

## Business Review — Southwestern China



# Southwestern China Region



Expanding into the emerging markets  
with immense business opportunities.



### Natural gifts backing rapid growth

Southwestern China has been pursuing clear-cut directions in developing its major inland cities. The Central Government and municipal government were keen on attracting foreign investments to realise their supportive “Go West” policy for the development of the region. Major cities within the region gradually emerged from dependence on traditional industries and undergo transformation into modern cities with high value-added industries. Hi-tech industries such as information sciences and biopharmacy are flourishing as well.

Along with marked improvements in the living environment and the quality of life, the mode of consumption changes accordingly. There is huge, increasing demand for avant-garde, fashionable and high-end consumer goods.

Tourism resources abound in the region, where centuries-old cultural-historical legacies and unique landscapes attracted hordes of tourists from other parts of China and abroad.

Southwestern China Region	Population	Local Gross Domestic Product (RMB)	Gross Domestic Product Per Capita (RMB)	Per Capita Disposable Income (RMB)	Total Retail Sales of Consumer Goods (RMB)
Chongqing	32 million	348.6 billion	12,437	11,570	140.4 billion
Chengdu	12.21 million	275 billion	25,167	12,789	45.9 billion
Kunming	6.02 million	119.5 billion	9,459	Urban Dwellers: 10,766 Country Dwellers: 3,520	44.7 billion

Southwestern China Region	No of Mainland Tourists	No of Foreign Tourists	Consumption Expenditure by Mainland Tourists (RMB)
Chongqing	5 million	300,000	7.5 billion
Chengdu	25.15 million	220,000	6 billion
Kunming	22.26 million	640,000	13.5 billion

Source

- Website of Chongqing Municipal Government Public Information (重慶市政府公眾信息網站)
- Website of Chengdu Statistical Information (成都統計信息網站)

# 231 billion

**Total Retail Sales of Consumer Goods (RMB)**

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• Chongqing Store



### Trends converging at new store

Chongqing New World Department Store (“Chongqing Store”) entered the core business district of Jiangbei in September 2006. It has six levels of retail area, with a total GFA of about 42,000 sq. m. on six levels. Its key target customer groups are urban elites in the rising northern cities and the middle class. Its merchandise base comprises mainly international brands, fashion and accessories for men and women. Supplemented by household products, children’s wear, food court, and related services and facilities, it all adds up to an urban, one-stop, integrated department store.

Opened in December 2006, Chengdu New World Department Store (“Chengdu Store”) is located in Plaza Central, at the junction of the two commercial districts of Yan Shi Kou and Chunxi Road Shopping Lane. It has a total GFA of 29,500 sq. m. spreading over five levels. It positions itself at mid-to-high end section of the market, with its merchandise mix comprising well-established, trendy and youth-popular brands in apparel, leather goods, footwear for men and women, accessories, cosmetics, jewellery and watches. The store integrates shopping with leisure

and dining facilities, including international fast-food chain store, Japanese and Korean eateries, Sichuan snack shop and western restaurants.

### Infusing youthful dynamism to optimise merchandise mix

The Group operates three managed stores in southwestern China, namely Chongqing Store, Chengdu Store and Kunming New World Department Store (“Kunming Store”). All benefit from prime location

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in bustling business districts and proximity to transport hubs and large-scale shopping centres, commercial walks, hotels, high-grade commercial buildings and leisure squares. All enjoy heavy pedestrian traffic.

In the period under review, all regional shops effectively carried out business re-orientation, with emphasis on enlarging the profit of more renowned brands. Considering the market demand for young, trendy fashion and leisure and high-end products, our stores had optimised their merchandise mix to enhance overall sales. A number of top international brands had been introduced.

Taking into account market demands and development tendencies, Chongqing Store further strengthened its competitive advantage in menswear, complementing it with a larger proportion of leisure products for men. Concurrently, it introduced fashionable ladies' wear. Together, these strategic moves the merchandise mix of the store. Sales in footwear, in particular, stood out in the Jiangbei business district.

Considering the characteristics of business districts peripheral, Chengdu Store stressed the development of special sales venues and expansion of the leisure section. Committed to introducing popular fashion brands for in teenage girls and young ladies, with great



success the store projected a youthful and fashionable image, resulting in a steady rise in both shopper traffic and total sales.

During the period under review, Kunming Store continued to expand its sales area and introduce more brands in ladies' shoes and jewellery. To raise store profile, it renovated and re-furnished the concessionaires in the jewellery section. To make shopping even more convenient for customers, it optimised merchandise mix for each sales floor.

### Targeting big-spending customers

In the period reported, our stores in southwestern China performed well in increasing the total number of issued VIP cards and implementing targeted marketing strategies. The number of issued VIP cards and platinum VIP cards increased, respectively, by 23% and 188% over that in the previous year.

Stores within the region launched VIP offers and activities on an adhoc basis. For instance, customers of gift points in multiples, for exchange of gifts and gift coupons. The coupons could be used for purchase of all products at our stores. This afforded greater flexibility in the use of gift points accumulated on the



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• Chengdu Store

VIP cards, and helped promote customers' revisit at the stores and a sense of their own worth as our esteemed customers.

For the uppermost echelon of VIP customers we provided exclusive platinum VIP services. These included home visits, exclusive courtesies and escorts by our sales managers during their shop purchases.

Forming cross-industry "alliances" with related businesses in the search and recruitment of quality customer groups is an important part of our strategy. An example is the special offer on VIP applications made with credit cards of certain banks. To promote conversion of customers with big spending powers into VIP groups in our business, we tried various means to heighten the awareness for VIP membership application. This was achieved through persuasion by sales staff, in-store broadcast, and display of promotional items encouraging VIP application at concessionaire counters. In addition, we undertook direct promotion to group visitors at our stores, selected companies and other groups of big-spending people.

**“For the uppermost echelon of VIP customers we provided exclusive platinum VIP services. These included home visits, exclusive courtesies and escorts by our sales managers during their shop purchases.”**

In addition, we held a series of interactive VIP activities to enhance loyalty, teaming up with suppliers to provide special offers. Our stores also put up a variety of themed promotions. For instance, Kunming Store offered a RMB100 cash coupon for any purchase of RMB100 or above, and held bargain sale of fashionable items on Silent Night during Christmas season 22–25 December 2006. The store also collaborated with Industrial Bank Company Ltd in providing incentives for making purchases with credit cards, and co-organised a boisterous Christmas Gala with Sony Corporation.



### Brilliant Results for Ceaseless Efforts

Chongqing Store won two awards in a comparative ranking of sales performance of department stores and supermarkets in Chongqing In 2006 by *Chongqing Morning Post*, for “Best Layout Design” (最佳版面設計獎) and “Best Event Creativity” (最佳活動創意獎). *Chongqing Morning Post* is the most influential newspaper with the largest circulation in Chongqing and the award was widely recognized by professionals in the industry.

In 2007, Chengdu Store was first on the list in an election of 100 most credible units by Sichuan Consumer Organisation (四川消費者協會). In March 2007, Joint Federation of Consumers, Bureau of Industry and Commerce (工商局聯合消費者協會) presented an award to Chengdu store in commendation of its credibility.

*Bazaar*, a leading international fashion magazine, celebrated its 140th anniversary in 2007. In a photo road show in 10 cities across the PRC, Chengdu Store was awarded “The Best Fashionable Shopping Centre” (最佳時尚商場獎). The magazine covered the award in its August 2007 edition.

Southwestern China Region	Date of Commencement of Operation	Approx Gross Floor Area (sq. m.)	Approx Operating Floor Area (sq. m.)
Kunming Store (managed)	June 2004	12,600	8,300
Chongqing Store (managed)	September 2006	42,000	34,400
Chengdu Store (managed)	December 2006	29,500	21,000





In pursuit of  
*Quality* Living

