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## China - Peoples Republic of

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### Tianjin ECM Report

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**Report Highlights:**

Tianjin is a Special Municipality directly under the control of China's Central Government along with Beijing, Shanghai, and Chongqing. Home to the fifth largest port in the world and now connected to Beijing by high-speed train, the city is increasingly integrated into a single megalopolis with the capital. Tianjin's closeness to Beijing has also resulted in the city being unfairly ignored by exporters and food distributors – despite its high market potential. As a result, Tianjin's distribution channels for imported food products lag behind other cities such as Beijing and Qingdao. This is an important oversight since Tianjin has high per capita income, very rapid growth and 11.76 million consumers.

## General Information:

### *Introduction*



Located 1.5 hours by car due west of Beijing is Tianjin, northern China's largest coastal city. Tianjin is located on the Bohai Sea and serves as a main gateway to Beijing and Hebei Province – as well as an important manufacturing hub. Tianjin is also a Special Municipality like Beijing and a number of plans are in place to integrate the two urban areas over the next decade. As a part of this, a high speed train between Beijing and Tianjin began service on August 1, 2008. With a speed of 350 kph, the travel time between the two cities has fallen to just 30 minutes. The port of Tianjin is the largest in northern China. In 2008, the throughput of the Port of Tianjin reached 356 million tons, the third largest in China – and the fifth largest in the world. The high investment going into the seaside Binhai New District and the port, Tianjin's breakneck growth is expected to continue unabated. Despite this, Tianjin remains under Beijing's shadow, especially in the development of distribution channels for imported food products.

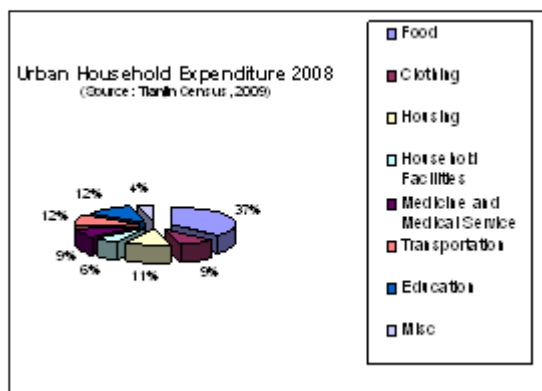
### *An Emerging City Market*

Tianjin is a key emerging northern China city markets because of its location, high income and booming economy. Although its per capita GDP reached \$7,987 in 2008, it still lags behind the richer coastal cities. For example, per capita income is \$9,075 in Beijing and \$10,529 in Shanghai. However, it is richer than almost all other northern Chinese cities on a per capita basis except for Qingdao. Growth is very high. GDP growth rate reached 16.5 percent in 2008, compared with 9.0 percent in Beijing and 9.7 percent in Shanghai.

City	GDP (2008)	Growth Rate (2008)
Beijing	197.24 billion	9.70%
Shanghai	151.02 billion	9.00%
Tianjin	91.49 billion	16.50%
Chongqing	73.38 billion	14.30%

### *History*

Tianjin is located at the confluence of the Hai River and Grand Canal – which connects the city to the Yangtze River. Its access to water has made it a major transportation since the time of Yuan Dynasty (1279-1368). The name of “Tianjin”, means “a port for the emperor”, was first adopted in 1403, the first year of Yongle Reign in Ming Dynasty. In 1860, Tianjin was opened as an international trading port connecting China to the world. In the 1930s, Tianjin became the largest industrial and commercial city and a financial center. During this time as a port, the city acquired much of its distinctive concession architecture. After the founding of the People’s Republic of China, Tianjin became a municipality directly under the central government. In 1978, Tianjin became one of the first cities to open up as a result of the government’s reform policy.



#### *A Booming Economy*

Tianjin is the birth place of modern machinery industry and textile industry in China. At the beginning of 20<sup>th</sup> century, Tianjin was the second largest industrial city in China. Modern Tianjin is a hub for petrochemical, textile, car manufacturing, electronic communication and metal working. Booming exports and domestic demand have pushed Tianjin’s economic growth into double digit figures over the last five years. The per capita GDP grew 16.5 percent in 2008, exceeding \$91 billion in 2008 – despite the relatively weak economy. Based on the regional data released so far, Tianjin has the highest growth rate among all coastal regions – and far above the national average of 9 percent. This pushed per capita GDP to \$7,987 in 2008, the third highest in China. According to the government’s economic development plan, the city’s per capita GDP will pass \$8,000 in 2010. By 2012, Tianjin is expected to play a more prominent role as an international port city, establishing itself as a major economic center in northern China. According to government plans, the per capita GDP will exceed \$10,000 by 2012. Tianjin has moved onto a fast track of economic growth over recent years, following the designation of the city’s Binhai New Area as a state comprehensive reform zone. Stimulated by a whole range of support, funds have poured into Binhai.

Tianjin at a Glance (2008)	
Population	11.76 million
GDP	91.49 billion
GDP growth rate	16.50%
Per Capita GDP	\$7,987
Car Ownership	7.7 per 100
Major Industries	petrochemical, textile, car manufacture, electronic communication, metalworking
Key Agricultural Products	seafood, poultry, egg, cow's milk, beef, vegetable, corn, wheat, cotton

Major Food Retailers	Carrefour, Tesco, RT-Mart, E-Mart, Wal-Mart, Metro, China Resources Vanguard, Lotus
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#### *Binhai New Area*



The Binhai New Area, also called the New Coastal District of Tianjin (NCD), is located at the juncture of the Beijing-Tianjin City Belt and the Circum-Bohai City Belt. The NCD consists of the Tianjin Port, the Tianjin Port Free Trade Zone, and Tanggu, Hangu, and Dagang development zones. The area's economy continues to develop at a rapid rate – in 2008, the local GDP expanded by 23.1 percent, reaching \$44.77 billion. The area's external trade continues to grow with the total import and export values reaching \$54.14 billion in 2008, which was up 10.8 percent from the year before. The total retail sales reached \$4.77 billion in 2008, an increase of 29.3%. The Binhai New Area is expected to keep growing because of continuing government investment to accelerate local development, especially ongoing improvements in the region's sea and air ports, local transport and public facilities.

The establishment of Tianjin Economic and Technological Development Area (TEDA) was given government approval on December 6, 1984. According to the plan approved by the State Council, it will take 30 years and three phases to finish the plan, which is expected to be completed by 2015. By then, there will be 300,000 employees in TEDA, with an annual GDP of \$30 billion. Major multinational companies such as Motorola, Nestle, Tokyo, Con-Agra and Samsung have all located facilities in the TEDA because of its attractive business environment.

Tianjin Port had throughput reaching 356 million tons in 2008. This was a 15 percent increase from 2007, and brought total volumes ahead of Guangzhou. The port handles cargo for North and West China, which accounts for more than 60 percent of its handling capacity. Port facilities provide direct access to Tianjin and Beijing International Airport as well as a direct channel to four inland land ports such as Hui Nong in Ning Xia Province, De Zhou in Shandong Province, Hou Ma in Shan Xi Province and Ping Du in Beijing. It is expected that Tianjin will continue accelerating the construction of these associated land ports.

Tianjin airport is building a second runway to test Airbus A380 planes to be built at a plant in the city. The new runway will likely be ready by 2010 and will also allow Tianjin, which is about 120 kilometers east of Beijing, to serve as a backup for Capital International Airport. This will also support Airbus plans to begin assembly of its planes in the firm's first factory outside of Europe.

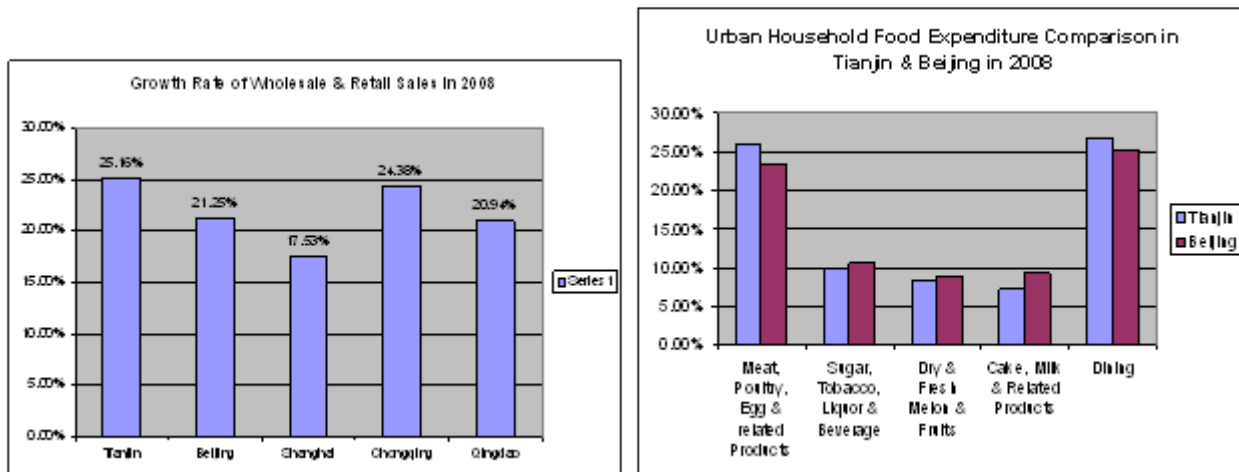
The Customs House Center located in Binhai New Area is a unique one-stop-shopping facility. The five-story building resembles a high-tech operations center more than a traditional customs house. In addition to Customs, it combines AQSIQ,

banking services, form processing, and other customs house broker services – all under one roof. For example, the status of the Customs Clearance documents can be tracked easily by the ATMs in the building.

### *The Retail Sector*

Tianjin's per capita GDP is much lower than Beijing and Shanghai. As a result, more customers shop in wet markets since they are very price sensitive. In addition, many consumers also believe wet market produce is fresher and cheaper than supermarket products. Compared with the customers in Beijing, Tianjin customers consume more meat products and less sugar, beverage, dry fruits and dairy products. However the growth rate of wholesale and retail sales is faster than Beijing and Shanghai. This growth and high incomes have piqued the interest of international retailers in the local market.

Imported products are in limited supply in some upscale retail outlets located downtown, such as E-Mart and CRC. Outside the center, by far the best market for imports is in the Binhai New Area, because of the large number of white-collar workers employed by multinational companies and expatriates living there. However, supplies of imported foods are significantly constrained by poor distribution channels, especially for U.S. products. Distributors in town have limited contact information about U.S. food importers and have trouble getting them interested in the local market because of the presence of the richer nearby Beijing market. This is despite that fact that Tianjin consumers are interested in high quality food products from United States, especially cereal products, snack foods, frozen products, dairy products, fresh fruit, and nuts.



These are the major players in the Tianjin retail sector.

CRC has become the city's top local retail operator in terms of sales after taking over its rival Home World. The acquisition also gave CRC a significant market share in the city. Now the company runs 20 hypermarkets and over hundred supermarkets in Tianjin.

E-Mart of Korea entered into a joint venture with the Tianjin TEDA and has five supermarkets targeting upper middle class customers and Korean expats. Most of its outlets have special imported food display area featuring on cereal, snack food, wine and beverages.

Hisense Plaza is another destination to source imported food products. Their targeted customers are the white-collar workers working at neighboring business buildings downtown.

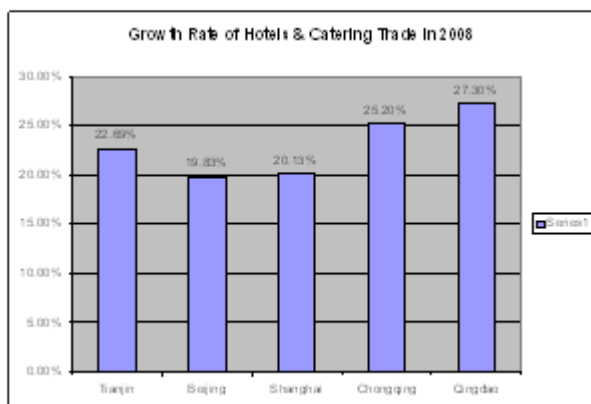
While RT-Mart only operates one outlet in Tianjin, the store is the city's largest in sales because of its good location and strong management team.

A Tesco Store located in the Binhai New Area has special shelves for imported products. The others have fewer imports.

7-Eleven is expected to come to Tianjin in 2010. According to the company's strategy, the first stores will open around the city's famous commercial street – Nanjing Road and expand downtown afterwards.

Major Retailers in Tianjin			
Retailer	Ownership	Type	Store (No.)
CRC	Hong Kong	Hypermarket/Supermarket	20/100
Carrefour	France	Hypermarket	5
E-Mart	Korea	Hypermarket	5
Lotus	Thailand	Hypermarket	4
Tesco	United Kingdom	Hypermarket	4
Century Mart	Shanghai	Hypermarket	2
Walmart	United States	Hypermarket	2
RT-Mart	Taiwan	Hypermarket	1
Metro	German	Cash-Carry	1

The holidays are the important selling period for retailers, since Tianjin customers are more traditional compared with other northern coastal Chinese. This means that people pay more attention than others to maintaining relationships as well as gift-giving in holidays. Tianjin saw a dozen of its major retail shops record a 100 percent rise in sales to \$29.2 million during the first three days of 2009.



#### *The Food Service/HRI Sector*

The hotel and catering industries continued to develop faster in ECM cities in 2008 than the richer cities. Compared with the people in other cities, Tianjin people tend to spend disproportionately more on eating out, especially relative to

income. The spending on dining out grew to \$97.3 per household in 2008, up 19 percent from 2007.

Wedding spending also increased rapidly in 2008. Because of its proximity to Beijing, easy access by car, and lower cost of living, hotels and restaurants in Tianjin receive a lot of wedding banquet business from Beijing. It is roughly 20 percent less expensive to hold a wedding banquet in Tianjin versus Beijing. During the 2009 seven-day Spring Festival holiday, the HRI sector in Tianjin served 346,800 tables with a growth rate of 30 percent. The meal consumption level increased 25 percent compared to the same period in 2008.

Being the co-host city of 2008 Summer Olympic Game also accelerated the development of the city's hotel facilities. Many international hotel chains invested in Tianjin, including the Hyatt Regency, Sheraton, Holiday Inn, and Renaissance. The HRI market has continued growing after the Olympics. The Westin opened a hotel in Tianjin in 2010 and a St. Regis is expected to open its doors in 2011. In addition, the Four Seasons is looking for Tianjin locations.

### *The Food Processing Sector*

Tianjin is a major food processing and packaging center in northern China. Based on its strong port infrastructure, government incentives and access to Beijing and other markets, many food companies have established factories in Tianjin. Growth has been especially high in the Binhai New Area where firms have set up the large-scale production facilities for instant noodles, beverages and processing of agricultural products.

Examples of specific company investments are numerous. Snow Beer just completed a 4 million KL production expansion project – its second since coming to Tianjin. In addition, Hui Xin Soybean Technology Development Company, Ting Hsin International Group, Master Kong Beverage Company, and Cargill have also invested in Tianjin. Production is both targeted domestically and overseas. Major companies import the raw materials from overseas, process in Tianjin and re-export finished products. By the first half year of 2008, the food processing revenues for large companies reached \$3.81 billion, up 28.2 percent from 2007.

### *Post Contacts and Further Information*

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