



China's Fresh Produce Industry (1)

From Farm to Fork

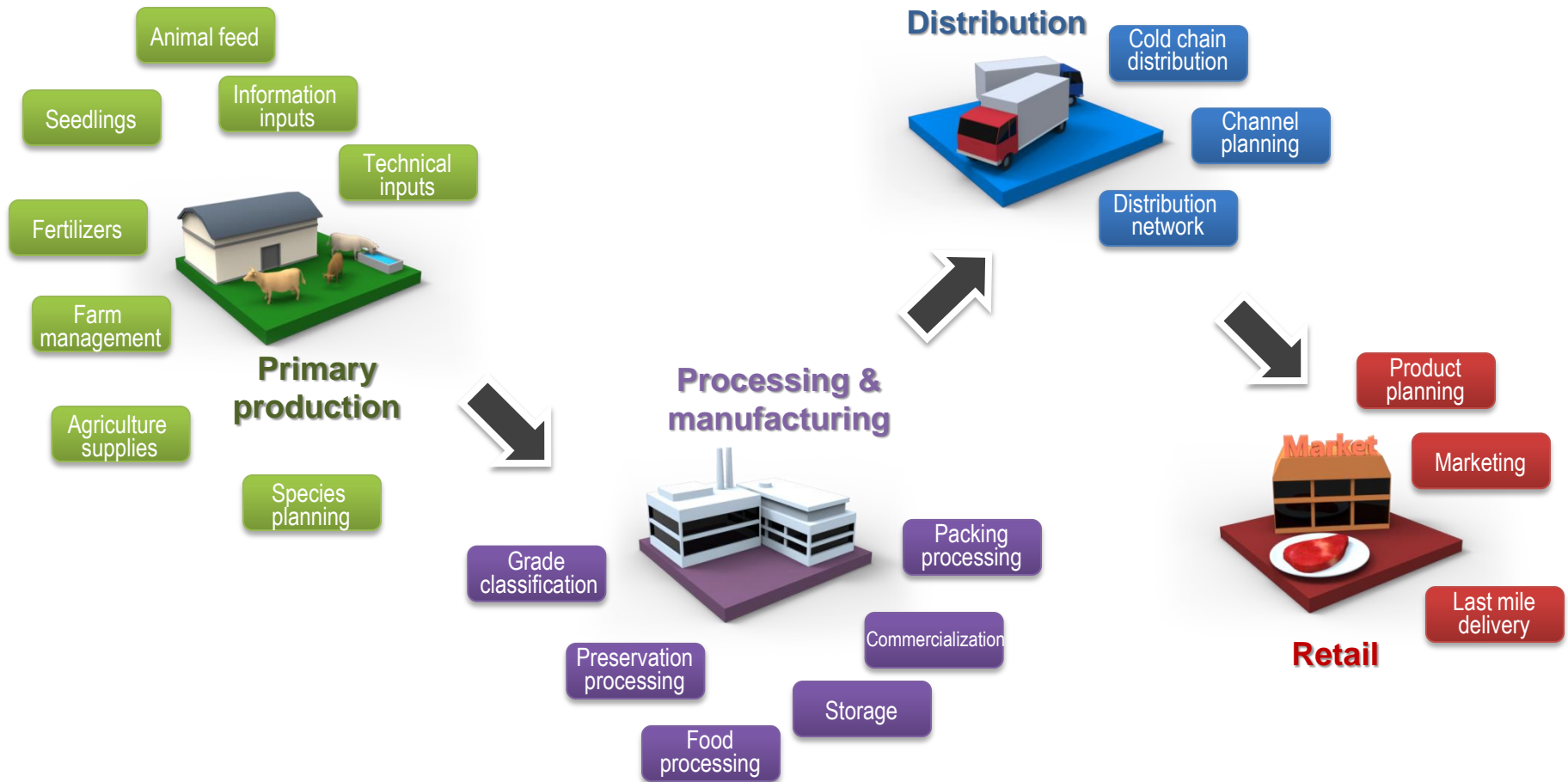
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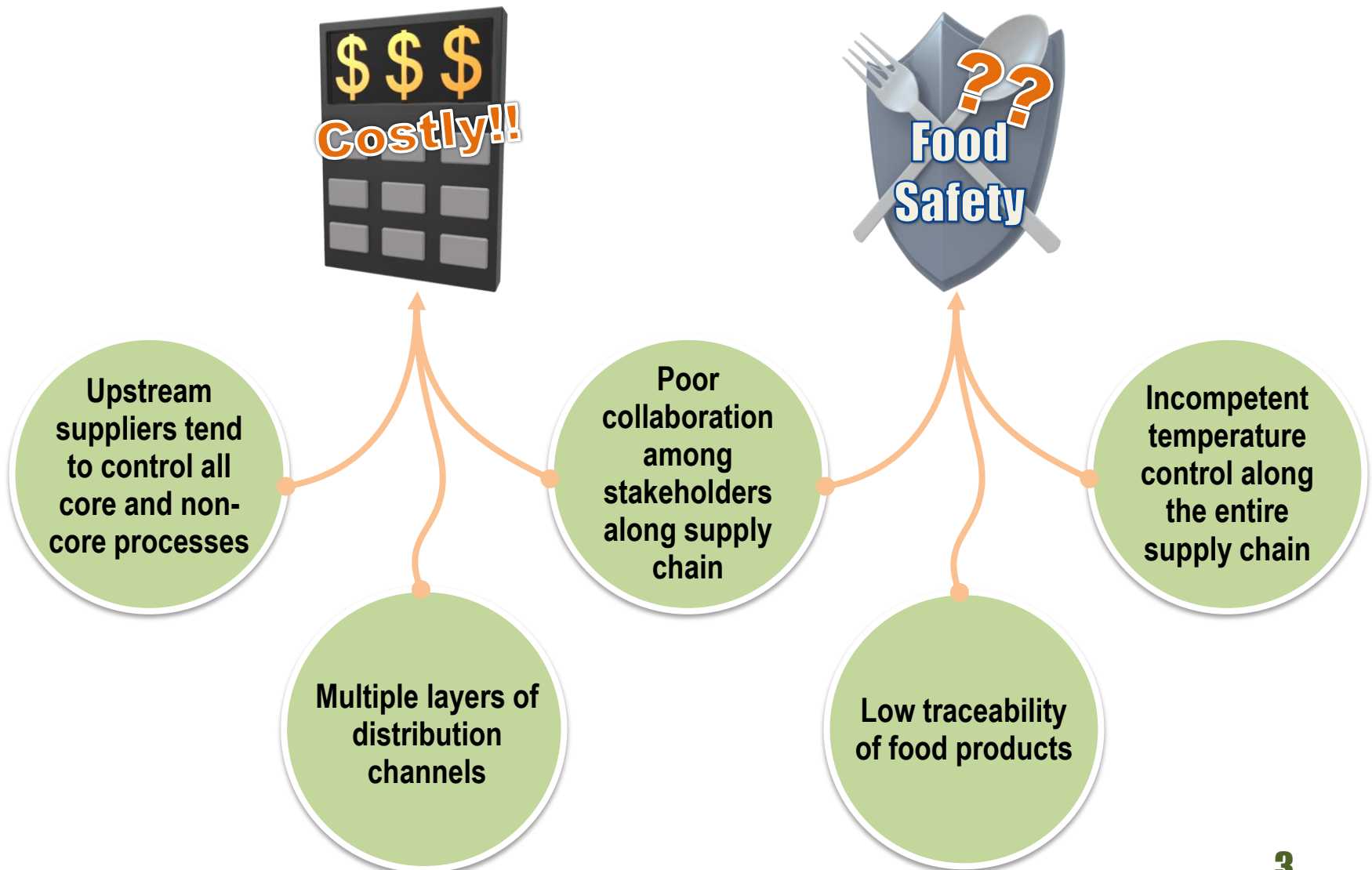


Fung Business Intelligence Centre

China's agricultural supply chain



Issues in China's agricultural supply chain



Internet + agricultural industry

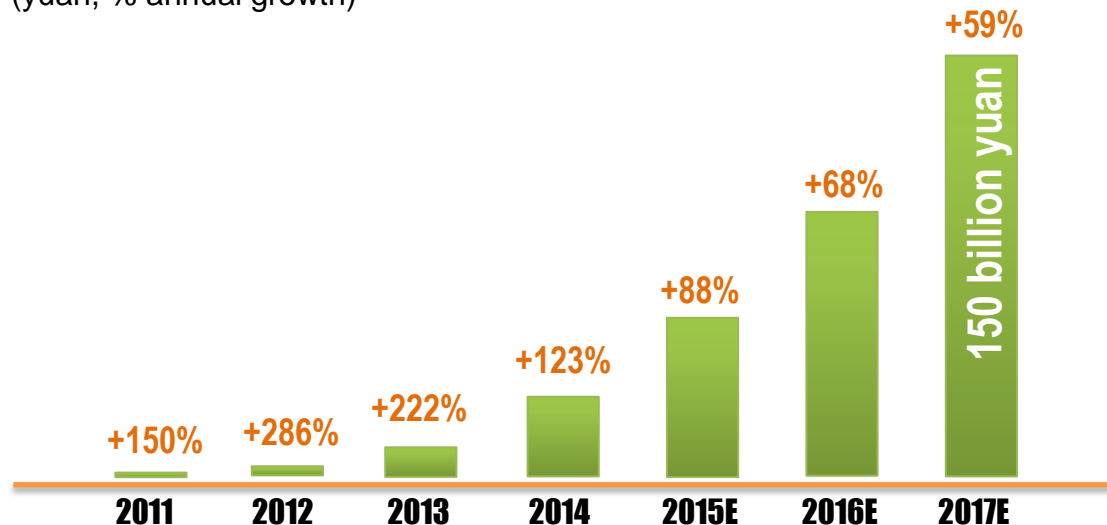
- Natural entry barrier of agricultural industry is very high, due to the complexity of traditional agricultural supply chain and multiple layers of fresh food distribution channels
- However, with the popularization of the internet, cloud computing, internet of things and mobile internet, the distribution channels of farm produces have undergone tremendous changes
- More and more enterprises enter the traditional agricultural industry through e-commerce or adopting O2O business models



New channel: fresh produce e-commerce

- Food products currently accounted for 10% of online shopping in China, in terms of number of shoppers
- Food products will become the third largest online shopping category in 2017

Market size of fresh produce e-commerce in China, 2011-2017
(yuan, % annual growth)

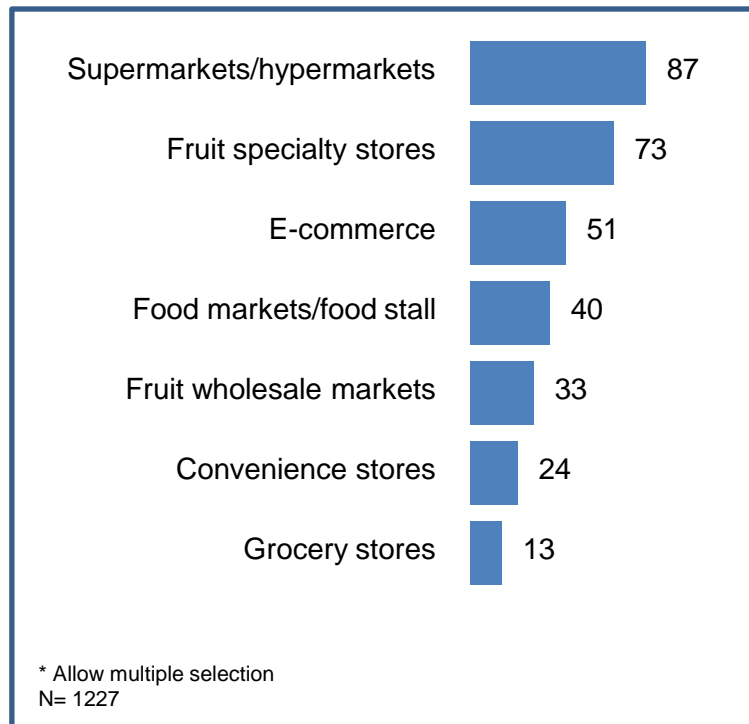


Source: www.analysis.cn, compiled by Fung Business Intelligence Centre

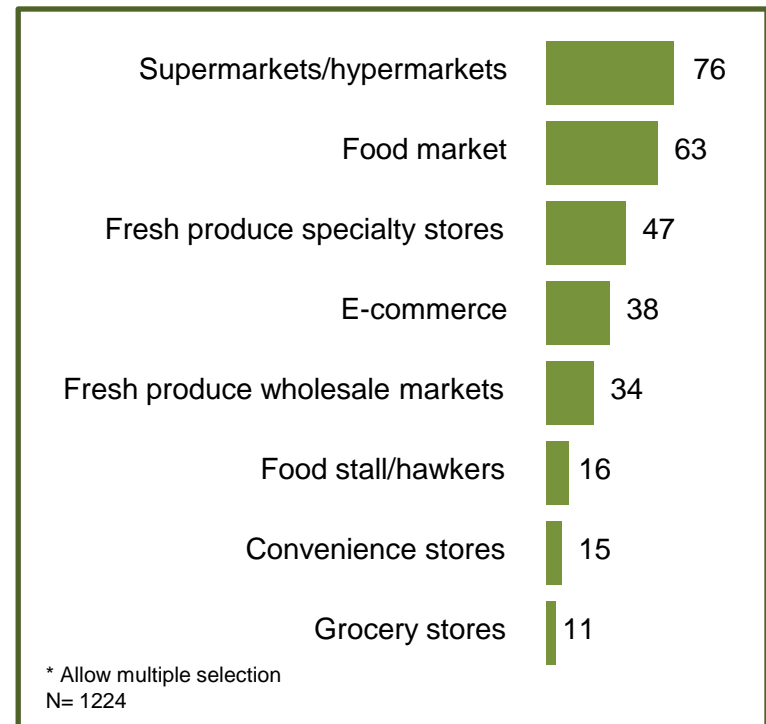
Buying practices in China

- Most shoppers buy fresh produce from supermarkets/ hypermarkets.

Buying channels of fruit (%)*

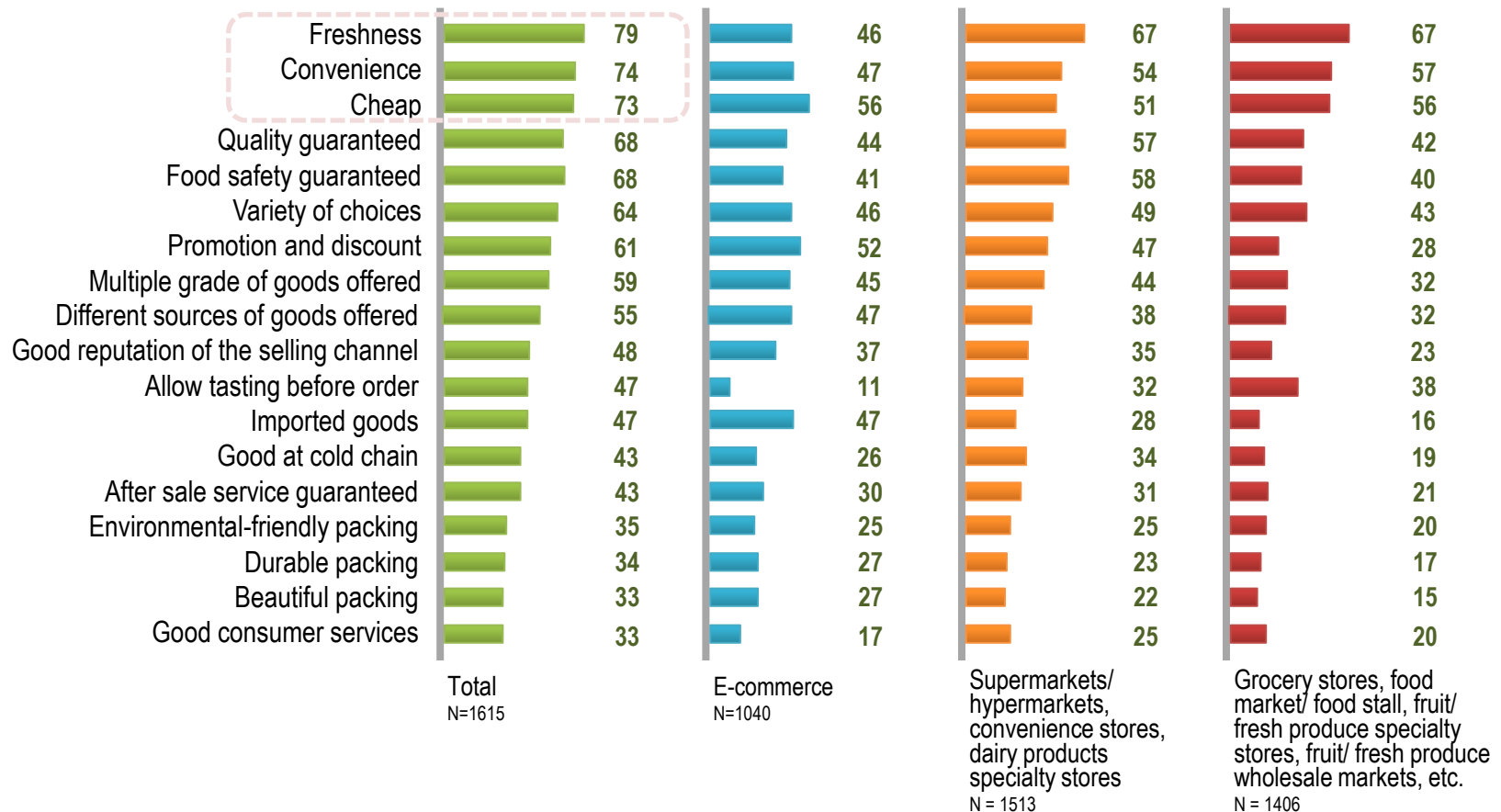


Buying channels of vegetable/ meat/ seafood (%)*



| Buying practices in China

- Freshness, convenience and price are the major factors affecting the shopping behaviour when buying fresh produce



Source: Nielsen (2015), compiled by Fung Business Intelligence Centre

* Allow multiple selection

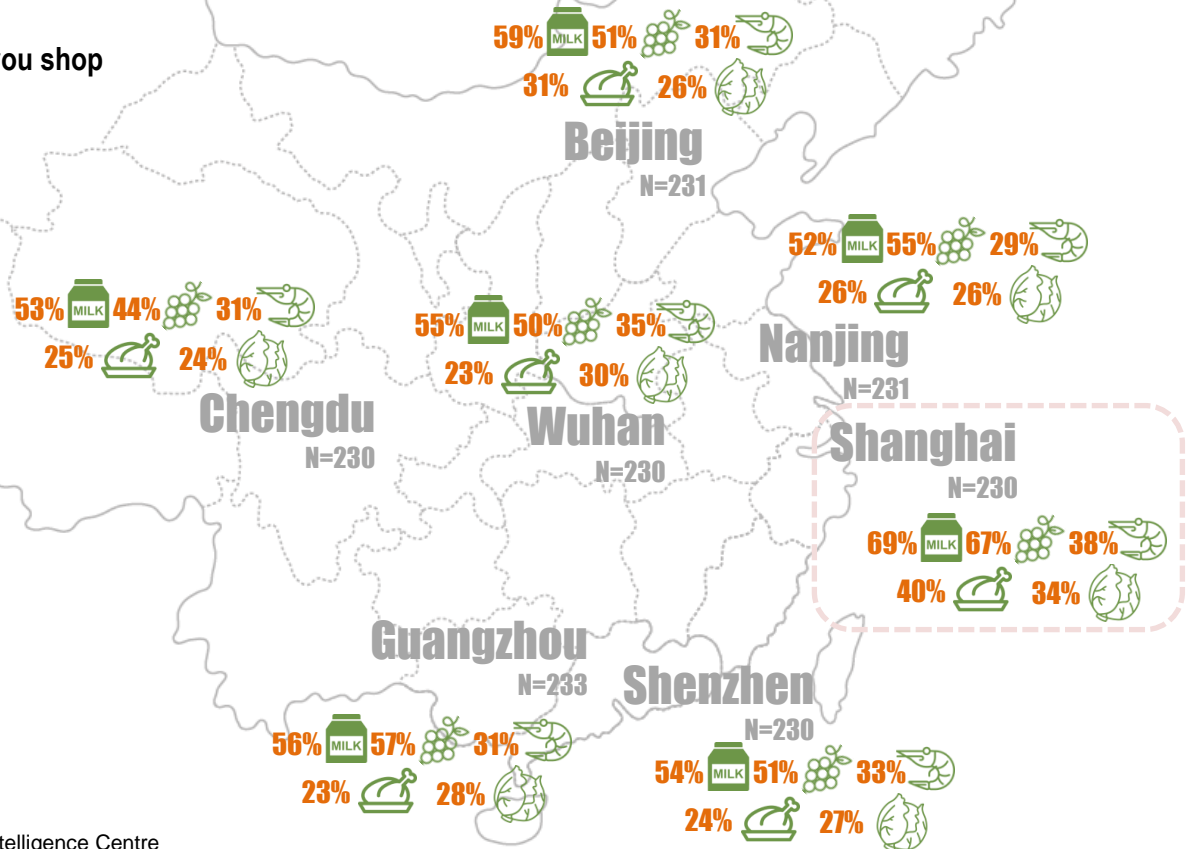
Buying practices in China

- In Shanghai, more people shopped for fresh produce online than those in other China's cities

Survey

Q: What kind of fresh produce did you shop online in the past three months?

- A:
-  Dairy products
 -  Fruit
 -  Seafood
 -  Meat and eggs
 -  Vegetable

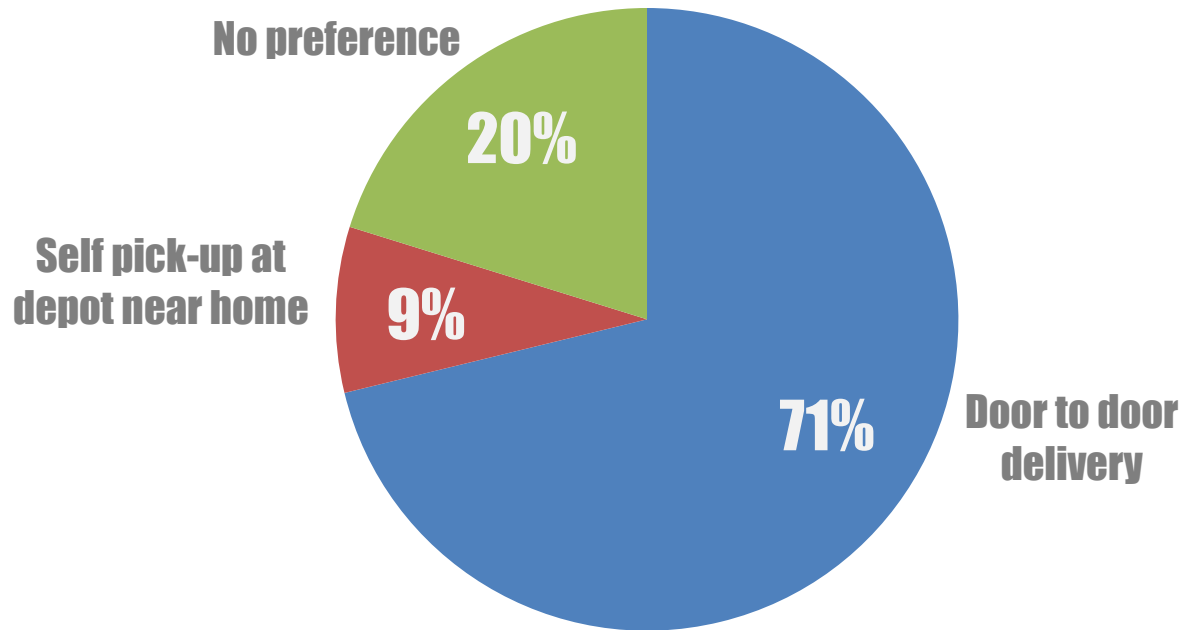


Source: Neilsen (2015), compiled by Fung Business Intelligence Centre

* Allow multiple selection

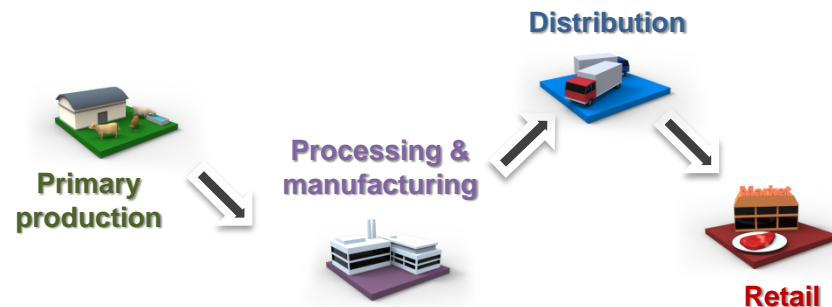
| Buying practices in China

- Door to door delivery is the most preferred delivery method provided by fresh produce e-commerce companies



| Latest trends in fresh produce market

- Intelligent operations in fresh produce industry is gaining attention, such as intelligent animal feeding, social marketing, smart logistics, etc.
- More and more companies are taking vertical integration approaches. Some may merge with their suppliers upstream, while some may integrate with their downstream distributors/retailers. By then, they can control product quality, standardization and cold chain logistics with lower costs
- E-commerce has gradually blurred the delineation between fresh produce wholesale and retail



Latest trends in fresh produce market

- More and more fresh produce e-commerce platforms start with serving local communities , and then gradually expand their scope to other regions
- Apart from door-to-door delivery, more and more fresh produce e-commerce players explore new offline solutions in the communities, for instance, O2O experiential stores, smart lockers, cold storage, convenience stores pick-ups, etc.
- Household storage like refrigerators are getting bigger in size and volume nowadays, enabling shoppers to keeping more fresh produce at home



| Strategies deployed by the fresh produce industry

Differentiate from market competitors by identifying a market niche in a particular product category, a targeted group of buyers or regions, etc. **1**

Extend control to upstream and downstream operations, and the control of cold chain logistics in particular **2**

Collaborate with other players, such as forming strategic alliance with regional leaders or local logistics operators **3**

Enhance shoppers' experiences by allying with offline players in setting up offline channels **4**

Apply Internet of things. Examples are tracking and tracing system of fresh produce, along the entire cold chain, intelligence refrigerators, drone delivery, order via virtual wall, etc **5**

Standardization of operational workflows, logistical procedures, regulatory requirements, market entry mechanism, etc. **6**

Employ professional cold chain operation and management techniques, and invest in developing cold chain logistics technology **7**

|Forthcoming

China's Fresh Produce Industry (2)

E-commerce Business Models



Contacts

Management Theories and Business Models

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