

Winning Retail Rebound

2023 China Retail Market Outlook

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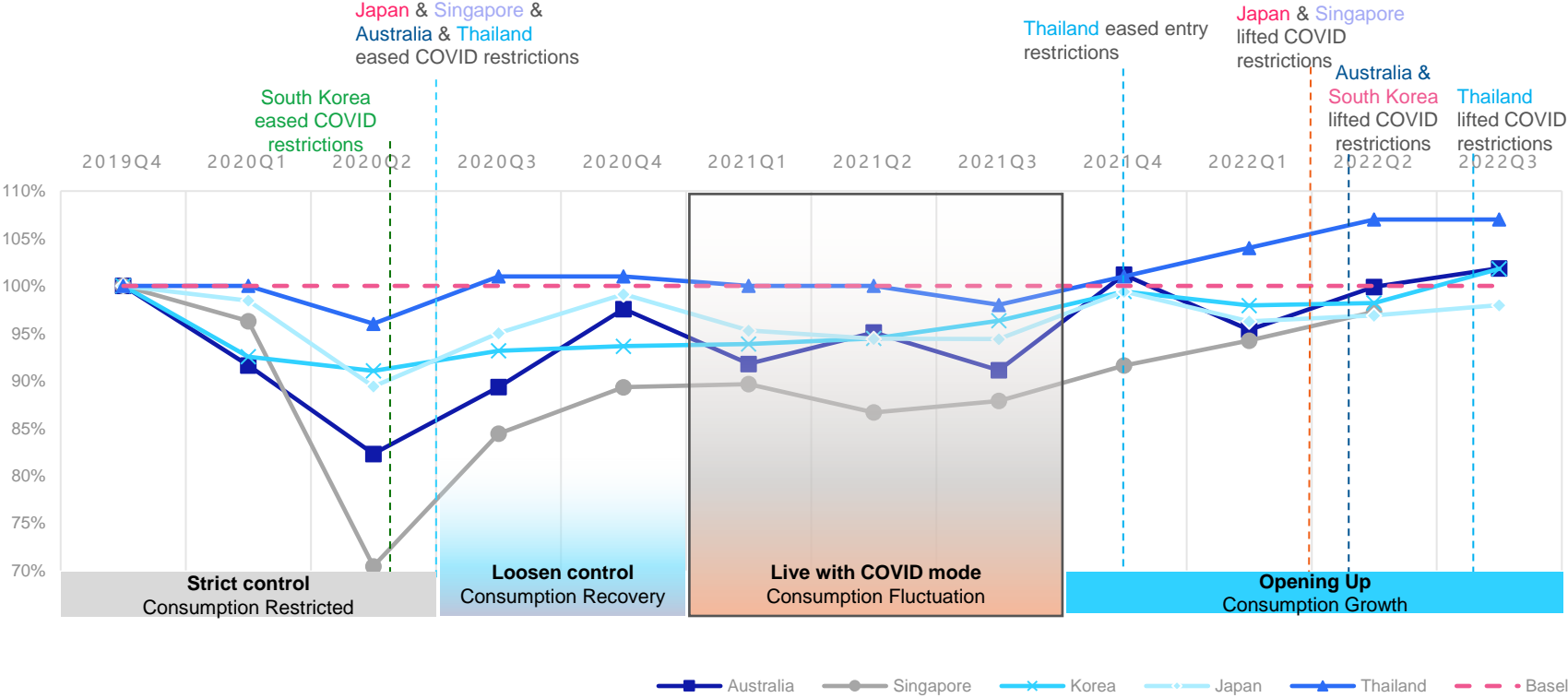
China Market & Consumption Outlook



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Consumption fluctuated before full speed recovery for most countries

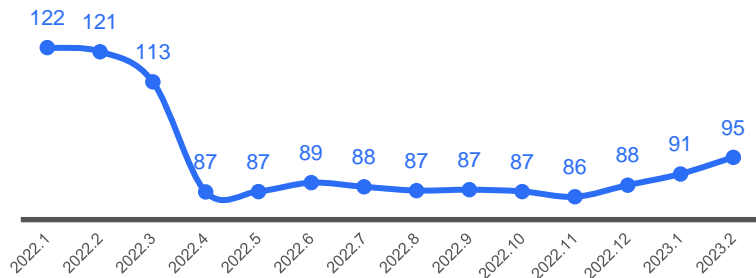
Residents Consumption Trend (baseline: 19Q4)



Source: IMF OPEN DATABASE (GDP, Components Of GDP – Households Expenditure, Real)

Promising growth in early 2023 with increased government support and consumer confidence

Consumer Confident Index



China Critical Industries and Restaurant/Catering Sales Growth (2023 vs 2022 Spring Festival)

+6.8%

Expected China Economic growth rate

5.0%

Household income expectation better than 2022

48%



Policy Support

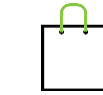
Expand domestic demand: Promotes the recovery of traditional industries, promotes online and offline integration, and creates new consumption scenarios

Stable opening-up: Optimizes business environment and supports development of emergent channel such as e-commerce and overseas import

Improve security: Creates a safe and secured consumption environment and promotes consumption supply

As pandemic control released, 2023 Chinese New Year consumer market surged

Spending & travel rebounded remarkably in CNY



Spending on Commodities

+10.0%



Spending on Services

+13.5%



Number of Travelers

+23.1%



Income from Tourism

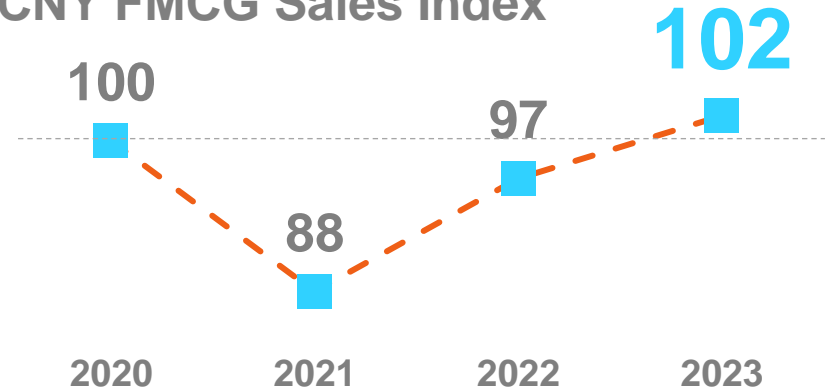
+30.0%

FMCG products return to growth in the main offline markets during CNY

+5.3%

2023 Chinese New Year Sales Value Growth vs LY
(*Modern Trade Key Retailers)

CNY FMCG Sales Index

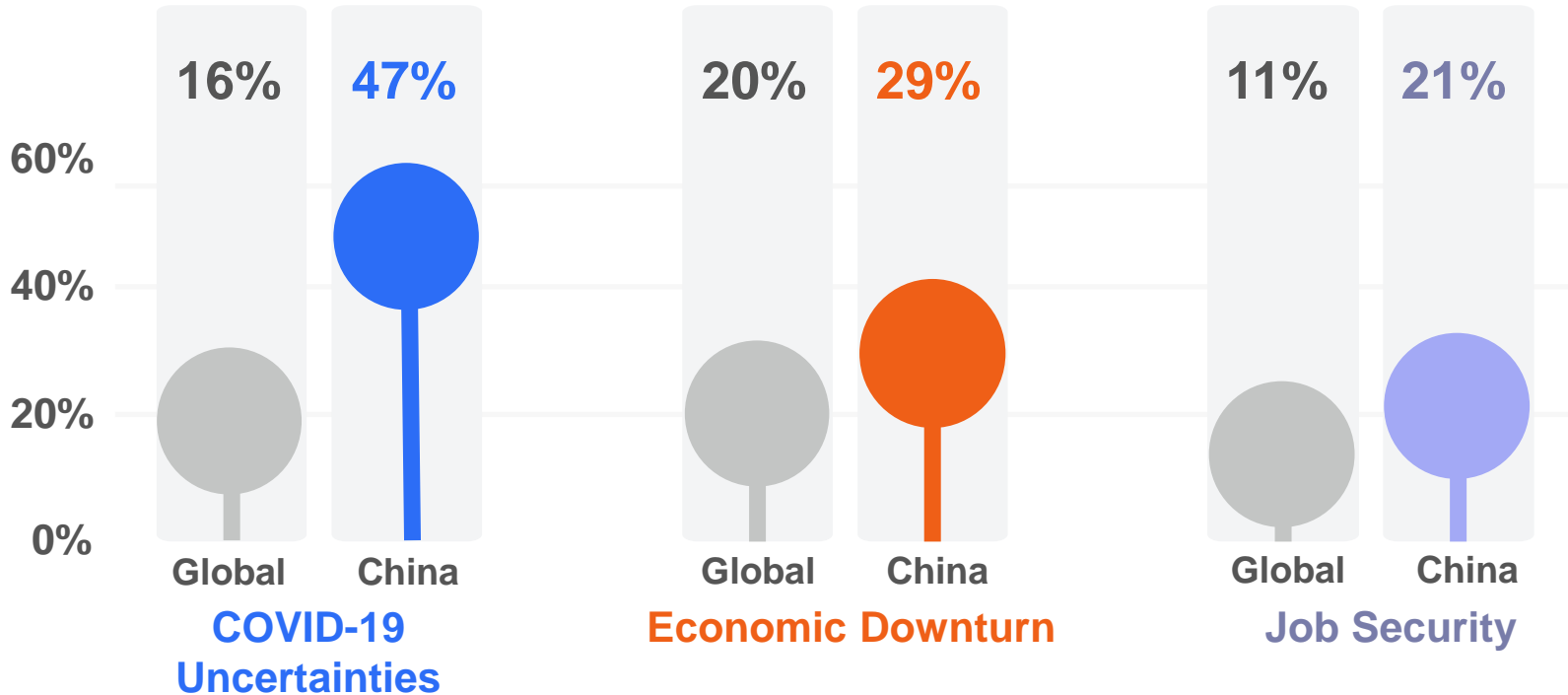


Data source: State Administration of Taxation; Ministry of Culture and Tourism Data Center; NielsenIQ Weekly Key Retailer Data

Chinese consumers are cautiously optimistic



What is your biggest + second biggest concern over the next 6 months ?



Source: NielsenIQ Jan 2023 Consumer Outlook Survey

Wellness, Health & Sustainability increasingly important among Chinese consumers

Q. Which of the following areas will be more important to you over the next 12 months?

NIQ 2023 China Consumer Outlook

Financial Security
**Mental & Physical
Wellness**

Source: NielsenIQ Jan 2023 Consumer Outlook Survey vs. Mid-year Outlook July 2022



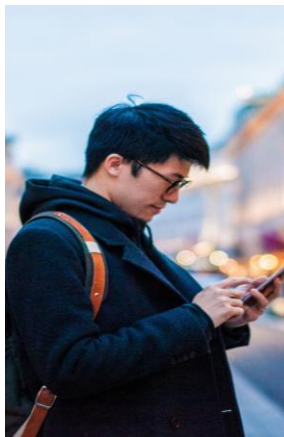
35%
**Physical
Wellness**

Maintain the first place
vs. 2022



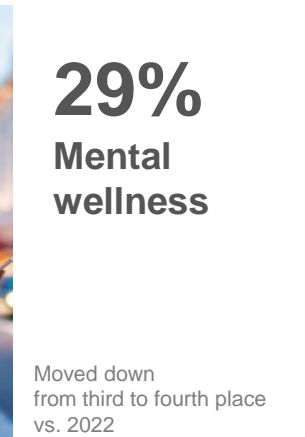
32%
**Financial /
job security**

Maintain the second place
vs. 2022



32%
**Saving for
unforeseeable
future**

Moved up
from fourth to third place
vs. 2022



29%
**Mental
wellness**

Moved down
from third to fourth place
vs. 2022



Changing Landscape & Consumption Scenarios



NIQ

Online-offline integration & interoperability efficiency to consumer engagement critical to reboot growth...from operation



Source: Desktop Research

Public domain



Private domain

Online: Internal integration & external cooperation to expand serving area & provide instant service

Internal Platform Integration



External Platform Cooperation



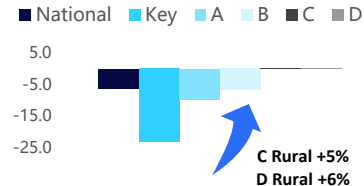
Extent to Low-tier Market

E-commerce stimulates agricultural development

2022.Q1-Q3
Online sales of agricultural products +8.8%
Compared to full year of 2021: +7.3%

Reboot low-tier market

City-Tier FMCG Sales Growth (vs. 2019)



+5%

In rural grocery stores (vs. 2019)

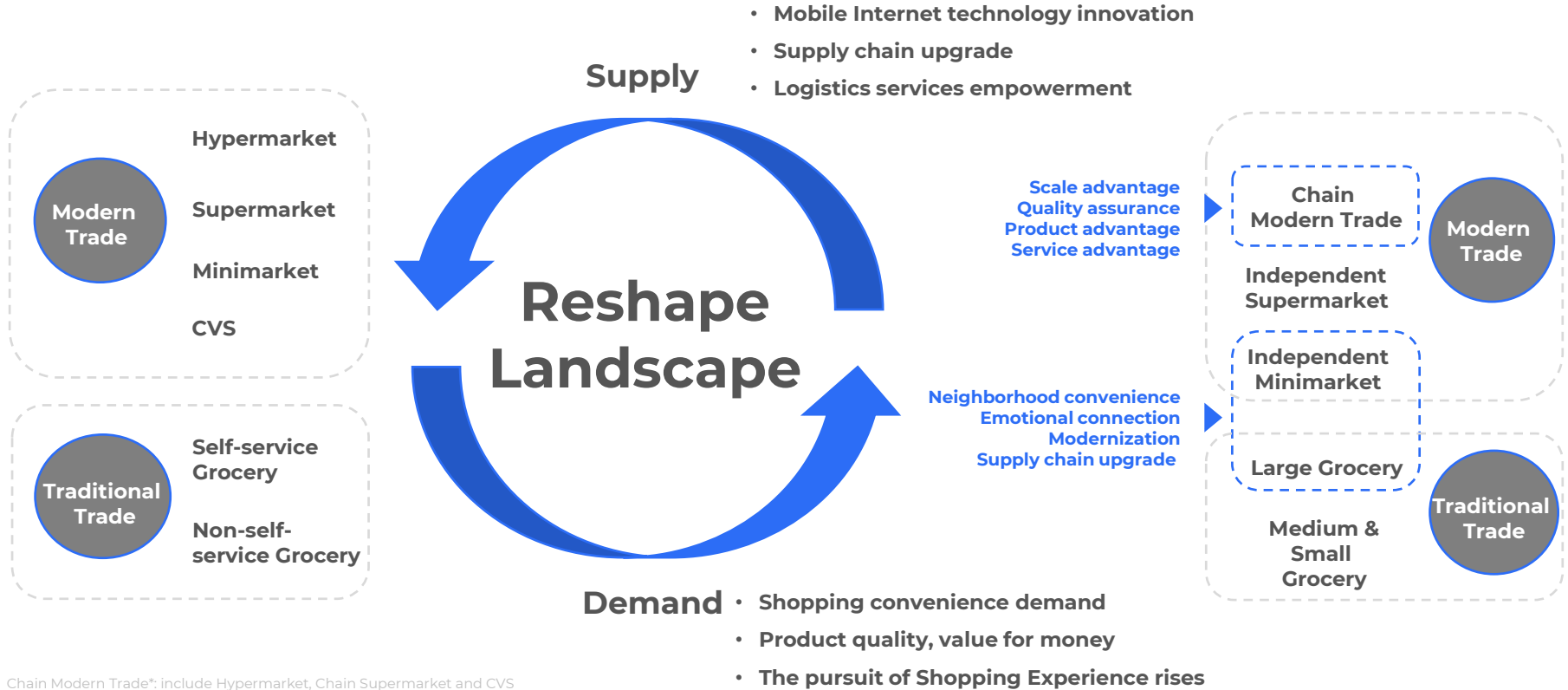
Cover "The Last Mile"

2022.06, Government set:
69 County-level logistics centers
65000 Village-level convenience stores

2023 "ChunXiao 春晓" Program

JD supports small format development with \$0 opening fee and supply chain support

Supply chain modernization and changing consumer demand jointly reshape offline FMCG retail trade



Chain Modern Trade*: include Hypermarket, Chain Supermarket and CVS

Capture the future opportunities of Channel "Transformation" and "Modernization" led by the FMCG retailers

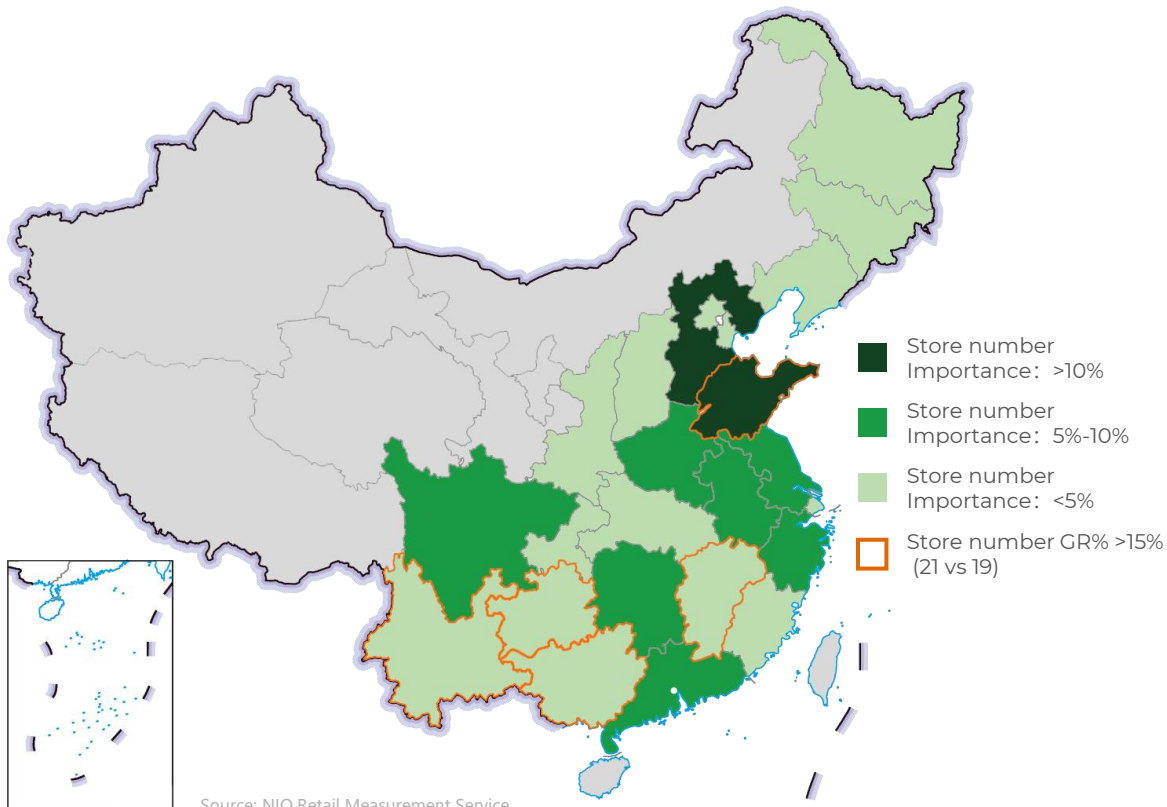
Channel Types*	Modern Trade		Traditional Trade	
		Store number, GR% '21vs19		Store number, GR% '21vs19
	Independent Supermarket	Small quantity, high growth rate	Small Grocery	Large quantity, low growth rate
	Independent Minimarket	300K, +27%	Medium Grocery	
Chain Modern Trade	150K, +14%	Large Grocery	1.11M, +8%	

Future Opportunities

Sub-type	Chain Modern Trade	Modernizing Independent Trade
Key word	Transformation	Modernization
Drivers	1. Leverage O2O to provide proximity and convenience	1. Better and diversified assortment
	2. Strong supply chain enabled fresh goods and price advantage	2. Shopping Experience & Facilities upgrade
	3. Strong Central management on shopper experience	3. Digital payment
	4. Longtime service (16h+) to provide proximity	4. Better Supply Chain and OOS management

* The definition of channel sub-types will be added in the "Nielsen IQ China Granularity 2 program", and the original channel type segmentation (hypermarket, Supermarket, Minimarket, CVS) will be retained

Modernizing Independent Trade concentrated in coastal and populous provinces, faster growth in western provinces...overall Brick & Mortar development pointers

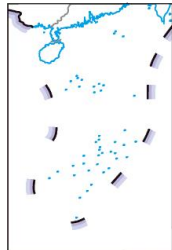


Hebei, Shandong, Henan, Sichuan, Guangdong

rank **top 5** provinces in store numbers, account for **43%** store numbers in total modernizing independent trade.

Guizhou, Yunnan, Jiangxi, Shandong, Guangxi

rank **top 5** store number growth province



Source: NIQ Retail Measurement Service

In-store upgrades to create new consumption scenarios & new shopping experience

Supermarket

Specialization Supermarket

Scene Store

Lifestyle shop



One-stop shopping

Brand zones

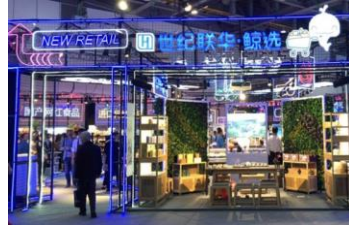


Full range for basic consumption



Product experience

Super-Category zones



Thematic display &



Scenario experience

Scenario zones



Metaverse & omni-channel integration



Lifestyle guide

Lifestyle display



Guide customer demand



Source: Desktop research

Virtual shopping immersion blends in real world experience

- Taobao created a meta-city in Double 11



3D virtual shopping scene brings new experience to shoppers

- JingDong 7x24 hours AI anchor



Different styles AI anchors host livestreaming and after-sales service

Overseas examples in creating exceptional shopping experience

Feel



Interactive experiences

- Virtual shelves
- Exploratory shopping experience
- Retail + entertainment
- 1 million consumers visited Omega Mart (US) in 1st year



Film

Virtual scenes

- Construct famous movie scenes + Sell peripheral goods
- Engaging consumers with emotional connections
- Netflix Holiday House, Squid Game physical store, first love café (Korea/Japan)



Fresh



Pick - Buy

- InFarm provides shopping and harvesting experience inside supermarkets
- Partners with retailers e.g. Metro, Casino, Auchan, Aldi in Europe
- Installed nearly 300 farms in 150 stores in Germany, Switzerland and France

Source: Desktop research

2023 outlook for recovery in China retail market

Positive outlook

Strong rebound in early 2023 with increased government support, consumers are cautiously optimistic

Transformation & Modernization

Reboot lower-tier cities via trade modernization & transformation



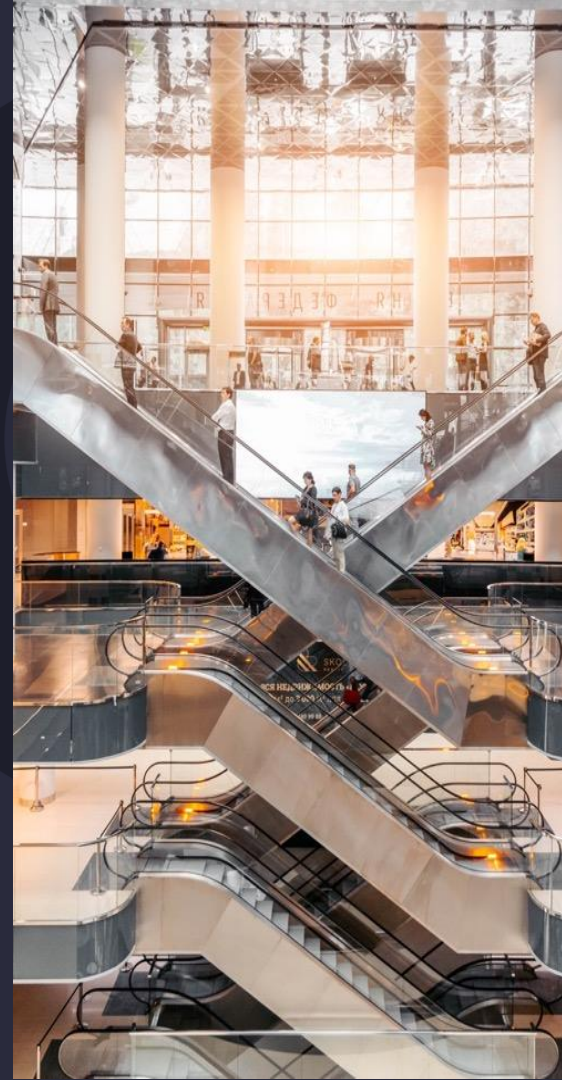
Consumption
Recovery

Interoperability

Online-offline integration & interoperability critical to reboot growth...from operation efficiency to consumer engagement

Scenarios & Traffic

Create new shopping experience and guide consumer demand through new applications of technology & concepts





Thank you!

NIQ