KANTAR WORLDPANEL

Contact Details
Emily Wang
T +86 10 82015388 8607
wangmeiyue@CTRCHINA.CN

Press Release

Mar 1st, 2013
For immediate release

Kantar Worldpanel reports average Chinese urban families spent 10% more on FMCG categories in 2012 as consumers aspire for lifestyle and innovative products

(Shanghai, China, Mar 1st, 2013) – Kantar Worldpanel[1], the global market leader in consumer panels, reports 14% value growth for the FMCG (Fast Moving Consumer Goods) market in 2012. Amongst all the categories Kantar Worldpanel monitor, 7 out of 10 categories enjoyed average family spending level increase of over 3%. This indicates that consumption levels have started to pick a more significant role in the overall market growth in China.

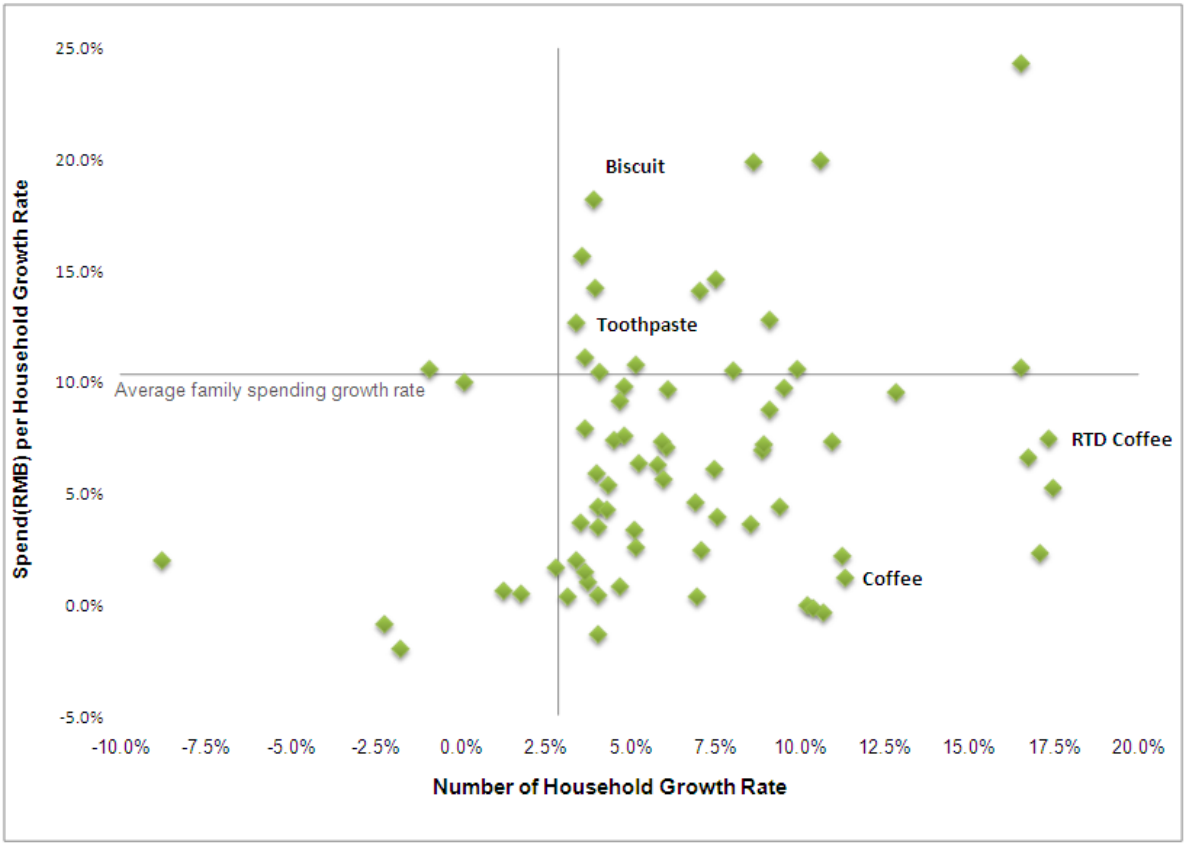
Although China's economy is among the brightest performers within emerging markets in 2012, consumption is yet to play a pivotal role in GDP. With the new government pledging to carry out more reforms to increase wage and address wealth distribution, the pick-up of spending power will inevitably reflect the rebalancing of the Chinese economy away from exports and towards consumption.

It is vital for category leaders to consider category spending as a key success factor to drive future growth in the retail market, especially mature categories whose penetration[2] has reached a plateau, such as biscuit and chocolate in food and toothpaste and toothbrush in toiletry. In 2012, there were a number of categories showing substantial increase in household spend level, including mint candies, wine/spirits, chocolate, biscuits and toothbrush.

Contact Details
Emily Wang
T +86 10 82015388 8607
wangmeiyue@CTRCHINA.CN

Press Release

2012 China FMCG Market Drivers — Buyers and Average Spend per Family



Source: Kantar Worldpanel China

Mature Categories—Smart Shopping and Innovation Seeking

Kantar Worldpanel's continuous tracking of 40,000 urban Chinese families throughout 2012 shows that Chinese consumers continue to spend more on mature categories such as toothpaste, despite the category penetration being stable over the last two years.

For example, average families spent 12.5% more on toothpaste. The premium segment, especially products with professional and special claims, such as whitening, anti-sensitivity, and gum-protection, became more attractive to consumers and thus is driving the category expansion.

Similar to oral care categories, biscuit has also reached 98% household penetration in urban China which leaves very little room to further expand penetration. Nevertheless, the biscuit category still

Contact Details
Emily Wang
T +86 10 82015388 8607
wangmeiyue@CTRCHINA.CN

Press Release

enjoyed 23% market growth in 2012 thanks to the increase of consumption level. On the one hand, premium European biscuit for gifting has been one driving factor of the consumption growth. On the other hand, new flavours and innovative product formats are another success factor leading to the market expansion. In order to secure space in consumers' baskets, premiumization as a result of driving innovation that really uncover new consumer demand and changing lifestyle are inevitable to justify value-for-money.

Emerging Categories— Market Development by Creating New Needs

Unlike mature categories, emerging categories should take totally different approaches to grow consumption. Let's take the coffee market for example: Kantar Worldpanel observes that less than 40% of the Chinese families bought coffee in 2012, which was still a lot lower than other more developed markets, e.g. 58% in Taiwan. This indicates that consumers in China market are still in the developing stage of the coffee drinking habit. However, there are differences by different city tiers. Consumers in key cities generally have higher accessibility and higher acceptance toward innovative concepts and products while consumers in lower tier cities are followers and more reluctant to change.

As a result, for emerging categories, cultivating usage habits through innovative and premium products would be important for key cities, whereas overcoming barriers to trial and arousing interest in first trial would be more relevant for lower tier cities. Marketers for emerging categories will have to take a tiered strategy for product development.

The Race for Buyers in 2012 - Winners and Losers

Although most categories still grew by using a combination of shopper base expansion and spending level growth, thanks to urbanization and market developments, 90% of the FMCG categories reported a noticeable increase in buyer base and leading players benefited more from the race for consumer acquisition.

Total 2012 data suggested that there were 15 FMCG players in China who reached over 100 million urban families and the top of the table continues to be dominated by P&G, COFCO[3] and Master Kong[4]. All 3 have managed to extend their buyer base, demonstrating that even the giants have room to grow.

Contact Details
Emily Wang
T +86 10 82015388 8607
wangmeiyue@CTRCHINA.CN

Press Release

Many of the successful manufacturers mentioned in the report have continued their push in the final quarter of 2012, especially Mondelez, President and Mars. All 3 star players in 2012 have outperformed in the lower tier cities, reducing the gap in terms of consumers reached in the low tier cities compared with the more developed high tier cities and growing their customer base in the grocery channel, especially President who has a higher penetration in the traditional trade compared to hypermarkets and supermarkets.

Top 15 100-million Family FMCG companies

		Buyers (Million Households)			Penetration (%)	
		2011	2012		2011	2012
	P&G	152	157		96.6	97.1
	COFCO	146	151		92.8	93.5
	China Food	91	94		57.9	58.0
	Mengniu	139	143		87.9	88.0
	MASTER KONG	144	148		91.3	91.5
	NESTLE	139	147		87.9	90.5
	YILI	134	140		85.1	86.6
	UNILEVER	133	138		84.2	85.3
	COCA COLA	134	137		85.1	84.7
	MARS	118	127		74.4	77.7
	COLGATE	121	125		76.7	77.5
	WANGWANG	118	124		76.9	76.4
	LIBY	121	123		75.5	76.3
	WAHAHA	120	121		76.5	75.3
	UNI-PRESIDENT	107	117		67.4	71.8
	PEPSICO	112	116		71.5	71.6
	MONDELEZ	104	116		64.5	70.9

Source: Kantar Worldpanel China

In a local player battle that's playing out, Want Want has overtaken Liby in terms of consumer reach on an annual basis, helped by a surge in buyers for its snacks and confectionary products and increased recruitment in hypermarkets. Another local player, Wahaha, has managed to gain significant buyers in the juice category, but at the same time, lost buyers of its ready to drink tea and

Contact Details
Emily Wang
T +86 10 82015388 8607
wangmeiyue@CTRCHINA.CN

Press Release

its yogurt products, leading to an overall decline in its buyer base, with much of the loss coming from the modern trade and in top tier cities where multinational competitors have managed to strike back.

<End>

Notes to editor:

1. *Kantar Worldpanel 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. *Penetration refers to % of all households purchased a brand/product over a given period of time*
3. *COFCO data includes China Food and Mengniu, but excludes Yellow Rice Wine and beverage brands from Coca-Cola China*
4. *Master Kong data includes its beverage lines, but excludes beverage brands from PepsiCo China*

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.

Contact Details
Emily Wang
T +86 10 82015388 8607
wangmeiyue@CTRCHINA.CN

Press Release

We have over 40 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