

For fresh fruit and vegetable marketing and distribution in Asia



By Liam O'Callaghan

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## China to capture grocery crown

China will become the world's largest grocery market by 2023, according to retail analyst IGD Asia



**F**orecasts by IGD Asia predict China will overtake the US to become the world's largest grocery market by 2023 in value terms.

Already Asia's largest grocery market, the country is predicted to reach a total market size of CNY11.0tn (US\$1.8tn), more than Asia's next four largest grocery markets (India, Japan, Indonesia and South Korea) combined.

"The market is expected to have a compound annual growth rate (CAGR) of 5.5 per cent, on par with Sri Lanka and Thailand, but slower than markets such as India, Vietnam, Indonesia and the Philippines, where the economy is growing faster," said Nick Miles, head of Asia-Pacific at IGD.

"Less than half of grocery sales in China currently go through traditional trade and as the market continues to mature, we expect traditional trade to continue losing share to modern trade.

Development of modern trade in China over the next few years will be largely driven by ongoing store expansion, according to IGD Asia's research, as well

as strong performances from the online and convenience channels.

"Convenience will be the fastest-growing physical store channel, driven by Alibaba and JD.com transforming traditional mom-and-pop stores, retailers opening smaller format stores and both local and overseas players expanding their networks through partnerships," Miles said.

"Online and offline integration will drive online growth. As the fastest-growing channel, we forecast online to contribute up to 11 per cent of sales in 2023."

IGD Asia forecasts that supermarkets will see their share of China's total grocery retail market reduce from 22 per cent in 2018 to 18 per cent in 2023, while the market share of supermarkets will remain steady.

Meanwhile, e-commerce retailers such as JD.com and Alibaba are set to see significant growth from both online and offline channels and become the second- and third-largest grocery retailers in China respectively, according to IGD Asia.

"With such strong market growth to 2023, trading in China has vast potential, whether supplying directly to physical stores or via online marketplaces. However, there are huge changes taking place that suppliers need to consider," Miles said

Online giants are reshaping China's retail landscape with their strong logistical and technical capabilities, so suppliers should understand this new path of purchase and design meaningful ways to reach their shoppers."

"Expansion through local partners will also remain a key route to market in China, so customer strategies must take into account the strong alliances forming between ecommerce players and bricks and mortar retailers."

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