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Emerging City Market Report - Hangzhou

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Report Highlights:
The data and analyses shown in this report are the result of a market research project conducted by Euromonitor on the behalf of the Agricultural Trade Office in Shanghai. The data and analyses in this report are not the position of the U.S. Department of Agriculture. Rather, the data and analyses are information collected from in-field research to give the Agricultural Trade Office in Shanghai further insight into the local market.

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City Profiling Study of China

Hangzhou City

A custom report compiled by Euromonitor International for

USDA FAS

November 2016

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0. RESEARCH BACKGROUND

0.1 RESEARCH OBJECTIVE

U.S. Department of Agriculture ("the Client") engaged Euromonitor International to carry out a custom research study evaluating the market landscape of imported fresh food in the cities of Hangzhou, Nanjing and Wuhan. In order to meet the Client's specific research request, Euromonitor thereby proposed a customized market research program to cover required qualitative outputs.

0.2 RESEARCH COVERAGE

Hangzhou, Nanjing and Wuhan

0.3 RESEARCH METHODOLOGY

In compiling and preparing the Euromonitor Report, Euromonitor International used the following methodologies to collect information, validate the data and information collected, and cross-check each respondent's information and views against those of others:

- Secondary research which involved reviewing published sources including Municipal statistics and official sources such as Municipal Bureau of Statistics, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor International's own research database.

- Primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.

- Audits of major retail outlets.

The market research was completed in October 2016 and all statistics in the Euromonitor report are based on information available at the time of reporting. Euromonitor's forecast data comes from analysis of historical development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

0.4 ABOUT EUROMONITOR

Established in 1972, Euromonitor International is the world leader in strategy research for both consumer and industrial markets. Comprehensive international coverage and leading edge innovation make our products an essential resource for companies large and small, national and global. With offices around the world and analysts in 80 countries, the company is a leading provider of global market intelligence. Our products and services are held in high regard by the international business community and we have 5,000 active clients including 90% of the Fortune 500 companies.

1. MACROECONOMIC & SOCIODEMOGRAPHIC FACTS FOR HANGZHOU

1.1 SNAPSHOT

Table 1 Hangzhou: Key Facts

	Remarks
City Name （nick name, if available）	**Hangzhou** (Qiantang/Linan)
Administration Level	Prefecture-level city Second-tier city Capital city of Zhejiang Province Vice provincial-level city
Geographic Location	Hangzhou is in northwestern Zhejiang province. Its administrative area (sub-provincial city) extends west to the mountainous parts of Anhui province, and east to the coastal plain near Hangzhou Bay. The city center is built around the eastern and northern sides of the West Lake, just north of the Qiantang River. Hangzhou is conveniently located at the terminal of Jinghang Grand Canal, providing comprehensive water transport. Hangzhou covers a total area of 16,596 sq. km. with downtown area of 683 sq. km.
Natural Resources	Water: West Lake, Qiandao Lake, Qiantang River, and Grand Canal. Water covers approximately 8% of Hangzhou. Plants: Forest area spans 1635.27 million mu. Forest coverage rate is 64.77%.
Key Industries/Economic sectors	Pillar industries: IT, e-commerce, tourism, culture & recreation, financial services, advanced equipment manufacturing and biopharmaceuticals. Leading players and MNCs investing in Hangzhou include: Netease, Alibaba Group (IT); Nokia, Samsung (communications and IT); Wahaha Group (FMCG); Geely, Wanxiang, Bosch (auto and auto parts manufacturing).
Key Areas	Commercial districts: Wuling Square, Yanan Road; CBD: Wuling CBD, Huanglong CBD, Qianjiang CBD; Education communities: Xiasha college town, Xihu district Industrial Parks: Hangzhou Economic and Technological Development Area (HEDA), Xiaoshan Economic & Technological Development Zone, Zhejiang Hangzhou Export Processing Zone (HEPZ); Tourist attractions: West Lake, Lingyin Temple, Thousand Islet Lake.

Source: Hangzhou Bureau of Statistics, Hangzhou Tourism Commission and other government portals

1.2MACRO ECONOMY

Table 2 GDP Value Size and GDP Per Capita in Hangzhou, 2011-2015

	2011	2012	2013	2014	2015	H1 2016
GDP value, RMB billion	**703.7**	**783.3**	**839.8**	**920.6**	**1,005.4**	**502.1**
- ***Real GR %***	**10.1**	**9.0**	**8.0**	**8.2**	**10.2**	**10.8**
GDP per capita, RMB	**80,689**	**89,323**	**95,190**	**103,813**	**112,268**	
- ***Real GR %***		**8.4**	**7.4**	**7.7**	**9.1**	

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou

Table 3 Investment, International Trade Value and Domestic Retail Sales for Hangzhou, 2011-2015

	2011	2012	2013	2014	2015	H1 2016
FDI, USD billion	**4.7**	**5.0**	**5.3**	**6.3**	**7.1**	**3.2**
- *Real GR %*	**8.4**	**5.1**	**6.4**	**20.1**	**12.3**	**58.6**
Total investment in fixed assets, RMB billion	**310.5**	**372.2**	**426.4**	**495.2**	**555.6**	**252.0**
- *Real GR %*	**17.1**	**20.1**	**14.5**	**16.2**	**12.2**	**9.1**
Import trade value, USD billion	**22.5**	**20.4**	**20.3**	**18.8**	**16.5**	**-**
- *Real GR %*	**31.9**	**-9.0**	**-0.5**	**-7.2**	**-12.3**	**-**
Export trade value, USD billion	**41.5**	**41.2**	**44.8**	**49.2**	**50.1**	**-**
- *Real GR %*	**17.5**	**-0.6**	**8.5**	**9.8**	**1.8**	**-**
Total retail sales of consumer goods, RMB billion	**254.8**	**294.4**	**353.1**	**383.9**	**469.7**	**241.4**
- *Real GR %*						**-**
FDI, USD billion						
- *Real GR %*	**18.7**	**15.5**	**13.0**	**8.7**	**11.8**	**10.5**

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou

■ Hangzhou maintains robust double-digit GDP growth over the past five years

Hangzhou's GDP stood at RMB 1,005.4 billion in 2015, increasing by 10.2% over the previous year. The growth rate ranked first in Zhejiang Province, the second in all sub-provincial cities, and the figure is 3.3 percentage points higher than the national average. Hangzhou is among the top 10 Chinese cities by GDP value with GDP exceeding RMB 1 trillion. Despite decelerated economic growth nationwide, Hangzhou maintained dynamic expansion, with growth rate returning to over 10% after three years of single-digit growths. In comparison, first-tier cities such as Beijing and Shanghai only managed 6.9% GDP growth in 2015, while other new first-tier cities such as Suzhou maintained 7.5% growth. Hangzhou's strong economic development is attributable to its information technology industry. The information technology industry recorded added value of RMB 231.4 billion in 2015, up by 25%, and accounted for 23% of GDP, an increase of 4.9% over the previous year. Notably, the e-commerce and digital content industries have grown by 34.5% and 35.5%, respectively. The economy in Hangzhou has lifted itself from the traditional economic development model and shifted to a high-end economy mainly relying on promoting emerging industries.

In 2015, Hangzhou's GDP per capita reached RMB 112,268, equivalent to USD 18,025 based on current exchange rate. GDP per capita is up by 9.1% on year. According to the classifications of the World Bank, Hangzhou has reached the level of affluent cities in the country.

■ Hangzhou's tertiary sector rises to account for 58.2% of total GDP in 2015; service sector boosted by strong online retail sales

In 2015, Hangzhou's primary, secondary and tertiary sectors registered added value of RMB 28.8 billion, RMB 391.1 billion and RMB 585.5 billion, an increase of 1.8%, 5.6% and 14.6%, respectively. The industrial structure by the three sectors changed from 3.5%, 47.3%, and 49.2% in 2010 to 2.9%, 38.9%, and 58.2% in 2015. In the past few years, the shares of the secondary and tertiary sectors have continued to rise and the tertiary sector has become a dominant sector. The total retail sales of consumer goods was RMB 469.7 billion in Hangzhou, a real increase of 11.6%, reflecting a steady and healthy growth of retail goods consumption. It is worth noting that online retail sales registered remarkable growth of 42.6% on year to reach RMB 267.983 billion, while Hangzhou citizens' online consumption value was

RMB 111.9 billion, up by 38.2%.

Meanwhile, import trade has continued to decline with total import trade value of USD 16.5 billion (RMB 102.4 billion), decreasing by 12.3% (11.3%). Total export trade value was USD 50.1 billion (RMB 310.8 billion), increasing by 1.8% (2.9%). Export has been stable, reflecting a gradual shift from the previous economic development model relying on foreign trade to a model relying on promoting the secondary and tertiary sectors to make industrial structure more reasonable.

■ Robust economic development support by strong growth in tourism and e-commerce

The top ten industries in Hangzhou are culture and recreation, leisure and tourism, financial services, e-commerce, information software, advanced equipment manufacturing, internet, biopharmaceuticals, energy conservation and environmental protection and new energy. Tourism is one of Hangzhou's pillar industries, with added value standing at RMB 71.9 billion in 2015, an increase of 12.8% on year. Total tourist income reached RMB 220.1 billion, an increase of 16.7%. The number of inbound tourists was 3.42 million, increasing by 4.7%.

In addition, as the birthplace of Alibaba Group Holdings Ltd. ((NYSE: BABA), the worldwide leading player in e-commerce, and NetEase, an internet company, Hangzhou witnessed strong development in the e-commerce and information technology industries. Total added value of the information economy reached RMB 231.4 billion, up by 25%, accounting for 23% of total GDP value. E-commerce and the digital content industry grew by 34.5% and 35.5%, respectively.

■ Hangzhou exerts magnetic effect on surrounding cities of Xiasha, Linping, Ningbo and Wenzhou

As a sub-provincial city, Hangzhou has radiating effects on surrounding towns such as Xiasha and Linping as well as surrounding cities such as Ningbo and Wenzhou. Holding more than a dozen universities, Xiasha College Town provides Hangzhou with relevant talent support. It also has an industrial park accommodating many companies and factories. Ningbo Port in Ningbo is an important port offering Hangzhou access to overseas trade. Small and medium-sized cities including Wenzhou and Yiwu can provide many commodity manufacturers for Hangzhou with notable price advantages. The General Plan of Hangzhou City (2001-2020) (revised in 2016) states that the city government will further strengthen its cooperation with Shanghai, Ningbo and other surrounding cities and play a leading role in Zhejiang Province as well as southern Yangtze River Delta.

■ 13th FYP: Hangzhou to further commit to the building of world famous "internet city"

According to the 13th FYP, Hangzhou will continue to adhere to its strategy of building an "Internet City", expanding Alibaba Group's effect to drive its information economy and intelligent industrialization. Meanwhile, Hangzhou will lift itself from the traditional development model relying on foreign trade, develop vigorously cross-border e-commerce, and accelerate the construction of the Cross-border E-commerce Comprehensive Pilot Area. The city will continue to utilize the advantages of its tourist resources and develop itself into a tourist city. Hangzhou will also commit to improving its urban infrastructure system, building a resource-saving and environmentally friendly city. It will plan its urban infrastructure construction in line with the concept of green recycling and low carbon. It will further improve highway, waterway, railway, airport and other transportation infrastructure, strengthen transportation integration in the city and between the city and the surrounding cities, and optimize the Yangtze River Delta metropolitan area transportation network. By 2020, per capita GDP and income of urban and rural residents in Hangzhou are all expected to double the 2010 level.

1.3 DEMOGRAPHICS

Table 4 Population in Hangzhou, 2011-2015

	2011	2012	2013	2014	2015	CAGR 11-15
Total population, permanent, million	8.74	8.80	8.84	8.89	9.02	0.8%
Total Population, registered (with Hukou), million	6.96	7.01	7.07	7.16	7.24	1.0%
- Male population, million	3.49	3.51	3.53	3.57	3.61	0.8%
- Female population, million	3.47	3.50	3.53	3.59	3.63	1.1%
- Urban population, million	6.46	6.54	6.62	6.68	6.79	1.3%
- Rural population, million	2.28	2.26	2.22	2.21	2.23	-0.6%
- Urban population as of total, %	73.9	74.3	74.9	75.1	75.3	-
- Aged <=18 YL, million	1.05	1.06	1.07	1.10	1.12	1.6%
- Aged between 18-60 YL, million	4.67	4.65	4.63	4.61	4.59	-0.4%
- Aged > 60 YL, million	1.24	1.30	1.37	1.45	1.52	5.2%
- With education level of university and above, million	-	-	-	-	-	-

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou, China's 6th Population Census

■ Higher urbanization rate with a large universe of well-educated population

At the end of 2015, resident population in Hangzhou was 9.018 million, an increase of 126,000 over the same period in the previous year, among which urban population was 6.7906 million, accounting for 75.3%, up by 0.2 percentage points over the year before. Over the past five years, the share of urban population has increased steadily year by year, reflecting a continuous process of urbanization.

According to China's 6th population census, Hangzhou had a permanent population of 8.7 million in 2010, accounting for 16% of the provincial total. As compared with the findings of the 5th census conducted in 2000, its permanent population increased by 26.5%, representing an annual growth of 2.4% on average. Among its permanent population, about 51.2% were males; and 11.4% were aged between 0 and 14, 75.2% between 15 and 64, and 13.4% above 65.

Among the permanent population, 18.9% have a university education, 19.9% have senior high school education, 41.7% have junior high school education, and 31.8% have primary school education. As compared with the findings of the 5th population census conducted 10 years earlier, the proportion of Hangzhou's residents with a university education has risen from 7,206 to 18,881 per 100,000 people.

According to the 6th population census (2010), there were 2.97 million households in Hangzhou, each with 2.59 persons on average, which was 0.39 person less than that of 10 years earlier.

■ Net inflow of population on Influx of students and migrant workers from surrounding cities

In 2015, Hangzhou attracted a net inflow of population of 50,796, higher than 43,766 in 2014 and 29,036 in 2013. Hangzhou witnessed a notably increasing inflow of population year by year. The main industries in Hangzhou have attracted a significant number of migrant workers from surrounding provinces and cities to work in Hangzhou. In addition, the rich education resources in Hangzhou have attracted students from all over the country. The developed tourist industry and the good living environment have also attracted many people to live in Hangzhou.

■ Foreign population mainly composed of employees of foreign enterprises and students

According to government sources, as of July 2016, Hangzhou has an estimated 6,200 international residents in its central urban districts (excluding Xiaoshan, Yuhang and Jiangdong). Particularly, Xiasha district is home to significant population of foreign residents. Trade sources estimate Hangzhou's total foreign population at approximately 10,000. The foreigners living in Hangzhou are mainly from the U.K., the U.S., Germany and other countries in Africa and South America. The majority of the foreign population are employees in foreign enterprises their families, followed by students.

Meanwhile, Hangzhou is actively improving its municipal facilities for its foreign resident population. According to the Hangzhou Health and Family Planning Commission, foreign resident population is estimated to reach 20,000 in 2017.

1.4CONSUMER AFFLUENCE

Table 5 Income and Expenditure in Hangzhou, 2011-2015

	2011	2012	2013	2014	2015	CAGR 11-15
Disposable income per capita, urban, RMB	34,065	37,511	40,925	44,632	48,316	9.1%
Disposable income per capita, rural *, RMB	15,245	17,017	18,923	23,555	25,719	14.0%
Consumer expenditure per capita, urban, RMB	22,642	22,800	24,833	32,165	33,818	10.5%
- Consumer expenditure on food per capita, RMB	8,355	8,470	8,528	8,688	9,171	2.4%
-Engel's coefficient for urban households, %	36.9	37.1	34.3	27.0	27.1	-
- Consumer expenditure on medical & healthcare per capita, RMB	1,027	1,159	1,265	1,708	2,002	18.2%
- Consumer expenditure on entertainment, education and services, RMB	2,614	2,976	2,934	2,998	3,141	4.7%
Consumer expenditure per capita, rural, RMB	12,125	13,612	14,600	17,816	19,334	12.4%
- Consumer expenditure on food per capita, rural, RMB	4,076	4,455	4,530	5,091	5,358	7.1%
-Engel's coefficient for rural households, %	33.6	32.7	31.0	28.6	27.7	-
CPI increase, %	4.8	2.5	2.5	2.0	1.8	-
- CPI increase % on food	10.7	5.7	4.2	2.9	2.8	-

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou

** Disposable income numbers for rural population prior to 2013 are based on net income per capita, while figures since 2013 onwards are adjusted to disposable income per capita.*

■ Per capita disposable income of urban households far exceeds national average, ranks top 10 across domestic cities

In 2015, urban household disposable income per capita was RMB 48,316 in Hangzhou, an increase of 8.3% over the previous year and a real increase of 6.4%, significantly (or 50%+) higher than the national average (RMB 31,195). The figure is ranked top 10 across domestic cities. Rural household disposable income per capita was RMB 25,719, an increase of 9.2% on year. Urban consumer expenditure per capita was RMB 33,818, up by 5.1% over the previous year and rural consumer expenditure per capita was RMB 19,334, up by 8.5%. Of the eight main categories of consumer expenditure, urban consumer expenditure on medical and healthcare experienced a greater growth rate of 17.2%, while rural consumer expenditure on transportation and communications grew fastest at a rate of 18.3%. The rise of expenditure on medical and healthcare reflects the improvement of living standards of residents and increasing health awareness.

1.5 CITY INFRASTRUCTURE AND LOGISTICS

Table 6 Overview of City Infrastructure in Hangzhou, Current

	2015	Current	Remarks
Number of train stations	**3**	**3**	**-**
- **Number of train stations for CRH**	**3**	**3**	**-**
Number of airports, civil	**1**	**1**	Xiaoshan Airport (萧山机场) Passenger traffic in 2015: 28.4mn
- **Number of international airports**	**1**	**1**	**-**
- **Number of airports under construction/planning**	**-**	**-**	**-**
- Number of domestic airlines	**196**	**196**	**-**
- Number of international airlines	**32**	**32**	- **-**
Number of inbound tourists, million	**3.4**	**-**	**-**
Mileage of expressway, km	**615**	**-**	- **-**
Mileage of 1st-grade highways, km	**16,210**	**-**	- **-**
Number of cinemas	**90**	**-**	**-**
Number of museums	**1**	**-**	**-**
Number of theatres	**11**	**-**	**-**
Number of parks	**217**	**-**	**-**
Number of theme amusement parks	**4**	**-**	**-**
Number of public greenland areas, sq. km	**204.6**	**-**	**-**
Number of sports fields	**53**	**-**	**-**
- **Number of large sports stadiums** *	**15**	**-**	**-**
Number of hospitals	**244**	**-**	**-**
-General hospitals	**121**	**-**	**-**
-A-Graded hospitals	**5**	**-**	**-**
-TCM hospitals	**29**	**-**	**-**
-Specialist hospitals	**81**	**-**	**-**
Number of foreign-invested private healthcare service providers	**1**	**-**	Hangzhou Aid Hospital (Sino-foreign JV)
- **Specialist hospitals**	**1**	**-**	Amcare (Women and children's hospital)
- **Dental clinics**	**11**	**-**	**-**
Number of universities	**39**	**-**	**-**
Number of mid-schools	**318**	**-**	**-**
Number of primary schools	**443**	**-**	**-**
- **Number of international schools**	**17**	**-**	**-**
Number of 3-star & above hotels	**186**	**-**	**-**
- **Number of 5-star hotels**	**24**	**-**	**-**
Number of 5-A tourist attractions	**3**	**-**	**-**

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou, Municipal Culture, Sports, Tourism, Transportation, Medical & Healthcare, Education Statistical Yearbooks of Hangzhou, etc.

■ Hangzhou is home to multi-transportation network and advanced public transit

Hangzhou has an extensive network of transportation. Hangzhou enjoys convenient transportation via airlines, highways and seaways. Hangzhou is situated 155 km away from Ningbo Port and 173km away from Shanghai Port. The city currently has one airport, Xiaoshan

International Airport. Hangzhou Xiaoshan International Airport's passenger throughput reached 28.35 million in 2015, ranking among the top 10 in China. As of end 2015, Hangzhou Xiaoshan International airport operates 32 international airlines, which was 4 more over the previous year.

In railway network, the city's main station, Hangzhou East Railway Station, is one of the largest railway stations in Asia. It is one of the biggest rail traffic hubs in China, consisting of 15 platforms that house the High Speed CRH service to Shanghai, Nanjing, Changsha, Ningbo, and beyond. Hangzhou East Railway Station connects three important railroad lines of the country: Shanghai-Kunming Railraod, Hangzhou-Xuancheng (Anhui Province) Railroad and Hangzhou-Ningbo Rairaod. Additionally, Hangzhou has two other railway stations offering passenger services, namely Hangzhou Railway Station and Hangzhou South Railway Station. The latter is under reconstruction and is expected to reopen in 2017.

In water transport, Hangzhou is served by an extensive waterway system of the Jing-Hang Canal and Qiantang River.

Moreover, Hangzhou is known for its advanced public transit composed of a modern fleet of public bikes, trolley bus, hybrid bus and taxi. Its extensive Bus Rapid Transit network expands from downtown to many suburban areas through dedicated bus lanes on some of the busiest streets in the city. Hangzhou is the first Chinese city to introduce a 'public bicycle' program. The bikes are provided by local public transport companies and people can use public bikes for free via their citizen cards. Further, Hangzhou's first subway line was put into operation in late 2012.

■ Rich cultural, recreational and education resources

Hangzhou boasts a long history and a profound cultural background, hosting 21 professional and diverse performing arts groups and 15 cultural centers. Hangzhou's culture and recreation industry registered total added value of RMB 223.2 billion in 2015, increasing by 20.4% from the previous year.

In terms of entertainment and sports, basic entertainment and sports facilities are exceptional with over 50 sports stadiums, including 13 large sports venues, enough to meet the needs of residents for fitness. Residents pay great attention to daily exercise. According to the statistics of the 2014 Zhejiang National Fitness Survey Bulletin and 2014 Zhejiang National Physique Monitoring Bulletin released by Zhejiang Province Sports Bureau, 35.8% of people have regular physical exercise in Zhejiang Province and 40.2% are in Hangzhou, marking the highest proportion. Hangzhou has hosted a series of sports events, including Hangzhou International Marathon. Additionally, Hangzhou has won a bid to host the 2022 Asian Games.

In terms of education, Hangzhou is home to the largest number of institutions of higher learning in Zhejiang Province, including top universities like Zhejiang University (浙江大学). According to Hangzhou's Bureau of Statistics, as of end 2015, the city has 39 universities with total student body of 475,600 people. Among them, graduate students totaled 50,200.

■ Government aims to build Hangzhou into an international portal in Asia Pacific

According to the 13th FYP, Hangzhou will accelerate the construction of an international regional transportation hub, a modern comprehensive transportation system, a comprehensive national transportation service demonstration city and an important international portal in the Asia-Pacific region. It will speed up the construction of a comprehensive international airport hub in Hangzhou and increase international airlines. It will build Hanghuang (Hangzhou-Huangshan) Railway and Hangzhou intercity railway network, and strive to include Hangzhou-Wuhan High-speed Railway in the national plan. It will basically complete the construction of around-city expressway west line (Hangzhou section), Qianhuang (Qiandaohu-Huangshan) Expressway, Linjin (Lin'an-Jinhua) Expressway, and speed up the construction of Hangshaoyong (Hangzhou-Shaoxing-Ningbo) Expressway and national and provincial highways. It will also strengthen its strategic cooperation with Ningbo Zhoushan Port and Shanghai Port to push forward the construction of main cross-border canals like the expansion of the Beijing-Hangzhou Grand Canal.

Meanwhile, Hangzhou will accelerate the construction of a comprehensive cross-border e-commerce pilot area, create a national cross-border e-commerce entrepreneurship and innovation center, service center and big data center, build a complete cross-border e-commerce industrial chain and eco-chain, and open new channels to the outside world.

Table 7 City Logistics Details

	Description
Seaports nearby	Shanghai Port (173km away) Ningbo Port (155km away)

Main railways	Shanghai-Kunming high-speed rail (Zhejiang-Jiangxi section, Shanghai-Hangzhou section), Nanjing-Hangzhou-Ningbo high-speed rail, Xiao Yong railway (Hangzhou, Zhejiang Province-Ningbo, Zhejiang Province), Xuan Hang railway (Xuancheng, Anhui Province-Hangzhou, Zhejiang Province), Hangzhou-Ningbo Passenger Dedicated Line.
Main highways & roads	Hangzhou has a huge network of roads, including National Highways 104 and 320, as well as Shanghai-Hangzhou Expressway. There are 581.68 km of highways in Hangzhou.
Key water transport network	Hangzhou is the end port of the Beijing-Hangzhou Grand Canal.
Airports	Hangzhou Xiaoshan International Airport; Hangzhou is 170km and 215km away from Shanghai Hongqiao International Airport and Pudong International Airport, respectively.
Trade Zones	(1) Hangzhou Economic & Technological Development Zone Yindu Mansion Xiasha, HEDA Tel: 86-571-86871919 Fax: 86-571-86871918 Website: www.heda.gov.cn (2) Hangzhou Export Processing Zone Yindu Mansion (Xiasha), Hangzhou Economic and Technological Development Zone, Hangzhou Tel: 86-571 86714100 ,86736887 Fax: 86-573 86911747 Website: www.heda.gov.cn (3) Hangzhou Hi-Tech Industrial Development Zone Binjiang District Administration Center, Jiangnan Ave., Binjiang District, Hangzhou Tel: 86-571-87702451 Fax: 86-571-87702384 Contact: Zheng Li Web site: www.hhtz.com

Source: Municipal Statistical Yearbook of Hangzhou, Government portals, etc.

■ Majority of imported commodities made up of high-tech products

The majority of Hangzhou's imports are made up of high-tech products. In January-August 2016, 21.5% of Hangzhou's total imports are high-tech products, which stood at RMB 14.7 billion in total value, according to local custom. Agricultural products accounted for 7.0% of total import value, reaching RMB 4.8 billion, an increase of 20.9% on year. Foreign trade in Hangzhou and Zhejiang Province as a whole is expected to increase in the future following healthy development of the cross-border e-commerce pilot zone in Hangzhou.

1.6RETAIL AND FOODSERVICE REVENUE

Table 8 Sales Revenue of Retail and Foodservice, in Hangzhou, 2011-2015

	2011	2012	2013	2014	2015
Total retail sales of consumer goods, RMB billion	254.8	294.5	353.1	383.9	469.7
Real GR %	13.7	13.3	11.3	7.8	11.6
- **Non-store based retail sales, RMB billion**	-	-	-	208.8	268.0
Real GR %	-	-	-	37.0	42.6
-Online retail sales, RMB billion	-	-	-	90.0	111.9
Real GR %	-	-	-	38.5	38.2
- **Retail sales of wholesale and retailing, RMB billion**	22.7.4	263.0	316.2	345.1	424.2
Real GR %	18.4	15.6	14.3	9.1	12.3
-Sales of wholesale, RMB billion	-	-	-	-	-
Real GR %	-	-	-	-	-
-Sales of retailing, RMB billion	-	-	-	-	-
Real GR %	-	-	-	-	-
- **Retail sales of lodging and foodservice, RMB billion**	27.3	31.4	36.9	38.8	45.6
Real GR %	21.6	14.9	13.3	5.5	7.4
- **Growth rate % for retail sales of oil & food by scaled companies**	-	-	-	14.6	18.5
- **Growth rate % for retail sales of communications by scaled companies**	-	-	-	1.0	-
- **Growth rate % for retail sales of medical & healthcare by scaled companies**	-	-	-	16.5	10.0
- **Growth rate % for retail sales of sports & entertainment by scaled companies**	-	-	-	-	-
- **Growth rate % for retail sales of cars by scaled companies**	-	-	-	-5.6	7.1

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou

■ Retail sales of consumer goods expand 11.6% on year in 2015 on strong consumption level

Total retail sales of consumer goods in Hangzhou increased from RMB 254.8 billion in 2015 to RMB 469.7 billion in 2015, marking a CAGR of 16.5%. The real growth rate was 11.6% in 2015 after deducting price factors, higher than the national average by 1 percentage point. Hangzhou has experienced stable economic development and constant upgrades of consumption in recent years. Hangzhou's income per capita and expenditure are much higher than the national average. Among wholesale and retailing by scaled companies, jewelry, cosmetics, books and magazines increased by 12.6%, 13.8% and 18.7%, respectively, 0.8%, 2.0% and 6.9% higher than the city's total retail sales of consumer goods. With the development of internet technology and the change of consumption model, online retailing has grown rapidly. Online retail sales in Hangzhou jumped by 42.6% on year to reach RMB 267.9 billion in 2015, ranking the first in Zhejiang province.

■ Online retailing jumps by 42.6% in 2015, accounts for more than half of total retail sales

Online retailing has developed rapidly in Hangzhou. In 2014, its online retail sales were RMB 208.8 billion, an increase of 37%, of which residents' online spending accounted for RMB 89.9 billion, an increase of 38.5%. In 2015, the State Council approved the set-up of China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Area. In the same year, online retail sales were RMB 267.9 billion, an increase of 42.6%, of which Hangzhou residents' online spending was RMB 111.9 billion, an increase of 38.2%. Online retailing has developed at an accelerating rate and its share as a percentage of the total retail sales of consumer goods rose from 54.4% in 2014 to 57.1%. Online retailing remains a huge market in Hangzhou.

It is worth noting that Hangzhou-based Alibaba Group has great impact on consumers in Hangzhou. The popularity of online shopping, O2O integration ("smart" departments and shopping malls) and developed logistics (provision of free delivery service within Zhejiang, Jiangsu and Shanghai) stimulate local consumers' interests in online consumption.

■ Retail sales of wholesale & retail post 12.3% growth in 2015; lodging and foodservice records 7.4% expansion

Total retail sales of wholesale and retailing in Hangzhou were RMB 424.2 billion in 2015, reflecting a growth rate of 12.3%, 3.2% higher than that of the previous year. Total sales of lodging and foodservice were RMB 45.6 billion growing at a rate of 7.4%, 1.9% higher than that of the previous year. Faced with a decline in consumption in public funds and high-end business, the lodging and foodservice sector has developed middle-end business, actively explored new O2O models and gradually recovered. Despite the negative impact of a slowdown in economic growth both at home and abroad, fierce market competition and a decline in bulk commodity consumption demand, the market has maintained overall moderate growth.

■ Furniture retail sales post strongest growth on recovery in housing market; oil and food categories register steady development

By categories, furniture and home appliances registered strong development in 2015 on support of recovery in the housing market. Total retail sales of furniture and home appliances by scaled companies grew 65.8% and 29.5% respectively. Meantime, daily necessities such as oil and food maintained steady growth of 18.5% while beverages and alcohol pronounced 46.6% growth, reflecting strengthening consumption power. Additionally, consumption developed trends of personalization and diversification. Meanwhile, the medical and healthcare sector grew at an annual growth rate of 10% as a result of growing health awareness. Overall, communications, education and recreation, as well as healthcare accounted for a third of total consumption.

Table 9 Number of Business Entities, Employment in Retail and Foodservice Industries in Hangzhou, 2013

Y2013	# of Business Entities	# of Employed （'000 people	Total Assets (RMB billion)
Wholesale & retailing	3,980	275.1	750.6
- Retailing	1,194	118.1	120.5
-Mixed retailing	124	40.8	40.8
-Food, beverage, and tobacco	105	4.7	2.3
-Culture and sports	55	4.0	4.2
-Medical & medical instruments	79	7.7	5.2
-Kiosk, non-store based and others	145	9.1	6.9
Lodging & foodservice	894	101.0	45.0
- Foodservice	477	59.7	12.4
-Full-service restaurants	433	32.7	10.2

Source: The municipal statistics bulletin of 3rd Economic Census in 2013

1.7 CITY PLANNING

■ Hangzhou targets mid-to-high speed GDP growth in 2016-2020; to build high-tech industrial base and international e-commerce center

Hangzhou aims to maintain mid- to high-speed economic growth through 2020 and achieve the goal of doubling regional GDP value, GDP per capita and incomes of urban and rural residents from 2010 level (2010: GDP was RMB 594.6 billion, GDP per capita was RMB 68,398, urban household disposable income per capita was RMB 30,035 and rural household net income per capita was RMB 13,186). The municipal government aims to enhance the city's comprehensive economic strength, international competitiveness and sustainable development capability.

Hangzhou has actively transformed its industrial structure, increased its R&D spending and become a leading player in industrialization and information integration. Over 2016-2020, the city will vigorously develop high-end manufacturing industries of new energy vehicle, biopharmaceuticals, high-grade digitally controlled machine tools, integrated circuit, and accelerate the development of strategic emerging industries including robots, aerospace components and additive manufacturing. Further, the city will support e-commerce and IT development.

In terms of urban development, Hangzhou will build a high-tech industrial base, an international tourist and leisure center, an international e-commerce center, a national culture and recreation center and a regional financial services center. It will enhance its international competitiveness and rely on G20 Summit and post-summit strategy to enhance its international reputation and its influence in global urban networks.

Additionally, Hangzhou will build two city-level business centers including Qianjiang New City-Qianjiang Century City and Canal Bank High-end Business Zone and 6 city-level business sub-centers including Xiasha and Jiangnan during the 13th FYP period. In addition, it will enhance 7 regional business centers including the western part of the city, expand the canal bank high-end business zone, and cultivate 6 city-level business sub-centers including Xiasha.

In terms of investment and infrastructure construction, Hangzhou has outlined 599 major provincial construction projects with a total investment of about RMB 8.4 trillion, including the Hangzhou Cloud Valley Project, Hanghuang (Hangzhou-Huangshan) Railway Project, Hangzhou Modern Tram Project, Alibaba E-commerce Industry Base and Hangzhou International Trade City Project.

In terms of talent recruitment, Hangzhou will form a team of scientific and technological leaders and strategic scientists with significant innovation capability. It will further implement academic-related projects, build 100 service centers for provincial academicians and experts and contract over 400 academicians (with over 5% of overseas academicians). The city will improve the provincial expert system and continue with its major talent projects such as Thousand Talents Program and 151 Talents Program.

1.8 CUSTOMS AND PRACTICES

■ Hangzhou has long history of tea culture, famous for Dragon Well tea (Longjing tea)

Hangzhou has been a tea planting area since ancient times and has been reputed for its Dragon Well tea, also known as Longjing tea. This tea variety is often called the national drink of China and is frequently given as a gift to visiting heads of state. Dragon well tea Village is located southwest of West Lake scenic area, surrounded by mountains, trending from north to south, and the village resident population of about 800 people.

1.9 OTHERS

Table 10 List of Tourist Attractions in Hangzhou

Tourist Attraction	Event Description
West Lake (西湖)	A lake covering 5.68 square kilometers (about 1,404 acres) held in the embrace of hilly peaks on three sides.
Grand Canal (京杭大运河)	The Grand Canal, 1,764 km in length, is the longest man-made waterway as well as being the greatest in ancient China, running from Hangzhou, Zhejiang Province in the south to Beijing in the north of China and connecting different river systems.
Ling Yin Temple (灵隐寺)	Temple of Soul's Retreat is one of the ten most famous Buddhist temples of China. The presence of the temple can be traced back to the Eastern Jin Dynasty (317 - 420AD)
China National Silk Museum (中国丝绸博物馆)	The first state-level professional silk museum in China as well as the biggest silk museum throughout the world.
Thousand Islets Lake (千岛湖)	With 81% of the area covered in forests, Thousand Islets Lake is a young lake formed in 1959 as a result of the construction of New Anjiang Hydroelectric Power Station. It is a lake with 1078 islets

Source: Hangzhou Tourism Commission and other government portals

Table 11 List of National of International Events in Hangzhou

Exhibitions/Trade Shows	Time	Event Description
G20 Summit	2016	An international forum for the governments and central bank governors from 20 major economies.
The Computing Conference	2016	A conference covering over 100 forums and 500 speeches on themes including artificial intelligence, virtual reality, robotics, unmanned aerial vehicles, and the Internet of Things.
Global Hedge Fund West Lake Summit	2015	An international forum for the exchange and cooperation of top hedge-funds in international capital market and representative Chinese PE institutions.
Sports events	**Time**	**Event Description**
Asian Games	2022	A Pancontinental multi-sport event held every four years among athletes from all over Asia.
FINA World Swimming Championships	2018	World Championships for aquatics sports: swimming, diving, high diving, open water swimming, synchronized swimming, and water polo.
Hangzhou International Marathon	2016	One of the oldest marathon event in China, covering full and half marathon, mini marathon, couples run and a kids/family run.

Source: West Lake International Expo Hangzhou and and government portals

0. RETAILING SECTOR 'DEEP DIVE' FOR HANGZHOU

■ Hypermarket and supermarket sectors dominated by local brands

Hangzhou's retailing sector is marked by presence of numerous local and foreign retailing brands. Local brands Lianhua (Century Mart and Lianhua Supermarket), Wu Mart and Vanguard enjoy relatively higher market presence due to their diversified channel formats. As of October 2016, Lianhua has 25 hypermarket outlets, 35 supermarket outlets and 44 convenience store outlets in Hangzhou. Wu Mart has 14 hypermarket outlets and 5 supermarket outlets, while China Resources Vanguard has 10 hypermarket outlets, 2 supermarket outlets and 70 convenience stores. Other local brands with operations in Hangzhou are Yonghui and Hangzhou Sanjiang. On the other hand, foreign brand hypermarkets trail behind their local counterparts in outlet distribution. Foreign hypermarket brands currently operating in Hangzhou include Walmart, RT-Mart, Metro, Carrefour and Auchan. Combining the brands of Sam's Club warehouse club brand and Trust-Mart, Walmart operates a total of 6 outlets in Hangzhou. On the other hand, RT-Mart has 5 outlets, Metro has 2 outlets, Carrefour and Auchan each has 1 outlet.

Hit by intense competition from e-commerce, hypermarket brands including Walmart, Carrefour and Metro are noted adopting a variety of O2O platforms integrating online and offline business to enhance competitiveness. On the other hand, small and medium-sized local supermarkets have yet to roll out effective measures to tackle the impact of e-commerce. Meanwhile, with accelerating economic development and changing consumer demand for, hypermarket and supermarket operators are noted adjusting their product offerings by lowering the stocks of non-food commodities such as household appliances and increasing their selection of fresh food products.

In the convenience store universe, Hangzhou has foreign brands of Family Mart, Watsons, C-Store, Lawson and Mannings. Foreign brand convenience stores differentiate themselves from local counterparts with a selection of higher quality product offering including imported goods and ready-to-eat meals. Meanwhile, local brands are typically favored by consumers for their lower pricing. Local brands are led by China Resources Vanguard CVS with 70 outlets and Lianhua Kuaike with 51 outlets.

Lianhua Supermarket, a subsidiary of Shanghai-based Bailian Group, was established in 1991 and has since then developed into a nationwide chain retail operator through organic growth, franchises and merger and acquisitions. The Group operates three main types of retail outlets, namely hypermarkets, supermarkets and convenience stores, catering to the diverse needs of consumers. These segments operate under the brand names of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik", respectively. As of October 2016, Lianhua has 25 hypermarket outlets, 35 supermarket outlets and 44 convenience store outlets in Hangzhou. Lianhua commands an estimated 10% share of the grocery retailing market in Hangzhou in 2015.

RT Mart International is a Taiwan-based hypermarket chain. RT Mart and Auchan made a joint venture, Sun Art Retail Group. As of October 2016, there are 335 RT-Mart outlets across China, with 5 hypermarket outlets and 1 supermarket outlet in Hangzhou. RT Mart has an estimated 13% share of the grocery retailing market in Hangzhou in 2015.

■ Hypermarkets and supermarkets offer broad selection of imported food products

Imported foods are typically sold in hypermarkets and supermarkets. Leading brands such as Walmart and RT-Mart have offerings of imported fruits, meat and aquatic products, dairy, nuts and wine products. Local boutique stores are typically specialty stores offering a few product categories such as imported wine. Convenience stores usually have offerings of imported dairy products, nuts and wines.

■ Cross-border e-commerce platforms to play greater role in the future

It is estimated that Hangzhou will have more cross-border e-commerce off-line platforms. According to China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Area Development Plan released by the Hangzhou municipal government, Hangzhou will boast over 5,000 cross-border e-commerce industry chain enterprises and over 10 cross-border e-commerce industrial parks in 2017. Exports through cross-border e-commerce in the comprehensive pilot area will reach USD 30 billion and imports USD 10 billion, among which exports of Hangzhou will be 6 billion USD and imports 4 billion USD. The government is vigorously supporting and building cross-border e-commerce with great policy support. Currently, the O2O model is very popular and Choice Xixuan Import Commodity Marketing Center adopts this kind of model. Major factors of success lie in that: 1) free-trade and duty-free commodities enjoy the advantage of relatively low prices. 2) the O2O model enables consumers to experience commodities directly and have more options. In addition, many suppliers support ordering online and home delivery, which is very convenient. 3. imported products have the advantage of quality and are increasingly favored by domestic consumers.

Table 12 Major Modern Grocery Retailers and the Outlet Number in Hangzhou, Current

Store type	Name of retailer	HQ location in China	# of outlets in the city	Positioning	Imported fresh foods

Hypermarket	Walmart	Shenzhen	3	Mass-end	Fruits: Apples from Chile, U.S; oranges from Australia, South Africa Dairy: White milk from New Zealand (Fonterra), France (Président) Meat: U.S. (Tyson)
	Carrefour	Shanghai	2	Mass-end	Fruits: Apples from Chile; avocados from Mexico Dairy: Arla from Germany, Emmi from Switzerland Meat: Tyson from the U.S.; Angus beef from Australia
Hypermarket/ Supermarket	Wu-Mart	Beijing	18	Mass-end	Fruits: Apples from the U.S. Dairy: Arla from Germany
Convenience Store	Family Mart		106	Mass-end	Dairy: Lotte from South Korea
Boutique Grocery Store	Cheers瑞品齐饮葡萄酒	Hangzhou	1	Mid- to high-end	Wines

Source: Euromonitor estimates from desk research, retailer website analysis and primary fieldwork

*Note: **Hypermarket** refers to chained or independent grocery retail outlets with a typical selling space of over around 3,000 square meters which are frequently located in out-of- town sites or as the anchor store in a shopping center and with a primary focus on selling food/beverages/tobacco, other groceries, as well as a range of non-grocery merchandise such as consumer appliances, toys, magazines, etc. Examples of hypermarket brands in the PRC include Carrefour, Walmart, Tesco, Auchan. For the avoidance of doubt, the term "hypermarket" shall exclude cash and carry, warehouse clubs and mass merchandisers.*

***Supermarket** refers to chained or independent grocery retail outlets (excluding discounters, convenience stores and independent grocery stores) exhibiting a broad offering of groceries including fresh food (e.g. vegetables, fruits, meat), as well as a limited offering of non-grocery products such as health and beauty products, electronics and appliance products, etc. Supermarkets are widely located in residential neighborhoods, central business districts and commercial areas, railway stations, schools, etc., with a typical selling space of between approximately 400 and 3,000 square meters. For some store outlets with a selling space less than about 400 square meters, but exhibiting main operating characteristics of the supermarket retail format, such as mainly selling grocery products, including fresh food (e.g. vegetables, fruits, meat), and with regular and limited operating hours (different from convenience stores which usually exhibit extended operating hours) can be included in the supermarket category. Examples of supermarket brands in China include Lianhua, CR Vanguard, NGS-mart, Jia Jia Yue, Wenfeng, Wumart, etc. For the avoidance of doubt, the term "supermarket" shall exclude discounters, convenience stores and independent grocery stores.*

***Convenience store** refers to chained grocery retail outlets with extended working hours selling a wide range of groceries, usually handling two or more of the following product categories: audio-visual goods, take-away food, newspapers or magazines, cut flowers or potted plants, greeting cards. Convenience stores are usually located in residential neighborhoods, central business districts and commercial areas, metro and railway stations, schools, etc. with a typical selling area of less than around 400 square meters.*

***Vanguard stores** include the super/hypermarkets and fresh marts under the Vanguard brand, while its OLE' and BLT store are grouped into Boutique Stores.*

***Walmart stores** include both Walmart and Trust-mart outlets, excluding **Sam's Club** which is classified as a warehouse club rather than super/hypermarket.*

■ Gift-giving during holidays drives wine consumption

Local wine consumption can be classified into two scenarios, namely, gifts during holidays and for drinking on non-holiday occasions. In the retail channel, most are domestic wines followed by those from France and Italy, at a price of RMB 50-300. Most are red wines, from old world producing countries with vintage of 5 years. Popular brands include Changyu (China), Great Wall (China), Grand Dragon (China), Lafite (France), Jacob's Creek (France) and Valentino (Italy). Over the past few years, red wine has experienced explosive growth. Zhejiang Mage West Lake Restaurant was opened in Hangzhou in 2011 as a sales platform in China for French Bordeaux wine, reflecting local consumers' preference for French wine.

Imported brands are well received for their reputable brands and quality tastes. French wine is particularly popular in the high-end segment. The majority of consumers prefer French wine and other high-end wine products for gift giving.

On the other hand, domestic brands appeal to a large consumer group with its affordable pricing. Moreover, domestic products are widely distributed across different distribution channels from hypermarkets to specialty stores.

■ E-commerce development expands access to more imported wine offerings

With the development of cross-border e-commerce in recent years, the procedures for purchasing overseas products have been significantly simplified and the duration has been shortened, which has not only reduced the cost of imported wine, but also attracted more consumers to purchase. In addition, Hangzhou has continued to promote internationalization, geared itself to international wine consumption, and strengthened consumers' preference for imported products. In the process of internationalization, foreign culture, especially foreign wine culture, will increase consumers' preference for imported wine. In the meantime, domestic brands have experienced sound growth and maintained competitiveness in the middle-end market. The diversification of products with more imported products and other drinks will reduce consumers' choices in wine.

■ Hypermarkets and supermarkets lead modern grocery retailers

Table 13 Est. Retail Sales Share (%) of Imported Fresh Food for Modern Grocery Retailers, Current

Store type	Sales Share (Value %)	Key Import Fresh Food Categories
Hypermarket	26	Fruits, Poultry and Livestock, Aquatic Products, Dairy, Wine
Supermarket	24	Fruits, Poultry and Livestock, Aquatic Products, Dairy, Wine
Convenience Store	6	Dairy
Boutique Grocery Store	12	Fruits, Aquatic Products, Dairy, Wine
Warehouse club	6	Fruits, Poultry and Livestock, Aquatic Products, Dairy, Wine
Food Specialists	10	Fruits, Poultry and Livestock, Aquatic Products
E-commerce	16	Fruits, Aquatic Products, Nuts, Dairy, Wine
Others	-	-
TOTAL	**100%**	-

Source: Euromonitor estimates from desk research, store audits, consumer surveys, and primary trade interviews

■ Modern retailing fueled by significant expansion of convenience stores

Traditional grocery retailers in Hangzhou continued to see tightened competition from modern retailing in recent years. With the upgrade of consumption level, consumers' pursuit of product quality and diversification has driven up demand for imported fresh foods, which modern retailing networks are better positioned to serve. In particular, e-commerce platforms such as Tmall have become the primary channel for purchases of household goods. In response, hypermarkets and supermarkets are expanding their fresh food businesses. Meanwhile, convenience stores recorded strong expansion in 2015, driven by consumers' growing demand for convenience.

■ Limited product offering of imported foods in traditional grocery channels

Local traditional retail channels rarely sell imported food but mostly imported snacks. Only fruit stores sell imported fruits. Some traditional wholesale markets are:

Hangzhou Agricultural Products Distribution Center (杭州农副产品物流中心), located in Yuhang District, is the largest wholesale market of agricultural products in Eastern China. The Center manages wholesale and retail operations of fresh produce, livestock, aquatic products, tea, snacks and other dried goods from across the country.

Hangzhou Changhe Food Market (杭州长河食品市场), located in Bingjiang District, is a wholesale and retail market identified as the priority development project of the commerce and trading circulation industry under Hangzhou's 11th FYP. The market comprises trading departments for agricultural products, dried fruits, dried aquatic products, seasonings, and household goods. The Market is conveniently located 17 km away from Xiaoshan International Airport and has easy access to major expressways leading to other cities in the Yangtze River Delta Region.

■ List of outlet number for below non-grocery retailers and leading chain operators in other consumer fields in the city

Table 14 Est. Outlet Universe for Non-grocery Retailers, Current

Source: Euromonitor estimates from desk research, store audits and primary trade interviews

Sector	Brand Name	Outlet Number
Apparel (Fast Fashion)	UNIQLO	9
Apparel (Fast Fashion)	GAP	6
Apparel (Fast Fashion)	ZARA	7
Apparel (Fast Fashion)	H&M	9
Apparel (Luxury)	LV	4
Consumer Goods	Muji无印良品	6
Consumer Goods	Niniso名创优品	10
Drug Store	Watsons	42
Beauty Store	Sephora	6
4S Store	BMW	11
4S Store	BUICK	9
4S Store	BYD	4
4S Store	Ford	15
Shopping mall	Wanda万达	1
Shopping mall	MIXC万象城	1
Property	Greenland绿地	4
Property	Vanke万科	19
Property	Shimao世茂	5
Finance	CMBC民生银行	28
Finance	CIB兴业银行	15
Finance	CEBB光大银行	18
Finance	CMB招商银行	36
Finance	HXB华夏银行	30

1. FOODSERVICE 'DEEP DIVE' FOR HANGZHOU

■ Hangzhou cuisine highlights light and sweet taste; younger generation prefers heavy and spicy taste

Hangzhou residents favor a light taste or a slightly sweet taste. In recent years, Hangzhou locals, particularly the generation born in the '80s and '90s, showed increased preference for a heavy and spicy taste, fueling demand for Sichuan hot pot and Chaoshan hot pot. Panggelia Crab Pot and Chongqing Noodles are also very popular because of their unique tastes and rich ingredients. According to third-party restaurant service platform Dianping.com, as of October 2016, the top three popular restaurants in Hangzhou are Nuihenxian Beef Hot Pot (hot pot), Lafu Restaurant (Sichuan cuisine), and Madeng Buluo (Hangzhou cuisine - creative dishes).

On the other hand, among the top 15 popular restaurants are 2 western restaurants. Generally speaking, consumers in Hangzhou have moderate-to- low level of preference for western cuisines. Western restaurants are typically chosen for occasions such as business events and dates that that prioritize dining atmosphere and experience.

■ Students and white-collar workers make up the majority of eat-out diners

Most local consumers dining out are students or white-collar workers with the frequency of 1 to 2 times a week. Families seldom dine out with the frequency of about 1 to 2 times a month, mostly with friends and for family gatherings, in which case restaurants with good tastes and reputations will be chosen. Such gatherings are usually informal and a good experience in tastes will be the priority, while for business occasions or wedding banquets more attention will be paid to the caliber of the venues and the restaurants, and high-end restaurants tend to be chosen. Such gatherings emphasize high-end style and form, so the ratings of the restaurants are more important for such occasions.

■ Chinese cuisine brands lead Hangzhou's foodservice sector

Leading restaurant brands in Hangzhou are Xinfeng Snacks (snacks), KFC and McDonald's (fast food), Grandma's House (Waipojia) (Chinese cuisine), Green Tea (Chinese cuisine), Shanwaishan (Chinese cuisine), Zhiweiguan (Chinese cuisine) and Panggelia Crab Pot (Chinese cuisine). Western restaurants such as Wangpin Steak House and Tasty are favored by business people and growing middle class population in pursuit of higher dining quality.

■ Hangzhou cuisine brand Grandma's House sees fast-growing popularity

Hangzhou-based Grandma's House (Waipojia) is a Hangzhou cuisine restaurant, targeting mass-end consumers looking for a family-style dining experience. The restaurant is well known for its good tastes, incorporation of local dishes such as Xishi Tofu and Yellow Croaker Noodles, which contains rich Hangzhou features and culture. With affordable pricing, rich variety of dishes, special dining environment and good service, Grandma's House became a sensation in Hangzhou and quickly spread to other cities.

■ Opportunities and challenges of American/Western restaurants

Advantages	Challenges
Rising popularity of American culture may carry over to other aspects	Moderate-to-low level of popularity of American food/Western restaurants
Business travelers generate new demand	Lack of novelty among American food/Western restaurants
Overall high consumer spending power	
Prevalence of food delivery service	

■ Restaurants typically tap imported meat and seafood ingredients

Local restaurants typically use imported raw ingredients such as Angus rib-eye steak from Australia and lamb chops from New Zealand. In addition, seafood is very popular in Hangzhou. Japanese cuisine restaurants often use imported salmon, tuna, oysters and lobsters.

Table 15 Outlet Number of Leading Foodservice Chains and the Use of Imported Fresh Food in Hangzhou, Current

Store type	Name of Leading Brands	# of outlets in the city	Positioning	Use of imported fresh foods
Chinese FSR	Grandma's House外婆家	6	Mass-end	-
Chinese FSR	Lou Wai Lou楼外楼	2	Mid- to high-end	Fish
Chinese FSR	Four Seasons	1	Mid- to high-	-

	Restaurant西子湖四季酒店金沙厅		end	
Hot-pot chains	Haidilao 海底捞	20	Mass-end	Beef, wine
Hot-pot chains	Cuisine Master Hot Pot食神锅奉行	1	Mid- to high-end	Australian lobster, beef
Pizza food	Pizza Hut	48	Mass-end	Beef, poultry
Steakhouse	Wangpin Steak House 王品牛排	3	Mid- to high-end	Beef, cod
Steakhouse	Tasty Steak House西堤厚牛排	3	Mass-end	Beef, cod
Western FSR	Mamala	2	Mid- to high-end	Beef, lamb, cheese
Western FSR	Qing Feng青峰	1	Mid- to high-end	NZ lamb, angus beef
Western FSR	La Villa Restaurant 三噍阁法餐厅	1	Mid- to high-end	Angus beef, salmon
Japanese-flavored FSR	Shan Kui Jia山葵家	12	Mid- to high-end	Salmon, cod, lobsters
Japanese-flavored FSR	Edomae Sushi 江户前寿司	2	Mid- to high-end	Salmon, tuna, prawn
Japanese-flavored FSR	Hemeng Japanese Restaurant和萌牛肉牛肠日式炭烤	2	Mid- to high-end	Beef
Japanese-flavored FSR	九井精致料理	2	Mid- to high-end	Salmon, cod, scallop
Korean-flavored FSR	Han Na Shan汉拿山	7		-
Other Asian-flavored FSR	RU Ji Wang如吉旺	1	Mass-end	-
	Sawatdee Restaurant萨瓦迪泰国餐厅	1	Mid- to high-end	Coconut
American-flavored FSR	Wade’s Bar & Grill	2	Mass-end	Beef, beer and wine
	Slim 's New York steak & burger	2	Mid- to high-end	Beef, lobster
Western QSR	KFC	122	Mass-end	-
Chinese QSR	Zhen Gongfu真功夫	3	Mass-end	-
Cafés & Bars	Starbucks	10	Mass-end	-

Source: Euromonitor estimates from desk research, retailer website analysis and primary fieldwork
Note: Mass-end pricing refers to restaurants with per capita spending of less than RMB 200. Mid-to-high-end pricing refers to restaurants with per capita spending in the range of RMB 200-500.

■ Imported wines most commonly consumed in western restaurants; wine clubs gaining popularity

Consumers prefer imported wine when they dine out, especially in western cuisine restaurants. Mainstream wines are mainly from France, Italy (such as Pignolo and Villa Scolca) and Chile (such as Naynay) because of their smooth tastes and balanced flavor with food. Wine clubs have been popular in Hangzhou in recent years, providing local consumers with an elegant venue and private atmosphere in which they can enjoy Chinese cuisine with wine.

■ Wine consumption driven by growing consumer affluence and rising influence of foreign culture

Consumers’ increased consumption of wines in restaurants is driven by growing consumer affluence, rising influence of foreign cultures on the younger generation and the promotion of internationalization in Hangzhou. Growing consumer affluence enables consumers to allocate more discretionary spending on dining and complementary services. Meanwhile, the popularization of foreign cultures through media has encouraged consumers to try out cuisines and drinks in western dining style. Further, the promotion of internationalization in Hangzhou has led to a growing number of expats residing in the city, fueling demand for western style dining services and thereby driving up wine consumption.

■ Regional renowned food manufacturer: Be & Cheery

Headquartered in Hangzhou, Be & Cheery is a comprehensive service enterprise of leisure food production, processing, trade, warehousing, and logistics as its main business, integrating offline and online businesses. In 2003, the first store of Be & Cheery was founded. By the end of 2015, it had developed into a purely online leisure food brand. It boasts over 300 kinds of products in five categories, namely nuts and roasted seeds, cakes and candies, dried fruits, dried meat jerky and gift boxes.

2. HOTEL & INSTITUTION 'DEEP DIVE' FOR HANGZHOU

■ List of major hotel chain operators

Table 16 Outlet Number of Selected Hotel Chain Operators in Hangzhou, Current

Name	# of outlets in the city
Intercontinental Hotels	8
Hyatt Hotel	2
Marriott International	5
Starwood	4
GreenTree Inn	16
JingJiang Star	16
Rujia Inn	85
Kaiyuan Hotel Group (开元酒店集团)	11
Budin Inn (布丁酒店)	76

Source: Euromonitor estimates from desk research and company website analysis

■ Hangzhou's hotel industry finds support from significant influx of leisure and business travelers

Restrained by the government's anti-corruption and anti-graft campaign in 2013, Hangzhou's hotel industry has experienced hard times in the past two years. However, it is worth noting that the tourist industry has maintained fast growth, injecting momentum into the hotel industry despite an unfavorable context. In 2015, total tourist receipt for Hangzhou was RMB 220.1 billion, expanding by 16.7% from the previous year. The number of domestic tourists reached 120 million, an increase of 13.5%, and inbound tourists reached 3.3837 million with tourist foreign currency earnings of USD 2.5 billion, an increase of 7%. By August, 2016, there are a total of 3,650 hotels in Hangzhou, including 2,888 two-star and below/economic class hotels, accounting for 79.12% of the total. The number of tourists has maintained rapid growth, which would bring about a rising demand for hotels and an increase in hotel occupancy rate.

The hosting of big events also facilitates the development of the hotel industry. The G20 Summit held in 2016 and the Asian Games to be held in 2022 will accelerate municipal infrastructure renovation and improve Hangzhou's international reputation, enabling the city to attract more visitors. In addition, further improvement of public transport will also support the development of the hotel industry. In the next few years, the running of subways, airlines and high-speed railways will facilitate transportation within Hangzhou and between Hangzhou and the surrounding cities, greatly improving tourists' traveling experience and creating more demand for tourism activities in Hangzhou.

■ Government outlines further investment in tourism industry, set to benefit hotel industry

Strong demand for business conferences and leisure activities in Hangzhou generates stable growth opportunities for the hotel industry. In 2016, Hilton Conrad Hotel and Shangri-La Hotel opened in Qianjiang New City CBD District and Hubin District. Seven-star Jumeirah Hotel also announced plans to build hotels in Hangzhou in the future.

Meantime, the government has aggressively promoted the strategy of Full Coverage of Tourism. As stated in the 13th FYP, in addition to the city center, Xiaoshan, Yuhang, Fuyang and other suburbs will accelerate the development of their respective tourist industries, utilize rich landscape, rivers and lakes and cultural resources in the four counties in western Hangzhou to create a National Full Coverage Tourism Demonstration City. Hangzhou will improve various tourist service facilities driven by the four tourism regions including West Lake Scenic Spot, Beijing-Hangzhou Grand Canal Scenic Spot (Hangzhou section), Xixi National Wetland Park and Xianghu National Tourist Resort. During the 13th FYP period, Hangzhou will focus on developing 10 rural tourist regions, build over 50 special tourist towns and cultivate 200 tourist villages and rural tourism demonstration sites. By 2020, tourist attractions, leisure areas, tourist areas and tourist towns will have been connected through highways, waterways and ecological systems to realize full coverage of tourist network throughout Hangzhou.

Table 17 Hotel and Tourists & Tourism Statistics for Hangzhou, Current

	2013	2014	2015
Number of biz entities in the lodging industry	**413**	**409**	**417**
Number of 3-star & above hotels	**208**	**199**	**186**
Number of international hotels	**-**	**-**	**-**
- **Number of 5-star hotels**	**23**	**22**	**24**
- **Number of 4-star hotels**	**45**	**46**	**46**

- **Number of chained economic hotels**	**-**	**-**	**-**
Number of 5-A tourist attractions	**3**	**3**	**3**
Number of inbound tourists, million	**3.2**	**3.3**	**3.4**
Number of domestic tourists, million	**94.1**	**106.1**	**120.0**

Source: Hangzhou Bureau of Statistics, Municipal Statistical Yearbook of Hangzhou, Municipal Tourism Statistical Yearbook of Hangzhou, the Municipal Statistics Bulletin of 3rd Economic Census in 2013

■ List of major institutions related to international business and their corresponding functions

Table 18 List of Institutions Related to International Business in Hangzhou, Current

Type of Institution	Full Name	Key Functions
Trade Associations 1#	China Council for the Promotion of International Trade Hangzhou Sub-Council (CCPIT-Hangzhou)	Promotes communication and trade with foreign trade bodies and chambers of commerce through the hosting of seminars and trade exhibitions.
Gov't affiliates 1#	Hangzhou Municipal Foreign Trade & Economic Cooperation Bureau	Implements national, provincial and municipal policies, laws and regulations on foreign trade and economic cooperation, foreign investment as well as foreign trade functional areas.
Gov't affiliates 2#	Hangzhou Municipal Commission of Commerce	Implements development strategies for trade and businesses as well as grain circulation sector; promotes and

			regulates import and export of processing trade and service trade.

Source: Desk research including the trade association websites

3. E-COMMERCE LANDSCAPE IN HANGZHOU

■ List of major e-commerce platforms for grocery shopping and their product offerings

Table 19 List of Major Food Retailing E-Commerce Platforms in Hangzhou

Name	Product offerings	Imported product offerings	Top selling products
Tmall Supermarket 天猫超市	Fruits and Vegetables, Poultry, Seafood, Grain and Oil, etc.	Fruits and Vegetables, Poultry, Seafood, Grain and Oil, etc.	Fruits, Grain and Oil, Dairy
JD Home 京东到家	Fruits and Vegetables, Poultry, Seafood, Grain and Oil, etc.	Fruits and Vegetables, Poultry, Seafood, Grain and Oil, etc.	Fruits and Vegetables, Poultry, Seafood, Grain and Oil, etc.
Yiguo 易果生鲜	Fruits and Vegetables, Poultry, Seafood, Grain and Oil, etc.	Fruits, Poultry, Seafood, Dairy, Tea, Nuts	Fruits, Poultry, Seafood, Dairy, Tea, Nuts
Xuxian 许鲜APP	Fruits	Fruits	Fruits
Three Squirrels 三只松鼠	Nuts	-	Nuts

Source: Euromonitor estimates from desk research, consumer surveys, and company website analysis

■ Online grocery shopping enjoy high popularity in Hangzhou

Thanks to the popularity of e-commerce, local consumers in Hangzhou have high preference for purchasing fresh food online. According to survey findings (with valid responses from 122 respondents), 30.7% of the respondents choose to purchase fresh food online. In a multiple choice question asking for the typical products purchased online, 27% of respondents answered fruits and vegetables, 10% answered meat and aquatic products, 37% answered nuts, 49% answered dairy products and 22% wine. In particular, imported fresh food such as dairy products, nuts and fruits are frequently bought online. Common imported products include New Zealand kiwi at the average price of RMB 59/89-105, Oldenburger Milk from Germany at the price of RMB 64/200ml*24. Meat and aquatic products are not often purchased online given its high requirement on product freshness and transportation. According to the survey findings, 63% of respondents shop fresh food online once or less than once a month, while 16% makes purchases online once a week.

■ Purchasing wine through online retailers is less frequent

Online consumption of imported wines is not as common as consumption in physical stores due to concerns about logistics and uncertainty with quality. According to survey findings, only approximately one-fifth of people choose to purchase imported wine through e-commerce, mainly for personal consumption and gift giving. In terms of sales, domestic wine sells best, including mainstream brands such as Changyu and Great Wall, whose prices range from RMB 50 to RMB 200. Imported brands are mainly from France (such as Lafite, Grand Duc and CASTEL) and South America.

■ Tmall ranks top among popular online fresh food retailers

Local consumers mainly frequent Tmall, Tian Tian Guo Yuan, yhd.com and JD Home. According to survey findings, consumers are satisfied with the quality of the food, logistics and after-sales service but not satisfied with the consistency of the description of the food and the food itself. The advantages of such fresh food mainly lie in the freshness of the food and the timeliness of logistics. Thus, quality logistics and storage facilities, as well as food shelf life, are extremely important. There is still room to improve on the inconsistency between the description and the food itself. Real descriptions should be guaranteed and no false advertisement should be allowed.

■ Online fresh food retailers expected to maintain strong growth

Fresh food e-commerce has promising prospect, especially imported fresh food. Hangzhou is the sole comprehensive cross-border e-commerce pilot area in China; in October 2015, it began to trial run cross-border fresh food imports, supported by various free trade and duty-free policies. On the other hand, with further internationalization of Hangzhou and the improvement of living standard, demand for imported food will continue to increase.

■ O2O grocery delivery platform Dmall undergoes significant growth

O2O delivery platform Dmall has developed well in recent years. Dmall cooperates with supermarket and hypermarket brands such as Wu Mart and Hangzhou Global Select Club, enabling customers to order foods and household goods from partnering retailers through an app. Dmall highlights timely delivery service, guaranteeing fast delivery within an hour. Additionally, Dmall offers customers discounts, enabling customers to buy goods online at a lower price.

Table 20 List of Major Cold Chain Logistics Service Providers in Hangzhou			
Name	**Geographical coverage**	**Transport fleet**	**Warehouse units and capacity**
Rong Qing Cold Chain Logistics	First-tier cities and select second-tier cities	Over 450 cold storage trucks	-
Zhejiang Tongguan Logistics Development	Zhejiang, Shanghai	Over 60 cold storage trucks	1,600 sq. m. cold storage warehouse
Shanghai Bolong Cold Logistics	Shanghai and surrounding cities	180 trucks	1,800 sq. m. cold storage warehouse
Hangzhou Songlang Cold Chain Logistics	Hangzhou and surrounding cities	50 cold storage trucks	-

Source: Euromonitor estimates from desk research and company website analysis

■ Cold chain logistics undergoes significant development in 2015

Hangzhou has been significantly affected by the diffusing effect of cold chain logistics service development in Shanghai. The cold chain logistics industry in Hangzhou underwent significant development in 2015. Its two leading cold chain enterprises are Zhejiang Tongguan Logistics Development Co., Ltd. and Hangzhou Songlang Cold Chain Logistics Co., Ltd. Zhejiang Tongguan Logistics Development Co., Ltd. ranks among the top 100 logistics service providers in China (the 21st in 2015), according to reports published by China Cold Chain Association. The business of Tongguan covers Hangzhou, Zhejiang Province and Shanghai, with a transport fleet of 60 cold chain vehicles of different tonnages with 16,000 plates of warehouse capacity in Hangzhou. Hangzhou Songlang Cold Chain Logistics Co., Ltd. covers Hangzhou and its surrounding provinces and cities, with a transport fleet of 50 cold chain vehicles and thermal insulation vehicles and large freezers of over tens of thousands of tons.

■ Hangzhou accelerates logistics investment plans to build international logistics center

According to Implementation Suggestions on Hangzhou Modern Logistics Development Plan, Hangzhou will open its modern logistics industry to the outside world and accelerate the development of international logistics. It will improve urban logistics distribution, support key logistics project construction and strengthen logistics talent development. To cooperate with the development of e-commerce in Hangzhou and support a cross-border e-commerce pilot, the development of cold chain logistics enjoys sound policy support. According to the major investment projects in 2015, Hangzhou will complete the transformation and upgrade of the Hangzhou Chuanhua Road Linjiang Comprehensive Logistics Industrial Park Project, FengShu Group Logistics Industrial Park Project, Hangzhou Jiaolian Logistics Co., Ltd. Qianjin Logistics Center Project and Zhoubei Port Logistics Trade Demonstration Supporting Project.

■ Hangzhou exhibits high internet penetration rate, netizen coverage ranks first in Zhejiang Province

The number of netizens in Zhejiang Province reached 35.96 million in 2015, among which mobile netizens reached 33.371 million. The total number increased by 4% over the previous year. Internet penetration rate was 65.3%, which is 15% higher than the national average. Zhejiang Province ranked 6th and 5th in China, respectively, in terms of the number of netizens and internet penetration rate. In Zhejiang Province, Hangzhou ranked first among the cities in the number of netizens, which stands at 7.323 million, followed by Wenzhou and Ningbo with 5.862 million and 5.775 million, respectively. In terms of netizen coverage, Hangzhou ranked first (81.2%), followed by Ningbo (73.8%).

4. RECOMMENDATIONS

■ Fruits from the U.S. enjoy greater awareness, while nuts offer growth potential

Popular imported products in Hangzhou are dairy, nuts, fruits and wine. In terms of consumer preference, fruits present the highest market growth potential for U.S. suppliers. According to survey findings (with valid responses from 122 respondents), 19.4% of consumers prefer imported fruits from the U.S., surpassing other countries of origin including Thailand (16%), the Philippines (16%) and New Zealand (15%). The most popular U.S. fruits are grapes and cherries, perceived by consumers as products with consistent quality and higher nutritional value.

Nuts also enjoy high popularity among local consumers. According to trade sources, Zhejiang Province recorded the highest spending on nuts on Tmall during the November 11 Shopping Festival. Local brands such as Three Squirrels and Baicaowei are popular among Hangzhou people. Among imported nut products, the most popular ones are from South Korea (24.5%), followed by Malaysia (22.5%) and the U.S. (18.6%).

Although imported dairy products displayed the highest popularity among Hangzhou people, an overwhelming majority prefers products from Australia and New Zealand. On the other hand, imported wines are also widely accepted by Hangzhou people. The top three countries of origin are France (45.2%), Italy (33.3%), and the U.S. (9.5%). Although wines from the old world producing countries remain the leading imported wines, U.S. wines have gained popularity among certain groups of consumers looking for higher value at a more affordable price.

Consumers choose to buy imported foods mainly for their taste, quality and safety as well as nutritional value. Food suppliers looking to enter the Hangzhou market should highlight benefits/claims in corresponding aspects.

■ Hypermarkets, supermarkets, online retailing are the preferred channels

Hypermarkets and supermarkets are the preferred channels for selling fruits, dairy, nuts and wine products. Hangzhou is home to an extensive network of hypermarkets and supermarkets such as Walmart, Vanguard and Hualian. Hypermarkets account for approximately 26% of retail sales across modern grocery retail channels, while supermarkets make up about 24% of retail sales. Additionally, the e-commerce platform is another ideal channel, given the prevalence of online shopping in Hangzhou. Online retailing accounts for 16% of grocery retail sales.

■ Distributors

Luole Food Trading Co., Ltd. (Shanghai), Ltd. (罗乐食品贸易（上海）有限公司) specializes in the distribution of nuts category. It is the sole distributor of Paramount Farm's Wonderful Pistachios and Wonderful Badam products. The company also provides import and export services.

Qingdao Ruicheng International Trading Co., Ltd. (青岛瑞城国际贸易有限公司) specializes in the distribution and wholesale of imported dairy, beverage and nut products. The company has an extensive cold storage and cold chain logistics network with offices in Beijing, Shanghai and Shenzhen.

AWA Wine Limited Company was first established in 2004 to promote imported wines in China and set up a direct selling network in the country. AWA is the sole agent for over 200 wine brands from France, Italy, Germany, the U.S., Australia, Chile, and Brazil. AWA has developed strong market presence among mid- to high-end consumers due to its direct selling and one-on-one service model.