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### **Yangzhou City Profile**

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**Report Highlights:**

Yangzhou is one of many large internationally unknown cities that dot the country surrounding Shanghai. As costs in Shanghai rise, these cities are becoming the focus of new growth. Their distribution systems are developing, making large-scale import foods more practical. Yangzhou restaurant businesses have maintained a double digit rate of growth over the past ten years. While international retailers have opened more than a dozen stores in Yangzhou, imported product penetration is still in its infancy. Ready-to-eat products such as snack food, fruits and cookies dominate the market. With appropriate promotion, training and education events, more U.S. products could be accepted in the market.

**Introduction:**

The city of Yangzhou has been renowned throughout its 2,500-year history for its cultural and agricultural prosperity. The rulers had canals dug here in 500 BC which were later incorporated into the Grand Canal. Because of its position at junction of the Yangtze, the Grand Canal the Huaihe River, Yangzhou rapidly developed into a prosperous city. Many foreign merchants, including a community from Persia, lived and traded leaving a twelfth century mosque and the much-quoted but unsubstantiated tale that Marco Polo governed the city for three



**Yangzhou Bei Er Western Style Restaurant China**

Lying just north of the Yangtze River, Yangzhou was a major trade center on Grand Canal. . Emperors used to visit

Yangzhou by boat to enjoy its distinct architecture and famously beautiful women, among other things. Yangzhou reached its heyday over a thousand years ago as a salt distribution center during the Tang Dynasty. The salt trade allowed the city to accumulate considerable wealth, triggering a flourishing arts and literary scene that continues to this day. Numerous museums, galleries, and art stores display extraordinary traditional works by local artists, and another famous Yangzhou product, ornate lacquer ware, can be purchased at shops throughout the city. Huaiyang cuisine from here is one of the "Four noted cuisines" in China. Yangzhou is only an hour bus ride from Nanjing, and three hours from Shanghai.

Yangzhou had a population of 4.59million as of 2008, with an annual GDP growth rate at average 14% in the past five years, and per capita GDP growth rate at 15%. Major industries in Yangzhou include LED manufacturing, textile, food processing and tourism. From 2005 to 2008, the number of tourists visiting Yangzhou increased at an average rate of 25%. Recently Yangzhou has also been successful in attracting investors from all over the world.

<b>Yangzhou at a Glance (2008)</b>	
Population	4.59 million
GDP	USD 23.1 million
GDP/Capita	USD 5,181.00
Major Industries	LED, textile, food processing and tourism etc
Sales revenue of Restaurant business(2009)	USD 1.29 billion
Major Food Retailers	RT-mart; Times store;Wal-Mart; Suguo;Lianhua

Source: Yangzhou Foreign Trade and Commerce Bureau

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## Agriculture

Yangzhou is a significant producer of pork, vegetables and aquatic products. Total value of the annual agriculture output was USD3.8 billion. Land reclamation efforts also converted 4,180 acres to agricultural production. However, local leaders are also eager to focus on more value-added agriculture as well as agricultural tourism, and they are seeking more foreign investment for these initiatives. There is surplus labor in the agricultural sector, and local government officials are encouraging more urbanization and foresee greater consumer demand as urban incomes rise.

## Sector Analysis: HRI (Hotel, Restaurant and Institutions)

There are 2,500 restaurants in Yangzhou. Most of them are private business. In 2009, restaurant sales revenue was USD1.29 billion, 18.5% higher than last year. Yangzhou's restaurant businesses have maintained double digit growth over the past ten years. Besides serving famous "HuaiYang" cuisine, restaurant chains serving simplified western dishes have emerged in Yangzhou. Bei Er restaurants chain is one of them. They provide clean and neat environment, selections of dozens of Pizzas, steaks, french fries and chicken, with a much lower price than Pizza Hut or steak house offerings. The founder was a supplier to KFC in Yangzhou and found this market opportunity. Accordingly to him, his main customer group is young couples and students. Business has been good so far. For example, 5 to 6 years ago, his monthly business volume of U.S. potato products was dozens of cartons, this has increased to 200 cartons per month.

In terms of Hotel industry, so far there are no existing foreign brand hotels in Yangzhou, although one Ramada hotel is under construction and is supposed to open soon. This is mainly because Yangzhou has a state-owned monopoly hotel group "Yangtze Investment & Development Group" and most of the hotels in Yangzhou belong to this group. It's under the direct leadership of Yangzhou's municipal government, and many overseas visitors and tourists are introduced to stay at one of the hotels belonging to this group. Currently the group has one five star "Yangzhou Guesthouse" and two four star hotels plus some three star hotels. Among them, Yangzhou Guesthouse enjoys a unique position. Most foreign visitors, including high-level government officials, stay in this hotel. Yangzhou Guesthouse has 8 Chinese restaurants and one western restaurant inside. In total, these restaurants can accommodate 2,800 guests for meals. The hotel chefs are skilled and accustomed to big banquets with more than 1,000 people. U.S. products usage in this hotel is not very high. They use some butter, cod, potato products plus some beef (yes, U.S. beef is available in Yangzhou through some channels). All of their imported materials are purchased through a catering service company based in Shanghai.

## Sector Analysis: Retail

There are five major retailers in Yangzhou. One department store, "Golden Eagle," is targeting high-end customers with an import food counter. In the meantime, more foreign retailers are on the way. Tesco is going to open a store in 2010 in Yangzhou, as is French retailer Auchan.

Major Retailers in Yangzhou	Store Numbers
Golden Eagle-department store	2
RT-mart-Hypermarket	2
Wal-Mart-Hypermarket	1
Times-supermarket	2
Suguo-Supermarket	4
Centurymart-Supermarket	3

Depending on when they entered the market and management skill, these retailers have had varying degrees of success in

Yangzhou:

**Golden Eagle:** One of its stores is located in the prime location in the downtown area and enjoys a good reputation in Yangzhou as high-end department store. Its import food counter is leased out to two or three suppliers. These supplies are basically sub-distributors in Yangzhou, who get their supplies from big importer and distributors based in Shanghai. Shanghai importers and distributors usually concentrate on big markets such as Shanghai itself and ignore Yangzhou. The sub-distributors in Yangzhou often have to drive their own vans to Shanghai to buy import products. They also need to pay in cash. They have a limited selection on import products, as Shanghai suppliers leave them whatever is left after serving the main markets. This is a primary barrier to expand U.S. product penetration in third tier cities. Most of import products in Golden Eagle are from South-east Asia such as Korea and Japan as they have similar tastes with Chinese consumers and provide better packaging. U.S. products are limited to cereals, Sun-maid raisins, and Hershey chocolate etc.

**RT-mart:** RT-mart is one of the best retailers in Yangzhou. The store carries 20,000 SKUs of products, and the food area accounts for 60% and non-food 30-40% of floor space. Their products, including import products, are delivered by their Distribution Center located in Suzhou. Average consumer traffic to the store is 15,000 people per day. During weekends it reaches 20,000. 70% to 80% of the store customers are coming from people living within 1 kilometer away from the store. Kids and young people aged between 11 years old to 40 plus make up the major consumer group for import products. Confectionery and cookies are best sales import products at the store. People who care about quality of life and who have overseas travel or study experience are more willing to try and buy import products. The store's fresh section is really impressive. With the advanced water spraying system, all the vegetables keep and look very fresh. This is very unique in Yangzhou and takes a step ahead of most supermarket chains in Shanghai too.

**Wal-mart:** Wal-mart store in Yangzhou has only been open for one year. It has the largest store area, with a food section of 13,000 square meters and 6,000 square meter non-food section. Its consumer makeup is 20% students; 40% tourists and 40% nearby residents. Most of its consumers are middle to low class, but 10% are high class. Because there is wet market nearby, the store manager told ATO they still have to compete with the wet market in terms of per basket purchase cost even though they have a much better and clean shopping environment. They wish consumers would shop for daily necessities at their store and finally give up wet market shopping. In terms of imported products; olive oil, dried fruits and nuts, fresh fruits, chocolates, wine and offal are best sales items at the store. Among them, U.S. products definitely enjoy competitive advantage in terms of fresh fruits and dried fruits & nuts - such as Sun maid raisin and pistachios etc. Wal-mart also has an ambitious expansion plan in overall Jiangsu province, aiming to open 10-20 stores in 2010.

**Times store:** Times Supermarket was the first retailer to enter the Yangzhou market. It's a Hong Kong company with its headquarters in Shanghai. Now it's been acquired by the Korean enterprise Lotte. The import section is dominated by products from Korea and Japan with few American products. Because it's located in the downtown area, it attracts many consumers.

**Suguo and Century mart supermarkets:** Both Suguo and Century mart are state-owned supermarkets chains with 4 and 3 stores in Yangzhou respectively. Both supermarket chains's store layout and products assortments look out-of-date and only attract nearby older community residents. Few imported products sold there. If there is no improvement in the near future, they will lose market share to modern retailer chains such as RT-mart and Wal-Mart, not to mention new competitors such as Auchan and Tesco.

### **Prospects for the Future**

As a third tier city compared with Shanghai, import product penetration in Yangzhou is still in its infancy. Ready-to-eat

products such as snack food, fruits and cookies dominate the market. Products that require some explanation and education seldom appear and are not accepted by this market. But with increased opening and exchange events with foreign countries, we believe Yangzhou could quickly catch up with its nearby second-tier cities such as Nanjing and Suzhou. With the appropriate promotion, training and education events, more import products would be accepted.

<b>Yangzhou: Best Product Prospects</b>		
<b>Product</b>	<b>Market</b>	<b>Notes</b>
Dried fruit and nuts	Hotel/Retail	Common as snacks and as ingredients in Western pastries and other dishes, dried fruit and nuts have excellent potential. Local substitutes are available, but usually have a significantly different texture and taste than U.S. products.
Dairy products such as cheese	Retail	At the moment, there are not many import dairy products displayed at the retail stores in Yangzhou. With increasing health and nutrition consciousness, we believe people would like to buy more dairy products- especially for kids as major protein and calcium sources
Seafood	Hotel	Imported Seafood in Yangzhou is just available in high-end hotels at the moment. The key is to promote mid priced seafood products in the market-such as Pollock.
Wine	Hotel/Retail	Demand for imported wines is growing rapidly in star-rated hotels and specialty stores located in high-end department stores and mainly as gift.
Cereals	Retail	With more people going overseas for business trips, study and travel, cereals products are accepted by more and more health-conscious consumers even in a third tier market such as Yangzhou
Fresh Fruits	Retail	Popular gift choices especially in holiday period

#### **Contact Information and Useful Websites**

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