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Global Agricultural Information Network

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Long Term Partnership Builds Export Success

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Report Highlights:

In five short years Beijing Hualian Group has become a premier retailer of U.S. food products in North China, selling over \$10 million in U.S. products in the first half of 2011. The placement of U.S. products in this chain is the result of long-term efforts by U.S. industry associations, the Foreign Agriculture Service's Agricultural Trade Office in Beijing, and local importers and distributors.

Long Term Partnership Pays Off

The U.S. Agricultural Trade Office (ATO) in Beijing has been working closely with Chinese retailer Beijing Hualian Group High End Markets (BHG) for several years, building a strong partnership. In five short years BHG has become one of the premier retailers of high-end imported foods to domestic Chinese, and BHG's purchases of U.S. high value food products jumped from \$9 million in 2010 to \$10 million in the first six months of 2011. BHG also recently added U.S. organic products, pork and craft beer to its product lineup.



Customers at a U.S. pork cooking demonstration in BHG's Sogo store, July 2011.

Putting the Pieces Together

This success did not fall out of a clear blue sky. It is the result of close cooperation between ATO, U.S. industry associations, and BHG over an extended period of time. A timeline of key events and activities demonstrates how connections were built and how cooperator and ATO activities have supported each other to build new business.

- 2007 – BHG opens its first store in Xinkong Plaza. At the time, BHG sourced a limited number of U.S. products, most of them in bulk packaging. Initially focused on the foreign community, BHG finds it is actually selling more products to local Chinese, and adapts its sales model accordingly.
- 2009 – BHG makes contact with ATO/Beijing during a U.S. food promotion at Parkson Plaza. BHG is seeking to source directly from the U.S. so they can expand their product line and bring down costs. As an immediate result, BHG adds several brands of ice cream, Silk soy milk, Nature Valley products, Quaker Oats products and several brands of nuts and candy to their product line.
- July, 2010: ATO works with industry organizations to conduct a promotion at all 5 existing BHG stores. The promotion features a first-ever shipment of U.S. frozen foods (pizza, cheesecake, ice cream, etc.), as well as fresh cherries, organic milk, wine and soft drinks. BHG adds 621 new SKUs of U.S. products to the existing 1,600. Sales of U.S. SKUs jump from \$1.8 million to \$9.9 million. ATO support of this promotion is funded through the Country Strategy Support Fund (CSSF).
- September, 2010: As an offshoot of the July promotion, ATO establishes contact between BHG and a fresh fruit importer. BHG to bypasses the wholesale market, sourcing direct from the importer and reducing the final retail price. BHG's sales of U.S. fresh fruit jump by 250%.
- September 2010 – June 2011: ATO and the Brewer's Association introduce BHG to two distributors of U.S. craft beer. In July BHG begins sourcing U.S. beer, exceeding expectations by carrying a full line from both distributors.

- December 2010: the U.S. Dairy Export Council (USDEC) launches a U.S. cheese promotion at BHG, including on-site demonstrations on cooking with cheese. USDEC funds the demo, while BHG and ATO promote the event with media contacts, helping to build foot traffic for the event. Land O' Lakes cheese is featured in all BHG stores.
- March, 2011: Through an Organics Trade Association trade mission, ATO arranges for BHG and its principal importer to attend the Natural Products Expo West. As a result, two containers of organics worth over \$40,000 are shipped in April. Follow up shipments currently being negotiated. The OTA mission is funded through an Emerging Markets Program (EMP) grant from FAS.
- April, 2011: BHG participates in an ATO-sponsored mini-expo that takes U.S. food importers based in Beijing to key emerging markets (Qingdao, Xi'an and Hohhot), to find buyers/distributors in these cities. BHG uses the opportunity to meet with importers of U.S. seafood and consolidators of U.S. grocery products. BHG is currently in talks on sourcing both U.S. seafood and consolidated cargoes. The activity is funded through an EMP grant.
- May, 2011: ATO accompanies BHG buyers to the SIAL food show in Shanghai. ATO puts BHG in contact with the U.S. Meat Export Federation, leading to BHG's first purchases of U.S. pork.
- July, 2011: ATO launches a 13 store USA food fair with BHG, featuring U.S. craft brew beer and U.S. pork for the first time. Also included are a wide range of organic products, cheese and butter, Silk soymilk, energy drinks, Florida's Natural fruit juice, Arizona ice tea, dried cranberries, frozen pork, fresh oranges (Sunkist), cherries, apples, canned chili and meat, jams and jellies, sauces, cooking oil, infant formula, nuts, gum, chips, cookies, granola bars, wine, bourbon, prunes and other products too numerous to mention. Industry cooperators provide sampling events for cheese, fruit and soy milk, while local distributors contribute free samples for soft drinks, fruit juice, craft beer and a number of other products. BHG provides on-site promoters and launches its own consumer cooking demonstration for U.S. pork, rund by its own in-house chef. ATO support for this activity is funded through CSSF. Cooperators supporting the event include Food Export Northeast, Food Export Midwest, the California Milk Advisory Board, Sunkist and the Northwest Cherry Growers.

The Catalyst

While networking and the building of connections are at the heart of what ATO does, market promotion activities are what create the opportunities to make these connections. These are supported through market promotion funds, provided to ATO and to U.S. industry associations by the U.S. Department of Agriculture's Foreign Agricultural Service (FAS). Of particular importance have been CSSF and EMP funds. The BHG story provides a good example of these programs in action, and how through a combination of programs and networking, ATOs and industry work in ways that complement each other to build markets.



FAS Acting Administrator Sue Heinen at BHG's Solana Mall store during the July promotion.

The initial contact with BHG came as a result of an ATO promotion with high-end department store chain Parkson's Plaza (Parkson's is a leading retailer of high-end U.S. fresh fruit, craft beer and other foods). However, it was the 2010 promotion that helped BHG fully grasp the depth of contacts and connections that the ATO – industry cooperator system offers. For the event, ATO provided funding to cover the cost of direct marketing materials (flyers, etc.) to publicize the event, and recruited industry cooperators and importers to provide on-site demonstrations and tastings. Cooperators participating in this event included the Almond Board of California, the U.S. Dairy Export Council and the Northwest Cherry Growers. The connections developed through this activity led to the addition of more fresh fruit and frozen pork and craft beer to BHG's product lineup. Quick followup by U.S. industry groups helped consolidate these gains: the Meat Export Federation's ability to quickly connect BHG with suppliers of U.S. pork demonstrated the effectiveness of the cooperator's ability to reach out to industry, while the U.S. Dairy Export Council's cheese cooking demonstration at BHG stores and showcased the specialized product and marketing know-how that cooperators contribute the market development effort.

BHG's participation in the Natural Products Expo was another important watershed, allowing senior BHG buyers to not only view and source natural foods, but to meet with and examine products from a wide range of other west-coast based suppliers. The Organics Trade Association paid travel costs for the BHG buyer to attend the show, without which support the trip would not have happened. ATO built on this by setting up an agenda of additional meetings with suppliers and consolidators. The decision by BHG to immediately source two containers of U.S. organics (worth a total of over \$40,000) was a direct result, and is likely to generate long term business, not only from BHG, but from other high-end retailers seeking to emulate BHG's success.

The benefit of long term effort is apparent. The 2010 promotion cost \$15,000 in CSSF marketing funds, was carried in all 5 BHG stores and generated about \$130,000 in sales during the two week promotion (roughly \$200,000 for the month). However, thanks to the growing number of stores and addition of new U.S. product lines, BHG's sales of U.S. products for the first quarter of 2011 jumped to \$3 million, then again to \$10 million by the end of June. ATO's latest effort with BHG, a U.S. Food Festival scheduled for July and August, will feature some 3,700 SKUs of U.S. products in , including first-time appearances for frozen pork, craft beer and organics. Despite the vastly expanded store numbers and product lineup, ATO outlays for this activity will be significantly smaller: \$4,000 in CSSF funds, thanks to strong interest by local product distributors and importers, by U.S. industry groups, and BHG's own rapidly growing marketing muscle. The bulk of product samples for consumer demos are now being provided by local product importer/distributors, and marketing staff are provided primarily by BHG. BHG is also funding the U.S. pork cooking demonstrations, with its own in-house chef leading the way.

A Rising Tide

BHG has aggressive expansion plans. Rather than attempting to target top cities such as Guangzhou and Shanghai, which already have well-established high-end retailers, they are going to cities where incomes are growing fast and high-end retail is underserved. BHG already has stores in Hohhot, Inner Mongolia; Nanjing, Jiangsu; and Xining, Qinghai. It will open another store in Beijing and one in Huizhou, Guangdong within the next

few months. As BHG expands, it will take its distribution networks with it. ATO hopes to keep this partnership alive as the chain expands, giving U.S. food products a foothold in fast-growing cities where U.S. exporters would otherwise have little opportunity to establish themselves.

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