KANTAR WORLDPANEL
a CTR service in China

Press Release

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For immediate release

Search for opportunities for growth in a decelerating economy

(Shanghai, China, February 16th, 2016) – Kantar Worldpanel, the global market leader in consumer panels, reports the spending in fast moving consumer goods (FMCG) in 2015 grew by 3.5% year on year, as China economy grows at its slowest pace in 25 years.

Modern trade (including hypermarkets, supermarkets, and convenience stores) continued to experience sluggish growth in line with total market, only growing by 3.3% from 2014. Within this figure there were significant differences by geography and format. Key cities and provincial capitals were adding only 1.4% in value year on year, but county level cities and counties grew 4.4%. Hypermarkets declined in key cities and provincial capitals by 1.5%, but it managed to grow at 4.1% at national level as a result of more store openings in the lower tier cities. Kantar Worldpanel expects to see continued development in the Hypermarket format in lower tier cities in the coming years. Smaller formats fared much better with convenience store formats enjoying healthy growth of 13.1% nationally.

International retailers struggle to "tip the scales"

The gap between international and domestic retailers has further widened as international retailers continue to lose market share, down 1.1 percentage points to 13.4% in 2015. International retailers struggled to keep up with the rapidly changing trading environment where growth in their stronghold (key cities and provincial capitals) was sluggish, while they experienced stronger competition from local players in lower tier cities as well as competition from the e-commerce giants.

Leading Grocery Share of Modern Trade - National Urban China

	52 w/e 2014/12/26	52 w/e 2016/01/01	14Q4	15Q4
SUN ART GROUP	7.0	7.5	6.8	7.6
RT-MART	5.8	6.2	5.5	6.3
AUCHAN	1.2	1.2	1.3	1.3
VANGUARD GROUP	6.5	6.5	6.2	6.3
TESCO	1.3	1.0	1.1	1.0
WAL-MART GROUP	5.2	4.8	4.8	4.7
CARREFOUR	3.7	3.3	3.5	3.1
LIANHUA GROUP	3.2	2.8	3.1	2.8
YONGHUI GROUP	2.0	2.2	2.2	2.4
WU-MART GROUP	1.6	1.6	1.7	1.6
WSL GROUP	1.7	1.5	1.6	1.6
SPAR GROUP	1.3	1.2	1.2	1.1
BUBUGAO GROUP	1.1	1.1	1.1	1.0

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What is in store for 2016?

Growth will continue to accelerate for convenience formats: Convenience stores have become one of the fastest growing sectors in China's retail market. Competition has already been extremely intense in the South while there is still plenty of room to strike double-digit growth in the North and West. Convenience stores are also trying to innovate to create a differentiated shopping experience and typically offer the last mile delivery for e-commerce. The recent ambitious franchise agreement between Lawson and Zhongbai clearly paves the way for even more rapid expansion in the inland provinces.

Cautious expansion and tailored adaptation in lower tier cities: As modern trade has exhibited lacklustre growth in higher tier cities, all retailers are seeking growth opportunities in the lower tier cities where there will be intense competition for share of wallet. New store openings are still the fastest way to grow. For example, RT-mart's outstanding performance was largely contributed by penetration increase in lower cities where the retailer opened 31 new stores with more than 85% of them based in lower tier cities. With the absolute growth in lower tier cities also experiencing a slowdown, it is critical for retailers to be more shopper centric and develop their 'right to win' through optimizing merchandise and in-store execution based on local needs.

Size matters in China so more mergers and alliances are expected: As competition intensifies and the total market continues to decelerate, retailers have to build scale to optimize their cost base and strengthen their negotiation power. In 2015, Yonghui's acquisition of a stake in Lianhua supermarket allowed it to expand into the affluent East China region, while Hongqi's takeover of Huhui supermarket enabling the group to reach share of 1.5% of the West market. Further regional market consolidation is expected in 2016 as China's retail landscape is still fragmented, with top 10 retail group only accounting for less than one third of the modern trade sales.

Real Omni-channel experience is yet to emerge: E-commerce continues to surge in China's FMCG market, with annual growth of 37%, as the likes of JD.com and Tmall invested heavily in festive promotion and shopper conversion. More and more brick-and-mortar retailers have started to introduce their own e-commerce platform on the back of the boom of cross-border e-commerce and mobile commerce to win their shoppers back. However most of them are yet to create a differentiated shopping experience between the online and offline world, as the current Omni-channel shopping experience is not strong enough to standout against the competition.

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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™

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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

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