

# CHINA TO BECOME WORLD'S LARGEST RETAIL MARKET BY 2018

**Although China retail's growth rate** has fallen from a peak of 15.6% in 2009 and is slowing, China remains irresistible to global retail chains. China is expected to have average annual retail volume growth of 8.7% in 2015 & 2016. By 2018, it will be the world's biggest retail market in the world.

The total retail sales of China consumer goods reached 2,580.1 billion yuan (\$414 billion), up by 11.9% year-on-year according to National Bureau of Statistics of China in 2014. Further, online shopping value accounted for 10.7% of total retail value in China.

Besides, in the first two months of 2015, China online retail sales of goods was 399.1 billion yuan, increased 47.4%, accounting for 8.3 percent of the total retail sales of consumer goods. Such great

success in China's retail market is partly due to its rapid development in e-commerce market nowadays. China is becoming increasingly acquisitive in the food and drinks sectors. In the first half of 2014, food and drink deals accounted for 17% of total Chinese outbound M&A activity.

In the first two months of 2015, the total retail sales of China consumer goods reached RMB4,799.3 billion (US\$777.50 billion), up by 10.7% year-on-year according to National Bureau of Statistics of China. In the first two months of 2015, the national online retail sales of goods and services was 475.1 billion yuan, increased 44.6% year-on-year. Of which, the online retail sales of goods was 399.1 billion yuan, increased 47.4%, accounting for 8.3 percent of the total retail sales of consumer goods; the online retail sales of services was 76.0 billion yuan, increased 31.4%.

## ASIA RETAIL SALES VOLUME GROWTH (%)

	2011	2012	2013	2014	2015	2016	2017	2018
Australia	-0.5 %	0.9%	1.5%	1.3%	2.6%	2.3%	2.0%	2.2%
China	9.1%	8.7%	9.3%	8.8%	8.7%	8.6%	8.0%	7.9%
Hong Kong	18.6%	5.5%	6.6%	3.1%	2.0%	-1.0%	0.4%	1.3%
India	5.7%	2.7%	1.7%	4.0%	5.6%	6.2%	6.2%	6.6%
<b>Indonesia</b>	<b>6.0%</b>	<b>5.3%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>5.1%</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.0%</b>
Japan	0.1%	1.5%	0.7%	0.2%	0.0%	0.3%	0.4%	0.8%
Malaysia	4.6%	4.7%	6.4%	5.4%	5.3%	4.6%	4.6%	4.8%
New Zealand	-1.9%	2.4%	6.3%	3.2%	2.9%	2.2%	2.7%	2.5%
Pakistan	9.2%	-0.8%	5.1%	3.9%	4.1%	3.8%	4.3%	4.3%
Philippines	3.2%	5.4%	4.4%	4.2%	5.3%	5.4%	5.4%	5.5%
Singapore	1.9%	0.6%	1.2%	1.7%	2.5%	2.9%	2.4%	2.9%
South Korea	2.1%	1.3%	-0.1%	1.6%	2.9%	3.1%	2.8%	2.9%
Taiwan	3.6%	0.6%	2.5%	2.9%	2.5%	2.4%	2.7%	2.3%
<b>Thailand</b>	<b>1.4%</b>	<b>4.9%</b>	<b>-2.4%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>3.6%</b>	<b>3.4%</b>	<b>4.3%</b>
Vietnam	6.7%	3.9%	3.8%	9.5%	8.4%	7.6%	6.0%	6.5%

## RETAIL PRIVATE LABEL VALUE SHARE LOWEST IN CHINA

**Private-label share is 5% or less** in markets such as China, India and Brazil according to a Nielsen survey and there does appear to be a ceiling for growth while in the most developed European store-brand markets, private-label share has remained around 45% for the past 10 years. Private label growth has been slow. Value share is highest in Singapore (8.1%), Hong Kong (5.1%), India (4.5%) and Taiwan (3.1%) and lowest in China (1.3%), Thailand (0.8%) and Indonesia (0.6%).



# CHINA ONLINE RETAIL MARKET GROWS 3 TIMES FASTER THAN RETAIL MARKET

China, as the biggest digital market in the world, its online retail market keeps growth with an increase of 25% YoY, estimated by Bain & Company. And, the growth rate of China online B2C retail market is 3 times higher than overall China retail market. By 2018, half of the revenue of China online retail market will come from tier-3 & lower cities.

The total retail sales of consumer goods reached 2,396.7 billion yuan (US\$390.15 billion) in China in October 2014 while online retail sales exceeded 1.8 trillion Yuan, 9.64% of total retail from January to September 2014. From 2010, the penetration rate of major online products is increasing. For example, in 2013, penetration rate of consumer electronic product increased to 20% and of clothing increased to 18%. Such products' rapid growth in penetration rate is mainly due to

Chinese consumers' great passion for e-commerce market as well as efficient online payment methods.

In 2013, China was the biggest online market in the world and it is expected to lead mobile e-commerce market in 2014. As of June 2014, China internet users exceeded 632 million, of which 527 million were mobile phone internet users. Over 80% Chinese online shoppers shopped at least once on smartphones in 2013 and 20% of them do mobile online shopping every week. China sees the highest intent for both online-shopping and online-purchase for categories including clothing, cosmetics, personal care, toys and alcohol drinks according to the research of Nilsen. Further, Chinese post-90s are more willing to spend and they tend to favor mobile shopping and use mobile payment.

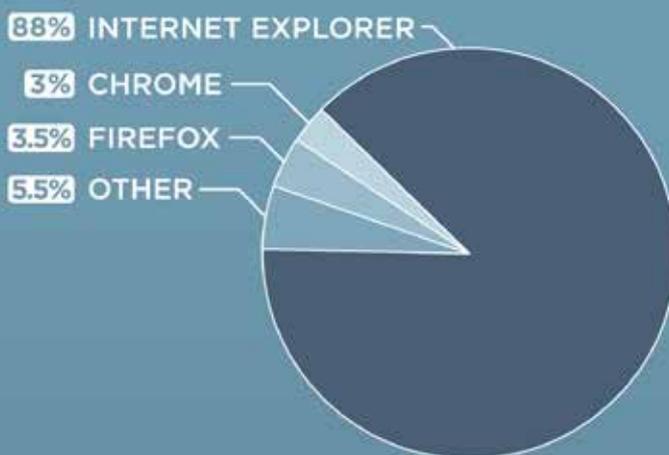
## EFFICIENT ONLINE PAYMENT METHODS

In Q3 2014, total transaction value of China third-party online payment market exceeded RMB2,015.43 billion (US\$328.1 billion). In 2013, top third-party online payment provider—Alipay's transaction value exceeded RMB3.5 trillion

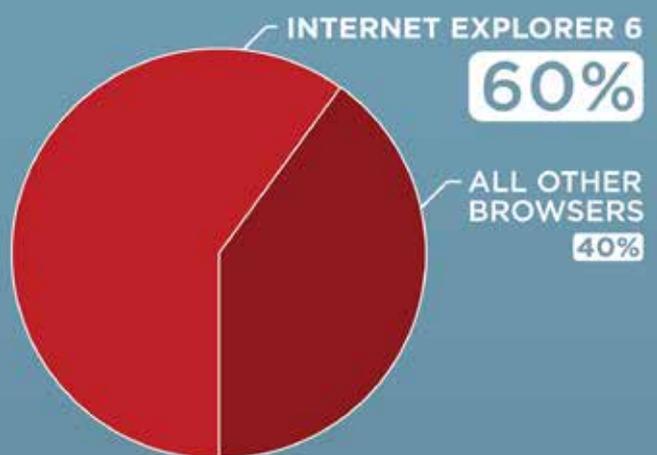
(US\$0.57 trillion), which was nearly the 3 times more than the transaction value of PayPal. Alipay Wallet is the most popular mobile payment app by MAUs, followed by Tenpay, Bestpay, Alipay and Lakala in September 2014 in China.

# WEB BROWSER USAGE IN CHINA

## GENERAL BROWSING



## ONLINE SHOPPING



SOURCES: STATCOUNTER.COM (MARCH-MAY 2011) AND INTERNET RETAILER (FEBRUARY 2011)

# E-COMMERCE TO ACCOUNT FOR 18% OF CHINA'S TOTAL RETAIL SALES IN 2018

**Morgan Stanley estimates** online spending per user in China is going to reach US\$1,880 by 2018, from US\$1,040 in 2013. And, China's e-commerce industry will account for 18% of the total retail sales in 2018, up from 8% in 2013.

Morgan Stanley expects e-commerce to contribute 30-40% of incremental retail sales annually in the same period, becoming one of the key drivers in China's US\$3 trillion consumption market. GMV of China

E-commerce increased 21.3% last year to 9.9 trillion yuan (USD 1.63 trillion), according to iResearch. The growth is expected to slow down in coming years, but the e-commerce market will reach 21.6 trillion yuan (USD 3.53 trillion) in 2017.

Among the segments of China e-commerce market, SME's B2B was still the largest part; the GMV of SEM's B2B was predicted to hit 12.4 trillion yuan (USD 2.03 trillion) in 2017, with compound growth rate of 25%.

**In terms of China logistics market, there was 9.2 billion packages delivered in 2013. The average number of daily delivered packages of six logistics companies in China (SF Express, STO Express, YTO Express, Yunda Express, ZTO Express, TTK Express) were over one million. With the investment of logistics companies, online retailers can delivery their packages to tier-1 & 2 & 3 cities in 2 days and lower tier cities in 4 days.**

