Retailing in Shanghai
Part I
-Overview & Hypermarket
Overview
• Originally a fishing and textiles town
• Grew to importance in the 19th century due to its favorable port location (city's strategic position at the mouth of the Yangtze River made it an ideal location for trade with the West) and as one of the cities opened to foreign trade by the 1842 Treaty of Nanking
• A center of commerce between east and west, and a multinational hub of finance and business by the 1930s
• In most of the history of China, Shanghai has been the largest contributor of tax revenue to the central government
Overview

- Only 1% of the nation’s population and 0.06% of the nation’s land, Shanghai contributes one-eighth of China’s financial income.
- The volume of cargo handled at local ports accounts for 10% of the national total, and commodities passing through the city’s Customs 25% of the nation’s total.
Overview

- The first provincial area in China to have reported a negative population growth rate and the situation lasted 15 consecutive years since 1993
- The most densely populated in mainland
- Highest percentage of people over 60 in China
- Maintained a double-digit GDP growth rate for 16 consecutive years since 1992
Nine of the districts govern Puxi (literally Huangpu River west). These nine districts are collectively referred to as Shanghai Proper (上海市区) or the core city (市中心):

- **Huangpu District** (黄浦区)
- **Luwan District** (卢湾区)
- **Xuhui District** (徐汇区)
- **Changning District** (长宁区)
- **Jing’an District** (静安区)
- **Putuo District** (普陀区)
- **Zhabei District** (闸北区)
- **Hongkou District** (虹口区)
- **Yangpu District** (杨浦区)
Overview

- Pudong (Huangpu River east) is governed by: Pudong New District (浦东新区)
- Seven of the districts govern suburbs, satellite towns, and rural areas further away from the urban core:
  - Baoshan District (宝山区)
  - Minhang District (闵行区)
  - Jiading District (嘉定区)
  - Jinshan District (金山区)
  - Songjiang District (松江区)
  - Qingpu District (青浦区)
  - Fengxian District (奉贤区)
  - Chongming Island (崇明岛)
Overview
Overview

- A rich collection of buildings and structures of various architectural styles
- The Bund, located by the bank of the Huangpu River, contains a rich collection of early 20th century architecture.
Overview
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• **Carrefour (家乐福)**
  - Test market in Taiwan-1987
  - Opened the first store in BJ in 1995 and second store in Shanghai in 1996
  - One of the highest single store sales volume in Shanghai, higher than RT Mart
  - Best location-19 stores in Shanghai and 156 stores in mainland (2009)
  - History: No.1 in average store sales, single store sales and number of stores in China-Now surpassed by Wal-Mart in number of stores in 2008, surpassed by RT-Mart in average store sales and single store sales in 2009
  - Reasons for the falling sales in recent years might be: severe competition from its competitors and relationship with suppliers
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• **Wal-Mart (沃尔玛)**
  - Entered mainland in 1996 and Shanghai in 2007
  - Planned to open its first Sam’s Club in Shanghai
  - Now has four Sam’s Club in Shenzhen, Guangzhou, Fuzhou and Beijing
  - Owns 175 stores in mainland and 104 Trust-Mart stores (2009)
  - 4 stores in Shanghai
• **Auchan (欧尚) / France**
  - Opened its first in Shanghai/China in 1999
  - Cooperate with RT-Mart (Taiwan): for every new Auchan store, RT-Mart owns 17.5% shares and for every new RT-Mart, Auchan owns 17.5% shares
  - Now owns 35 stores in mainland (2009)
• Offers the real low price products--even lower than Wal-Mart. Once it detects any store offering lower-priced products, it will match the price on the 2nd day. (Fastest and lowest among all its competitors)
• Products are mostly private-labeled and sometimes low quality (That is why it can offer the low priced products)
• Stores are usually located at the low-end communities where customers are mostly price-sensitive
• Focus on 2nd and 3rd tier cities around Shanghai
• 35 stores in China (2009)
RT-Mart (大润发）/Taiwan

- Opened its first store in 1998 in Shanghai (05/13/2010-BJ)
- Owns 121 stores in mainland-2009
- Highest average store sales and single store sales in China-2009
- One of the highest single store sales volume in Shanghai
- P&G's largest customers in terms of sales volume
- Stores are usually located at the wealthy 2nd or 3rd tier cities where there are only one or two or no supermarkets
- Ruentex-C-Store
• **Lotus (卜蜂莲花) /Thailand**

- Opened its first store in Shanghai in 1997
- Owns 77 stores in mainland and 21 stores in Shanghai (2009)
- Not good at choosing the store sites--stores are located near Metros but have very vague positioning--somewhere between providing the low-priced and low quality products and high quality and high priced products
LOTUS

新鲜你的生活！

缤纷12周年庆 超值低价

超过1000种商品供您选择

09/07/1-09/14

7.58元/500g 猪肉

14.80元/500g 虾

6.98元/500g 米

1199元/288元 电器

31.90元/36.90元

产品价格及数量有限，售完即止。
Hypermarkets - Foreign

- **Metro** (麦德龙)
  - Opened its first store in Shanghai in 1996
  - Owns 42 stores in 34 cities in mainland and 4 stores in Shanghai (2009)
  - The stores are mainly located at the provincial cities
  - Metro was not doing well in the first few years because unlike Europe, there are wholesale markets all over China
  - Metro can issue value-added tax invoices, which are tax benefits for the buyers. Carrefour and Wal-Mart can not issue value-added tax invoices. The stores are usually located at places where are very transportation convenient like the entrance of highways
• **Tesco (乐购) /UK**
  
  • Acquired shares of 乐购 in 2004 and increased shares up to 90% in 2007
  
  • Tesco acquired from Ting Hsin Group
  
  • Owns 79 stores in 22 cities in mainland (2009) and 19 stores in Shanghai
  
  • Focus on areas in Beijing, Shanghai, Guangzhou and their surrounding area
  
  • Products are higher priced—targeted at developing its loyal customers who are not price sensitive
  
  • East China accounted for more 60% of its sales volume
• E-Mart (易买得) / Korea
  • Opened its first store in Shanghai in 1997
  • Owns 10 stores in Shanghai and 20 stores in mainland (2009)
• **Trust-Mart** (好又多）
  • Opened its first store in Guangzhou in 1997
  • Originally run by a Taiwanese joint venture, later bought by Wal-Mart
  • Good at cost control and is one of the first few stores who provide local specialty food to its customers
  • The stores are traditionally designed and fit the local shopping habits (Taiwanese influence)
  • Owns 104 stores in mainland (2009)
• **Lianhua** (联华)
  • One member of Bailian Group
  • Opened its first store in 1991
  • Hyper-market: Century Mart (28 in SH)
  • Supermarket: Lianhua (952 in SH) 64% are clustered in SH, ZJ and JS
  • Convenience stores: Lianhua Quick (1,276)
  • Acquired 100% of Hualian in 2009 - now owns 5,599 stores nationwide
  • Lianhua is listed in HK Stock Exchange market in 2003 - the first of its kind to be listed in HK
  • Hualian is listed in China - the first one to be listed in China
• Failure in Guangzhou
• Stores in GZ acquired by Vanguard
• Lianhua Quick sold its 110 convenience stores in GZ
• Why convenience stores like Quick and Kedi fail in GZ?
- Guangzhou (2006): changed its target population from 10+ to 40+ to fashionable people
- Increased the commodities update rate from 25% to 40%
- 1980 stores in mainland (2009)
- Main operation area: Shanghai
Supermarkets - Domestic

- **Nonggongshang** 农工商
  - Supermarket: Nonggongshang 200+ in SH and 2200+ in China
  - Convenience store: Alldays
    - Kedi
  - Discount Store: Wuyuan (伍缘) -- sell vegetables, fruits and other groceries and most products are priced at 5 Yuan
- One member of Bright Food Group (SOE)
- Take advantage of the existing distribution channels of Bright Food Group
Thank you!