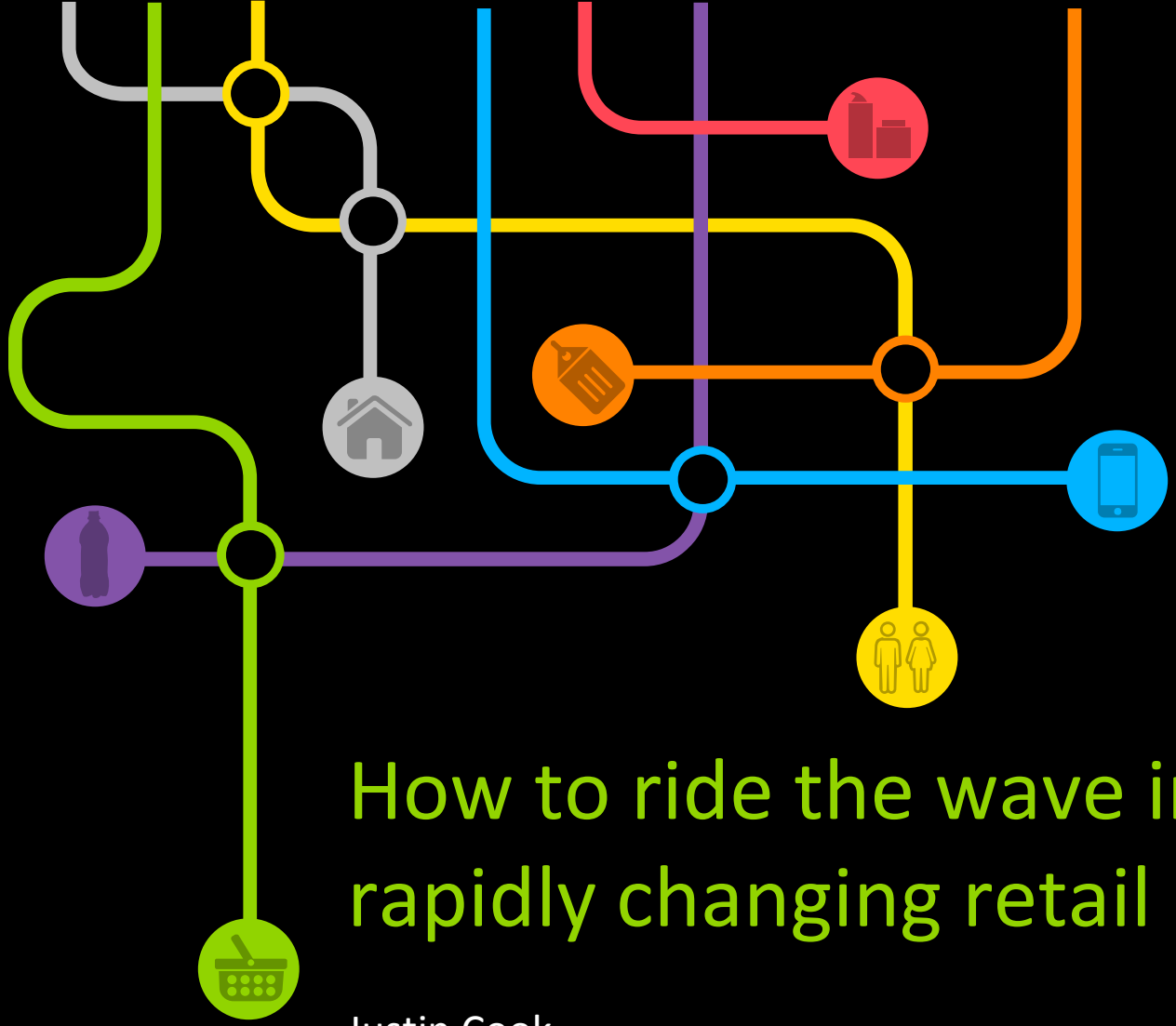


How to ride the wave in China's rapidly changing retail market

Justin Cook

AGENDA

- How are shoppers changing their behviour as growth slows down?
- What is the impact of these trends on modern trade retailers?
- What can be done to maximize growth in this changing environment?

HOW ARE SHOPPERS CHANGING THEIR BEHVIOUR AS GROWTH SLOWS DOWN?

The last 12 months has seen slower growth due to lower inflation rate and shoppers reducing their basket size.

Jun 2011 vs Jun 2012

+ 15%

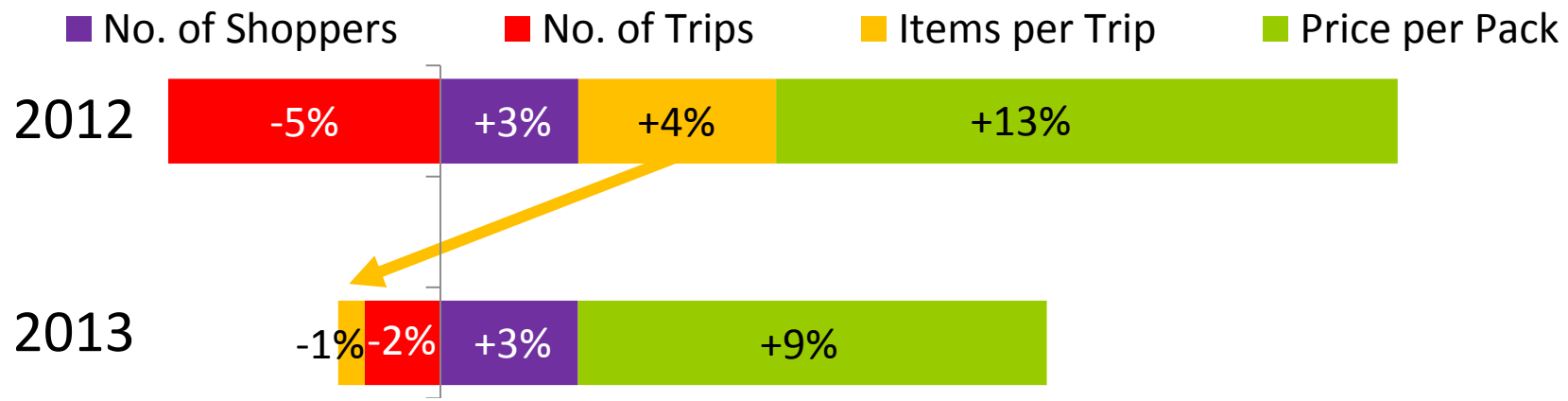
Value growth of total FMCG market

Jun 2012 vs Jun 2013

+ 9%

Value growth of total FMCG market

MAT Jun 2012 vs 2013 - Shopper KPIs – Total FMCG



Source: Kantar Worldpanel, National Urban China, Data to 14th June 2013

Shoppers are becoming smarter…

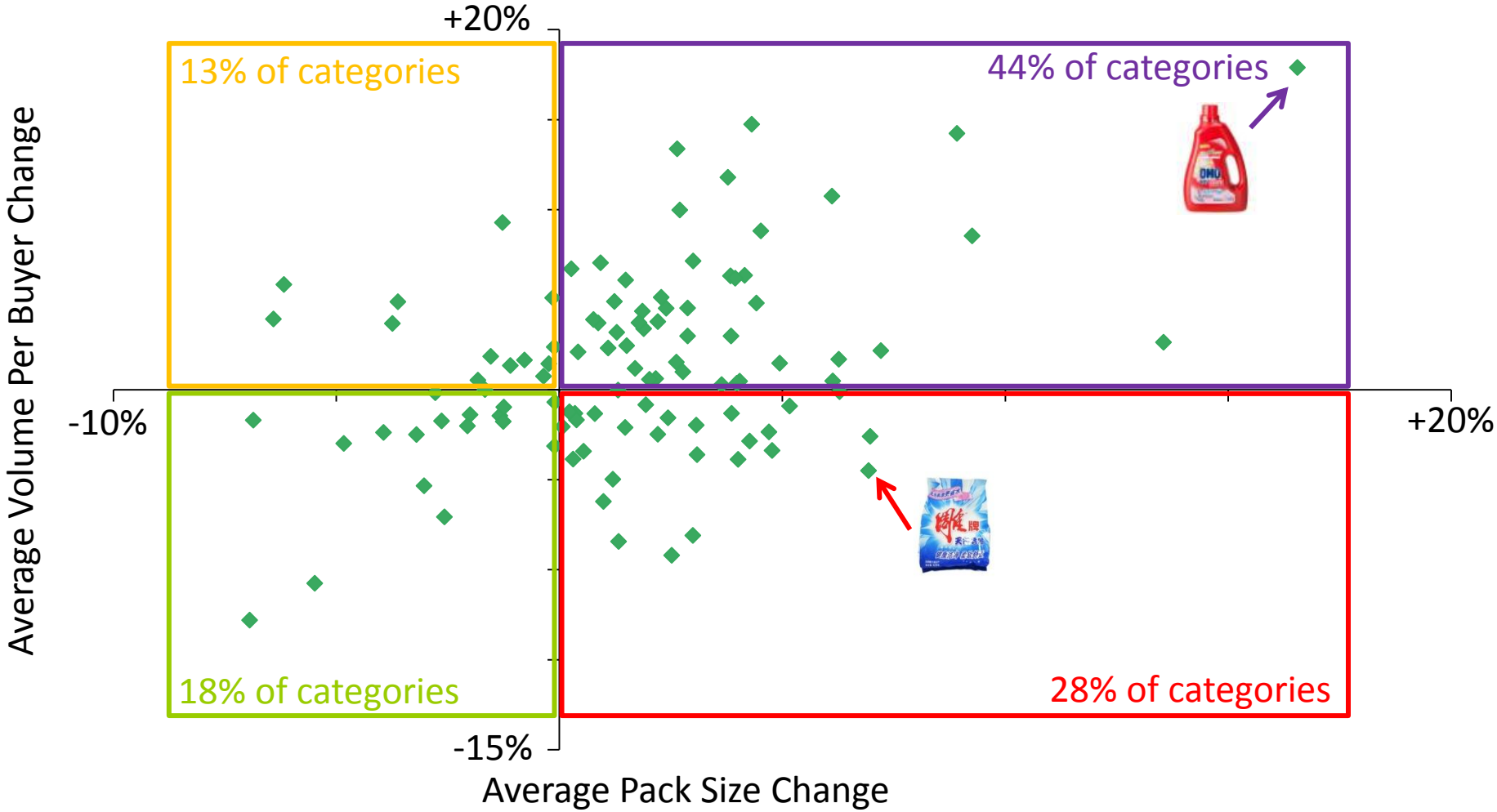
Fewer items but more volume

Visiting Different Channels to…

…seek better value

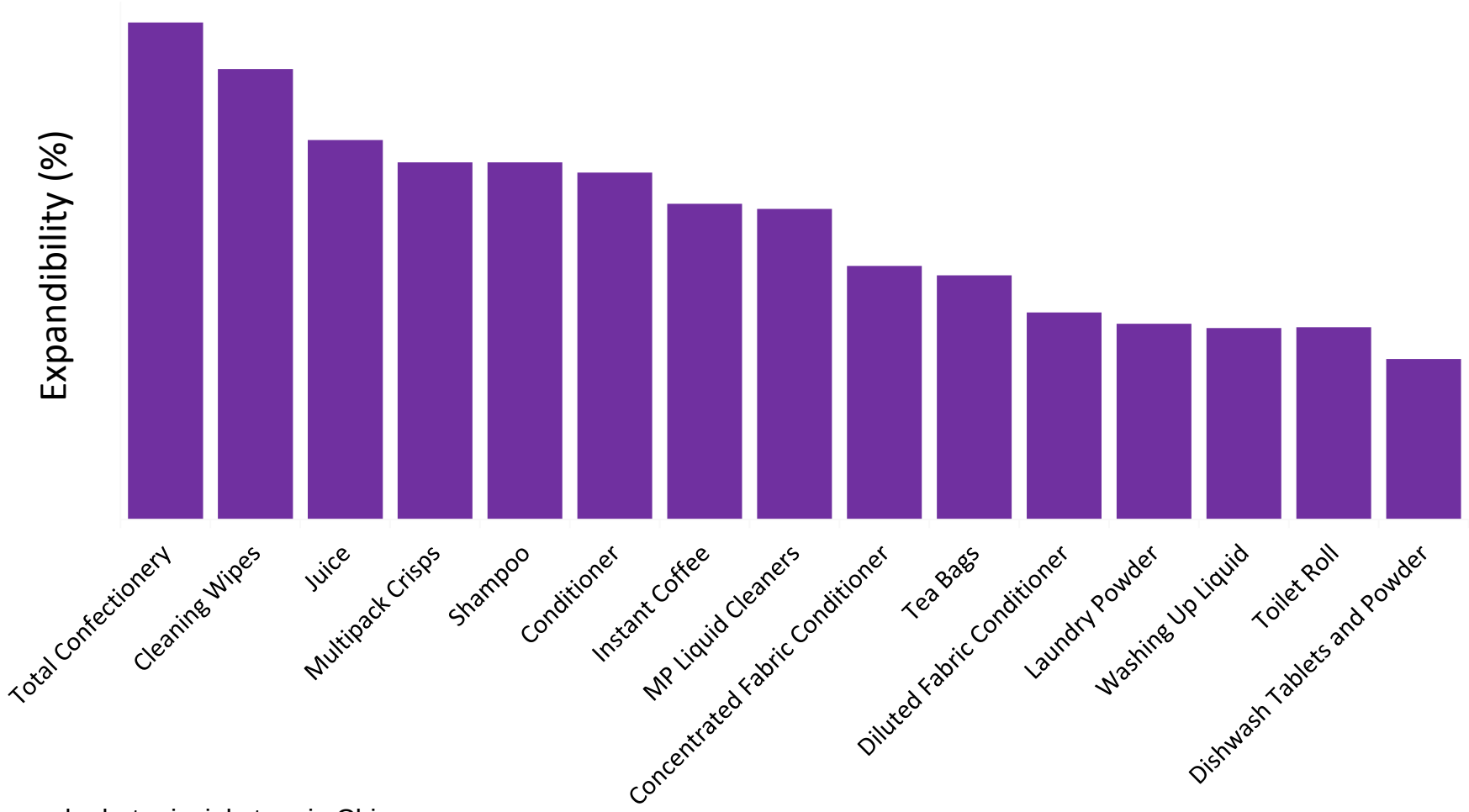
…and choice

Most FMCG categories are seeing shoppers upsizing and this is delivering volume growth for many categories.



Source: Kantar Worldpanel, National Urban China, Data to 14th June 2013

Some categories are more expandable than others so this needs to be considered before pushing larger packs.



UK Example- but principle true in China

Shoppers are changing the way they shop especially in key cities…

Fewer Trips

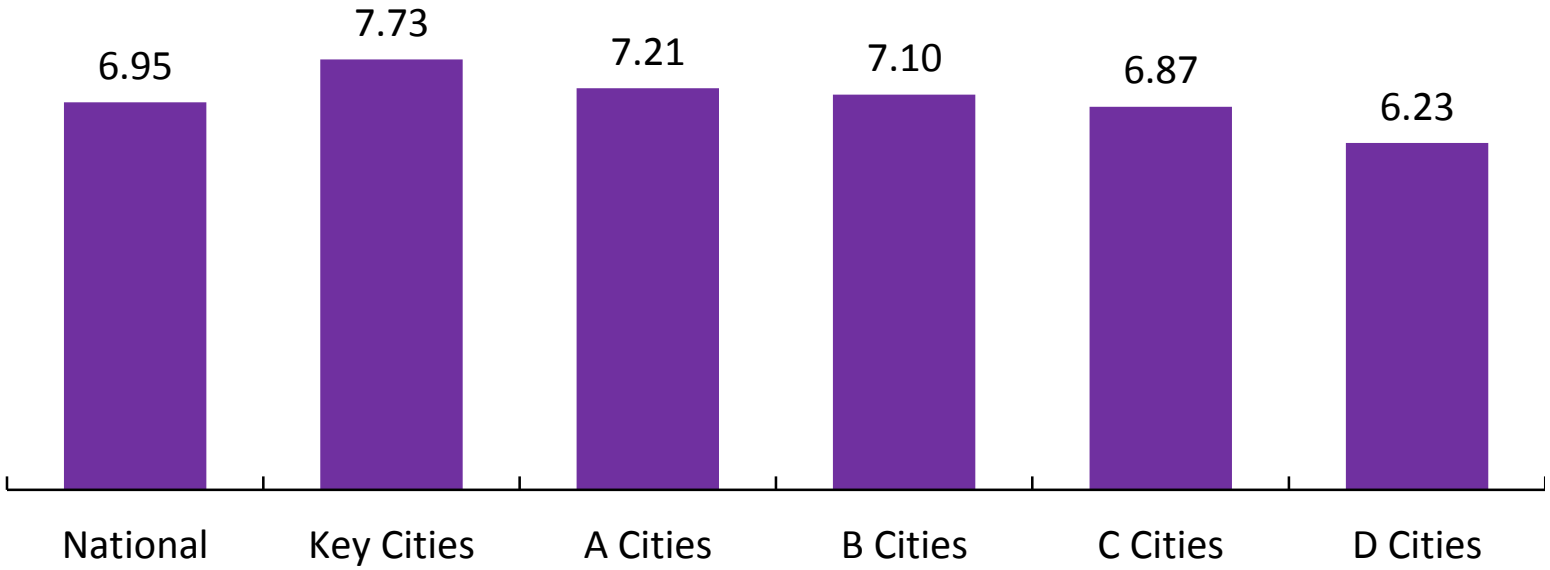
Hypermarkets
Supermarkets
Traditional Grocery

More Trips

eCommerce
Personal Care Stores
Department Stores
TV Shopping
Overseas Purchase
Drugstores

Shoppers in the higher tier cities shop across more channels so it is important to ensure good availability of products outside of modern trade.

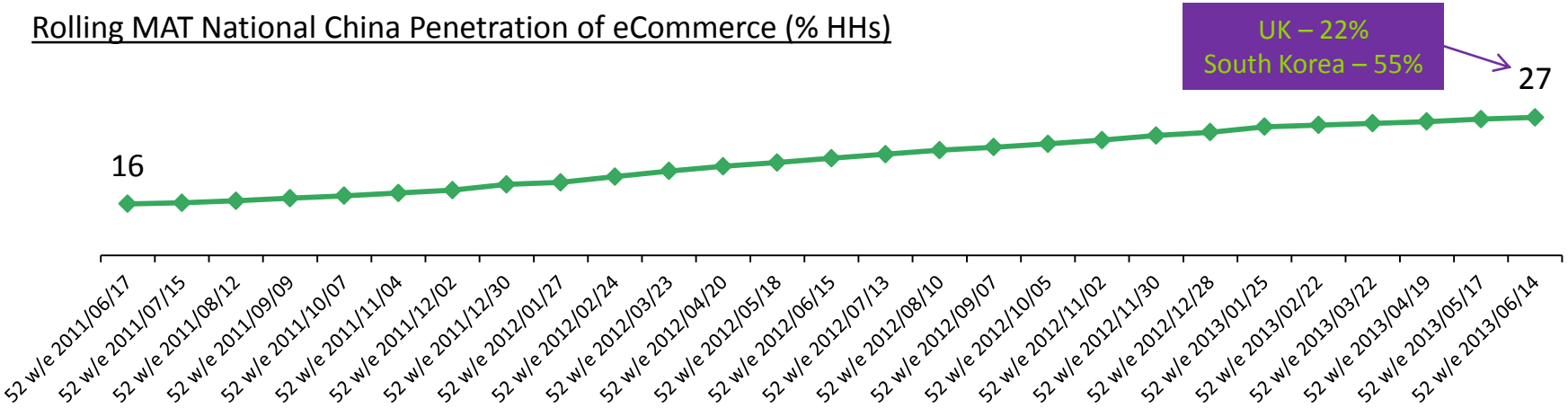
Average Number of Channels Shopped
MAT June 2013



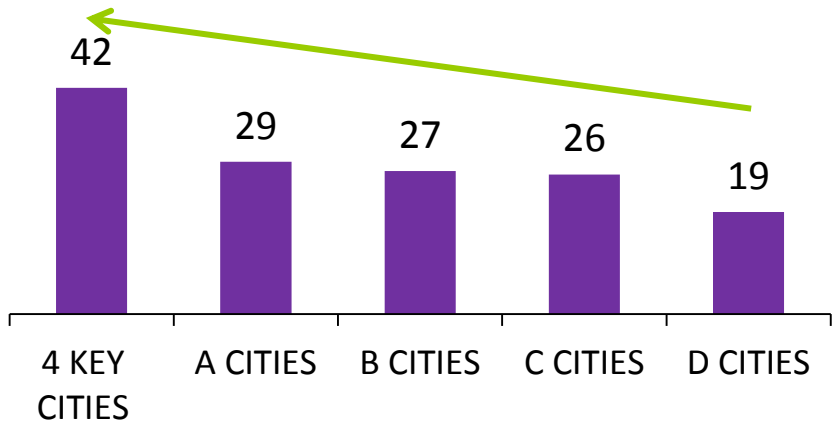
Channels Covered: Hypermarkets, Supermarkets/Mini/CVS, Grocery, Department Stores, Free Mart, Whole Sales, Work Unit, Gift, Direct Sales, Specialist Stores, Shopping On-Line, TV Shopping, Overseas Purchase, Drugstores, Beauty Salon and Milk Store.

eCommerce growth shows no sign of slowing and will soon reach 50% in key cities. Still very personal care focused in lower tier cities.

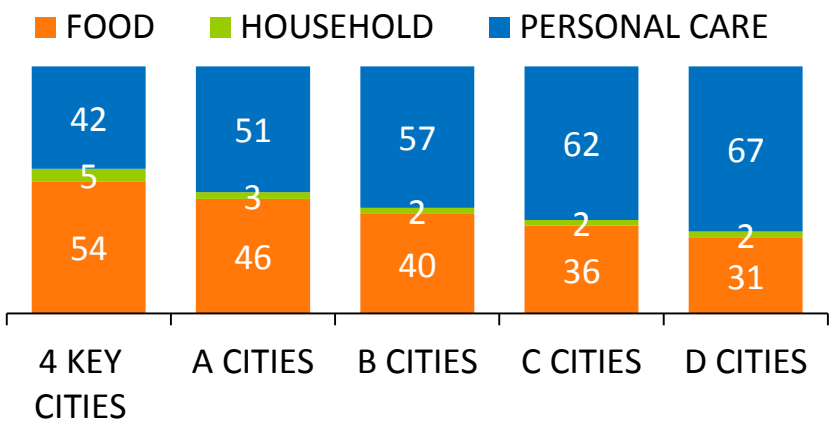
Rolling MAT National China Penetration of eCommerce (% HHs)



eCommerce Penetration by City Tier



eCommerce Share of FMCG Sector (% value)



Source: Kantar Worldpanel, National Urban China, Data to 14th June 2013

Chinese shoppers like to visit different stores but why?

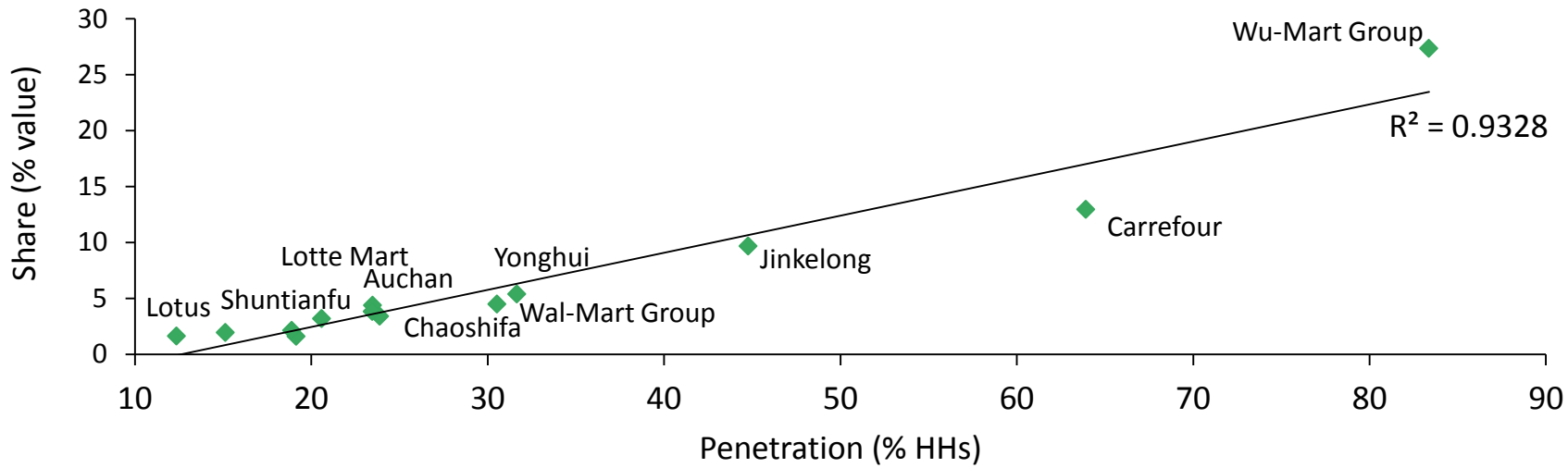
The average household in Shanghai buys Shampoo around 5 times a year and will visit more than 3 stores to buy shampoo in the year.

	Lian Hua	Carrefour	Watsons	YiHaoDian
Channel Type	Small Supermarket	Hypermarket	Personal Care Store	eCommerce
Number of Shampoo SKUs	81	387	200	1023
Prices (High/Medium/Low)	Medium	Low	High	Medium (but heavy discounts on large trips)
Benefits	Close to home	Low Price & Good range	Specialist products including PL, Expert Advice, Loyalty Card	Huge range, convenience of delivery, attractive promotions

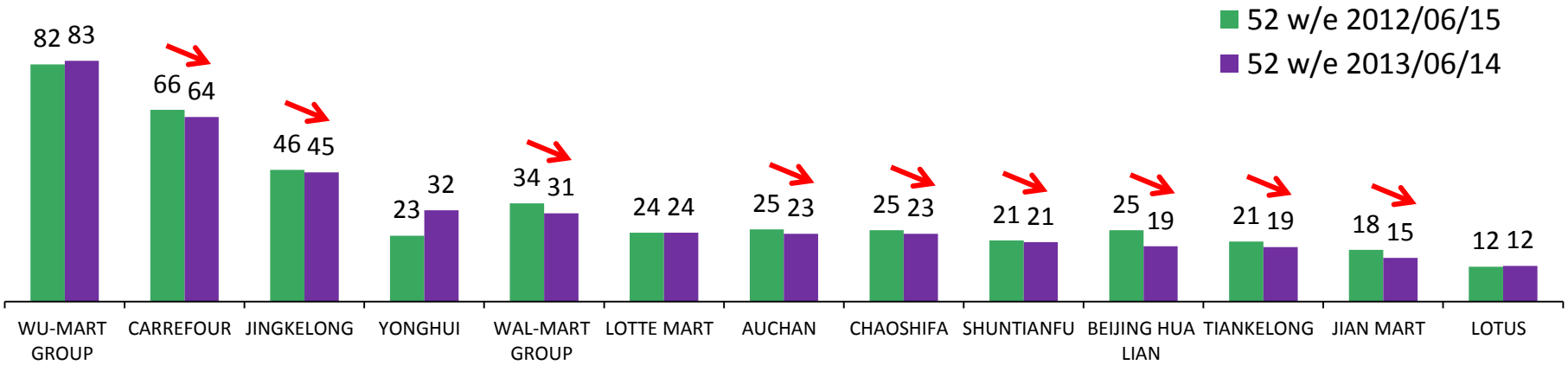
WHAT IS THE IMPACT OF THESE TRENDS ON MODERN TRADE RETAILERS?

Penetration is a key driver of value share for retailers but retailers are seeing less and less penetration as shoppers visit other channels.

Value Share (%) vs Penetration of Key Retailers in Beijing



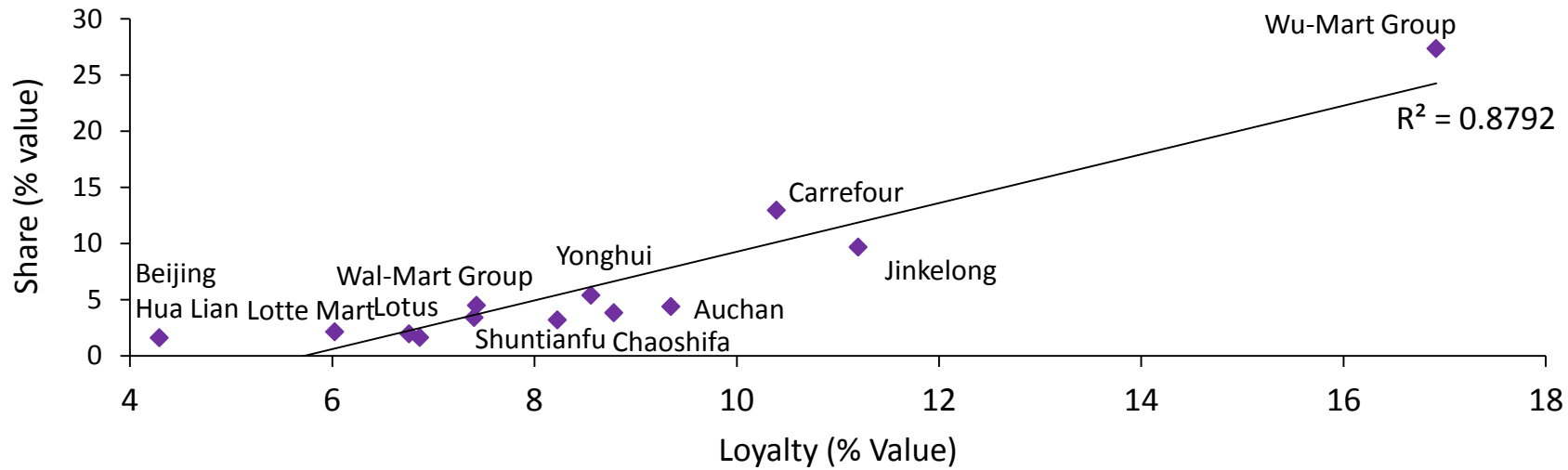
Year on Year Penetration



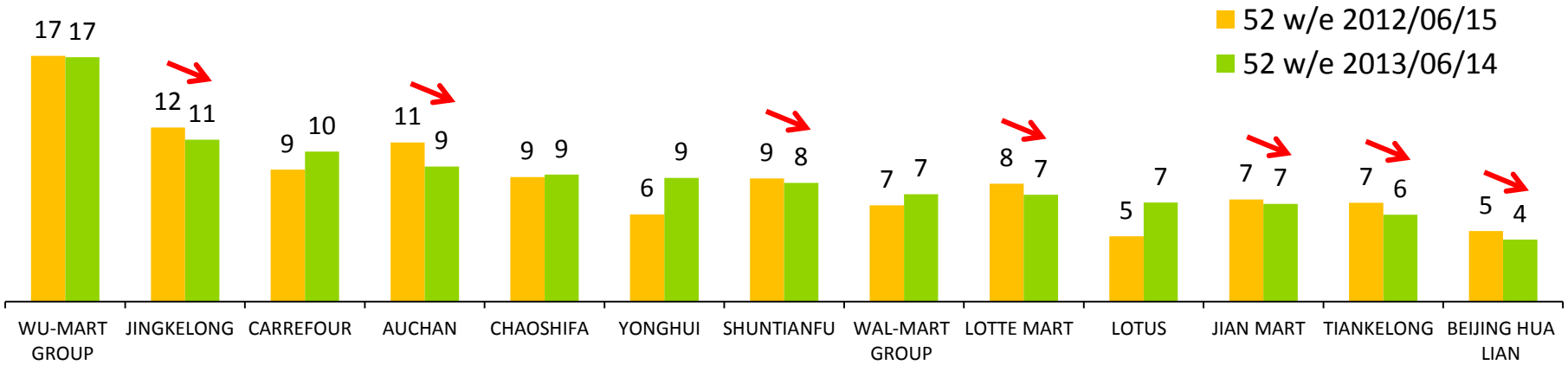
Source: Kantar Worldpanel, Beijing, Data to 14th June 2013

Loyalty also plays a key role in driving retailers share and similarly to penetration is declining across key modern trade retailers in Beijing.

Value Share (%) vs Loyalty of Key Retailers in Beijing



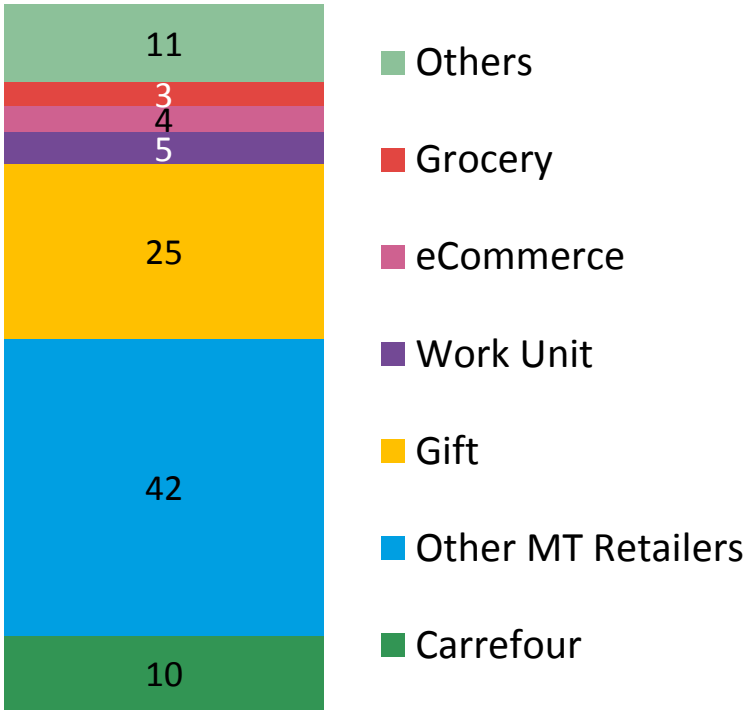
Year on Year Loyalty within All Channels



Source: Kantar Worldpanel, Beijing, Data to 14th June 2013

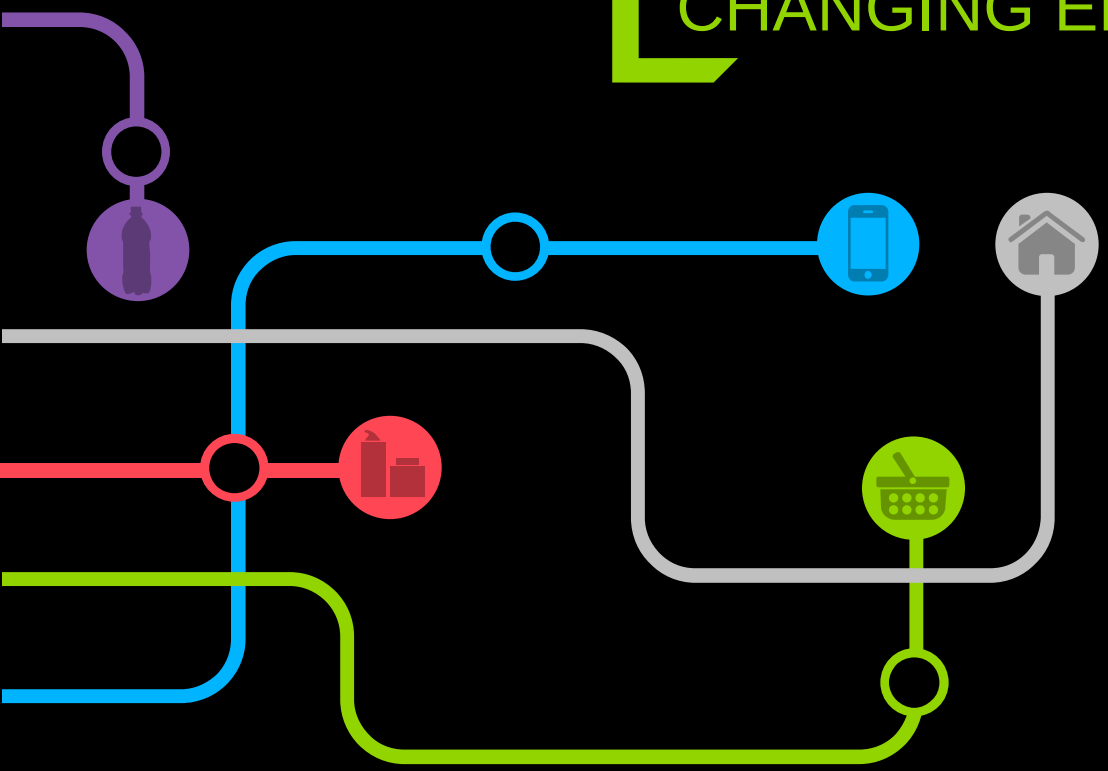
Retailers in China see very low levels of loyalty due to the fragmentation of the retail market. Key challenge is how to grow shopper loyalty.

Carrefour Shoppers Spend in Other Channels
52 w/e Jun 2013 - Beijing



Carrefour shoppers in Beijing will visit 5 other modern trade retailers and **6 other channels** for FMCG products over the year.

WHAT CAN BE DONE TO MAXIMIZE GROWTH IN THIS CHANGING ENVIRONMENT?



How can retailers drive

Penetration

Open new stores

Have the right store locations

Above the line communication

Becoming more difficult in current environment

How can retailers drive

Loyalty

Improve category management

Improve shopping experience

Offer incentive for repeat visits

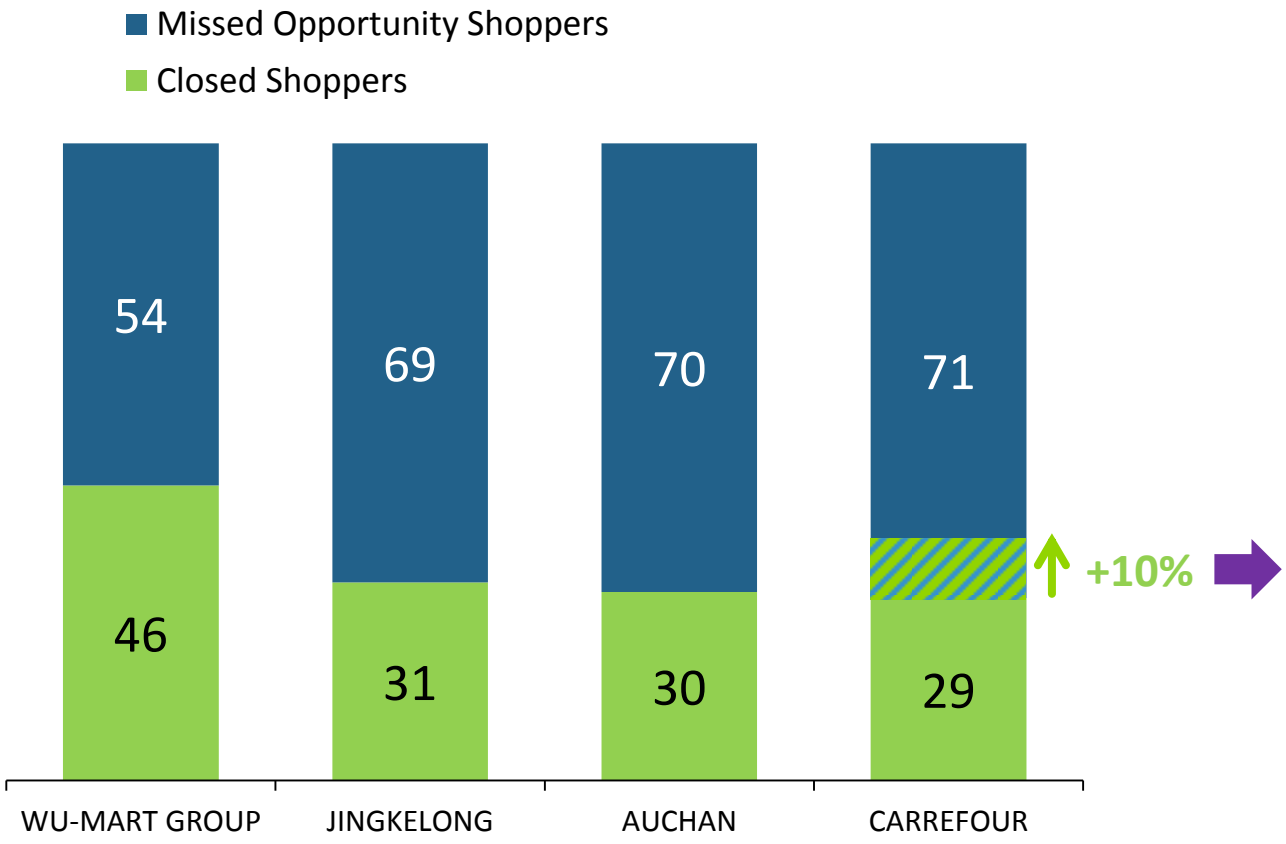
Requires deeper understanding of shopper behaviour

Kantar Worldpanel can identify ‘missed opportunity’ shoppers who visit the retailer but do not purchase certain categories in the retailer.

Only 29% of Carrefour shoppers who purchase laundry liquid make their purchase in Carrefour. The remaining **71%** purchase from other modern trade retailers and is lost spend for Carrefour.

Compared to other retailers Carrefour's closure rate is quite low so there is a need to convert more of their shoppers to buy laundry liquid in store.

% Retailer Closed vs Missed Opportunity Laundry Liquid Shoppers
Beijing – 52 w/e Jun 2013

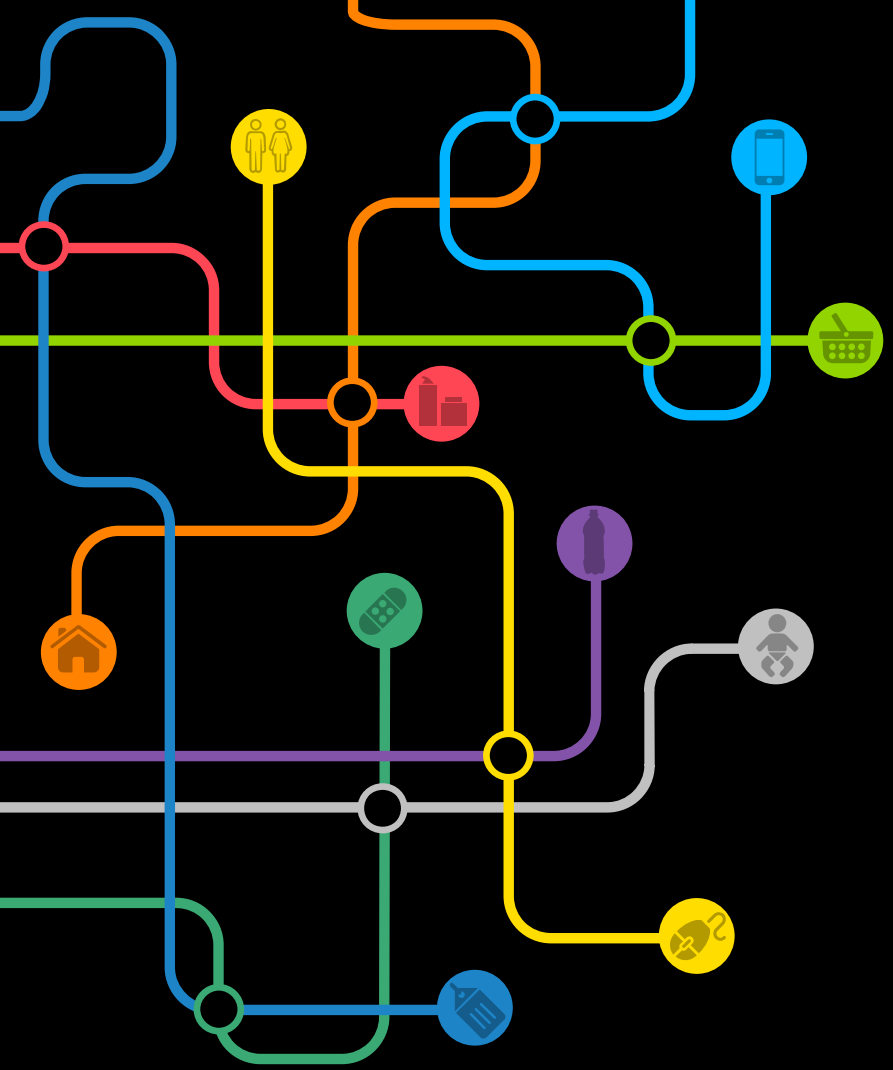


7 million RMB size of prize

Summary

Insight	Implication
Shoppers are becoming smarter visiting a wide range of channels and retailers	Maximise your distribution in emerging channels such as eCommerce in order to grow your brand
Penetration is a key driver of retailer's value share but this measure is becoming more challenging to grow	Retaining shoppers and growing their trip spend will be key to share growth for modern trade retailers
Shoppers will visit different stores for the same category meaning there are 'missed opportunities' for retailers	Use real shopper behaviour insights to target missed opportunity shoppers and grow the retailer's business

CatMan On-Line can help you to identify and quantify opportunities for your brands across different retailers in China.



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