KANTAR WORLDPANEL
a CTR service in China

Contact Details
Andrew Zhong
T +86 10 82015388 8603
zhongjiaqi@CTRCHINA.CN

Press Release

July 17th, 2014
For immediate release

FMCG Growth Showing Signs of Stabilizing in The Latest Quarter whilst Local Retailers Gain Share

(Shanghai, China, July 17th, 2014) – Kantar Worldpanel, the global market leader in consumer panels, reports 5.6% value growth for the FMCG (Fast Moving Consumer Goods) market for the latest 52 weeks up to June 13th 2014 compared to the same period a year ago. Lower tier cities are still the key driver for total growth with counties seeing +8.9% in latest 52 weeks compared to year ago.

In Q2 of 2014, 12 weeks FMCG growth slowed to 4.7%, which was quite similar to the 4.6% reported for Q1. This is a significant drop from the 15% growth saw in Q2 2011. One reason for the deceleration in growth is because the trend of trading up to more premium products has seen a slowdown for across many categories as a result of reduced CPI level and slowdown in the rise of disposable incomes.

Leading Grocery Share of Modern Trade - National Urban China

	52 w/e 14th June 2013	52 w/e 13th June 2014	Q2 2013	Q2 2014
SUN ART GROUP	8.5	8.9	8.7	9.1
RT-MART	6.8	7.3	7	7.5
AUCHAN	1.6	1.6	1.7	1.6
VANGUARD+TESCO	9.4	8.7	9.2	8.5
VANGUARD GROUP	7.3	6.9	7.2	6.8
TESCO	2.1	1.8	2	1.7
WAL-MART GROUP	7.2	6.8	7.1	6.6
CARREFOUR	5.2	4.8	5.1	4.7
BAILIAN GROUP	4.3	4.2	4.4	4.4
YONGHUI	2.1	2.4	2.2	2.6
WU-MART	1.9	2	1.9	2
WSL	2	1.9	2	1.9
SPAR	1.6	1.7	1.7	1.7

© 2014 CTR Market Research China

Source: Kantar Worldpanel

International Retailers Experiencing Fierce Competition from the Local Players

International retailers[2] in general continued to lose share to local retailers in FMCG market. At national level, international retailers occupy a share of 20.4% in terms of sales values in Q2 2014, and are seeing a 1.4 point share decrease when compared with the same period last year. The situation differs cross 4 regions: in the East region, the importance of international

ISO 9001

retailers is the highest with 24.5% market share based on modern trade, while in the north this figure is only 15.2%.

Local retailers in the north are seeing stronger growth over the last quarter in terms of market share, reaching 84.8% with 2.6 points gained compared with same period last year. Among top local players in the North Yonghui saw an impressive share gain in Q2 2014 reaching 2.4% in share with 0.5 points more than Q2 last year. Outside the north regions Yonghui also seeing noticeable share gain in the south regions. Constant penetration expansion across all regions has been the key driver for Yonghui's success as they open more and more new stores: 46 new stores were opened in 2013, and it is expected to open 60 more stores in 2014 to further expand its footprint.

Another retailer worth mentioning is Bubugao, a local retailer who has been aggressively pursuing a regional expansion strategy. In the South Bubugao has managed to surpass Carrefour and become one of the top 5 players with 4% market share in latest quarter. Bubugao is now the fourth largest local retailer in the south region, and is expected to grow further following recent acquisition in Guangxi province.

E-commerce Continues to Change the Retail Landscape Whilst Challenges and Opportunities Will Co-exist in The Future

More and more families are going online to buy their FMCG products and this is having a significant impact on the retail landscape in China. Kantar Worldpanel reports that the e-commerce channel penetration has now reached 32% in latest 52 weeks up to June 13th 2014, a growth of +44% compared to 2 years ago.

Along with massive promotion campaigns of some key online retailers such as Yihaodian and JD, an increasing number of FMCG categories are seeing fast sales growth in the e-commerce channel. Over latest 24 weeks up to June 13th 2014 e-commerce channel value share has reached 2.3% with 0.4 points gained compared with some period last year and top tier cities have seen more aggressive share gain than lower tier cities. According to Kantar Worldpanel categories such as beer, foreign spirit and Non-UHT Milk have tripled their sales in the online channel over latest 24 weeks up to June 13th compared with same period in last year. Apart from these products, with a comparatively higher price per unit, more mass products also saw fast growth in size, such as laundry bar, bathroom cleanser, toothbrush and facial tissue and etc.

Though online importance is still small when compared with Modern trade in terms of sales value the phenomenal growth in shopping trips as well as in buyer base of this booming channel has been bringing challenges to all players in the off-line channels. The impact from e-commerce to the retail landscape and household FMCG purchase behaviour will continue, and the future belongs to retailers and brands that see the bigger picture and leverage the opportunities of e-commerce and offline by developing a bespoke multi-channel strategy. The key to the success is to understand shopper motivations and how to use this knowledge, alongside new platforms, to enable growth in the future.

ISO 9001

<End>

Notes to editor:

1. *Kantar Wordpanel China continuously measures household purchases over 100 product categories including cosmetics, food and beverages and the toiletry/household sector. Its national urban panel covers 20 provinces and four municipality cities (Beijing, Tianjin, Shanghai and Chongqing).*
2. *International retailers refer to retailers originated outside Mainland China, Taiwan, Macau, and Hong Kong.*

About Kantar Worldpanel – high definition inspiration™

Kantar Worldpanel is a CTR service in China.

We are the world leader in continuous consumer panels. Our global team of consultants apply tailored research solutions and advanced analytics to bring you unrivalled sharpness and clarity of insight to both the big picture and the fine detail. We help our clients understand what people buy, what they use and the attitudes behind shopper and consumer behaviour.

We use the latest data collection technologies best matched to the people and the environment we are measuring. Our expertise is rooted in hard, quantitative evidence – evidence that has become the market currency for local and multinational FMCG brand and private label manufacturers, fresh food suppliers, retailers, market analysts and government organisations. We are not limited to the grocery sector; we have a wide range of panels in fields as diverse as entertainment, communications, petrol, fashion, personal care, beauty, baby and food-on-the-go.

It's what we do with our data that sets us apart. We apply hindsight, insight, foresight and advice to make a real difference to the way you see your world and inspire the actions you take for a more successful business.

We have over 60 years experience in helping companies shape their strategies and manage their tactical decisions; we understand shopper and retailer dynamics; we explore opportunities for growth in terms of products, categories, regions and within trade environments.
Together with our partner relationships, we are present in more than 50 countries – in most of which we are market leaders – which means we can deliver inspiring insights on a local, regional and global scale. Kantar Worldpanel was formerly known as TNS Worldpanel.
For more information, please visit www.kantarworldpanel.com

About CTR

CTR is a market information and insight provider specializing in China. We are a joint venture company between CITVC and Kantar Group, one of the world's largest insight, information and consultancy networks. As the foremost provider in China, we integrate our local expertise with cutting-edge research technology and innovative thinking to meet our clients' needs for 360° media intelligence monitoring at all touch points. We analyze consumer responses to marketing activities across all kinds of media; provide in-depth profiles of consumer products and markets, as well as strategies for retail service management. For further information, please visit www.ctrchina.cn

ISO 9001