

Voluntary Report – Voluntary - Public Distribution

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Report Name: Tianjin Retail Trends and US Food Imports

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Report Highlights:

Tianjin is only 80 miles away from Beijing, but its unique characteristics make it a much different market from the capital city. Consumers in Tianjin tend to be more price sensitive than those living in first-tier cities, given annual per capita disposable incomes nearly half that of Beijing and Shanghai. In 2018, Tianjin's overall retail market slowed, led by the decline in traditional retail, however e-commerce and high-end supermarkets achieved solid sales. Younger shoppers are the primary consumer group driving imported food product purchases. U.S. food exporters already engaged in the Beijing market may find that Tianjin is a convenient city to explore.

Introduction

Tianjin is one of four special municipalities that are not part of a province, but fall under the direct administration of the central government. Tianjin is a mere 80 miles from Beijing, making it a key port of entry for food imports. Due to its relatively cheaper real estate and cost of living compared to Beijing, it has become a popular city for professionals working in Beijing to settle. Traveling between the cities only takes 30 minutes on the frequent high-speed express trains. However, while Tianjin is considered on par with Beijing and Shanghai administratively, annual per capita incomes lag far behind these first-tier cities.

In 2018, Tianjin's gross domestic product (GDP) grew only 3.6 percent (Table 1), which was much lower than the 6.6 percent national average. A somewhat depressed city economy in general has impeded consumer purchasing power, which has in turn affected the entire area's consumer retail industry. In 2018, consumer goods retail sales dropped precipitously, starting from a strong 5.8 percent in the first quarter, to end at only 1.7% for the entire year. Compared with traditional retail sales, e-commerce developed rapidly in Tianjin in 2018. Total sales reached \$6.6 billion at a 6.3 percent growth rate, and accounted for approximately 20.7 percent of total consumer retail goods. This is a significant increase from 17.8 percent in 2017.



Table 1: Tianjin Economy at a Glance

City	Population	GDP (\$ Billion)	GDP Growth Rate	Consumer Goods Retail Sales	Per Capita Annual Disposable Income
Tianjin	15 million	276	3.6%	\$81 billion	\$5,810
Beijing	21 million	446	6.6%	\$173 billion	\$9,171
Shanghai	24 million	481	6.6%	\$186 billion	\$9,439
Chongqing	31 million	299	6.0%	\$129 billion	\$3,880

Food and Beverage Market Information

Given the overall depressed retail environment, e-commerce performed surprisingly well in Tianjin in 2018. To encourage the e-commerce industry, the Tianjin municipal government entered into a



memorandum of understanding to establish a “new retail city” with Alibaba in 2018. Alibaba plans to open 30 Hema grocery stores in Tianjin over the next three years. In addition, multiple new retail model players plan to launch stores in Tianjin over the next two years such as Ella Supermarket, G-super, and Su Fresh. These stores will use online shopping histories of its customers to better target its offline stores in the city’s niche markets and individual neighborhoods.

The growth of e-commerce has largely come at the expense of traditional hypermarkets. In the face of e-commerce competition, some hypermarket operators are updating facilities and expanding fresh produce sections to lure customers. Compared with traditional hypermarkets, some high-end stores located in upscale department stores and shopping malls have reported good sales growth in 2018. Supermarkets located in Hisense Plaza, BLT and Ole stores

operated by China Resources Vanguard (CRV), EJT public supermarket, and supermarkets located in the Isetan Plaza are the top destinations for customers in Tianjin to source imported food products. Most high-end stores source U.S. food products from local distributors. For some unique or well-known branded products, these are sourced from importers based in Beijing and Shanghai. Most imported products carried by The BLT and Ole stores operated by CRV are sourced by CRV’s head office in China.

Conclusions

Due to higher tariffs on U.S. food and beverage products, local distributors are hesitating in carrying new products from the United States, but high-end retail stores are still sourcing some craft beer, dairy products, dry fruit, tree nuts, beverages, seafood, and fresh fruit. Young consumers in Tianjin, like other peers in urban areas, are the main drivers of imported food product purchases. Young consumers look for products that are promoted by internet celebrities and are willing to try new products with a unique and/or upscale appearance.

Attachments:

No Attachments.