

China Retail

Top 100 retail chain operators in China, 2017 - Key findings and takeaways

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Key highlights

- On 10 May 2018, 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 2017 were 2.2 trillion yuan, up 8.0% year-on-year (yoy). Total sales of the Top 100s accounted for 6.0% 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 at 16.9% yoy in 2017.
- Online sales continued to see fast growth of 78.9% yoy and accounted for 10.3% of the total sales of the Top 100s.

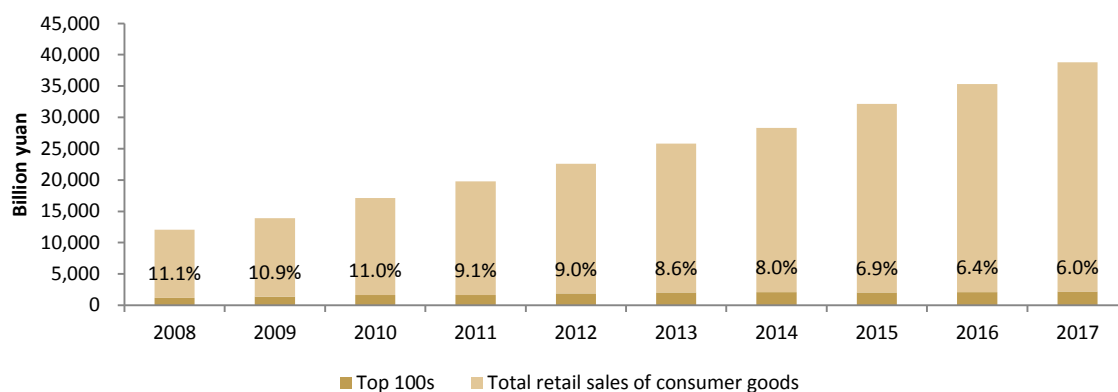
Major findings

Growth pace of the Top 100s picks up in 2017

Total sales of the Top 100s in 2017 amounted to 2.2 trillion yuan, up 8.0% yoy. The growth rate for the Top 100s was slower than for the national total retail sales of consumer goods. However, it has picked up from 3.5% yoy in 2016, showing that the performance of large retail enterprises has improved over the past year.

As shown in Exhibit 1, the Top 100s made up only 6.0% of 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, 2008-2017



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 2017. Suning.com Group Co., Ltd. ranked the top with total sales of 243.3 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.

Exhibit 2: Top 10 chain retailers, 2017 (Ranked by retail sales)

Rank in 2017	Rank in 2016	Name of company	Sales, pre-tax (million yuan)	yoy growth (%)	Number of stores	yoy growth (%)
1	1	Suning.com Group Co., Ltd.	243,343	29.2%	3,799	10.9
2	2	Gome Retail Holdings Ltd.	153,691	-6.7%	1,604	-1.5
3	3	China Resources Vanguard Co., Ltd. ①	103,646	0.1%	3,162	-1.9
4	4	Sun Art Retail Group Ltd. ②	95,400	2.3%	383	4.6
5	5	Wal-Mart (China) Investment Co., Ltd.	80,278	4.7%	441	0.5
6	10	Yonghui Superstores Co., Ltd.	65,400	20.2%	806	65.5
7	8	Chongqing General Trading (Group) Co., Ltd.	58,281	3.9%	322	-0.6
8	7	Lianhua Supermarket Holdings Co., Ltd. ③	56,460	-5.6%	3,451	-5.4
9	14	Sinopec Group	51,950	48.0%	25,775	0.7
10	11	Carrefour China Inc. ④	49,796	-1.3%	321	0.6

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

① Sales of China Resources Vanguard Co. Ltd. included sales of Suguo Supermarket. The pre-tax sales for Suguo Supermarket were 28,000 million yuan in 2017.

② Sales of Sun Art Retail Group Ltd. excluded sales of its e-commerce platform feiniu.com.

③ Sales of Lianhua Supermarket Holdings Co., Ltd. included sales of Carrefour in Shanghai.

④ Sales and store number of Carrefour China Inc. included stores in the Greater China region.

21 enterprises out of the Top 100s recorded negative sales growth in 2017, compared with 34 enterprises in 2016; in general, the Top 100s saw better performance in 2017. Gross profit margin was 16.5% in 2017, up from 15.6% in 2016.

That said, rising labour and rental costs continued to exert pressure on the Top 100s. Labour costs increased 8.0% yoy, while rental costs and electricity costs increased 5.6% yoy and 4.6% yoy.

Smaller-sized stores continue to see the fastest sales growth

Smaller-sized store format, particularly convenience stores, continued to gain traction. Among all retail formats, in 2017, convenience stores recorded the highest sales growth at 16.9% yoy, while the growth rate for store numbers was 18.1% yoy. Meiyijia Convenience Store (Rank #54) continued to be the market leader in the convenience store segment (exclude forecourt convenience store players), with sales revenue amounting to 12,240.8 million yuan in 2017, up 30% yoy and its store number reaching 11,659, up 25.4% yoy.

Apart from convenience stores, the growth of other small-format stores was also rapid. In 2017, the Top 100s together opened a total of 9,197 new stores, of which over 80% of them were small-format stores, while only 3.7% were hypermarkets and 1.0% were supermarkets.

Meanwhile, in terms of same-store sales, convenience stores also saw the highest growth at 6.0% yoy, followed by community supermarkets (3.8% yoy), department stores (4.5% yoy), and shopping malls (3.4% yoy). Hypermarkets recorded negative same-store sales growth at -2.3% yoy.

Top 100s see robust online sales growth; O2O provides huge opportunities but challenges remain

Online sales growth of the Top 100s increased from 69.0% yoy in 2016 to 78.9% yoy in 2017, much higher than the national online retail sales growth of 32.2% yoy and offline sales growth of 8.0% yoy. Despite the fast growth, online sales of the Top 100s accounted for a small proportion of total sales (10.3%); 27.2% of the total transaction value were generated from mobile payment tools.

Most of the Top 100s have partnered with third-party platform players such as JD Daojia, Meituan and Dmall to offer online solutions and delivery services.

Embracing O2O strategies is a key focus of the Top 100s; however, some real challenges remain in this process. Rising costs of e-commerce, particularly delivery costs and costs of acquiring new customers; limited funds; insufficient e-commerce expertise; inefficient supply chain to support O2O business are some of the major challenges cited by the Top 100s.

Our views

Fung Business Intelligence believes the Top 100s will continue their growth momentum in 2018, driven primarily by the following forces. First, the government will strengthen the role of consumption in economic development, while focusing on the quality of growth. It will further enforce market regulation to ensure a better consumption environment, thereby contributing to the improvement of the retail market. Second, consumption upgrading will continue to be a trend. This will create tremendous opportunities for retailers.

To better suit the changing needs of the consumers, going forward, we expect the Top 100s to continue to adopt format innovation and store optimization strategies to seek new breakthroughs, while offering personalized, quality products and services.

Moreover, in the O2O and technology-driven market, digital transformation will be a key theme for leading enterprises. Leading enterprises are set to further their digital efforts such as investing more into e-commerce business; leveraging big data analytics to understand customer preferences, predict their needs, conduct precise marketing, build membership database and integrate online and offline operations; and applying new technologies such as artificial intelligence, blockchain and cloud computing technologies to enhance consumers' omni-channel shopping experience.

Reference

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

Contacts

Asia Distribution and Retail

Teresa Lam

Vice President

Email: teresalam@fung1937.com

Christy Li

Senior Research Manager

Email: christyli@fung1937.com

Fung Business Intelligence

10/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong

Phone: (852) 2300 2470 | Fax: (852) 2635 1598

Email: fbicgroup@fung1937.com | <https://www.fbicgroup.com>



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