Consumer needs are polarizing. Value and premium segments are outpacing the compound annual growth rate by price tier Q3 2019 to Q3 2020 from online growth.

Ten Trends Powering a New Stage in China’s Retail Evolution

Competition for share of wallet is increasing as Covid-19 accelerates already rapid change.

1 Consumer needs are polarizing. Value and premium segments are outpacing

2 Shopper loyalty is becoming harder to win. Winning and holding shoppers’ attention is more difficult as digital engagement explodes.

3 Getting customers back in stores is a digital job. Physical store footfall decline in China from pre-Covid levels

4 The online retail battlefield is expanding. With trip for store sales nearly saturated, camera sales and digital are crucial to maintaining growth

5 Fresh food remains a must-win. Still mostly bought in-store, fresh foods’ purchase frequency makes it key to online and offline grocery success

6 More partnerships are on the way. Physical chains and digital platforms can especially benefit from running up to add capabilities

7 The hunt for new profit sources intensifies. Alternative income streams can be a great option for growth beyond the traditional profit distribution from online growth.

8 Innovative formats are still emerging. Continuous competition is set to generate new ways of serving customers at lower costs

9 Productivity innovation moves upstream. The hunt for efficiency is shifting from getting from stores and fulfillment to sourcing and other upstream areas

10 Regulation is likely to tighten. Government is expected to play a bigger oversight role, after reining in Internet giants

Four ways retailers can adapt

- Develop innovative formats, while understanding the future role of digital: online and offline sales can and offline sales
- Nurture new customers, consider by growing in areas that are new to the market and digital
- Expand products and services, while addressing any supply chain gaps
- Capture value upstream, building the muscles needed to become more efficient

Components of retail:

- Revenue
- Gross margin
- Operating expenses
- Net income

Get the full report: Trends Powering a New Stage China’s Retail Evolution

Sources: Bain & Company/Kantar Worldpanel China Shopper Report; Economist Intelligence Unit; Bain analysis

Compound annual growth rate by price tier Q3 2019 to Q3 2020

20% 18% 16% 14% 12% 10% 8% 6% 4% 2% 0%

Value Midrange Premium

China labor cost

~80% of online Tensor Flow developers hail from Chinese universities

183.1

Online penetration for fresh produce in China

21% 14% 21% 20% 4% 18% 5% 2% 4% 5%