

Business Review — Shanghai



Shanghai Municipality Region



Differentiated market positioning and diversified promotion strategies maximised efficacy.



A cosmopolitan city with all the blessings

Shanghai is one of the wealthiest contemporary cities in China. In the period under review, the national economy maintained steady growth while municipal finance improved. Local GDP sustained fast, double-digit growth for 15 years in a row. Thanks to a comprehensive social security policy, consumer prices kept climbing and relevant indices set new records over and over. Retail prices had surged to higher and higher levels, with percentage increases hitting new

heights since 1998. Consumption through credit cards grew popular, gradually turning into a consumer habit.

The city encouraged development of high value-added services. Modern businesses and enterprises quickened their paces of development, achieving spectacular results in infrastructure, finance, logistics, information services, tourism, as well as convention and exhibition. World Expo 2010 and other large-scale projects provided impetus to the steady rise in the percentage growth of investment in fixed assets in the city.

Shanghai Municipality	Population	Local Gross Domestic Product (RMB)	Gross Domestic Product Per Capita (RMB)	Per Capita Disposable Income (RMB)	Total Retail Sales of Consumer Goods (RMB)
Shanghai	13.68 million	1,036.6 billion	75,990	20,668	336 billion

Shanghai Municipality	No of Mainland Tourists	No of Foreign Tourists	Consumption Expenditure by Mainland Tourists (RMB)
Shanghai	96.84 million	6.06 million	141.97 billion

Source

- 2007 Statistical Yearbook of Shanghai
- 2006 Statistical Yearbook of Shanghai

336

billion

Total Retail Sales of
Consumer Goods (RMB)

Business Review — Shanghai



• Shanghai Wujiaochang Branch Store

“the stores implemented various strategies to sustain business growth within the region and afford unique shopping experiences for customers.”

A flagship of the latest and best local and foreign brands

In the period under review, Shanghai-Hong Kong New World Department Store — Wujiaochang Branch Store (“Shanghai Wujiaochang Branch Store”) opened in December 2006. The market positioning is middle-to-high end, integrated departmental retailing with a bias on apparel and accessories. With an approximate GFA of 44,000 sq. m., it is the largest integrated department store in Shanghai region of the Group. On seven floors, we offer fashion for men and women,

cosmetics, jewellery, accessories, furniture, leisure goods, children’s wear, footwear, sportswear and sporting goods.

Flagship stores of well-known brand names were firstly introduced inside Shanghai Wujiaochang Branch Store, offering an array of celebrated brands, local and foreign, in a spacious layout. Customers can enjoy rich choices in styles and designs, and a host of customer services specially introduced to deliver the perfect experience in shopping. The shop has designated different lounges or rest areas for customers, VIP guests, infants and children.



• Shanghai Qibao Branch Store



• Shanghai Changning Branch Store

Becoming a retail magnet through innovative operations

In Shanghai, in the period under review, we operated five self-owned stores under the “巴黎春天” (Ba Li Chun Tian) brand. These included Shanghai-Hong Kong New World Department Store — Huaihai Branch Store (“Shanghai Huaihai Branch Store”), Shanghai-Hong Kong New World Department Store — Xinning Branch Store (“Shanghai Xinning Branch Store”), Shanghai-Hong Kong New World Department Store — Hongkou Branch Store (“Shanghai Hongkou Branch Store”), Shanghai-Hong Kong New World Department Store — Changning Branch Store (“Shanghai Changning Branch Store”) and Shanghai-Hong Kong New World Department Store — Qibao Branch Store (“Shanghai Qibao Branch Store”). In addition, we also managed one store: the Shanghai Wujiaochang Branch Store.

All the six stores enjoyed prime location in densely populated districts within the city, well served by transport and communal facilities.

Each store carries a distinctive portfolio of merchandise. The uniqueness in product offering is why our stores have become first spots of call whenever local residents and the multitude of mainland and foreign tourists consider buying anything. In the period reported, the stores implemented various strategies to sustain business growth within the region and afford unique shopping

experiences for customers. They had tried to increase GFA productivity by enlarging sales area, and to optimise merchandise mix through introduction of unique products.

Shanghai Huaihai Branch Store changed the mode of operation for its sportswear and sporting goods section, effectively raising sales commissions. Shanghai Xinning Branch Store closed down its supermarket to make way for a shift to bigger department store operations, resulting in a substantial increase in floor productivity. In the year under review, Shanghai Hongkou Branch Store confirmed the plan to add another operating floor, which is scheduled to be opened in August 2007.

The Group introduced the Japanese retail concept of uniform pricing and Shanghai Qibao Branch Store and Shanghai Wujiaochang Branch Store became the first two outlets to offer “10-yuan uniform price” products. With over 3,000 items in a variety of product categories across the spectrum of daily necessities, both stores led the Shanghai market in terms of choice and quantity. Considering their wide, immediate popularity with consumers, the Group is planning to implement similar strategies to other suitable outlets within the Shanghai region.

Renowned apparel and accessories brands often refresh their designs in a short time. Our stores have mastered the mentality behind consumers’ desire to stay tuned with trends and fashions. Shanghai Wujiaochang Branch

Business Review — Shanghai



• Shanghai Xinning Branch Store



Store launched flagship showcases for leading brands and received broad acclaims from consumers. Overall, the rate of brand replacement stood high throughout the region. Keeping consumers fresh on our brands had proved conducive to consumption.

Perfecting a trendy image and maximising media exposure

Within the period reported, our Shanghai stores launched a variety of promotions to enhance sales, targeting main customer groups at the middle-to-high end of the market, our VIP members and trendy women.

On average, each shop organised two to three promotional events a month. During key festive periods and on special occasions, such as store anniversaries, Chinese New Year, Labour Day and National Day, our stores jointly organised large-scale functions that attracted broad media coverage. With our media exposure multiplying by folds over the previous year, the Group gained greater brand awareness while our stores further upgraded their profile, leading to heavier shopper traffic.

Within the region, the number of issued VIP cards and platinum VIP cards increased by 15% and 63%, respectively, over that of the previous year. Our stores had introduced exclusive VIP projects and activities,

including induction and first-month gifts for new members, interactive functions among members such as beauty courses, financial management talks and parent-child bonding programmes. We also offered pre-sale privileges to our VIP members.

In the period reported, our stores set up five VIP lounges inside shop premises. Discreetly and cozily furnished, with areas ranging from 30 sq. m. to 150 sq. m., these lounges highlighted the prestige of our VIP members.

In the period under review, we had over 200 joint promotion partners in Shanghai sponsoring special offers to our VIP members. They were mainly engaged in fashion, dining, household goods, transport, education and entertainment businesses. Our stores had produced a manual listing such sponsors and offers for members' convenience.

Our stores also launched various promotions. Shanghai Wujiaochang Branch Store, for instance, offered redemption of trendy, imported watches at very attractive prices during 15–25 February 2007.

Shanghai Xinning Branch Store offered up to 40% discounts on Winter fashion during the Chinese New Year season (12–25 February 2007), and auspicious gift packs at a bargain.



“Shanghai Huaihai Branch Store, in particular, had won recognition as a “Jing Ding Specialty Department Store”, an honour bestowed on only three department stores in Shanghai.”

Targeting fashionable, white-collar females among VIP members with high consumption power, Shanghai Hongkou Branch Store hosted experience courses during 5–9 July 2007 on finer aspects of living, such as art of tea. It also held other themed promotions targeting specific market segments.

Reaching high for greater accomplishments and honours

In the period under review, each of our Shanghai stores was honoured as an “MOC-standard compliant

Department Store”（國家商務部達標百貨店），becoming a role model in the retailing and department store industry in the PRC. The designation was a confirmation of having met the stringent assessment criteria that the Ministry of Commerce had prescribed for various aspects of department store operations including sales area, quantity of international brands, shopping environment, staff service and sales results. Shanghai Huaihai Branch Store, in particular, had won recognition as a “Jing Ding Specialty Department Store”（金鼎精品百貨店），an honour bestowed on only three department stores in Shanghai.

Shanghai Municipality	Date of Commencement of Operation	Approx Gross Floor Area (sq. m.)	Approx Operating Floor Area (sq. m.)
Shanghai Huaihai Branch Store (self-owned)	December 2001	22,500	17,300
Shanghai Xinning Branch Store (self-owned)	January 2002	21,000	15,500
Shanghai Hongkou Branch Store (self-owned)	October 2003	15,500	11,000
Shanghai Changning Branch Store (self-owned)	September 2004	6,680	5,600
Shanghai Qibao Branch Store (self-owned)	December 2005	36,550	24,400
Shanghai Wujiaochang Branch Store (managed)	December 2006	44,000	35,200