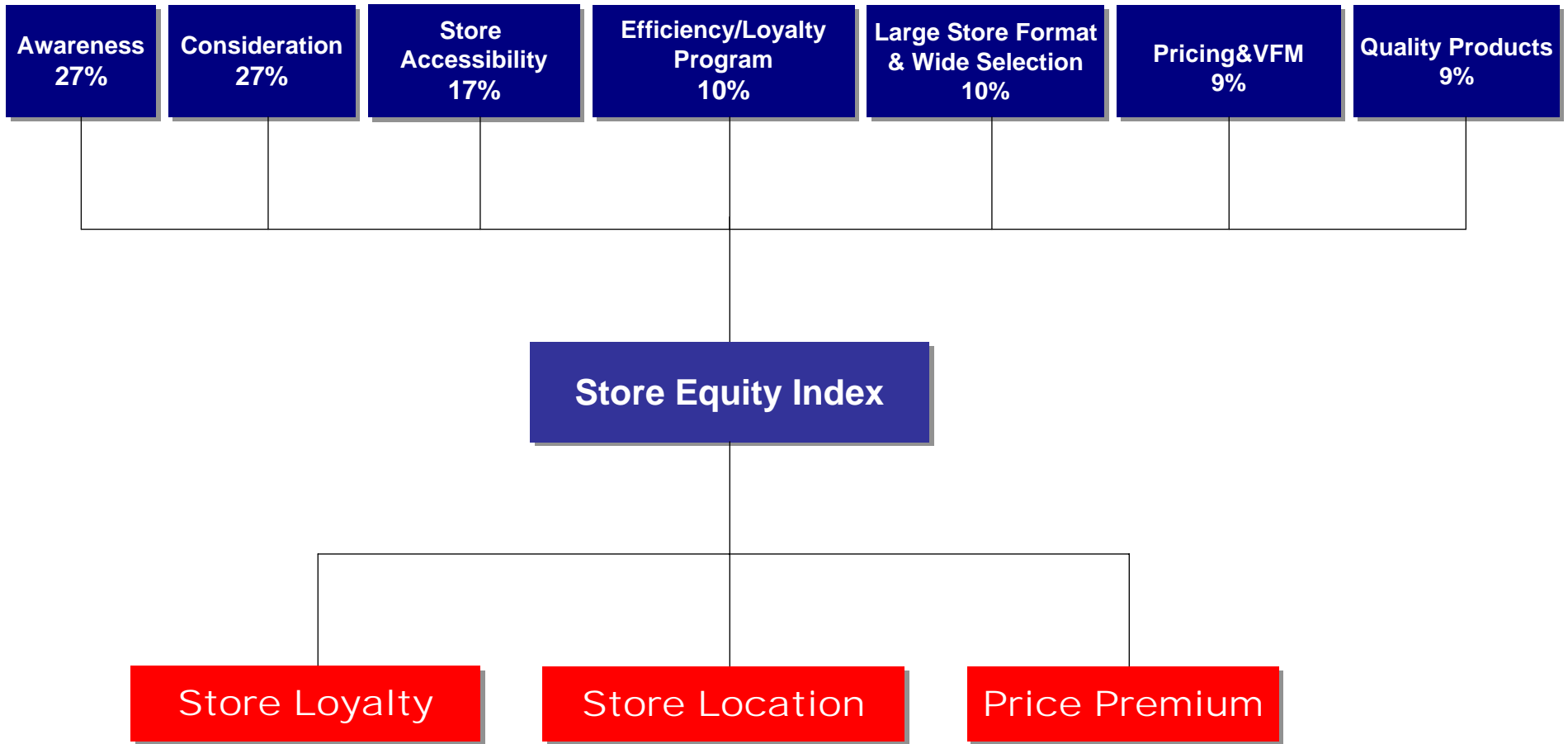
**Hypermarket obviously is the most important channel in terms of money spending;
CVS & personal care stores maintain underdevelopment**

Trade Sector Leverage

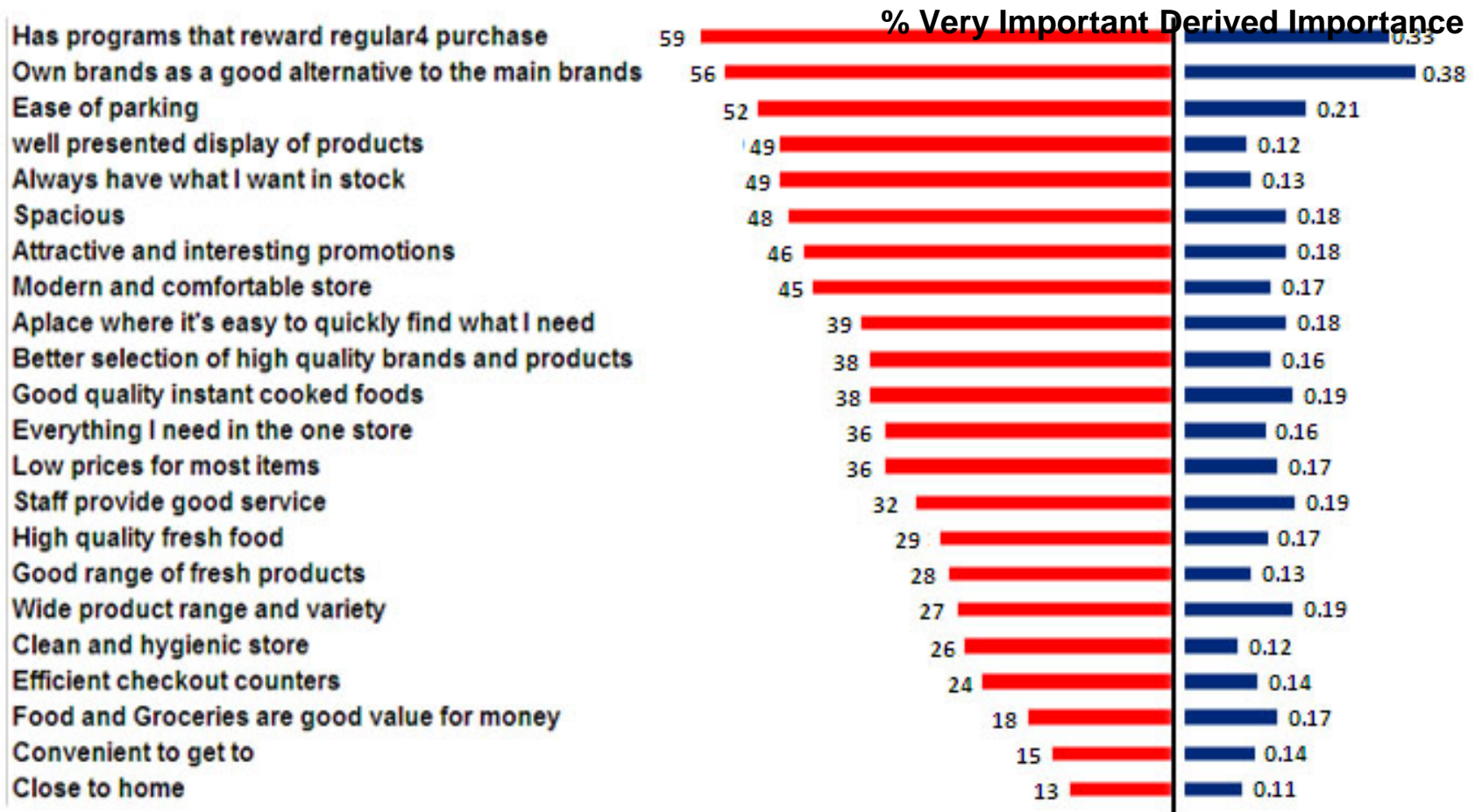
	Hypermarket	Supermarket	CVS	Personal Care	Traditional	Wet Market
Spend Most Money (%)	57	34	4	0	0	4
Use Regularly (P7D) (%)	66	66	12	3	16	79
Use P4W (%)	85	81	19	12	32	88
Occasionally Use(%)	96	91	43	45	57	94
Use Past Year(%)	99	98	63	66	78	97
Consider Using(%)	99	99	67	70	79	97
Non Considers(%)	1	1	33	30	21	3

Base:Random samples-All Respondents(n=3274)

Along with awareness and consideration,
five other associations are critical to shoppers



“Convenience” is the most important factor, followed by “Good Value for Money”, then wide range of products.



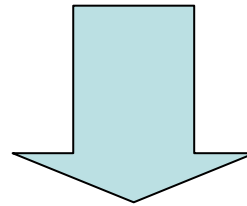
Source: ACNielsen Shopper Trends China

Threats

- Big players are expanding aggressively to create the most highly competitive market in the world
- Store debits for established players is decreasing continually in recent years given more stores by competitors
- Business model is copied and differentiation lacks
- The geographic expansion is going on and consistency regarding quality and image is crucial

Challenge 1

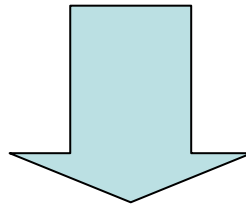
- The war upgraded from conquering miles and owning outlets to owning better shopping experience at the same time



A BIG store need to be
a LOVED store. More new shoppers
and more returning shoppers

Challenge 2

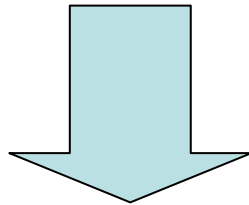
- Hypermarket's revolution represents lifestyle's change, it is shoppers' experience which decide the success of play in the long-run



Aspiration to new lifestyle are critical to the forge of positive shopper experience

Challenge 3

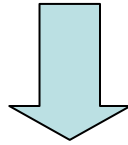
- Once competition goes beyond awareness, consideration, location and price , the unique value reflecting the unique image to have resonance with shoppers emotionally



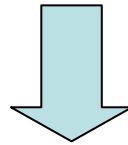
Unique value is a wholesome perception of the store which differentiates from others

The Approach

Scanning our consumer from the angles of human nature, culture, lifestyle and shopping itself to find Consumer Insight



To define that value which drives good perception, aspiration of life and loyalty based on Store's Advantages



Together with promotions and activations to deal with the 2 practical issues: Decreasing debits/ Price perception