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Press Release

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For immediate release

Sun-Art Extends Their Lead as Local Players Expand Footprint and Put Increased Pressure on Western Players

(Shanghai, China, March 3rd, 2013) – Kantar Worldpanel, the global market leader in consumer panels, reports annual value growth of 7.4% during 2013 for the FMCG (Fast Moving Consumer Goods) data up to December 27th 2013 compared to the same period a year ago. We have seen a more stable growth rate over the last few quarters suggesting that we will see overall market improvement during 2014. Value continues to grow ahead of volume in many FMCG categories due to inflation but also through shoppers trading up to more premium products across both food and non-food categories.

Modern Trade (defined as hypermarkets, supermarkets, mini-markets and convenience stores) now accounts for 42% of FMCG sales in National Urban China with 95% of the population using this channel. However, over the last year growth has slowed and the number of trips shoppers made to this channel is stable. Emerging channels, such as e-commerce and personal care stores, have started to have a real impact on modern trade as shoppers switch some of their spend. This impact will only grow over time as more and more shoppers take advantage of the wider product availability, competitive pricing as well as different shopping experience these emerging channels can offer.

Leading Grocery Share of Modern Trade - National Urban China

	52 w/e 28th December 2012	52 w/e 27th December 2013	Q4 2012	Q4 2013
Sun-Art Group	7.8	8.3	8.1	8.3
RT-Mart	6.2	6.7	6.4	6.6
Auchan	1.6	1.6	1.6	1.6
CR-Vanguard Group	6.8	6.7	6.8	6.5
Wal-Mart Group	7.0	6.6	6.9	6.4
Wal-Mart	6.2	5.9	6.1	5.7
Trust-Mart	0.7	0.5	0.6	0.5
Carrefour	5.0	4.8	5.1	4.7
Balian Group	4.4	4.2	4.3	4.2
Yonghui	1.9	2.2	2.0	2.4
Wu-Mart Total	1.9	1.9	2.0	2.0
Tesco	2.0	1.9	2.1	1.8
Zhongbai Group	2.0	1.9	2.0	1.8

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Sun-Art Extends Their Lead As Western Retailers Struggle to Gain Share

The Sun-Art Group has seen strong share growth driven by the opening of 45 new RT-Mart stores during 2013. The pace of new store openings has been very rapid compared to RT-Mart's key competitors and the retailer now has 264 stores across China. RT-Mart has increased their dominance in the East region where the group now holds a 16.2% share as well as expanding their footprint in the South and West of China where the retailer has historically been less present. Most western retailers have struggled to achieve the same growth and have faced further pressure from local retailers such as Yonghui and BuBuGao. Yonghui's growth has been particularly impressive with the footprint now touching all city tiers and all 4 regions. Just 2 years ago the retailer did not operate any stores in key cities or in the North and East of China. Many local retailers have demonstrated any ability to expand operations beyond their heartland at a much quicker pace than the international players which could significantly change the landscape in the coming years.

What is the Outlook for 2014?

China's retail FMCG market is changing at a rapid pace and 2014 will be no different. Kantar Worldpanel has identified 5 key trends which will impact manufactures and retailers over the next 12 months and beyond:

1) More Consolidation: 2013 saw yet more mergers and acquisitions with the latest being the joint venture between Tesco and the CR Vanguard Group which will make this retail group the largest in China reaching 22% of the national urban population. This is less than Wal-Mart but the number of trips made will be higher due to the smaller store formats the group operates.

The top 10 retailers now account for 56% of modern trade within the key cities. However, the market is still very fragmented within the lower tier cities, with these same retailers only accounting for 16% in the counties. Consolidation is a natural part of retail evolution as markets develop and as these retailers expand their footprint and acquire smaller players we will start to see more consolidation in the lower cities tiers. This means we will see the balance of power shift more towards the retailers as it has in the West.

2) Growth in Multi-Format: As shopper needs evolve so will the retail formats offered to cater for these needs. Successful retailers in China in the future will likely be those that can offer a range of different stores formats to cater for different shopper needs. Neighbourhood stores, premium supermarkets and e-commerce are just some of the store formats that will grow in 2014 and we will see more of these formats offered by the retail groups either through acquisition or opening new store formats under their existing banners. A recent example is the announcement that RT-Mart, currently just a hypermarket chain, launched an eCommerce portal to tap into the huge growth this channel is experiencing.

3) From Regional to National: In 2013 we have witnessed a changing retail landscape as some local retailers expanded their footprint and quickly established themselves as regional or even national players. Yonghui in an obvious example but there are others too and we will see even more follow in 2014. The impact has already been felt by many of the key players some of whom have seen store closures as they look to focus more on store productivity. The key implication for manufacturers is to ensure they partner quickly with the local retailers who have a viable growth strategy so that they can benefit from the greater reach the retailer will offer.

4) e-Commerce will Continue to Accelerate: Although still relatively small in the world of FMCG in terms of value share this channel continued to see huge growth in 2013 and helped to add incremental growth to the FMCG market as shoppers brought more expensive products on-line. The national penetration of this channel is now 29%, up from 19% 2 years ago and is

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thriving in the key cities where penetration now stands at 46%. The success of Yihaodian has had a clear impact on these numbers but there are many smaller players entering as well to try and ride the wave of this growing trend. We expect to see the lower tier cities catch-up to this number over the next few years as eCommerce retailers expand their network and reach. The challenge for e-Commerce retailers is how to encourage shoppers to make larger trips online rather than cherry pick certain items based on price. Currently the number of items purchased on-line is 5 items compared to 8 items in hypermarkets highlighting a clear opportunity to increase the eCommerce basket size.

5) Chinese Shopper will be Even Smarter: During 2013 we saw shoppers change their behaviours. They shopped across more channels looking for the best deals, upgraded to larger pack sizes to take advantage of the better value and brought more premium products. The trend will carry on in 2014 as access to information and ease of word of mouth is enhanced through improvements and increased usage of digital platforms and apps. For example, shoppers can now more easily compare the price of products and even pay for items through their mobile phone. The challenge for modern trade retailers is how to grow or even retain their shoppers' spend as their demands for wide ranges, price and interactions increases. This makes shopper insights more critical than ever and successful modern trade retailers will be those that work with manufacturers to really understand their shoppers and grow business in partnership.

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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).*

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 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

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About CTR

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