



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

**Date:** 2004/11/17

**GAIN Report Number:** TW4052

## Taiwan

## Retail Food Sector

## Report

## 2004

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**Report Highlights:**

After twenty years of rapid expansion, Taiwan's food retail industry has now entered a phase of maturity. Mergers and strategic alliances will continue to take place over the next few years. The larger chains continue to grow at a constant rate while small chains have begun to stagnate. With the liberalization of the Taiwan market as a result of Taiwan's accession to the WTO in 2002, there has been improvement of market access for U.S. consumer food products such as high quality beef, fresh fruits and vegetable, seafood, frozen prepared foods, and other processed foods. Many food retail chains are expanding direct or indirect imports of new-to-market items. It is advisable for U.S. suppliers to contact these retail chains directly.

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

## Taiwan Retail Food Sector 2004

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## SECTION I. MARKET SUMMARY

### 1. Taiwan in Profile

Taiwan is located off the southeast coast of the Asian continent, between Japan to the north and the Philippines to the south, with a current population of 23 million people. The total area is about 13,900 square miles. About two-thirds of the island is covered with lushly forested mountains. Taipei and Kaohsiung on the west coast are the two major metropolises of Taiwan with population of 6.6 million and 2.8 million respectively. The elderly (age 65 and above) currently make up 9.2 percent of the island's population, and is increasing rapidly.

Taiwan has a dynamic, capitalist economy that continues to expand annually. Taiwan's foreign exchange reserves are the world's second largest, exceeded only by the PRC. In 2003, Taiwan's economy was hit hard by the outbreak of Severe Acute Respiratory Syndrome (SARS). However, the economy began turning around the last quarter of 2003. Taiwan's Directorate General of Budget, Accounting and Statistics (DGBAS) recently raised its forecast for 2004 GDP growth to 5.9 percent. The optimistic view of this year's GDP growth rate is based on the strong economic performance and a rebound in domestic consumption seen since the end of 2003.

Taiwan is the sixth largest market for U.S. food and agricultural product exports. In 2003, the United States, exported US \$2.6 billion of agricultural products to Taiwan, a nearly 8 percent increase from the previous year, capturing 33 percent of total Taiwan's agricultural imports (US\$8 billion). The United States (33%), Australia (7%) and Japan (7%) were top three largest suppliers of Taiwan's agricultural imports.

Taiwan became a full member of the World Trade Organization (WTO) in 2002. The lowering of tariff and non-tariff trade barriers for food and agricultural products has provided improved market access for U.S. consumer food products, such as high quality beef, fresh fruit and vegetables, seafood, frozen prepared foods, and other processed foods. Growth in agricultural import is expected to continue in response to a reduction in tariffs and higher per capita incomes.

#### Taiwan at a Glance 2003

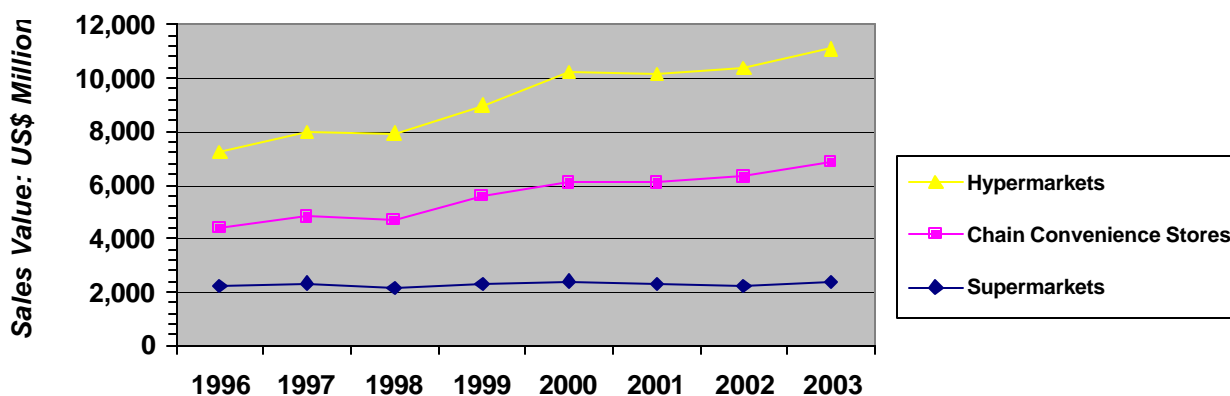
Land Area:	13,900 square meters	Total Agri-Food Imports:	US \$7.8 billion
GDP:	US \$290 billion	Total Agri-Food Exports:	US \$3.2 billion
GNP:	US \$299.6 billion	Agri-Food Imports as a Share of Total Imports:	6%
Per Capita GNP:	US \$13,323	Urban Population Rate:	69%
GDP Growth Rate:	3.50%	Female Labor Force Participation:	47%

Taiwan Directorate General of Budget, Accounting, and Statistics

### 2. Taiwan Retail Food Sector in Overview

Modern Western-style food retail stores - supermarkets, hypermarkets, and convenience store - have been present in Taiwan for more than twenty years. Over the past ten years, throughout 1990's, Taiwan's food retailers have experienced a period of rapid expansion and increasingly fierce competition. The rapid expansion of the hypermarkets and convenience stores has now slowed due to the overall economic slowdown and strong competition since the last two or three years. Supermarkets began slowing in 1996 because of strong competition from hypermarkets, convenience stores, and traditional wet markets.

### Growth of Taiwan's Retail Food Sector

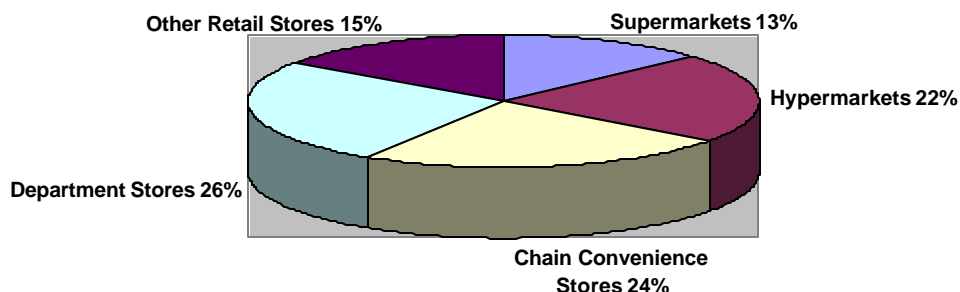


Industry executives indicated that Taiwan's food retail industry has entered a phase of maturity. Mergers and strategic alliances will continue to take place over the next few years. The larger chains continue to grow at a constant rate while small chains have begun to stagnate. The Netherlands cash-and-carry chain Makro was the first foreign retailer to open a store in Taiwan in late 1989 but decided unexpectedly to shut down its remaining six stores in Taiwan in February 2003, citing high operating costs and keen competition. In 2002, Hong Kong-based Wellcome Supermarket merged with local Kasumi's 23 supermarket outlets and further strengthens its position as the largest supermarket chain in Taiwan. Wellcome's new "Superstore," a combination of traditional wet market and modern supermarket format as well as "Jasons Market Place," which carries higher end and imported foods to cater to the needs of city dwellers, might become fashionable for a time in Taiwan. Globalization is a distinguishing characteristic of Taiwan's food retail market. Foreign operators, including Wellcome, Auchan of France, Britain's Tesco, France's Geant, and Costco of the United States continue to dominate Taiwan's food retail market.

According to the Ministry of Economic Affairs' statistics, Taiwan supermarkets, hypermarkets, warehouse stores, convenience stores, and department stores reported total sales of US\$19 billion in 2003, a nearly four percent increase compared to 2002. The domestic economy growth for the first half of the year of 2003 was slow due to the war in Iraq and SARS outbreak in Taiwan in March 2003. However, Taiwan's economy has gradually turned around in the second half of 2003. It is anticipated that these food retail stores will become lively as soon as the economic recovery continues.

### Retail Outlet Market Share 2003

Total Modern Retail Sales \$19 Billion

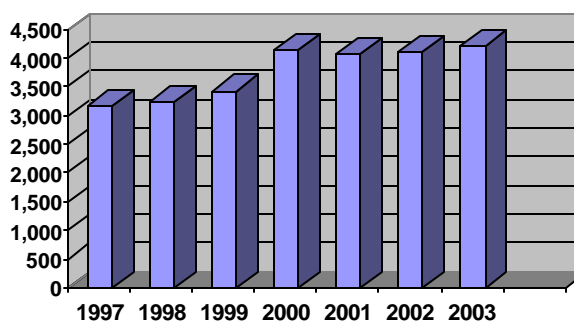


#### (a) Hypermarkets

In Taiwan, growth by very large supermarkets such as hypermarkets and cash-and-carry stores has been rapid since the first store, Makro Taiwan, opened in late 1989. The rapid expansion of the hypermarkets has now slowed since 2001 due to an overall economic slowdown of the past few years and intensifying competition. In 2003, Taiwan hypermarkets generated a total of US\$4.2 billion in sales, a nearly one (1) percent increase from the previous year. There are now 97 hypermarkets in Taiwan, some foreign owned and some locally owned and operated. Foreign operators, including Carrefour, Auchan, Geant, Tesco, and Costco, continue to dominate the Taiwan market, holding a nearly 80% market share.

Industry executives indicated that competition among Taiwan's hypermarkets will continue to intensify. Mergers and strategic alliances are likely to continue over the next few years. Some store chains have chosen to restructure to meet competitive challenges rather than open new venues. Growth in the hypermarket sector will remain flat with an additional 7 new stores being opened in 2004. Most of Taiwan's hypermarkets and warehouse stores are located in suburban areas. However, the current tendency is to compete with each other for positioning new stores in the urban metropolitan areas, as land prices have decreased. Recently opened hypermarkets have tended to be smaller in area. To lower operating costs, as well as to differentiate themselves from their competitors, many hypermarkets have increased their volumes of imported and private label items.

Value of Hypermarket Stores 1997-200  
US\$Million



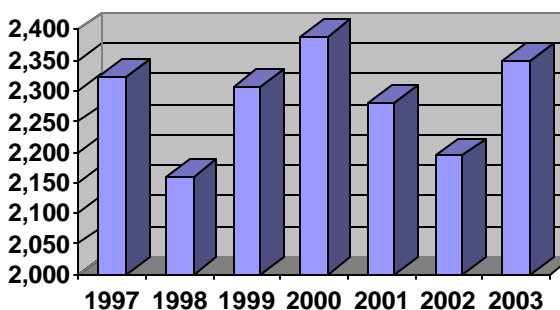
Currently, each hypermarket serves an average of 200,000 people in Taiwan. In the European Union, there is a hypermarket store for every 30,000-50,000 people. Based on this, Taiwan's Food Industry Research & Development Institute (FIRDI) predicted that there is still much room for growth in hypermarkets in Taiwan. However, adding that operating a hypermarket is harder in Taiwan. Tough competition comes not only from modern food retail

stores but also from the numerous street stalls and traditional wet markets which provide not only convenience but also cater to local tastes.

### (b) Supermarkets

The supermarket industry has reached a plateau after approximately 20 years of rapid expansion. Supermarkets, caught in a squeeze between hypermarkets and convenience stores, reported sales of over US\$2.3 billion in 2003. The average growth of supermarket stores in Taiwan, in terms of revenues generated, has increased 5.3 percent in 2003 from negative growth of 1.5 percent in 2002. This could be attributed to the impact of the outbreak of SARS in Taiwan in early 2003 that shifted away from dining out toward consumption in supermarkets that offer cleanliness and freshness.

**Value of Supermarket Stores 1997-2003**  
US\$Million



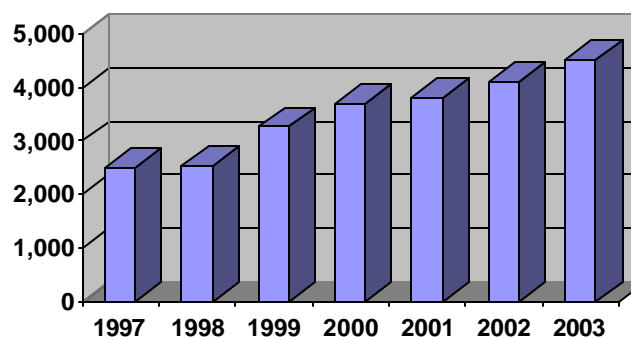
Continued fierce competition from hypermarkets and convenience stores, have made it difficult for small supermarkets to survive. Mergers among supermarkets are expected to continue over the next few years, forming an aspect of concentration on one or two large chains.

The idea of "freshness" for supermarkets serves as a tool to attract customers, and to generate profits. Fresh items carried in supermarkets have seen an increase in recent years, reaching about 50 percent of the total items carried. Fresh fruit and vegetables, meat, and seafood are also used by supermarkets to differentiate themselves from hypermarkets and convenience stores as well as to guarantee the profitability of a store and attract more customers. Additionally, supermarket stores will continue to extend their services such as home delivery, and other internal services, for example, bakeries, photo studios, laundry, and ready-to-eat hot and prepared foods. Industry executives indicated that in the 21<sup>st</sup> century, only those supermarkets that provide customers with "convenience," "reasonable prices," and "freshness" will survive.

### (c) Convenience Stores

As of end of 2003, there were 7,509 chain convenience stores in Taiwan. 7-Eleven, with 3,473 outlets island-wide, accounts for 46 percent of the market, followed by Family Mart (20%, 1,499 stores), Hi-Life (12%, 914 stores), OK (10%, 743 stores), and Niko Mart (4%, 330 stores). These five major chains altogether account for 92% of the total market. With the rate of over 500 new stores opened by these five chains each year, the market share held by other small chains is falling. Reportedly, 7-Eleven is expected to further expand to

**Value of Convenience Stores 1997-2003**  
US\$Million



over 4,000 outlets island-wide by the end of 2005.

This segment generated over US\$4.5 billion in sales in 2003, an increase of 8.5 percent from the previous year. Total sales turnover of this sector dropped below its annual 17% growth rate since 2002, mainly due to the overall economic slowdown and growing competition from department stores, and foreign food retailers, such as Costco, Geant, Auchan, Tesco, Costco, and Wellcome.

In 2003, the most popular products sold in Taiwan's convenience stores were home meal replacement (HMR) and fresh ready-to-eat food items, such as lunch boxes, Japanese style rice rolls (sushi), hot dogs, sandwiches, buns, pizzas, fried rice/noodles, and hamburgers. 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 foods, especially lunch boxes, breakfasts, and dinners. And, at the same time they continue to extend service items, such as on-line shopping/home delivery packages, international express mail, and public utility fee collection.

To meet fierce competition, these chains continue to eliminate poorly performing products, and at the same time, focus on promoting only popular items and aggressively sourcing new products with market potential from all over the world. In 2002, 7-Eleven first launched its "My Health Dairy" which includes various types of nutritional supplements. Because of the success of these functional food items, more convenience stores are scrambling for a share of the functional food market valued at US\$900 million annually.

Although the market is mature, it is still expected to grow at a steady pace for the next two or three years. Market observers indicated that Taiwan's convenience stores are entering a phase of market saturation from the period of rapid expansion from 1988 throughout the 1990s. According to a report by the Taiwan cabinet-level Fair Trade Commission, Taiwan leads all other countries around the world in terms of the number of stores per capita. With a population of 23 million people, there is one convenience store for every 3,400 people in Taiwan. Expansion will continue over the next few years. With Taiwan's WTO accession in 2002 and the resulting market liberalization, 7-Eleven, Family Mart and other convenience stores are expanding direct or indirect imports of new-to-market items. U.S. suppliers are encouraged to contact these convenience store chains directly. A list of these retail chains is available at the ATO Taipei upon request.

#### **(d) Department Stores**

Most department stores in Taiwan have supermarkets in their basements. The main effect of these supermarkets is to draw customers to the store by carrying a wide range of gourmet products. In the past, these supermarkets were not profit centers for the store. However, recently they have become more popular and better revenue earners. This segment generated total revenues of nearly US\$5 billion in 2003, a 2 percent decrease from the previous year. Department stores all suffered significant drop in traffic in 2003 due to Taiwan's outbreak of SARS in early 2003. Fortunately, the sales turned around since the last quarter of the year when SARS was absolutely controlled. The department store industry is expected to continue to expand over the next few years.

Currently, the Taiwan-Japan joint ventures Shin Kong Mitsukoshi (11 stores), Pacific Sogo (4), and local Far Eastern Department Store (9), together dominate the Taiwan market, with a total of 53 percent market share, in terms of sales generated in 2003. Japanese operators, including Sogo, Mitsukoshi, Takashimaya, and Hanshin have become the mainstream of Taiwan's department store industry.

### Imported Food vs. Domestic Products

Currently, about 15-20% of the products sold in Taiwan's supermarkets and hypermarkets, as well as about 15% of the products sold in convenience stores are imported, and this is increasing. After Taiwan's WTO accession in early 2002 and the resulting tariff reduction and further market liberalization, imports from all over the world have been increasing.

### Trends in services offered by retailers

Each food retail chain will continue to increase the number of new products carried and services offered to attract more customers. With many women working, the eating-out population and single-person households are becoming more common. As a result, small packaged products and ready-to-cook dishes are becoming more popular. The percentage of convenience foods, microwaveable foods, vegetarian foods, organic foods, and health foods will continue to increase in retail stores. Retail stores will continue to extend their service items, such as home delivery and other service businesses inside their stores--examples include bakeries, restaurants, dry-cleaning, photo studios, and ready-to-eat hot and prepared food kiosks.

### Private Label

To offer differentiation and to increase markups, many of Taiwan's retail chains, including 7-Eleven, Auchan RT Mart, Carrefour, Wellcome, Aimai Geant, Costco, and Tesco, are aggressively expanding and promoting private label products (both imported and domestically produced). As the average selling price of private label products is 15-40% lower than branded items, they are increasing in popularity in the market.

### 3. Advantages and Challenges for U.S. Exporters

Advantages	Disadvantages
U.S. products are perceived by Taiwan consumers to be of high quality.	Lack of knowledge of U.S. brands by importers and retailers.
The majority of Taiwan consumers can afford imported food products.	Lack of brand awareness by consumers
Taiwan's WTO accession in early 2002 resulting in further market liberalization and import tariff reduction has provided U.S. exporters with more market opportunities	Competition among major world agricultural and food exporters for a share of Taiwan's growing food import market is further intensifying due to Taiwan's WTO accession.
The growing modern retail industry is looking for new imported food products.	Lack of importer and retailer knowledge and training in purchasing, handling, and merchandising U.S. products.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### Entry Strategy

**Direct** - The best method to reach Taiwan's retail buyers is to initially contact them directly via e-mails or faxes. Product catalogues and price lists are essential. Sample products are very helpful. U.S. suppliers can obtain a list of major Taiwan retail stores from the ATO Taipei.



**Indirect** - U.S. companies may wish to concentrate on establishing their business relationships with a reliable and efficient importer and distributor, who in turn will sell the imports to retail stores. The ATO Taipei maintains listings of potential importers for U.S. suppliers. A visit to Taiwan is an excellent way to start establishing a meaningful relationship with potential Taiwan buyers. U.S. suppliers are advised to bring product samples to Taiwan to provide to potential buyers as many importers and retailers rely heavily upon subjective factors when deciding on new products to represent.

**On Line Procurement** - Some retail chains, especially those with foreign joint venture partners such as Carrefour and RT Mart, currently purchase on line a very limited number of product items.

## **A. Supermarkets/Hypermarkets/Warehouse outlets**

### **Market Structure**

#### **Imported Processed Foods**

Taiwanese buyers in retail stores tend to buy and import directly those products that are already well known in the market. The reason according to purchasing managers is that they do not want to risk trying out a new product. Instead, stores prefer to buy new-to-market imported products from local suppliers. A trend for supermarkets/hypermarkets is to begin importing directly from a consolidator who can arrange one consolidated shipment for a variety of new and/or already in-the-market products. However, purchasing managers of these Taiwan retail stores state that they welcome offers with market potential from any reliable and dependable supplier. Carrying a wide variety of high quality products and new-to-market products is regarded as crucial to the profitability of a store. Industry sources estimate that currently up to 95% of imported processed foods are imported through importers. The direct imports by retail stores are anticipated to increase.

#### **Imported Unprocessed Foods**

-- Fresh fruit: Industry sources estimate that approximately 15 percent of imported fresh fruit is now imported directly by supermarkets, hypermarkets, and warehouse stores. The remaining 85 percent is imported by importers/distributors. Direct import of fresh fruit by retail stores is expected to continue to increase over the next few years.

-- Fresh and Frozen meat. On average, the ratio of direct and indirect beef imports by Taiwan's hypermarkets is 40:60. Supermarkets currently import a limited amount of beef directly. About 90 percent of pork is purchased by supermarkets and hypermarkets from local pork processors/wholesalers, and the remaining 10 percent is imported by importers/distributors.

-- Fresh and Frozen seafood. It is estimated that approximately 3% of seafood is imported directly by retail stores. The remaining is sold to retail stores through importers, wholesalers, and distributors.

**Company Profiles****Major Hypermarket/Warehouse Store Profile**

<b>Retailer and Outlet Type</b>	<b>Ownership</b>	<b>2003 Sales US\$Mil</b>	<b>2003 No.of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
Carrefour Hypermarket	French/Taiwan	1,471	31 (33)	Nationwide	Direct, importer, wholesaler, agent
RT Mart Hypermarket	French/Taiwan	1,030	22 (22)	Nationwide	Direct, importer, wholesaler, agent
Aimai Geant Hypermarket	French/Taiwan	441	13 (13)	Nationwide	Direct, importer, wholesaler, agent
Costco Warehouse	U.S./Taiwan	235	3 (3)	Nationwide	Direct, importer, wholesaler, agent
Tesco Hypermarket	UK	177	4 (4)	Nationwide	Direct, importer, wholesaler, agent
Dollars Hypermarket	Local	-	3 (4)	Southern Taiwan	Direct, importer, wholesaler, agent
Taiwan Sugar	Local	-	4 (4)	Southern Taiwan	Importer, wholesaler, agent

Source: 2003 Taiwan Chain Store Almanac; *Retailing Mart*; *Distribution News*

\* Figures inside the parentheses represent number of outlets as of October 2003

-- Costco Wholesale is the only wholesale store that issues membership cards with an annual fee of NT\$1,200 (approx. US\$35) in Taiwan. Its characteristics that differentiate them from other chains are: American style management, high percentage of imported goods, and large packaging. Reportedly, Costco Taiwan expected to establish one additional store annually over five years in Taiwan. Costco will inaugurate its fourth store in Taiwan in January 2004.

-- Makro Taiwan, a joint wholesaler/distributor for Dutch-based SHV Holdings and Taiwan-based Holmgren Group, unexpectedly shut down its six remaining stores in Taiwan in February 2003, citing high operating costs and keen competition.

-- Due to its failure with marketing in convenience stores over the past 8 years, the state-run Taiwan Sugar Corporation plans to continue to shift its retail business focus to hypermarkets. In addition to sugar production and other diversified domestic/overseas investments,

TaiSugar has established four hypermarkets in Southern Taiwan since 2001, and plans to expand to 9 stores within the next couple of years.

-- Taiwan's leading food retail store, Carrefour Hypermarket Chain, indicated that localization, product differentiation, private labels, and flexible new store openings are the main factors of its success in Taiwan. In order to tally with Taiwan's limitations on land use, Carrefour has established two types of stores in Taiwan. The "blue" stores are hypermarket format stores located in commercial or residential areas. The "green" stores are cash-and-carry niche, concentrating on industrial areas.

-- Tesco, one of the most aggressive hypermarkets chains in Taiwan, inaugurated its first store in Northern Taiwan in June 2001 and opened its fourth outlet in Taipei City in late 2003. Tesco originally intended to set up 20 outlets around the island within five years. However, the expansion plan has slowed down due to the overall economic slowdown and severe competition. Tesco announced in October 2003 that it would expand to 10 outlets island-wide by 2006.

-- RT Mart, a joint venture of French hypermarket operator Auchan SA and local Ren Tai Group, merged with Trans Asia Hypermarket and joined in a strategic alliance with Safe and Save Hypermarket Chain in 1998 to become the second largest hypermarket chain, behind Carrefour, in Taiwan. RT's Marketing Manager indicated in a media interview that Taiwan's hypermarket has become mature. Expansion plans for all chains operating in Taiwan will slow, with each opening an additional one to two stores each year.

#### Major Supermarket Store Profile

Retailer and Outlet Type	Ownership	2003 Sales US\$Million	2003 No. of Outlets	Locations	Purchasing Agent Type
Wellcome	Hong Kong	441	154 (165)	Nationwide	Direct, importer, wholesaler, agent
Sung Ching/ Marukyu	Local	174	75 (81)	Central/North Taiwan	Direct, importer, wholesaler, agent
Sinon	Local	78	27 (30)	Central Taiwan	Direct, importer, wholesaler, agent
Commissary stores	Local	-	200 (218)	Nationwide	Importer, agent, wholesaler
Taipei Agr.	Local	-	15 (16)	Taipei	Importer, agent, wholesaler
Sun-Made	Local		10	North Taiwan	Importer, agent, wholesaler
Jasons Market Place	Hong Kong	-	2 (2)	Taipei	Direct, importer, wholesaler, agent

Source: Taiwan Chain Store Almanac; *Distribution News*; *Retailing Mart*

\* Figures inside the parentheses represent number of outlets as of October 2004

-- With the acquisition of twenty-two stores from Kasumi, Wellcome further strengthens its position as the largest supermarket chain in Taiwan. Wellcome currently operates 165 outlets island-wide, which doubles Wei-chuan Foods Group's Sung Chin/Marukyu, in second position, in terms of number of stores. Wellcome currently accounts for 15 percent of the market and reportedly plans to expand to 200 outlets by 2005.

-- Wellcome Supermarket launched its first "Jasons Market Place," a new store format which mainly carries higher-end and imported foods, in November 2003. Jasons' organic/healthy food corners - its distinguishing characteristics - carry an estimated 1,200 items of HMR and other food products with low fat, low salt, high fiber, and non-dairy. In addition, Wellcome has located in the Taipei Metropolitan area two superstores. The Wellcome superstores are a format combining concept of a modern supermarket with a traditional wet market. Jasons Market Place carries over 45 percent of imported goods and a high percentage of fresh items, such as fresh produce, meat, poultry meat, and seafood.

-- Wei Chuan Foods Group's two supermarket chains, Sung Ching and Marukyu, joined in a strategic alliance with each other in late 2000. The two chains formed a joint purchasing team. Currently, the team mainly purchases dry goods. As soon as the number of stores reaches 100, the two chains will merge.

## B. Convenience Stores

### Entry Strategy

The same importers, wholesalers, and distributors that provide for the supermarkets and hypermarkets provide for the convenience stores. Taiwan convenience store chains either import directly or purchase from local importers and manufacturers. U.S. suppliers can sell directly to these convenience stores by contacting their purchasing managers. In addition, U.S. suppliers should locate a reliable and efficient agent/importer/distributor to ensure that products are consistently available in the market. The ATO in Taipei maintains listings of major convenience store chains and potential importers/distributors. U.S. companies interested in expanding their businesses with these retail stores should contact ATO/Taipei for lists of potential buyers.

### Market Structure

Major Taiwan convenience store chains import directly. They also rely on importers, agents, and distributors for products. Major Taiwan convenience store chains have their own distribution centers to distribute products, both dry and chilled/frozen goods, to each outlet. The other convenience stores have ties with other distribution centers.



### Company Profile

#### Major Convenience Store Profile

Retailer and Outlet Type	Ownership	2003 Sales US\$Mil	2003 No.of Outlets	Locations	Purchasing Agent Type
7-Eleven	Japan/Taiwan	2,284	3,464 (3,664)	Nationwide	Direct, importer, wholesaler, agent

Family Mart	Japan/Taiwan	730	1,512 (1,671)	Nationwide	Direct, importer, wholesaler, agent
Hi-Life	Local	441	916 (1,051)	Nationwide	Direct, importer, wholesaler, agent
Circle K	U.S./Taiwan	324	746 (790)	Nationwide	Direct, importer, wholesaler, agent
Niko Mart	Local	144	339 (352)	Nationwide	Direct, importer, wholesaler, agent

Source: Taiwan Chain Store Almanac; *Retailing Mart*

\*Figures inside the parentheses represent number of outlets as of October 2004

-- Family Mart joined in a strategic alliance with the State-run Taiwan Sugar Corporation's Milin Convenience Store Chain in June 2003, bringing its total number of stores to 1,500 by 2003. It has set a growth target to reach 2,000 stores in three years.

-- Currently, total annual sales of fresh ready-to-eat food items in 7-Eleven stores reach US\$371 million, accounting for 16% of the total revenues of 7-Eleven. It is expected that sales will increase and account for 20% of total sales by 2005.

-- Family Mart, Hi-Life, OK and Niko-Mart jointly formed a new company, CVS.COM Co., Ltd., in October 2000. Part of the objective of this newly established company is to seek new products to be sold in the four convenience store chains. U.S. companies are encouraged to contact the company directly.

-- In 2003, Taiwan 7-Eleven and Taiwan Starbucks Coffee concluded a strategic alliance to sell selected 14 items of Starbucks Coffee products in approximately 3,500 7-Eleven outlets in Taiwan. 7-Eleven printed solo-Starbucks catalogues for Taiwan consumers to order. The major customers of both Starbucks Coffee and 7-Eleven are working people aged between 25-35.

-- Circle K celebrated its 15th anniversary in October 2003. Circle K mainly focused on restructuring, shutting down 60 poorly performing stores during 2002. It has set a growth target to reach 1,000 total outlets by 2005.

### C. Traditional Markets

#### Entry Strategy

The importers, distributors and wholesalers are the same who supply the supermarkets, hypermarkets, and convenience stores. Unlike supermarkets, hypermarkets, and convenience stores, the wholesalers and regional wholesale



markets play the most important role in distribution of products for traditional markets. Sales of imported goods in traditional markets should not be overlooked. Industry sources estimate that around 55 percent of imported fruit from the United States is sold in wet markets island wide.

### **Market Structure**

Traditional markets, including wet markets and mom & pop grocery stores, rely heavily on wholesalers for products. Currently, modern warehouse stores, such as Costco Wholesale, also provide products for traditional markets.

Grocery products are usually supplied by local wholesalers, although agricultural products are often purchased at regional wholesale markets.

### **Company Profile**

**Mom and Pop Grocery Stores:** Mom and Pop grocery stores are still common in smaller towns on the island. Grocery products are usually supplied by local wholesalers. Although these 'mom and pop' grocery stores tend to be well located in the heart of residential areas, they are limited by the lack of shelf space and offer fewer varieties of products. Local consumers are increasingly turning to the greater product variety offered by supermarkets, hypermarkets, and convenience stores.

**Wet Markets:** According to statistics released by Taiwan's Ministry of Economic Affairs, there are 631 public/private wet markets and 639 street stall gathering places in Taiwan. These businesses generate approximately US\$13 billion in annual sales. The major items sold in these traditional markets--meat, seafood, and fresh produce--account for over 50% of total wet market sales. Beginning in July 1999, Taiwan authorities have implemented a five-year program to upgrade and remodel traditional wet markets.

## **SECTION III. COMPETITION**

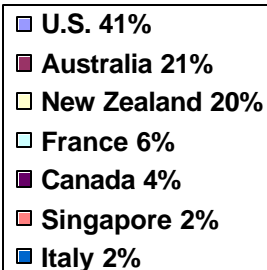
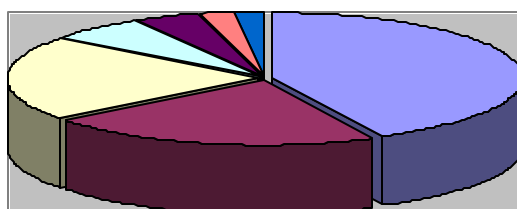
In 2003, Taiwan imported US\$1.2 billion worth of consumer food products from many different sources, of which 41% was imported from the United States. The United States was the number one supplier of consumer food products to Taiwan, followed by Australia, New Zealand, France, Canada, Singapore, and Italy. Currently, the United States dominates the fresh vegetables (78% market share), fresh fruit (66%), poultry meat (98%), prepared/preserved red meat (90%), processed fruit and vegetable (73%), tree nuts (81%), and fruit & vegetable juices (59%) import markets in Taiwan and is very competitive in other consumer ready food products.

With Taiwan's accession to the WTO in January 2002, average import tariffs for agricultural products have dropped from 22 percent to the current 14 percent. There is improved market access for U.S. beef, fresh fruit and vegetables, seafood, frozen prepared foods, and other processed foods. However, competition among major world's food and agricultural exporters for a share of Taiwan's growing food import market will further intensify. Currently, U.S. products carry a high quality image in Taiwan. Promotions or product samplings should be conducted to ensure that consumers are aware that their purchases are from the United States.

## 2003 Taiwan Consumer Food Imports

Total US\$1.2 Billion

Source: U.N. Trade Statistics



### SECTION IV. BEST PRODUCT PROSPECTS

#### A. Products Present in the Market Which have Good Sales Potential

- Fruit and Vegetable Juices
- Fresh/frozen fruit and vegetables (e.g. fresh/frozen potatoes; canned/fresh/frozen corn)
- Ice Cream, cheese, yogurt and other dairy products
- Edible oil, including sunflower oil, corn oil, and safflower oil
- Frozen/microwaveable foods/other convenience foods
- Fish and seafood
- Food ingredients
- Meat and meat products
- Baked products
- Snack products
- Nuts and dried fruit
- Beer and wine
- Gift packs (examples: wine/spirits, imported fresh fruits, and coffee are currently popular gift pack items in Taiwan)

#### B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

- Health oriented (low-fat, high-fiber, and low-cholesterol) snack foods
- Organic/health foods

**V. POST CONTACT AND FURTHER INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting to Taiwan, please contact the U.S. Agricultural Trade Office in Taiwan at the following address. Also, you are welcome to visit the ATO/Taipei homepage (<http://ait.org.tw/ait/AGRI/ATO.htm>) or USDA/FAS homepage (<http://www.fas.usda.gov>) for information on exporting to Taiwan.

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