

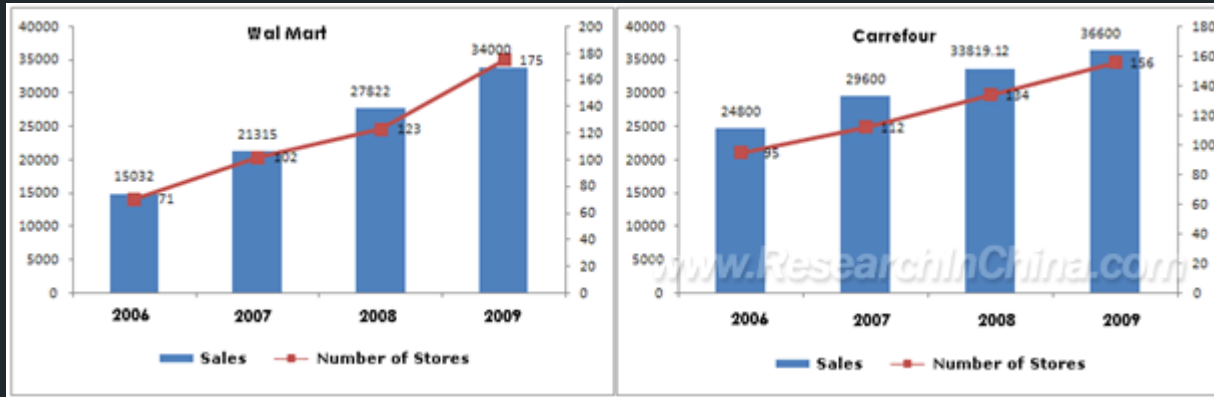
China Supermarket Industry Report, 2010



Statistics show that during 2006-2009 the total sales of supermarkets in China's top 100 chain retailers grew to RMB 575.6 billion from RMB340.6 billion, with a CAGR of 15.6%, and the total number of supermarket outlets increased to 23,814 from 16,025, with a CAGR of 19.5%.

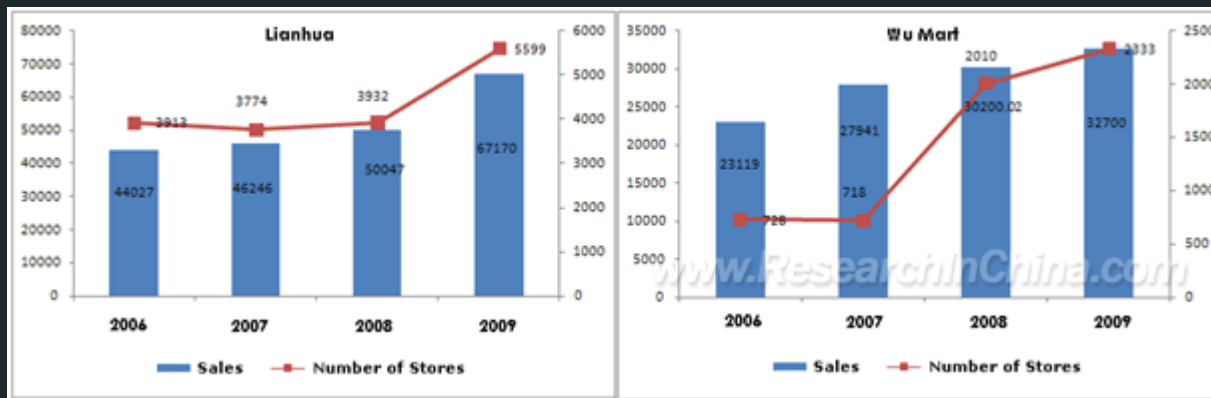
Foreign-funded supermarket enterprises mushroomed in China in 2004 when all restrictions on foreign capital's entry into China's retail industry were lifted. In 2009, among the top 100 chain retailers in China, the eight foreign-funded supermarkets including RT-Mart, Carrefour and Wal-Mart achieved total sales of RMB175.71 billion, with a total of 785 stores, while the 31 domestic supermarkets like Lianhua and Wu-Mart achieved total sales of RMB391.3 billion, with a total of 23,004 stores.

Sales and Number of Stores of Wal Mart (China) and Carrefour (China), 2006-2009 (RMB mln; %)



Source: ResearchInChina

Sales and Number of Stores of Lianhua and Wu Mart, 2006-2009 (RMB mln; %)



Source: ResearchInChina

Foreign-funded supermarkets generally firstly deploy stores in major cities, and then gradually expand towards the second and third-tier cities; domestic supermarkets mostly root in a central region, and then radiate towards the periphery areas. For example, Better-Life is distributed in Hunan and Jiangxi, Lianhua in Shanghai, New Huadu in Fujian, Wu-Mart and Jingkelong in North China, and Meet-All in Shanxi respectively.

Along with China's economy transition and increasing resident income, the development of China's supermarket industry will have the following trends in the future:

Firstly, the big city-dominated industry development will evolve into the simultaneous development among the first-tier, second-tier and third-tier cities, thus the second-tier and third-tier cities will have a bigger space for growth.

Secondly, the suburbanization of big cities will promote the prosperity of the suburban supermarket market. The urban expansion and population growth will expand the urban surrounding areas, thus the center of retail industry will proliferate to suburb from downtown.

Thirdly, the focus of supermarket operation will shift to service quality. Along with the continuous increase of consumer's income, the demand for consumables will have great changes. Besides quality and price, consumers will pay more attention to factors such as convenience and shopping experience. Furthermore, the quality of commodities provided by various supermarkets will have a dwindling gap, so the competition of the supermarket industry in the future will focus more on the service level.

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