



Issue 5 |

Hypermarkets/ Supermarkets Executive Summary

Hypermarket and supermarket operators see improvement in sales growth. In recent years, the hypermarket and supermarket sector has faced fierce competition from the e-commerce sector as well as from smaller-scale retail formats such as convenience stores, community stores and specialty stores. That being said, many hypermarket and supermarket operators have stepped up efforts to revamp their operations to cater the changing needs of Chinese consumers. Their efforts have paid off with solid improvements in sales performance. The sales growth of supermarkets above a designated size (enterprises with annual sales of 5 million yuan or above and with employee strength of 60 or more) was 7.4% yoy in 1H18, up from 6.3% yoy in 1H17. Most of the top hypermarket and supermarket chain operators in China achieved a better performance in 2017 than in 2016, thanks both to new store openings and format expansion.

Players are adapting to “New Consumption” era. Over the past year, many traditional hypermarket and supermarket operators have proactively adapted themselves to the “New Consumption” era. Many have used data analytics to increase store traffic and offer more targeted promotions to shoppers. Some have integrated their inventory and supply chain management systems with e-commerce or solutions platforms to improve warehouse management, inventory planning and last-mile delivery. Others have invested in technologies and launched “smart stores” to create a better in-store experience and higher level of interaction with shoppers. Meanwhile, many hypermarket and supermarket chain operators have partnered with third-party O2O local lifestyle service platforms, such as JD Daojia and Dmall, to provide O2O shopping and speedy delivery services.

Format revamp is gaining traction. Many hypermarket and supermarket chain operators have revamped their stores or launched new store formats (e.g. smaller-sized format and fresh-food supermarkets) to better suit the changing needs of customers. They have also created more spaces for occasion- or experience-based activities (e.g., in-store dining) to improve customer stickiness.

Putting strong effort into developing private labels. A number of hypermarket and supermarket chains have launched their own private labels in recent years. The profit margin for those who have done so is 15% higher. Developing private labels is thus winning strategy for hypermarkets and supermarkets that wish to differentiate themselves from their peers and earn higher profit margins

Forming strategic alliances with Internet giants is one commonly-used tactic for driving synergies between online and offline retailing. To achieve better O2O integration, some traditional grocery retailers have formed partnerships with Internet companies to gain access to payment tools, social media, big data analytics, etc. In turn, Internet companies can leverage the extensive physical store networks of hypermarkets and supermarkets to reach more customers.

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