



China Retail

# Top 100 retail chain operators in China, 2018 - Key findings and takeaways

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Asia Distribution and Retail

May 2019

## Key highlights

- On 9 May 2019, the China Chain Store and Franchise Association (CCFA) released its annual list of “the Top 100 Retail Chain Operators in China” (the Top 100s).
- Total sales of the Top 100s in 2018 were 2.4 trillion yuan, up 7.7% year-on-year (yoy), accounting for 6.3% of the total retail sales of consumer goods.
- Suning.com Group Co., Ltd., Gome Retail Holdings Ltd. and China Resources Vanguard Co., Ltd. remained the top three retail chain operators by retail sales, with no change in the rankings over the previous year.
- By retail format, convenience stores recorded the highest yoy sales growth of 21.1% yoy in 2018.
- Top 100s continued to see robust online sales growth of 55.5% yoy.

## Major findings

### Growth pace of the Top 100s remains steady in 2018

Total sales of the Top 100s in 2018 amounted to 2.4 trillion yuan, up 7.7% yoy. The growth rate was slightly slower than that of 8.0% yoy in 2017, and also slower than for the national total retail sales of consumer goods of 9.0% yoy. Total number of stores of the Top 100s reached around 138,000, up 16.0% yoy. The growth of number of stores was 9.1% yoy after taking out the effect of the rapid increase in the number of convenience stores (including Suning Xiaodian), similar to the growth rate in 2017.

As shown in Exhibit 1, the Top 100s made up only 6.3% of the total retail sales of consumer goods, down from 11.1% in 2008, indicating the increasingly fragmented nature of China's retail market.

**Exhibit 1: The Top 100s' share in national retail sales, 2008-2018**



Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

Exhibit 2 shows the Top 10 retail chain operators by retail sales in 2018. Suning.com Group Co., Ltd. ranked the top with total sales of 336.8 billion yuan, followed by Gome Retail Holdings Ltd. and China Resources Vanguard Co., Ltd. The rankings for the top 5 enterprises are the same as the previous year.

Average gross profit margin of the Top 100s was 18.3% in 2018, up from 17.9% in 2017.

**Exhibit 2: Top 10 chain retailers, 2018 (Ranked by retail sales)**

Rank in 2018	Rank in 2017	Enterprise	Sales, pre-tax (million yuan)	yoy growth (%)	Number of stores	yoy growth (%)
1	1	Suning.com Group Co., Ltd.	336,757	38.4%	11,064	183.3%
2	2	Gome Retail Holdings Ltd.	138,184	-10.1%	2,122	32.3%
3	3	China Resources Vanguard Co., Ltd.#	101,254	-2.3%	3,192	0.9%
4	4	Sun Art Retail Group Ltd.	95,900	0.5%	407	6.3%
5	5	Walmart (China) Investment Co., Ltd.	80,490*	0.3%	441	0.0%
6	6	Yonghui Superstores Co., Ltd.	76,768*	17.4%	1,275	58.2%
7	N/A	Beijing Easyhome New Retail Development Co., Ltd.	71,000	13.1%	303	35.9%
8	7	Chongqing General Trading (Group) Co., Ltd.	67,489	13.3%	413	-2.4%
9	9	Sinopec Group	62,000	19.0%	27,259	5.8%
10	8	Lianhua Supermarket Holdings Co., Ltd.	49,229	-2.9%	3,371	-1.5%

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

# Sales of China Resources Vanguard Co. Ltd. included sales of Suguo Supermarket. The pre-tax sales for Suguo Supermarket were 27,550 million yuan in 2018.

\* Estimates

22 enterprises out of the Top 100s recorded negative sales growth in 2018, compared with 21 enterprises in 2017. 30 enterprises recorded negative sales growth and/or growth of number of stores, only 18 enterprises recorded double-digit growth in both sales and number of stores (Exhibit 3).

**Exhibit 3: Enterprises recorded double-digit growth in both sales and number of stores, 2018**

Rank in 2018	Enterprise	Sales growth	Number of stores growth	Major retail formats
1	Suning.com Group Co., Ltd.	38.4%	183.3%	Home electronics, convenience stores, B2C online website
6	Yonghui Superstores Co., Ltd.	17.4%	58.2%	Supermarket
7	Beijing Easyhome New Retail Development Co., Ltd.	13.1%	35.9%	Home decoration and furniture store
20	Intime Retail (Group) Co., Ltd.	30.5%	23.5%	Department store
26	Red Star Macalline Group Corporation Ltd.	23.8%	22.6%	Home decoration and furniture store
30	A.S. Watson Group (China)	10.3%	10.3%	Health and beauty store
39	Meiyijia Convenience Store Co.,Ltd.	37.3%	33.5%	Convenience store
47	Freshippo Supermarket	300.0%	396.7%	Supermarket
54	Xinyulou Department Store Group Co.,Ltd.	17.3%	13.8%	Department store
58	Kidswant Children Products Co., Ltd.	47.2%	25.6%	Childrenswear
59	Dashenlin Pharmaceutical Group Co.,Ltd.	18.3%	23.3%	Pharmacy
60	FamilyMart China	18.3%	17.9%	Convenience store
62	Shenzhen Pagoda Industrial Development Co., Ltd.	33.1%	32.2%	Fruit store
79	Seven-Eleven China	25.3%	12.0%	Convenience store
85	Dazhang Group	36.8%	16.7%	Shopping mall, supermarket
94	Lawson (China) Holdings, Inc.	38.0%	41.0%	Convenience store
95	Xinjiang Winka Times Department Store Co.,Ltd.	19.7%	144.4%	Department store
99	Yunnan Jianzhijia Health-Chain Co., Ltd.	17.9%	16.3%	Pharmacy

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

## Convenience stores continue to witness the fastest sales growth; department stores and hypermarkets see low single-digit growth

Convenience stores continued to gain traction. Among all retail formats, in 2018, convenience stores recorded the highest sales growth at 21.1% yoy, up from 16.9% yoy in 2017, while the growth rate for store numbers was 18.0% yoy, similar to 18.1% yoy in 2017. On the contrary, department stores recorded sales growth of 3.5% yoy, while hypermarkets and supermarket recorded sales growth of 2.5% yoy only (Exhibit 4), much lower than the average of the Top 100s.

**Exhibit 4: Yoy growth of sales and number of stores of the Top 100s, by retail format, 2018**

Retail format	yoy growth of sales (%)	yoy growth of number of stores (%)
Convenience stores	21.1	18.0
Department stores	3.5	3.9
Hypermarkets and supermarkets	2.5	3.6

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

### Convenience stores

62.5% of the new store openings of Top 100s were convenience stores. Meiyijia Convenience Store (Rank #39, up from #54 in 2017) continued to be the market leader in the convenience store segment (exclude forecourt convenience store players), with sales revenue amounting to 16,809 million yuan in 2018, up 37.3% yoy and store numbers reaching 15,559, up 33.5% yoy. Exhibit 5 shows the top convenience store operators among the Top 100s by number of stores. Most of these convenience store operators are regional players, and most of them operate single format, i.e. convenience store.

**Exhibit 5: Top 10 convenience store operators among the Top 100s, 2018 (Ranked by number of stores)**

Rank in 2018	Enterprise	Convenience store brand	No. of stores
1	Sinopec Group#	Easy Joy	27,259
2	PetroChina Co., Ltd.#	uSmile	19,700
3	Dongguan Sugar & Liquor Group Meiyijia Convenience Store Co., Ltd.	Meiyijia	15,559
4	Suning Xiaodian	Suning Xiaodian	4,508
5	Guangdong Tianfu Chain Business Co., Ltd.	Tianfu	4,212
6	Chengdu Hongqi Chainstore Co., Ltd.	Hongqi	2,817
7	FamilyMart China	FamilyMart	2,571
8	C&U Group	Shizu; Zhishang	2,141
9	Lawson (China) Holdings, Inc.*	Lawson	1,973
10	Seven-Eleven China	7-Eleven	1,882

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

# Forecourt convenience store players

\* Number of stores of Lawson include stores cooperatively opened with regional players such as Zhongbai and Chaoshifa.

### **Department stores**

Sales performance of department stores varied in 2018. On the one hand, among the Top 100s with negative sales growth and/or growth of number of stores, half of them were department store operators. On the other hand, some department store operators recorded stunning results in 2018. Regional player Xinyulou Department Store (Rank #54), for example, achieved sales growth of 17.3% yoy and number of stores growth of 13.8% yoy in 2018. It adopts a self-operated model with high proportion of direct sales, which sets an example for other department store players. Meanwhile, Intime Retail (Rank #20) recorded stunning sales growth of 30.5% yoy, while growth in number of stores was 23.5% yoy. Since its privatization by Alibaba in early 2017, Intime Retail has been transformed greatly by Alibaba as a testing ground to explore omnichannel strategies with Alibaba.

### **Hypermarkets/ supermarkets**

Operating costs for hypermarkets/ supermarkets continued to rise in 2018. Labor costs went up by 13% yoy and rental costs increased by 10.6% yoy. Foreign hypermarkets/ supermarkets showed sound performance in 2018, with profit margin reaching 23.2%, higher than the sector's average of 21.5%.

## Top 100s witness robust online sales growth; foreign players actively expand omnichannel business

Adopting omnichannel strategy is one of the major initiatives of the Top 100s. Online sales growth of the Top 100s increased by 55.5% yoy, lower than 78.9% yoy in 2017 but still much higher than the national online retail sales growth of 23.9% yoy. Of which, online sales growth of the foreign players among the Top 100s was 61.4% yoy, 5.9 ppts higher than the average of the Top 100s. Foreign players actively expanded their omnichannel business in 2018 – Carrefour (Rank #12) partnered with Tencent to expand online business; Walmart (Rank #5) partnered with JD Daojia to provide O2O delivery service; Aeon (Rank #43) and Ito Yokado (Rank #83) launched their own B2C websites; Ikea (Rank #36) launched its WeChat Mini Program, etc.

## Regional leaders see slower growth

Regional players among the Top 100s usually operate multiple retail formats to achieve a higher market share in the regional market. Among these regional players, those based in provincial capitals or in tier 1 and tier 2 cities recorded sales growth of 4.2% yoy and number of stores growth of 5.5% yoy; while enterprises located in prefecture-level cities and county-level cities recorded sales growth of 4.9% yoy and number of stores growth of -0.7% yoy. Both sales and number of store growth were slower than that of the average growth of the Top 100s. Facing intense competition from foreign rivals and national enterprises, together with the rapid growth of e-commerce players, regional enterprises need to innovate and transform to retain their competitiveness.

## Our views

In 2018, the performance of leading retailers improved considerably, but challenges remained. Indeed, the growth of the retail sector was mainly attributed to favorable policies by the government to increase domestic consumption, as well as the capital injections from investors. Operation efficiencies and profit margins of some retailers remained low. Moreover, some retailers tapped into other retail formats to extend customer reach, but many were still exploring the new businesses and profitability was unclear.

Fung Business Intelligence believes in 2019, transformation and merger and acquisition activities will continue to take place in the retail sector. To better suit the changing needs of consumers, going forward, we expect the Top 100s to continue to adopt format innovation and store optimization strategies to seek new breakthroughs and improve efficiencies. Meanwhile, weaker players that cannot adjust to the changing market conditions are set to face bigger challenges, or will be acquired by stronger counterparts.

2018 was a year of change and challenge for businesses. The escalating China-U.S. trade war has and will continue to negatively impact both economies, particularly the Chinese economy in view of its massive trade surplus with the U.S. China's retail sector is expected to be impacted by the trade war with dampened consumer sentiment and softening retail sales growth. Meanwhile, in the “New Consumption” era, the retail sector is undergoing rapid transformation and profound changes. Retailers need to ramp up efforts to transform and reinvent their businesses to cater to the new needs of Chinese consumers.

## References

Please click [here](#) for the full report by CCFA (in Chinese).

## Contacts

### Asia Distribution and Retail

Teresa Lam  
Vice President  
E: [teresalam@fung1937.com](mailto:teresalam@fung1937.com)

Christy Li  
Senior Research Manager  
Email: [christyli@fung1937.com](mailto:christyli@fung1937.com)

### Fung Business Intelligence

10/F LiFung Tower  
888 Cheung Sha Wan Road  
Kowloon, Hong Kong  
T: (852) 2300 2470  
F: (852) 2635 1598  
E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)



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