



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/29/2002

GAIN Report #TW2026

Taiwan

Retail Food Sector

Recent Trends and Developments in Food Retailing 2002

Approved by:

Stan Cohen, Director, ATO

American Institute in Taiwan

Prepared by:

Amy Hsueh, Marketing Specialist

Report Highlights:

In response to a weak economy and fierce price competition, Taiwan's food retailers have continued to restructure operations, introduce new store formats, expand advertising budgets, and seek out new domestic and imported products. Taiwan's accession to the WTO in early 2002 increased interest in imported food products. Convenience stores and hypermarkets continue to be the dominant retail channels for food products.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2], TW

Executive Summary

Recent Developments in Food Retailing

Taiwan's food retailers have experienced a hard year mainly due to an overall economic slowdown and a fierce price war in 2001. However, there have been some positive developments. Some companies, Makro and RT Mart for instance, have restructured to meet the challenges. Others have become more creative and sensitive to consumers' needs. Another development was the launch of new store formats. The new "Wellcome Plus" store, for instance, carries higher end and imported foods to cater to the needs of city dwellers.

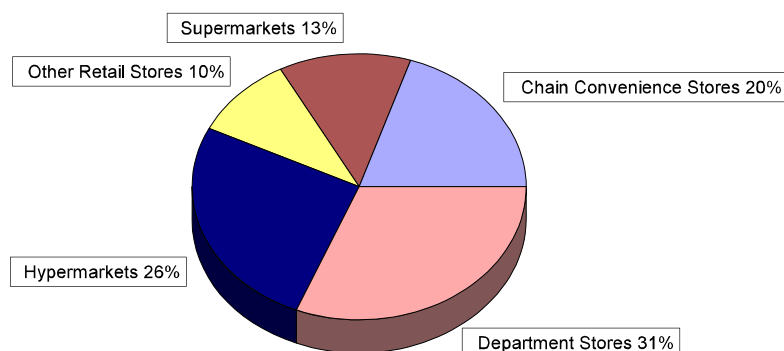
According to Taiwan's Directorate General of Budget, Accounting and Statistics (DGBAS), the annual revenues of Taiwan's convenience stores and hypermarkets in 2001 reached US\$3.64 billion and US\$4.74 billion respectively, double their levels of 1996. (All figures in this report are in US dollars.) On the other hand, supermarket store expansions have slowed down in recent years compared to other retail formats. This has been primarily due to stiff competition from hypermarkets and convenience stores. In addition, the difficulty in finding suitable locations and increased operating costs have hampered the growth of supermarkets.

Despite the economic slowdown, 7-Eleven's performance exceeded expectations, making it the top retailer in 2001. Sales topped \$1.9 billion, a 13 percent increase from 2000. 7-Eleven's market, with currently over 3,000 outlets island-wide, accounts for 54% of Taiwan's convenience store market chain, followed by Family Mart (15%), High Life (10%), Circle K (8%), and Niko Mart (4%).

Growth of per capita income, changing consumption habits, and market liberalization all encourage foreign retailers to enter the market. Globalization, in particular, has accelerated over the past five years. Currently, foreign operators in the Taiwan market include Costco, Carrefour, Auchan, Makro, Dairy Farm International, Tesco, Geant, Casino, and Yumauwu.

Retail Outlet Market Share 2001

Total Modern Retail Sales \$18 Billion (food and non-food)



Taiwan's retail industry is currently in a very strong competitive phase. Mergers and strategic alliances are likely to continue to take place over the next few years. The number of new outlets is expected to increase moderately. The local trade journal "Retailing Mart" estimates an additional 450-550 convenience stores, 25-30 supermarket stores, and 8-12 hypermarkets and cash-and-carry stores will open in 2002.

Trends in Food Retailing

Shopping Patterns

Taiwanese consumers tend to use all three retail formats--hypermarkets, supermarkets, and convenience stores, at different times and for different purposes. For instance, consumers tend to visit supermarkets for fresh foods or perishable frozen foods every 2 days during three different periods: 11:00-12:30, 16:30-18:00, and 20:00-21:30. Hypermarkets are generally frequented once a week or every ten days. Convenience stores are visited by consumers at all times. Consumer loyalty is weak. Demand can be swayed by effective promotional advertisements.

Advertising

The five leading convenience store chains, 7-Eleven (\$8 million), Family Mart (\$3 million), High Life (\$1.3 million), Circle K, and Niko Mart, have all increased their advertising budgets this year. They have recently changed their advertising strategies from focusing on company image promotions to product brand promotions. (Figures inside parentheses represent 2001 advertising budgets.)

Convenience Foods

With the increase in the number of working women, the percentage of households that eat out has become more common; therefore, conveniently packaged products and ready-to-cook dishes are more popular. The percentage of convenience foods, e.g. microwaveable foods, will continue to increase in these retail stores.

Lunch Boxes

Taiwan's "eat-out" market is valued at approximately \$9 billion and is growing significantly. Convenience stores, currently accounting for 8 percent of the market, continue to make efforts in developing and marketing new convenience food items, especially for lunch boxes and dinners.

Healthy Foods

With the increase in the standard of living and the current focus on eating healthy, vegetarian, organic, and health foods will continue to increase in these retail stores.

Store "Health Check"

Most retail stores, especially supermarkets and convenience stores, will continue to focus on restructuring their operations. This will be based on the results of a thorough internal "health check," based on financial performance criteria to determine the future of the store. To further reduce operational costs, these stores will reduce the number of full-time employees in favor of part-time workers.

Service Items

Most Taiwanese shoppers have shopped in the major retail chains for upwards of 20 years. Therefore, only those stores which provide customers with the best services, reasonable prices, and product freshness will survive. In addition to extending business hours, retail stores will continue to extend their services such as on-line shopping/home delivery packages, international express mail, and other internal services, for example, bakeries, restaurants, photo studios, laundry, and ready-to-eat hot and prepared food corners.

Import Opportunities

With Taiwan's accession to the WTO in February 2002, import tariffs for agricultural products have dropped from 22 percent to 14 percent currently. With the liberalization of the Taiwanese market, competition among the world's food and agricultural exporters for a share of Taiwan's growing food import market has intensified. Obtaining cheap import prices plus creative and effective marketing strategies will be the key to success for food retailers.

Colorful Promotional Activities

To stimulate consumption, promotional activities will be more diversified, internationalized, and will be held year-round.

Fresh Items

The idea of "Freshness" for supermarkets serves as a tool to attract customers, to generate profits, as well as to differentiate hypermarkets and convenience stores. Fresh items carried in supermarkets have seen an increase in recent years, reaching about 50 percent of the total items carried. On the other hand, hypermarkets began carrying fresh items two or three years ago. Freshness is a strong trend, due to its favorable turnover and margins as well as its ability to attract customers. The industry will continue to pay more attention to the concept of "Freshness."

Localized Operating Strategies

Operating strategies are more "localized." Each store manager will be authorized to operate their own store with their own marketing strategies as these managers know first-hand the local consumers' shopping patterns. Store managers will be authorized and encouraged to suggest new product items and prices and adjust business hours to fully meet local needs.