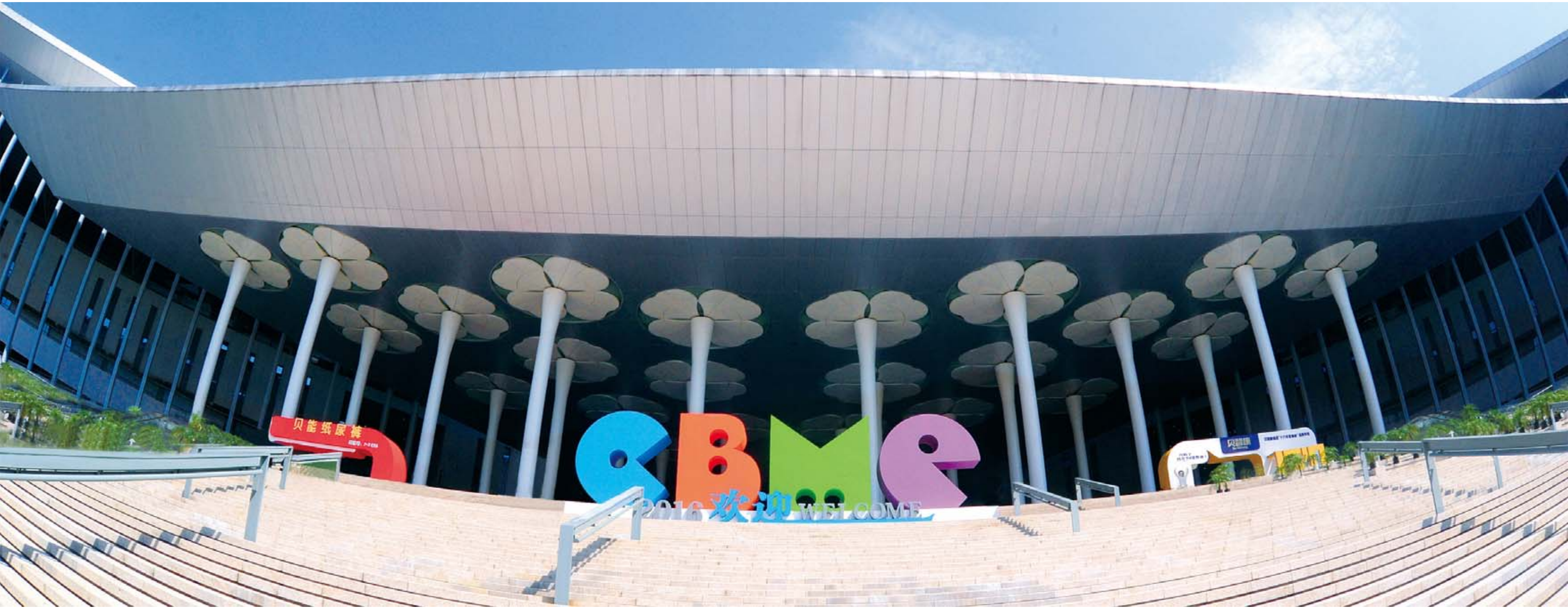


China Baby Products Industry Report 2018 by CBME China

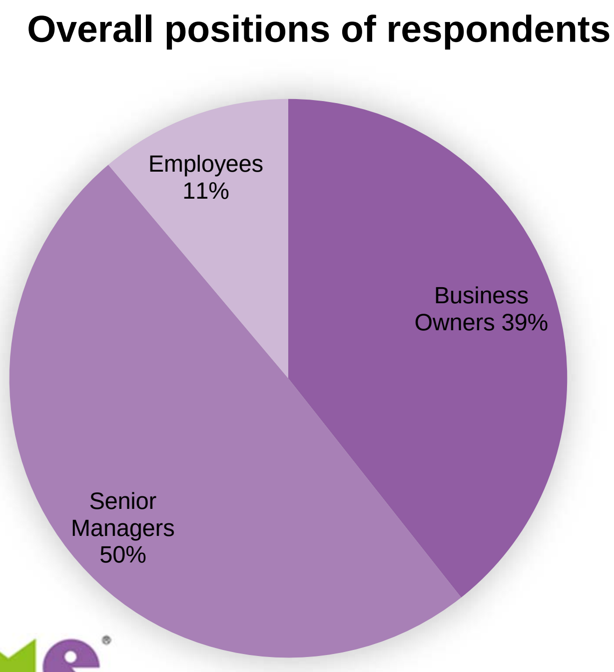
Aug 2018

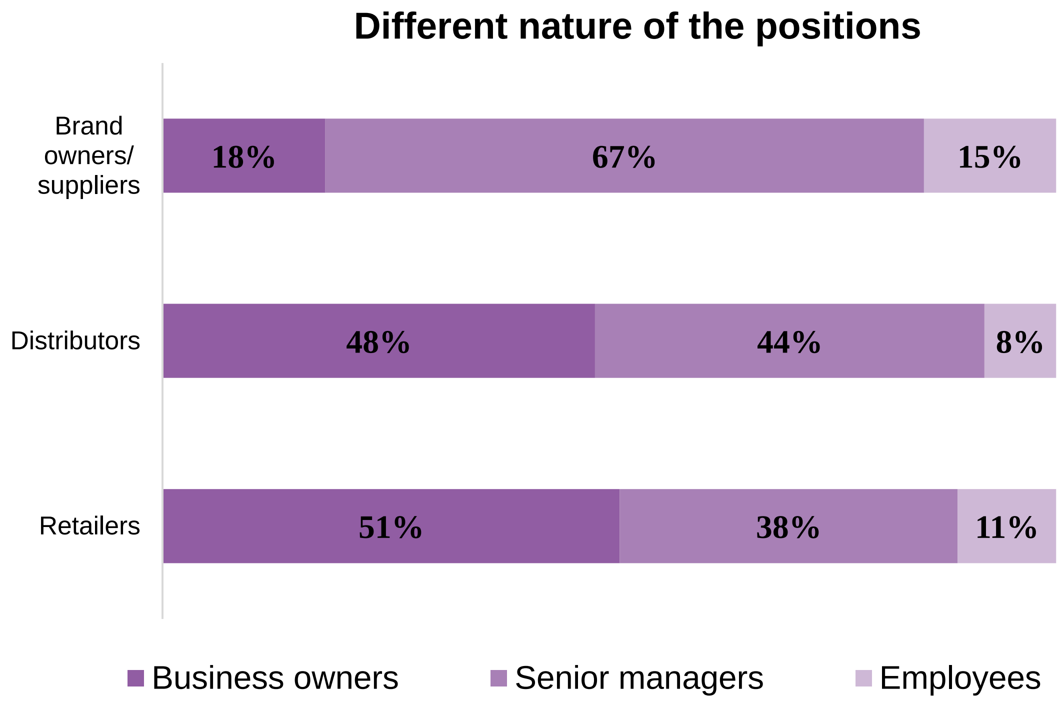
CBME CHILDREN·BABY·MATERNITY EXPO CHINA

UBM

Respondent Analysis

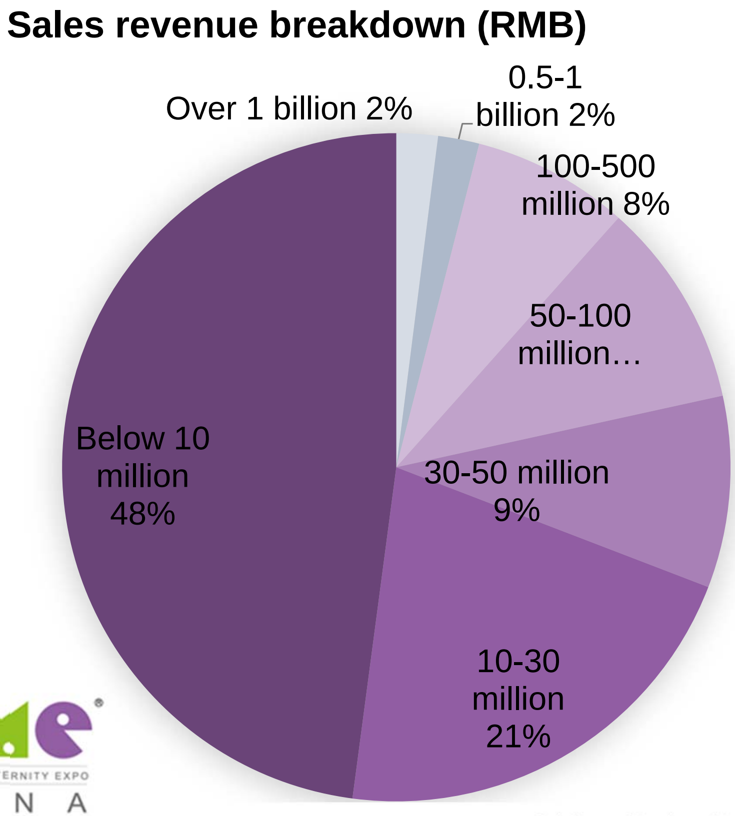
- This survey has received 3,460 valid responses, including 1,425 brands owners/ suppliers, 955 distributors and 1,080 retailers.
- 88% of the responses are from business owners/suppliers and senior management.

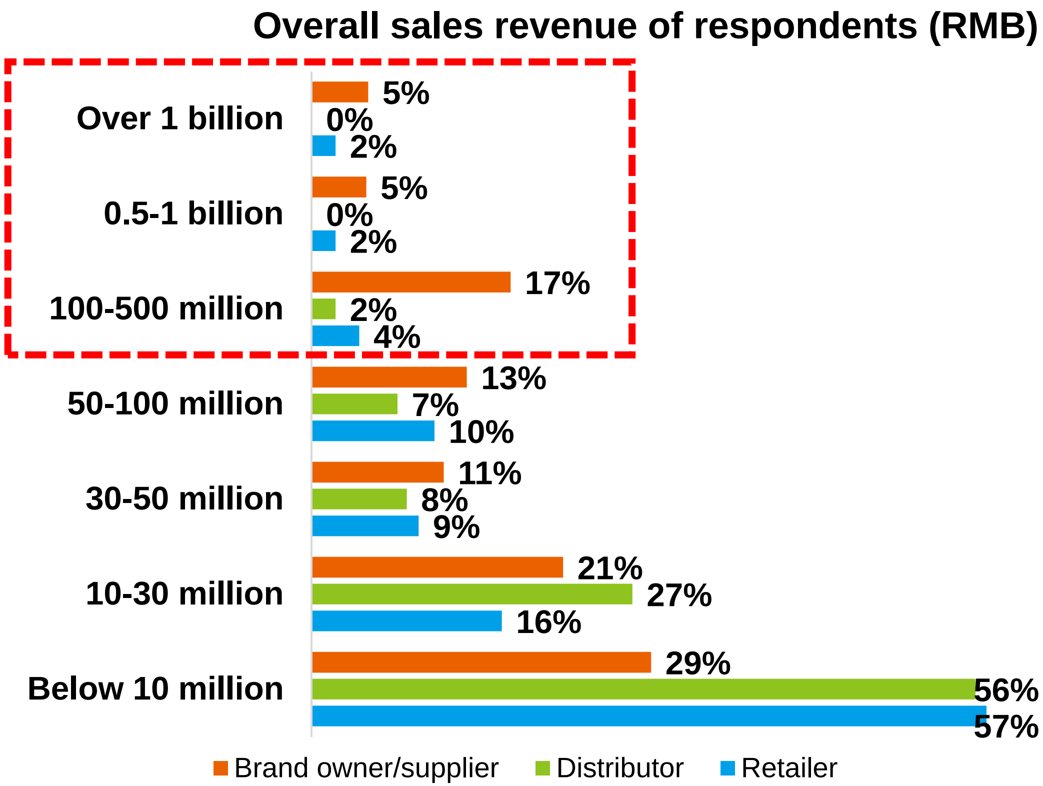




Respondents' Scale of Business

- 17% of interviewed companies' sales revenue is more than RMB 100 million.
- Among them, 27% are brand owners/suppliers, 2% are distributors, 8% are retailers.

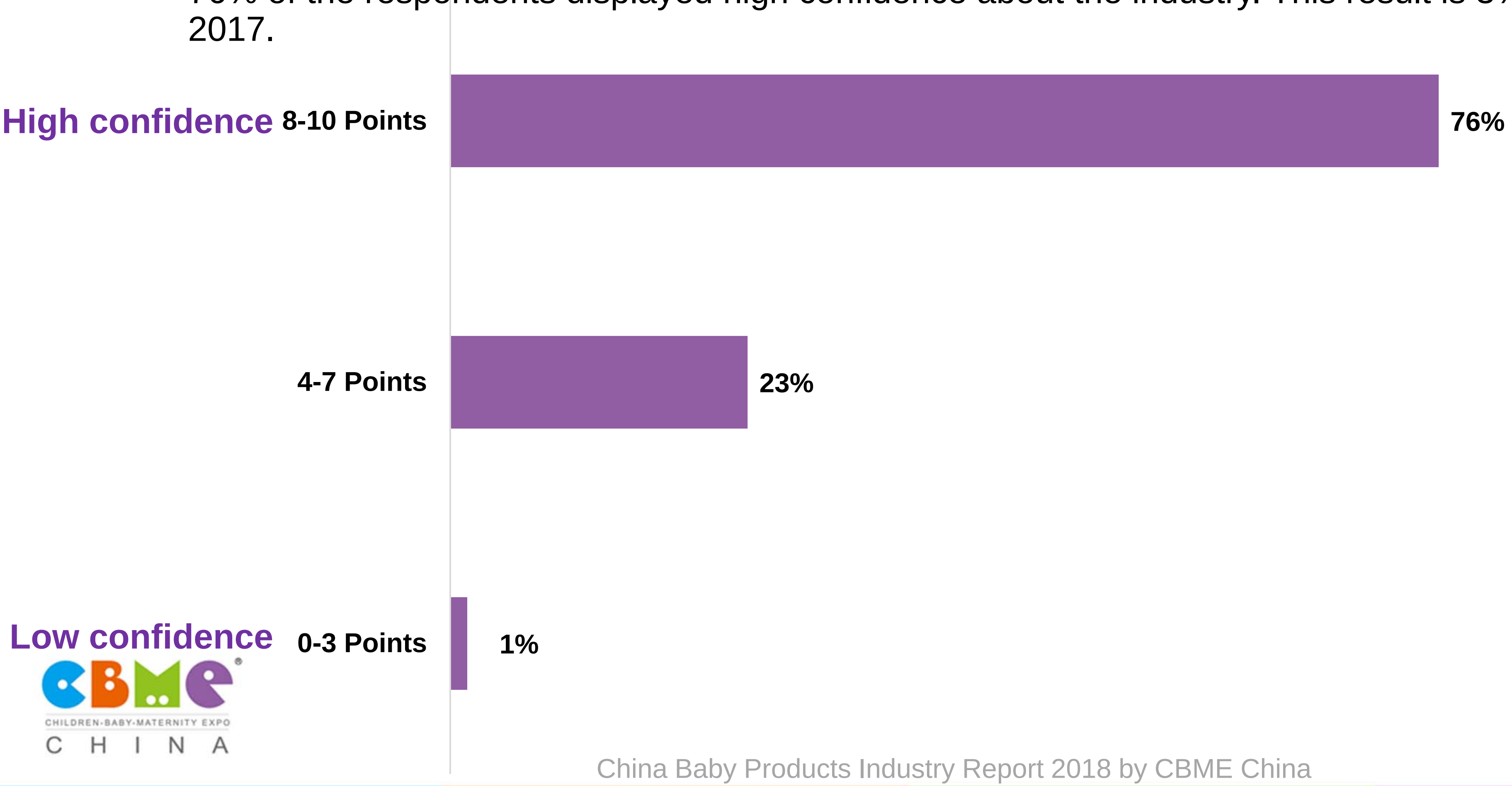




Overall Business

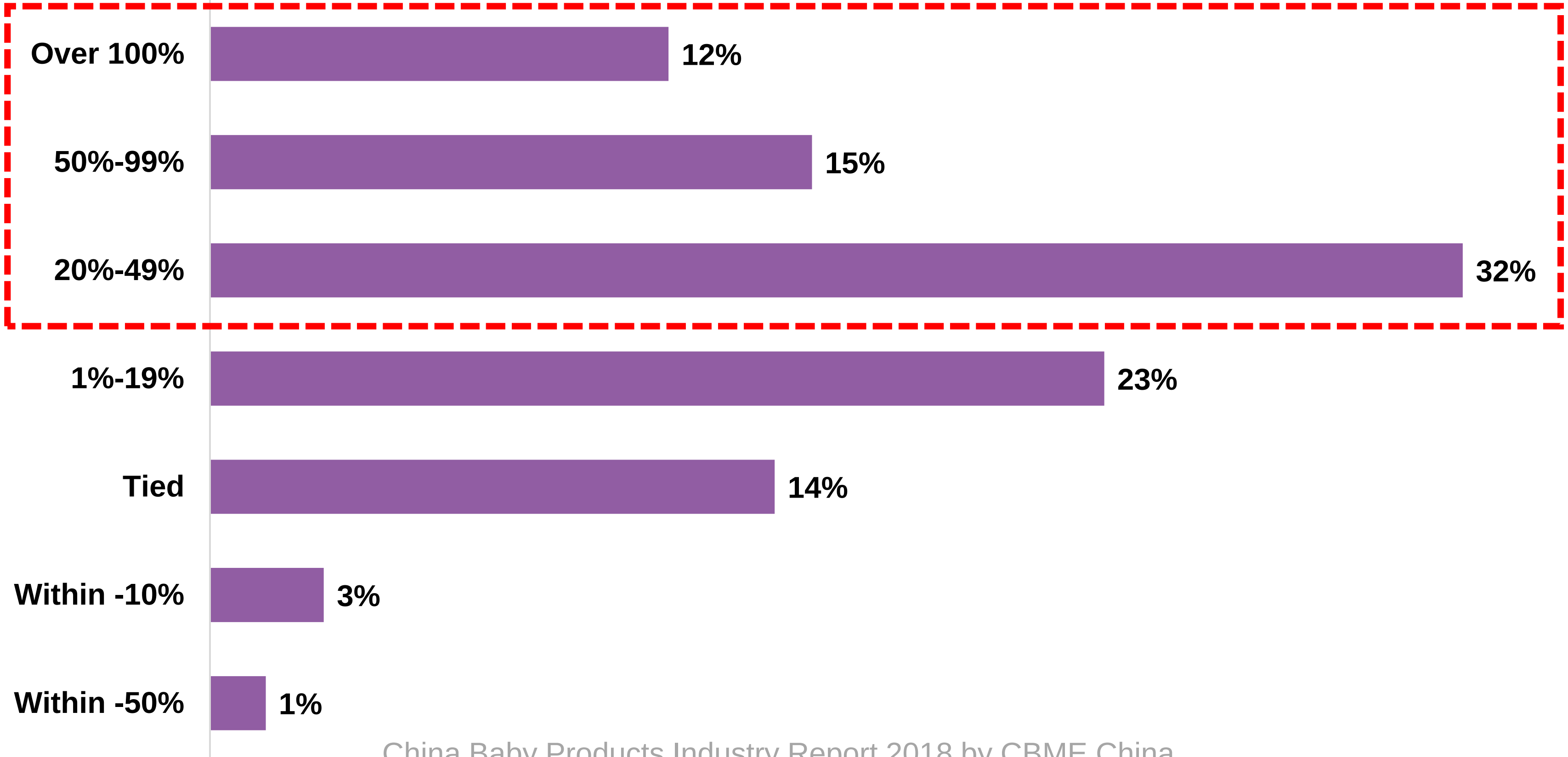
Child Baby Maternity Products Industry Confidence Index 2018

- Most of the industry players remain very confident about the industry.
- 76% of the respondents displayed high confidence about the industry. This result is 3% higher than 2017.

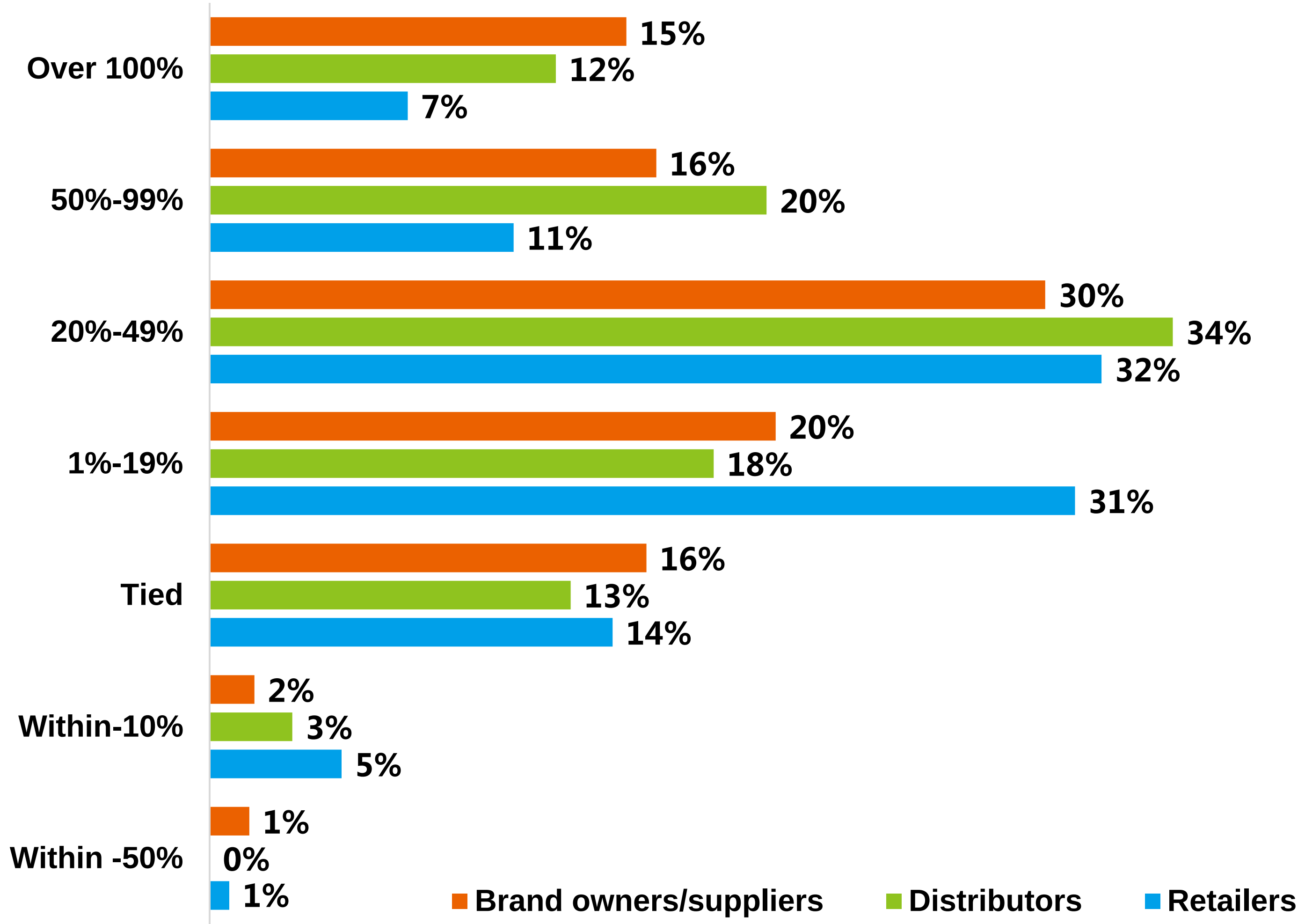


2017 Actual Growth of the Industry (Sales Revenue)

- 59% of surveyed companies had over 20% increase in sales revenue.
- 82% has sales revenue increases in different percentages.
- Compared with 2016, the two proportion has increased by 5% and 4% respectively.

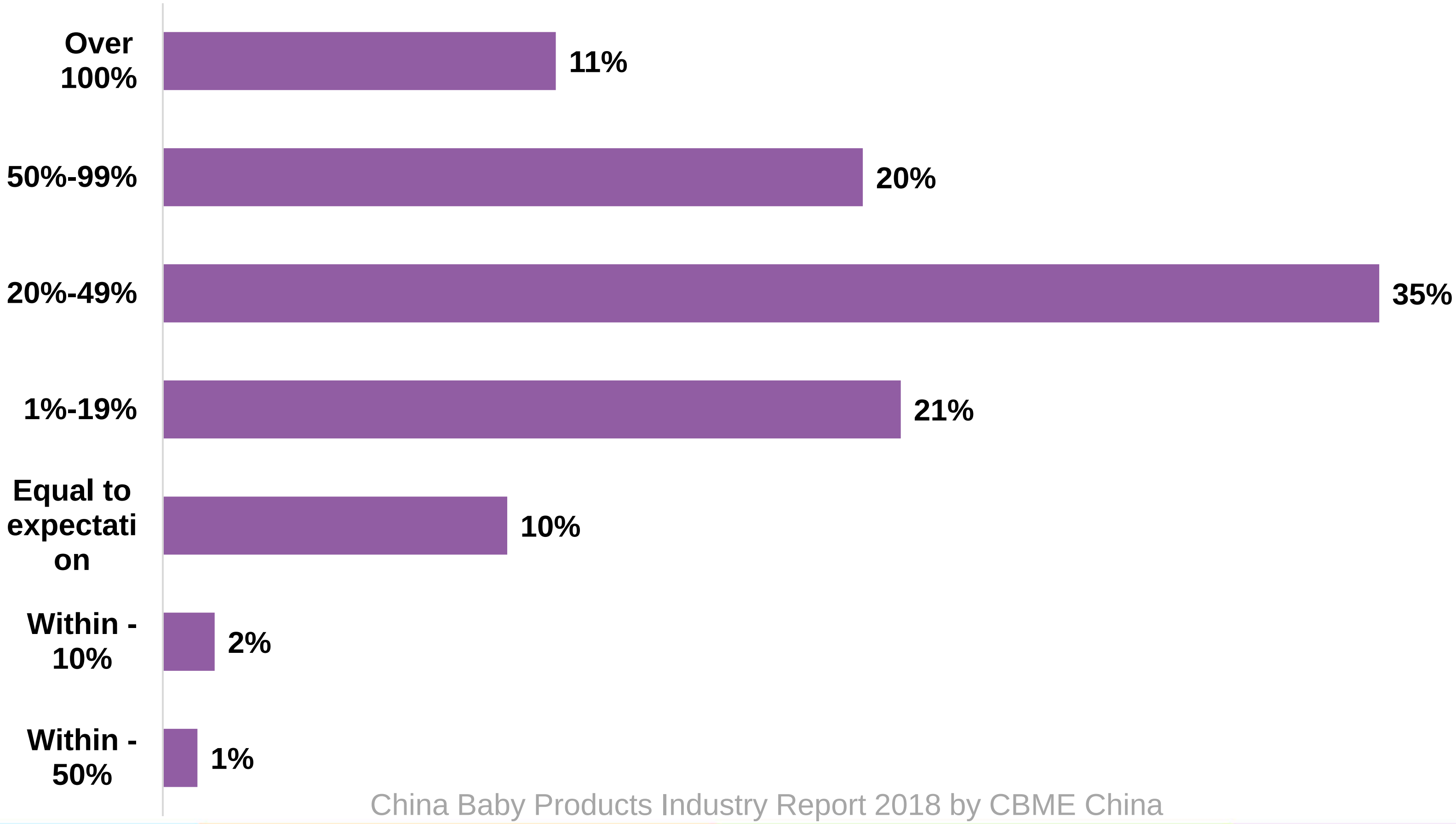


2017 Actual Growth of the Industry (Sales Revenue, by nature of business)



Expected Growth in 2018

- 87% expects growth in sales revenue.
- 66% of surveyed companies think they will have over 20% sales revenue growth. The 2018 expected growth is better than 2017 actual revenue.



Industry Supply Chain

Factors Considered by Distributors and Retailers when Choosing Brand Owners/Suppliers to Work with

- In 2018, **Quality** is still the most important factor in the whole industry.
- “**After sales service**” is again a very important factor for distributors and retailers, but not ranked important by brand owners/ supplier.

Rank	Retailers		Distributors		Brand Owners/Suppliers	
	2017	2018	2017	2018	2017	2018
1	Quality	Quality	Quality	Quality	Quality	Quality
2	After sales service	After sales service	After sales service	After sales service	Profit	Innovative Capability
3	Cooperation Model	Brand awareness	Business Philosophy	Business Philosophy	Brand awareness	Profit
4	Profit	Profit	Cooperation Model	Cooperation Model	Business Philosophy	Brand awareness
5	Innovative Capability	Sales support	Innovative Capability	Innovative Capability	Innovative Capability	Business Philosophy

Factors Considered by Brand Owners/Suppliers and Retailers when Choosing Distributors to Work with

- "**Cooperation Model**" and "**Team's capability**" are ranked important for all three.
- For the first time, "**Team's capability**" and "**Support for in-store activities**" is ranked important by retailers.

Rank	Brand Owners/Suppliers		Retailers		Distributors	
	2017	2018	2017	2018	2017	2018
1	Cooperation Model	Team's capability	Cooperation Model	Cooperation Model	Cooperation Model	Business Philosophy
2	Business Philosophy	Cooperation Model	After sales service	After sales service	Business Philosophy	Cooperation Model
3	Team's capability	Business Philosophy	Business Philosophy	Profit	After sales service	Team's capability
4	Reputation	Reputation	Profit	Team's capability	Team's capability	After sales service
5	Payment collection speed	Payment collection speed	Sales support	Support for In-store Activities	Reputation	Reputation

Factors Considered by Brand Owners/Suppliers and Distributors when Choosing Retailers to Work with

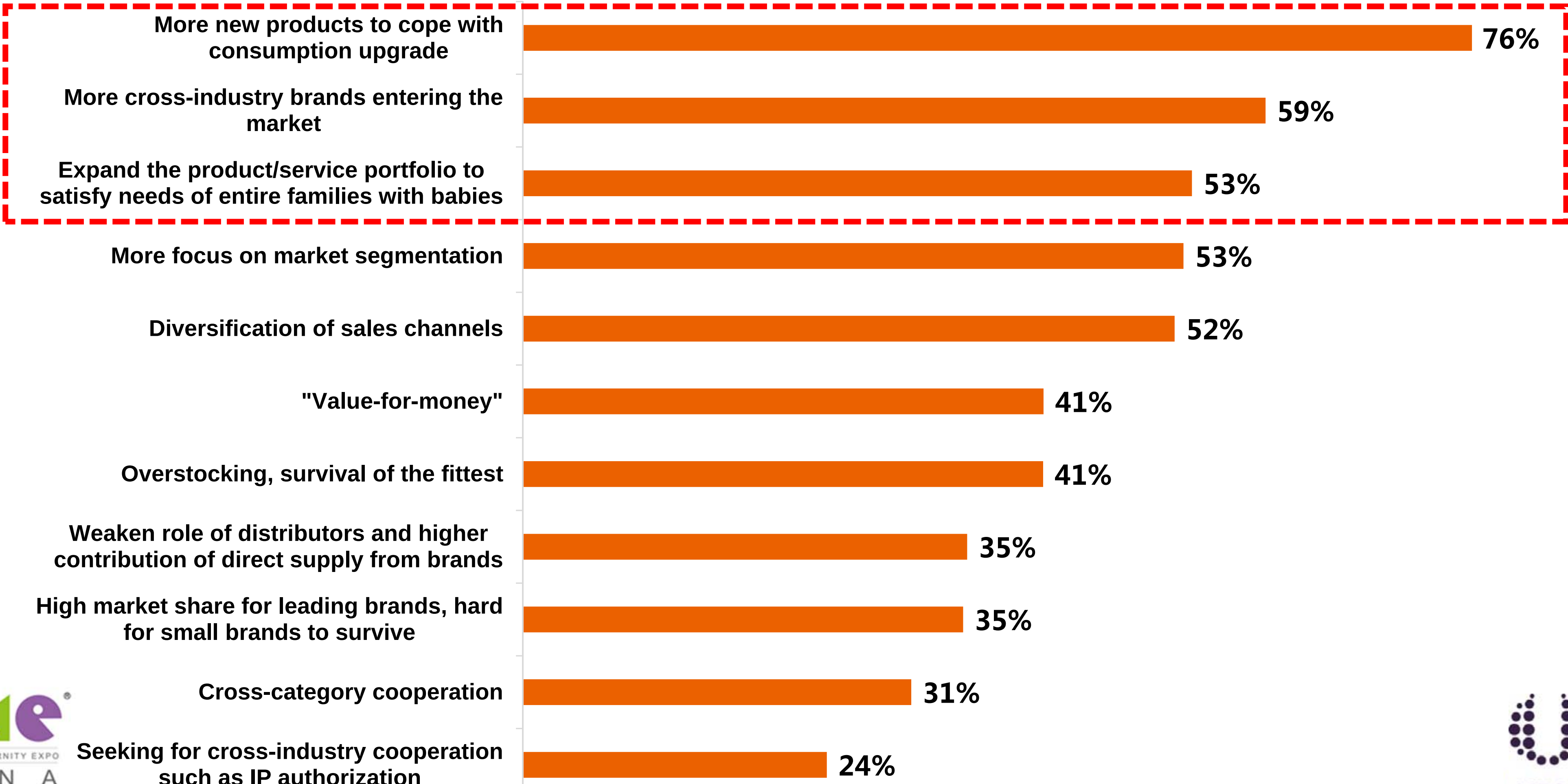
- "**Business Philosophy**", "**Cooperation Model**" are ranked important by all three.
- Brand owners/suppliers value retailers' "Brand awareness" more than last year.
- Retailers think "Team's capability" should be valued by brand owners/suppliers and distributors.
- The factors considered by distributors, the closest partners of retailers is consistent in 2017 and 2018.

Rank	Brand Owners/Suppliers		Distributors		Retailers	
	2017	2018	2017	2018	2017	2018
1	Business Philosophy	Business Philosophy	Cooperation Model	Business Philosophy	Cooperation Model	Cooperation Model
2	Support for In-store Activities	Cooperation Model	Business Philosophy	Cooperation Model	Business Philosophy	Payment collection speed
3	Cooperation Model	Reputation	Payment collection speed	Payment collection speed	Payment collection speed	Business Philosophy
4	Reputation	Team's capability	Support for In-store Activities	Support for In-store Activities	Support for In-store Activities	Team's capability
5	Team's capability	Brand awareness	Reputation	Reputation	Business Scale	Business Scale

Development Trend

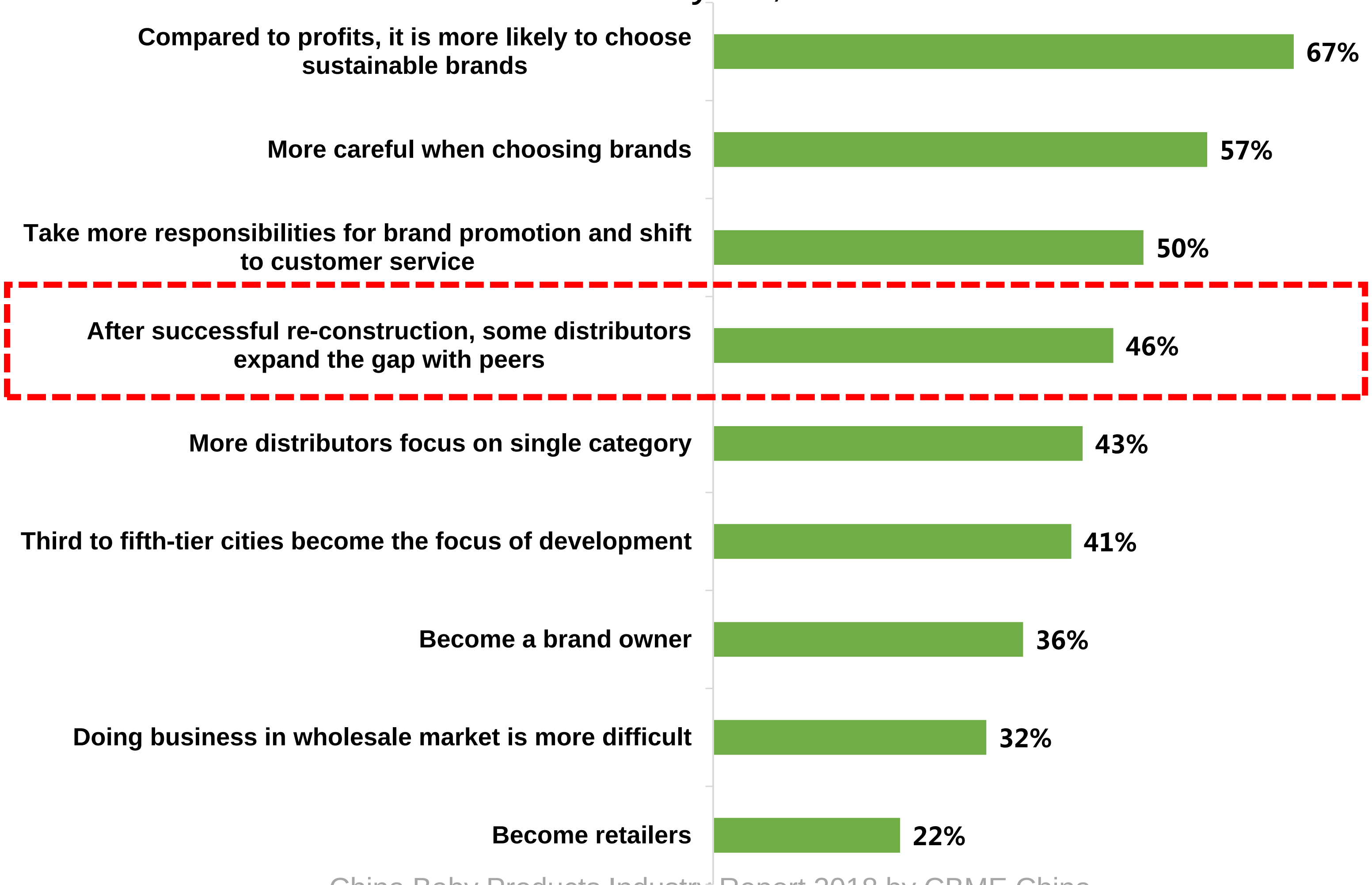
Trends Forecast for Brand Owners/Suppliers in 2018

The first three trend are new, and is agreed by all



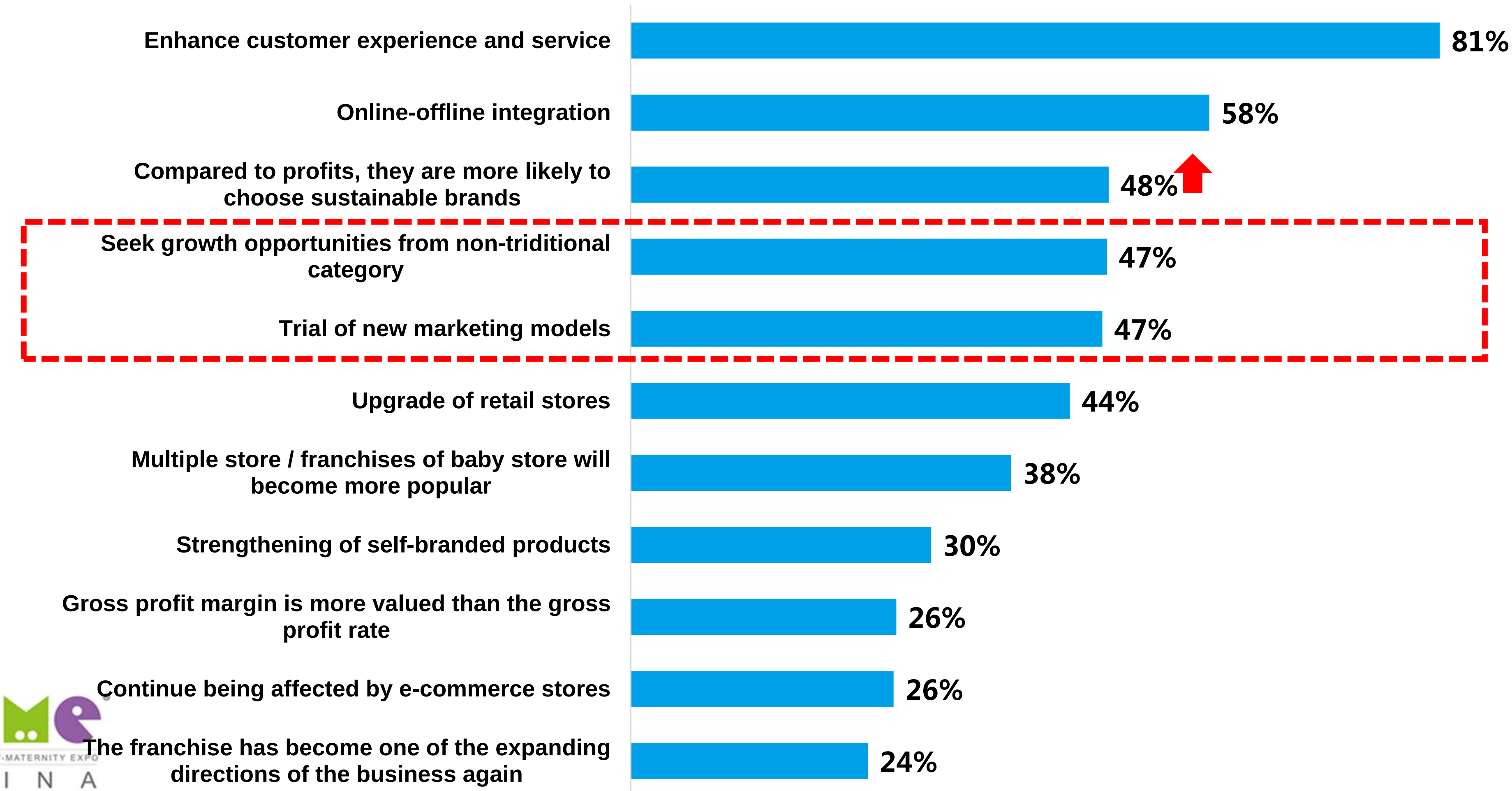
Trends Forecast for Distributors in 2018

The first three trend is same as last year, and the 4th one is new trend



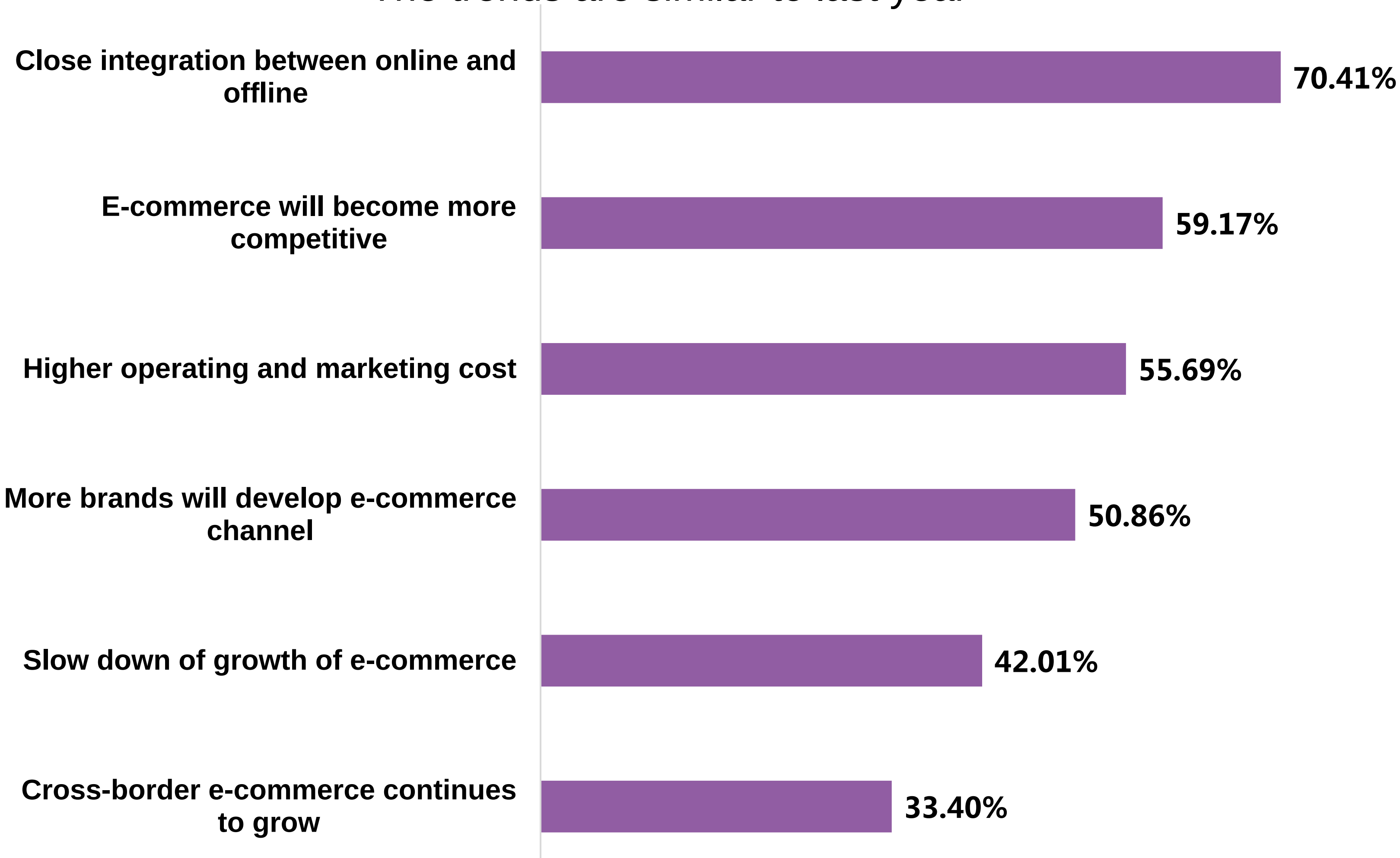
Trends Forecast for Retailers in 2018

The first two trends are the same as last year, and the 4th and 5th are new trends



Trends of E-commerce in 2018

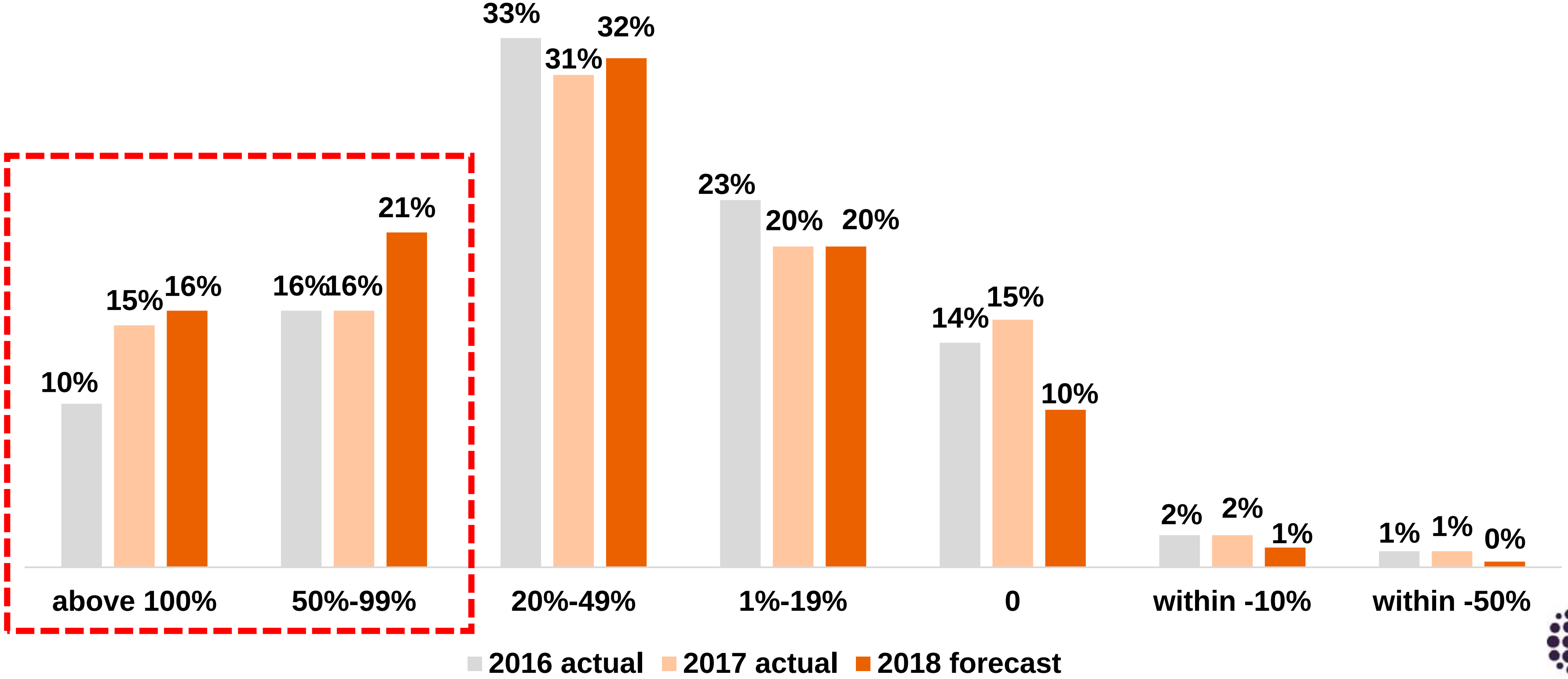
The trends are similar to last year



Brand Owners/Suppliers Analysis

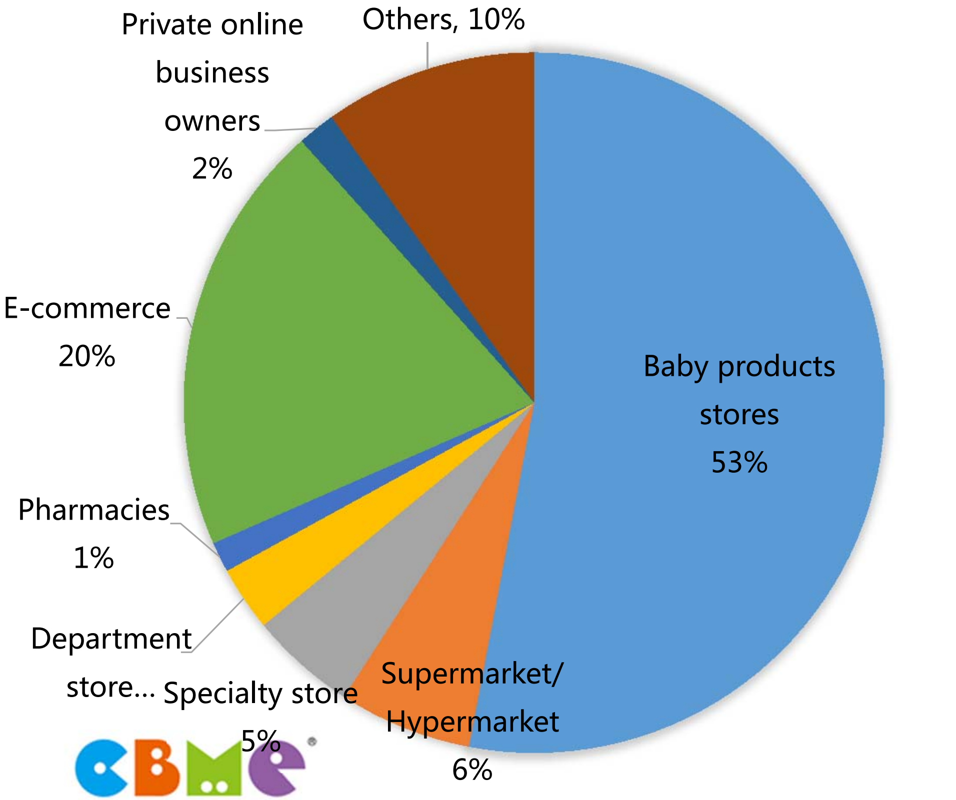
Brand Owners/Suppliers Sales Growth 2016-2018

- Between 2016 and 2018, brand owners/suppliers sales continued to grow.
- For 2018 expectations brand owners/suppliers are very optimistic, and nearly 40% of brand owners/ suppliers expect their sales to grow by over 50%.

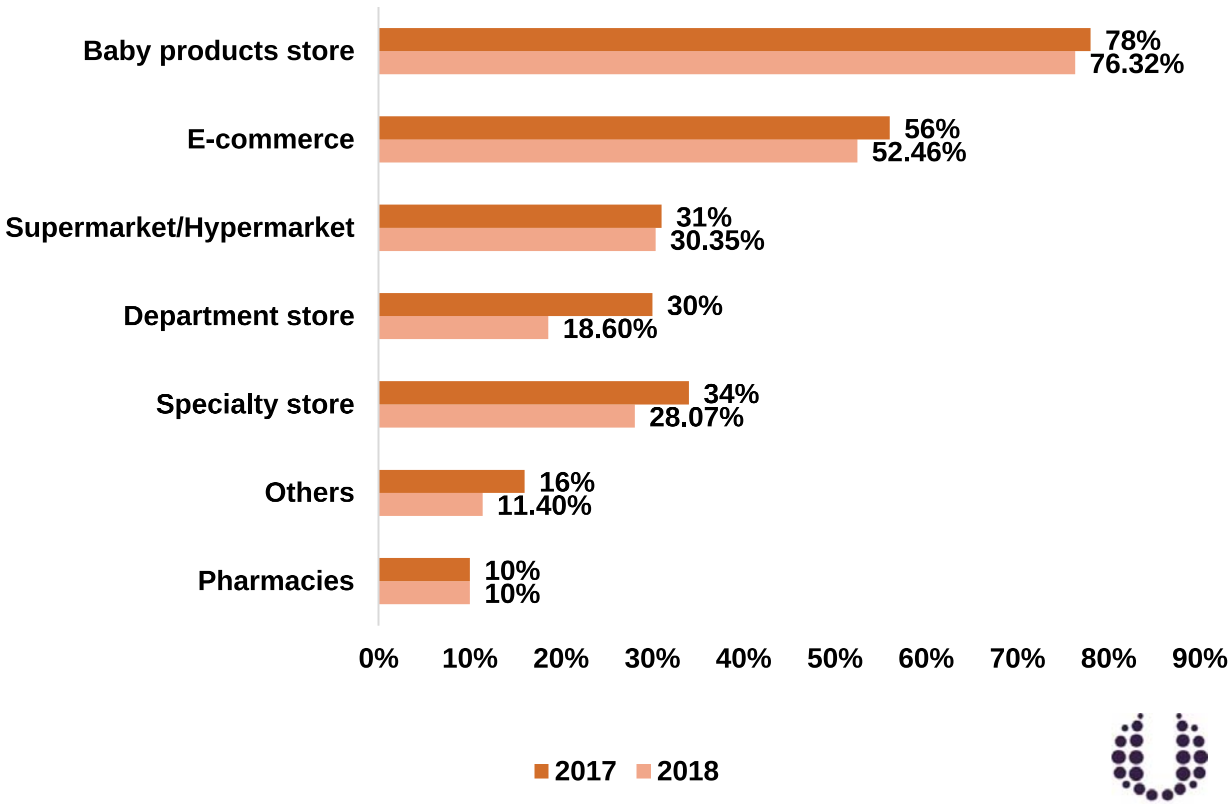


“Baby Products Stores” are still the No. 1 Sales Channel of Brand Owners/Suppliers

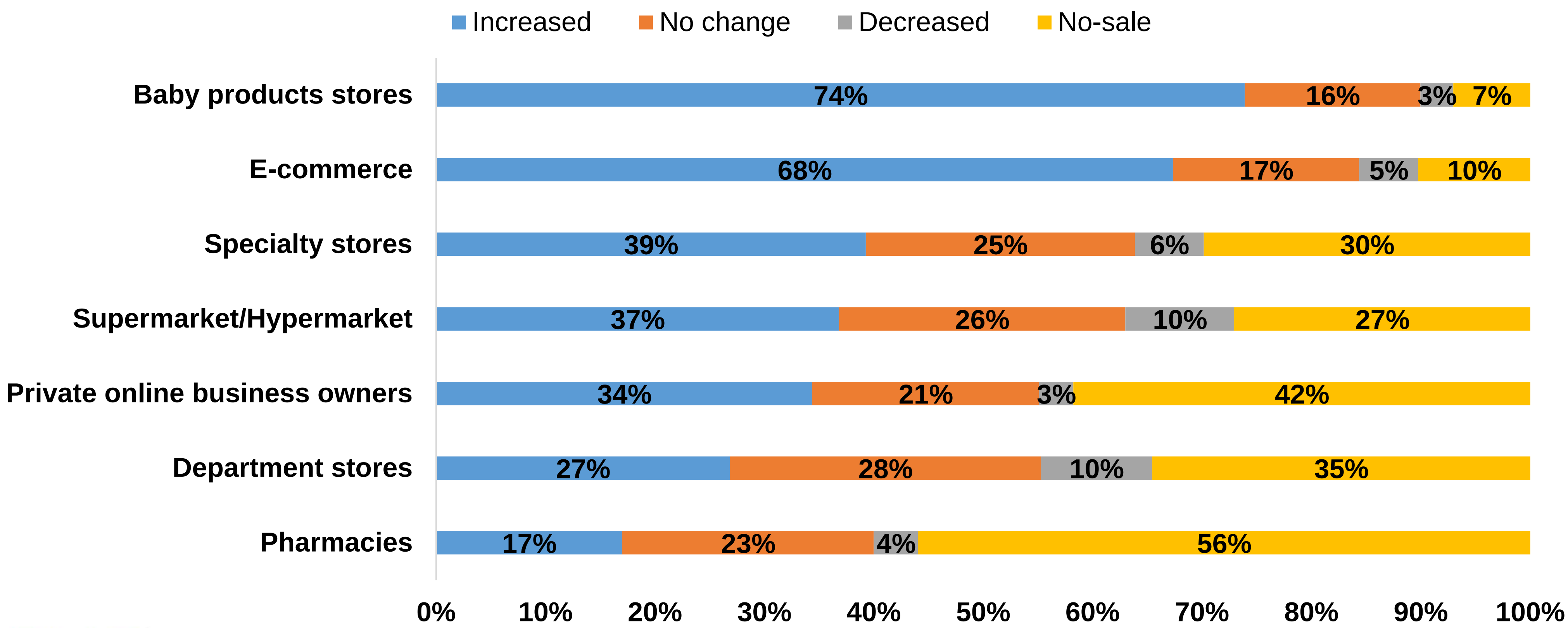
Main sales channels of brand owners in 2017



Main sales channels brand owner focus to expand in 2017-2018

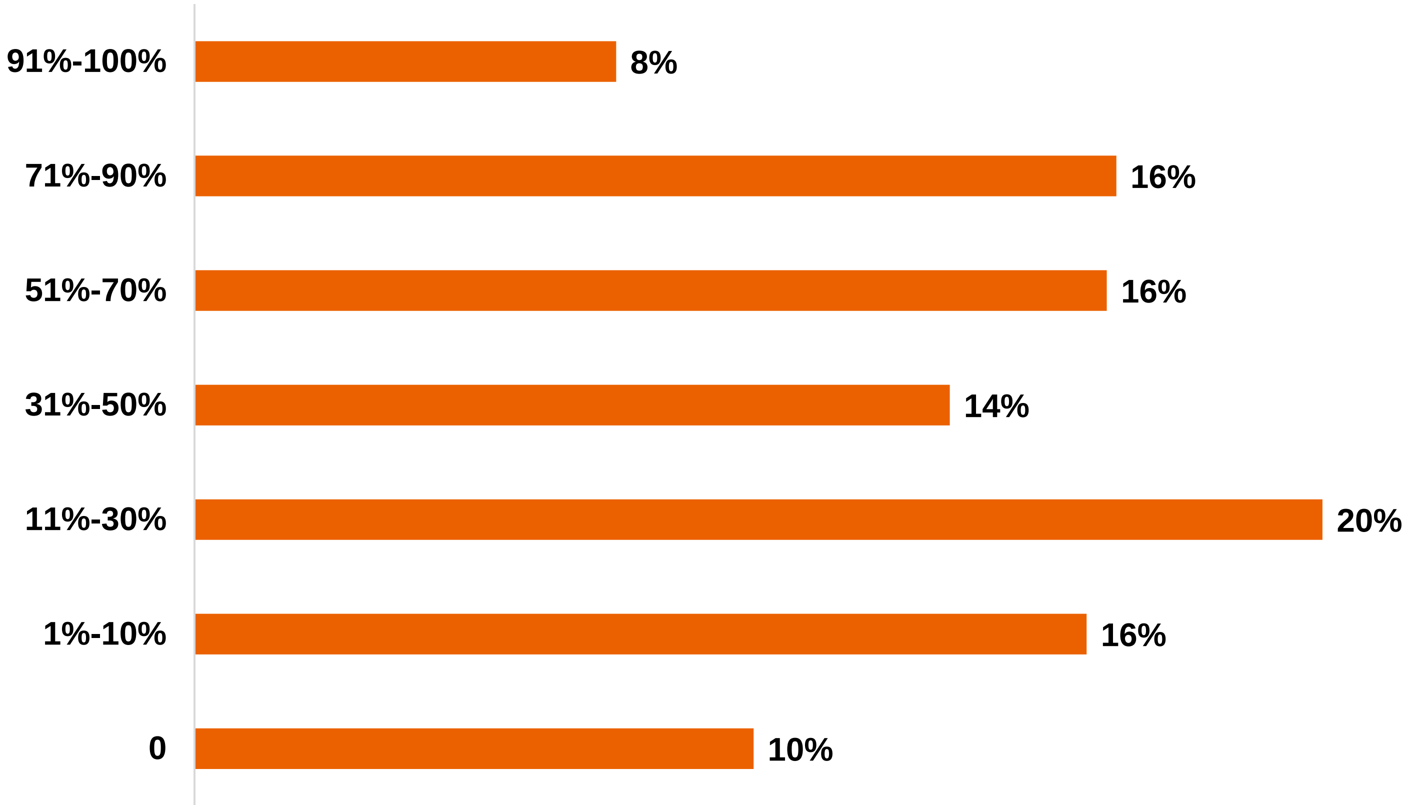


Brand Owners/Suppliers Sales Trend for Each Channel - 2017



Baby Products Stores' Contribution to Brand Owners/Suppliers' Overall Sales Revenue

- 40% of Brand Owners/Suppliers **generate over 50% revenue from "Baby Products Store".**
- There are more **non-traditional baby products**, which makes the baby products stores have more choice of categories.

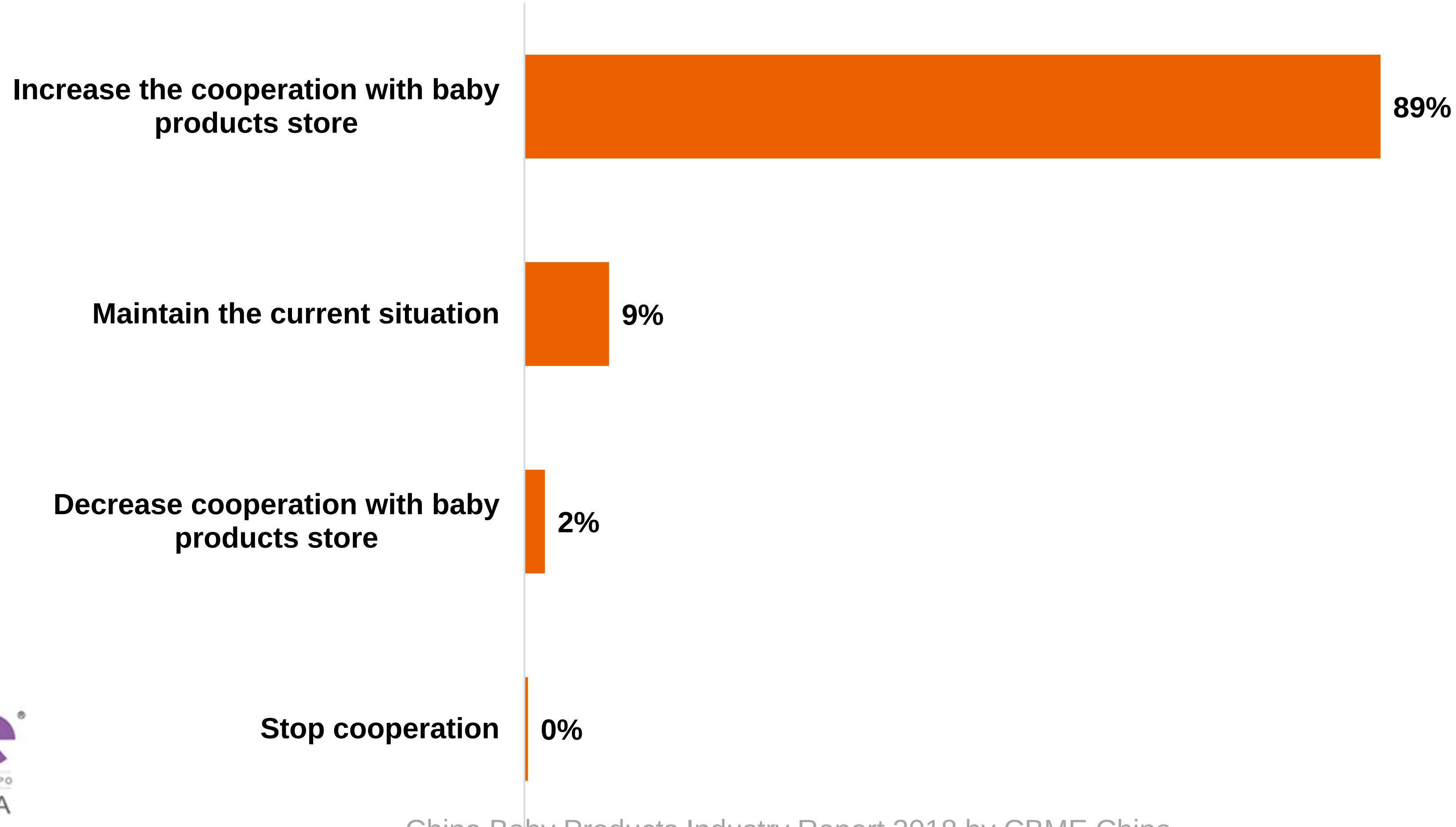


Distribution Channels Brand Owners/Suppliers Want to Invest in Future (Rank by Product Category)

	Infant Formula	Diaper	Maternity and baby care products	Child, baby and teenager clothing, footwear and accessories	Maternity clothing, underwear and accessories	Toys	Baby carriages, car seats and furniture	Food, health care products and snacks	Service organization
Baby products store	1	1	1	1	1	1	1	1	1
E-commerce	2	2	2	2	2	2	2	2	2
Supermarket/ Hypermarket	4	3	3	4	6	4	5	3	6
Department store	7	7	5	5	5	5	4	8	6
Specialty store	3	5	4	3	3	3	3	6	3
WeChat business	5	3	6	6	4	6	6	4	4
Pharmacies	5	6	7	8	7	8	8	4	6
Others	7	8	8	7	7	7	7	7	5

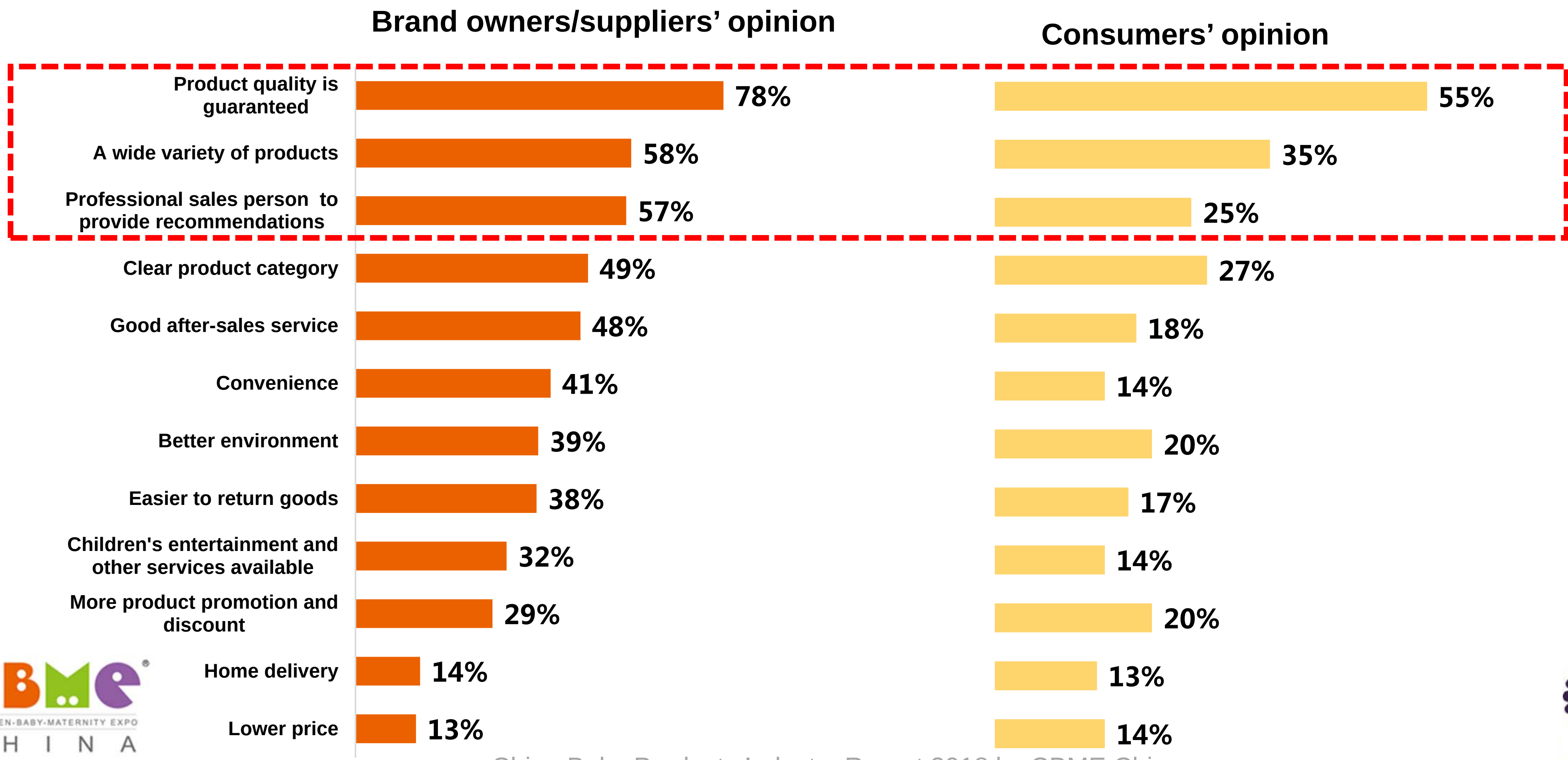
Brand Owners/Suppliers' Future Plan on "Baby Products Store" Channel

Brand owners/suppliers will further expand cooperation with baby products stores



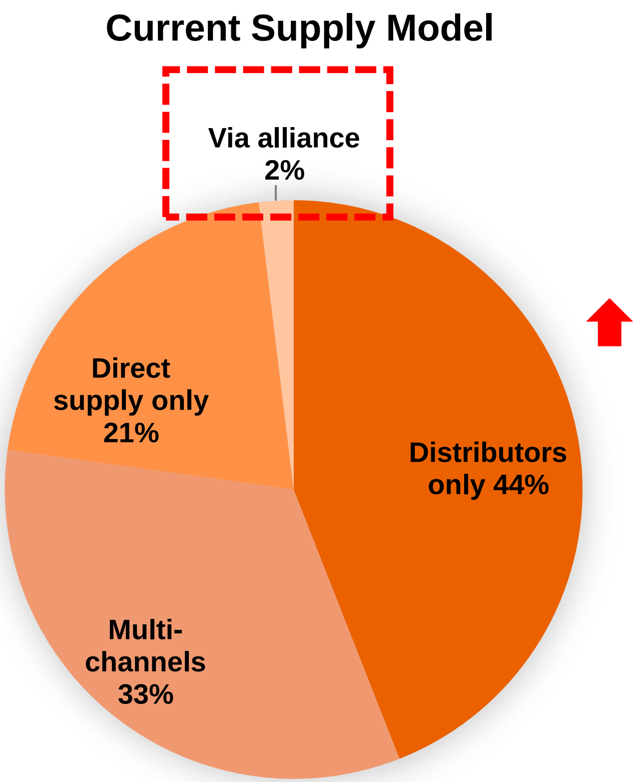
Baby Products Stores' Advantage
Brand Owners/Suppliers' opinion VS Consumers' opinion

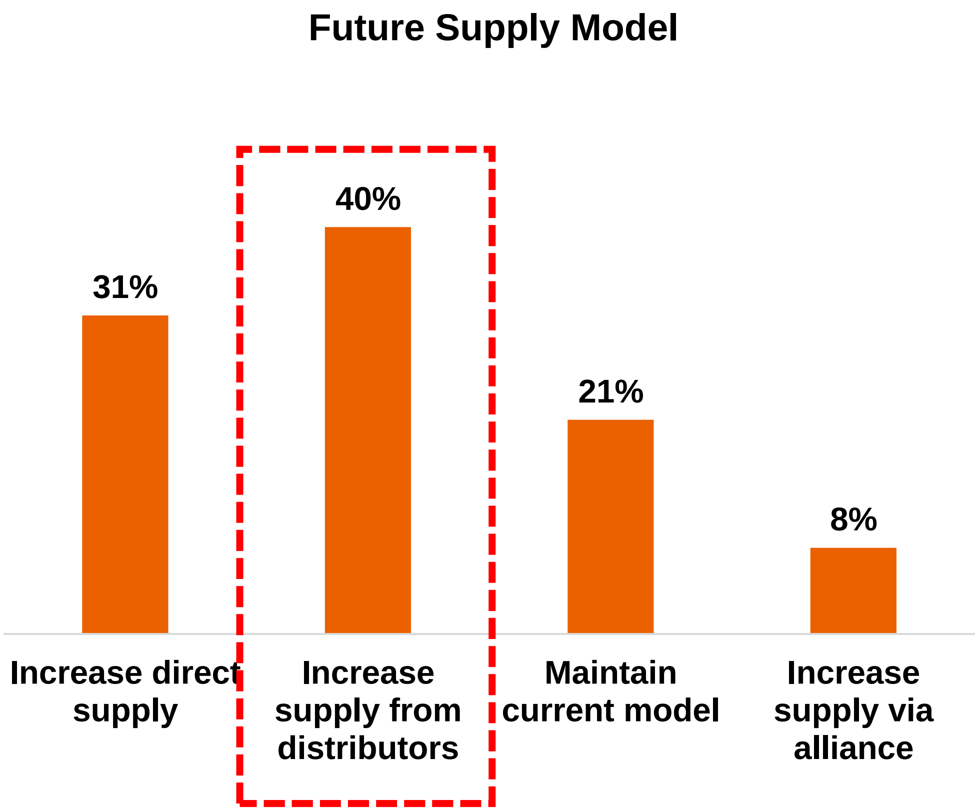
Brand owners/suppliers are learning more and more about the consumers.



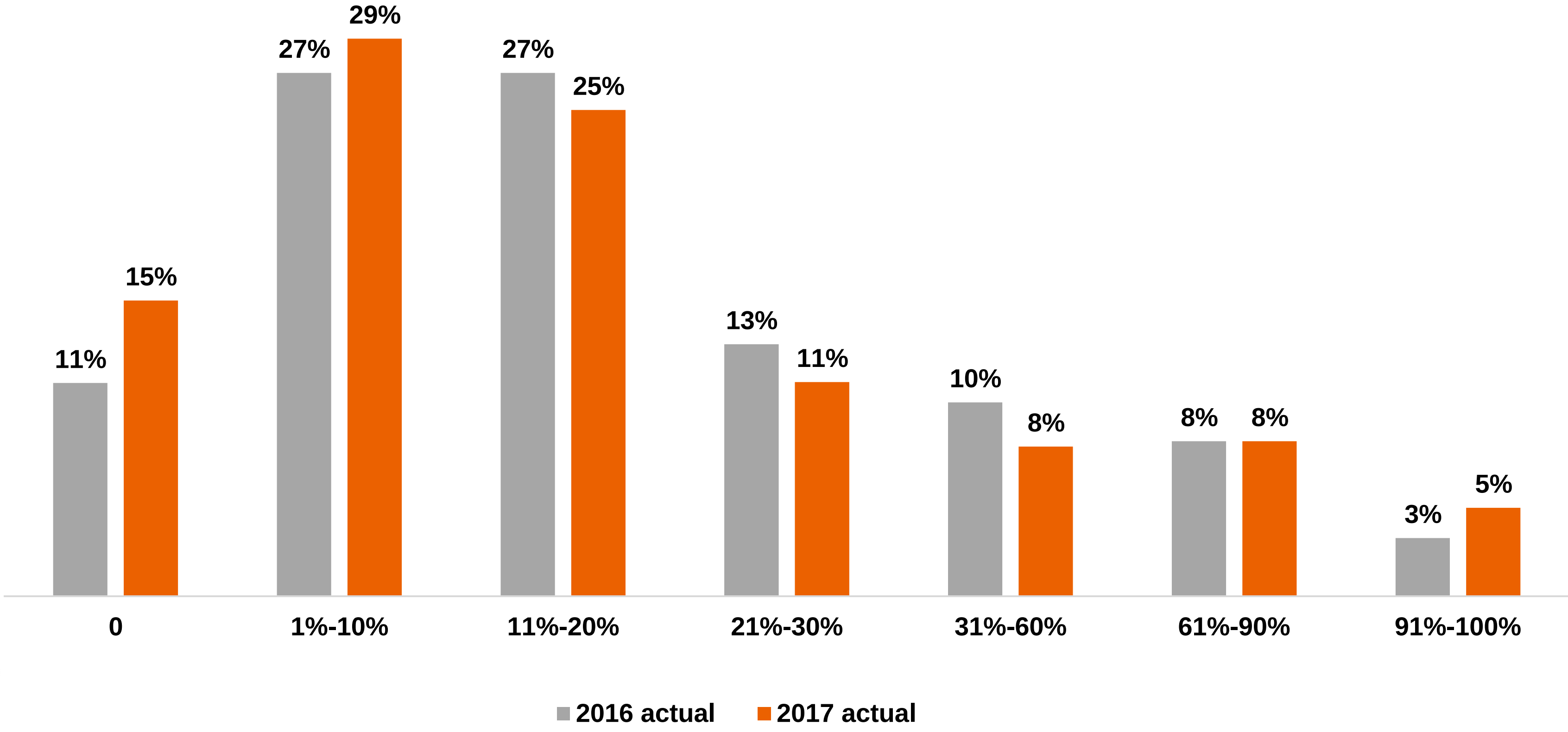
Brand Owners/Suppliers Supply Model to Baby Products Stores

Significant growing trend for brand owners/suppliers to supply goods via distributors

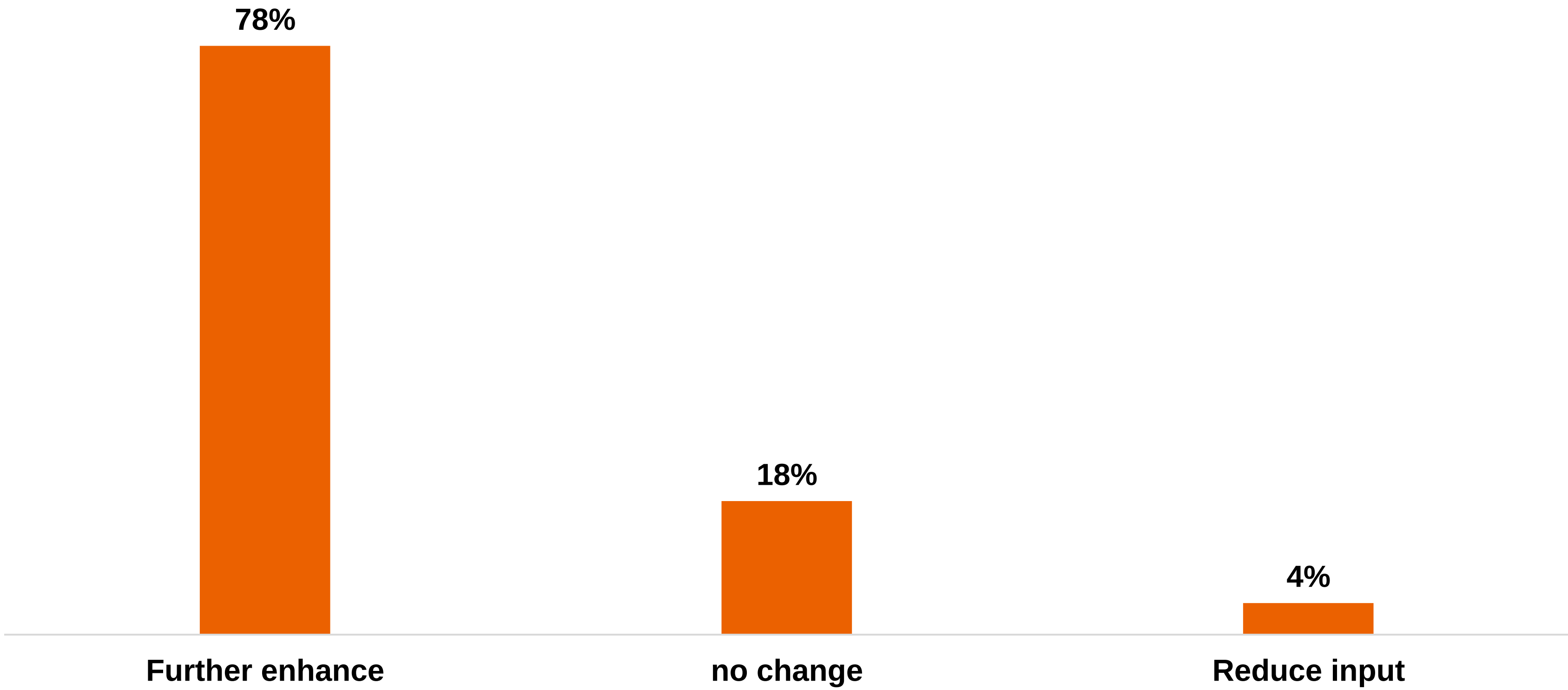




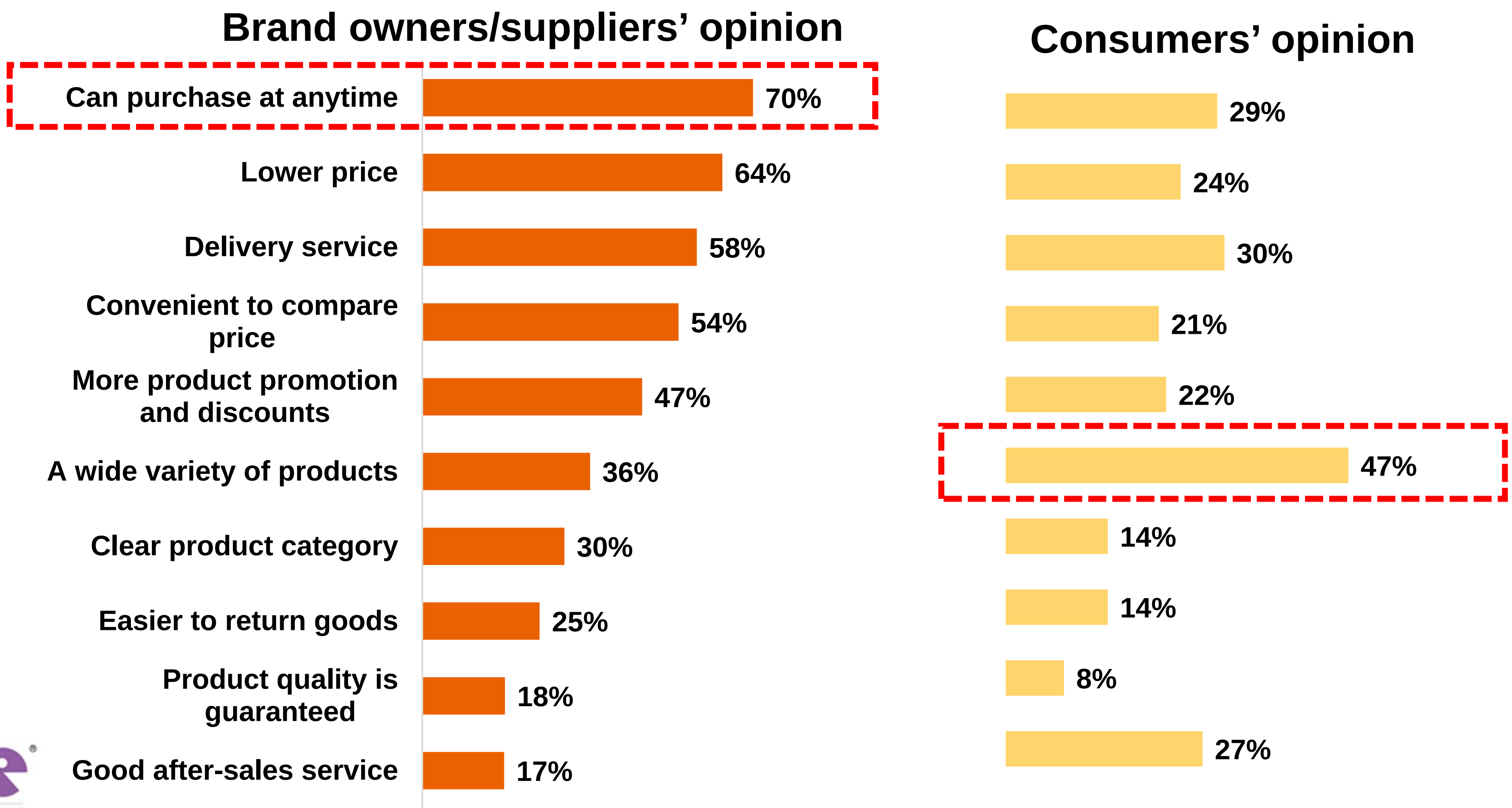
E-commerce Contributions to Brand Owners/ Suppliers' Sales Revenue Similar to Previous Year



E-commerce Plan of Brand Owners/Suppliers for 2018

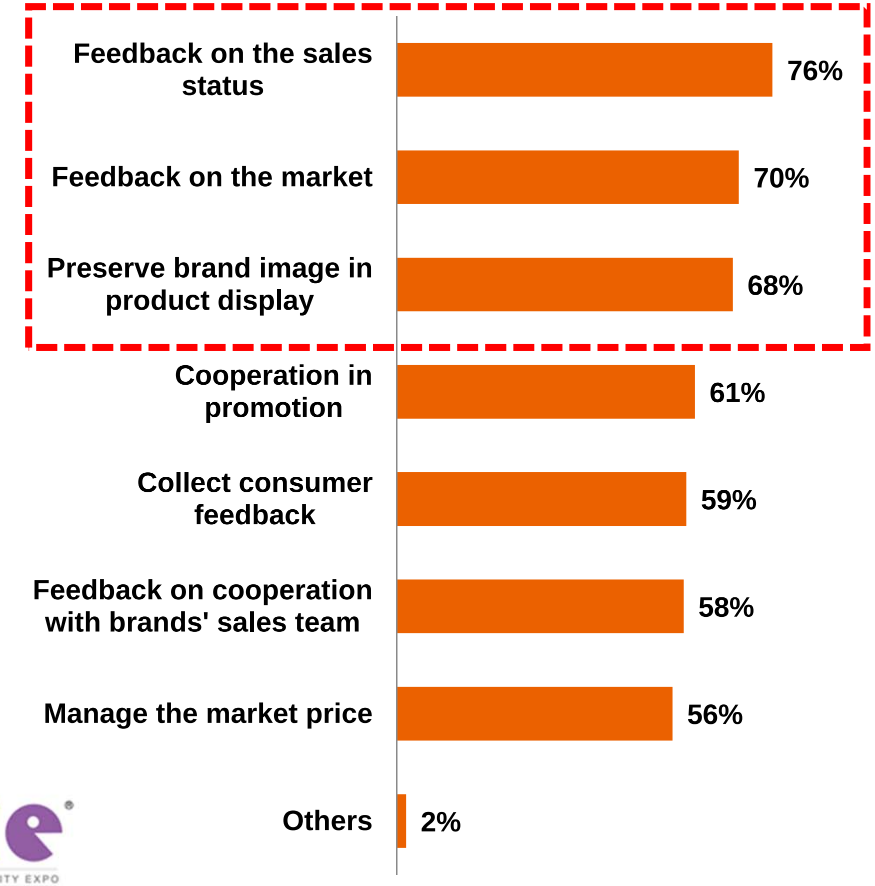


E-commerce Channel Advantage
Brands Owners/Suppliers' VS Consumers view point

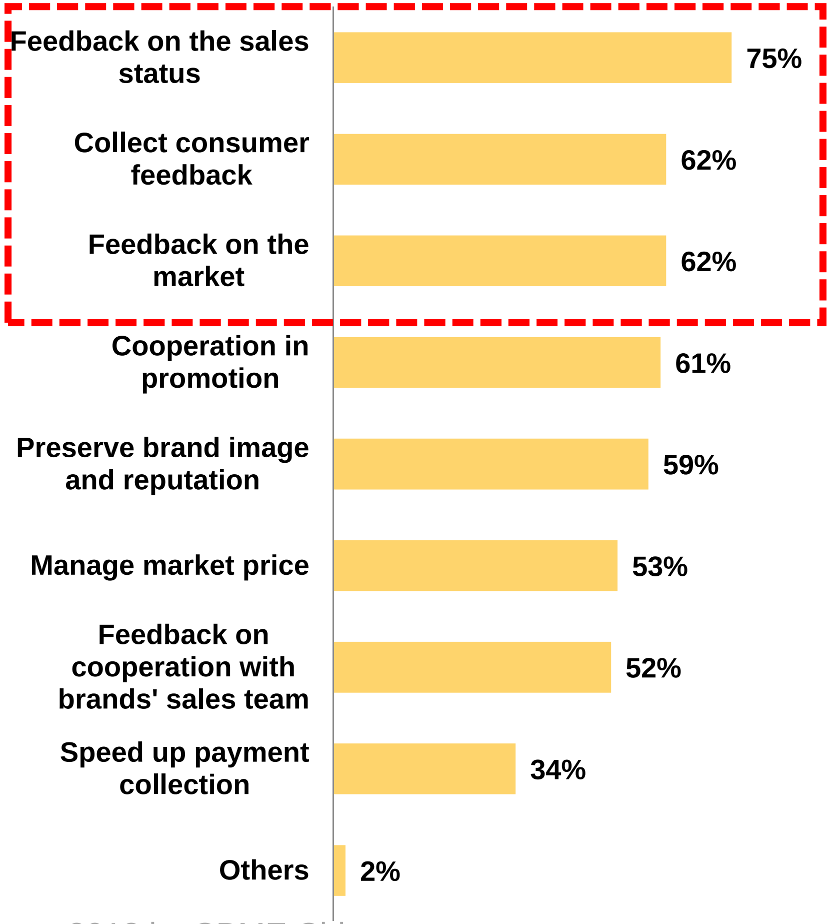


Support Brand Owners/Suppliers Seek from Distributors and Retailers

Support from distributors



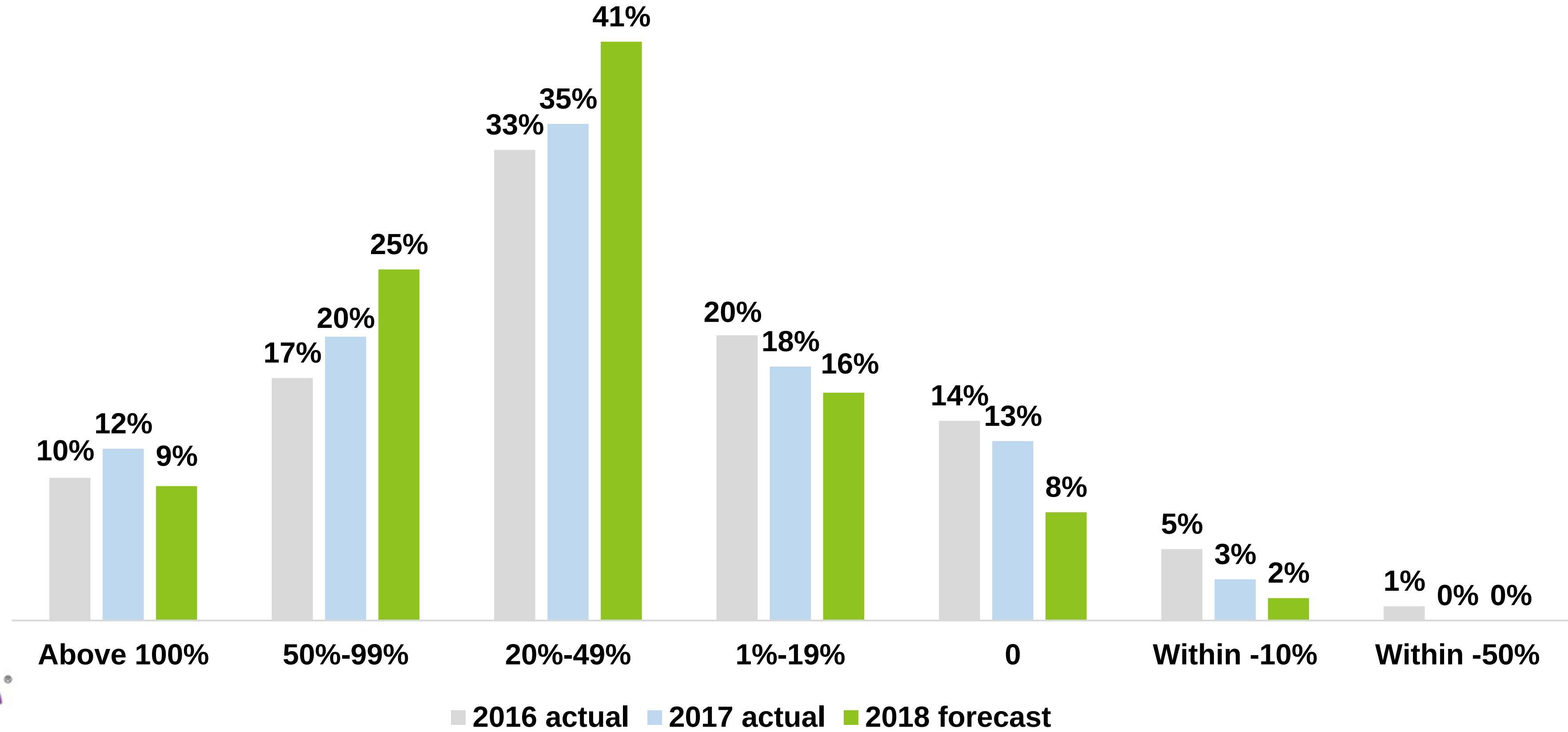
Support from retailers



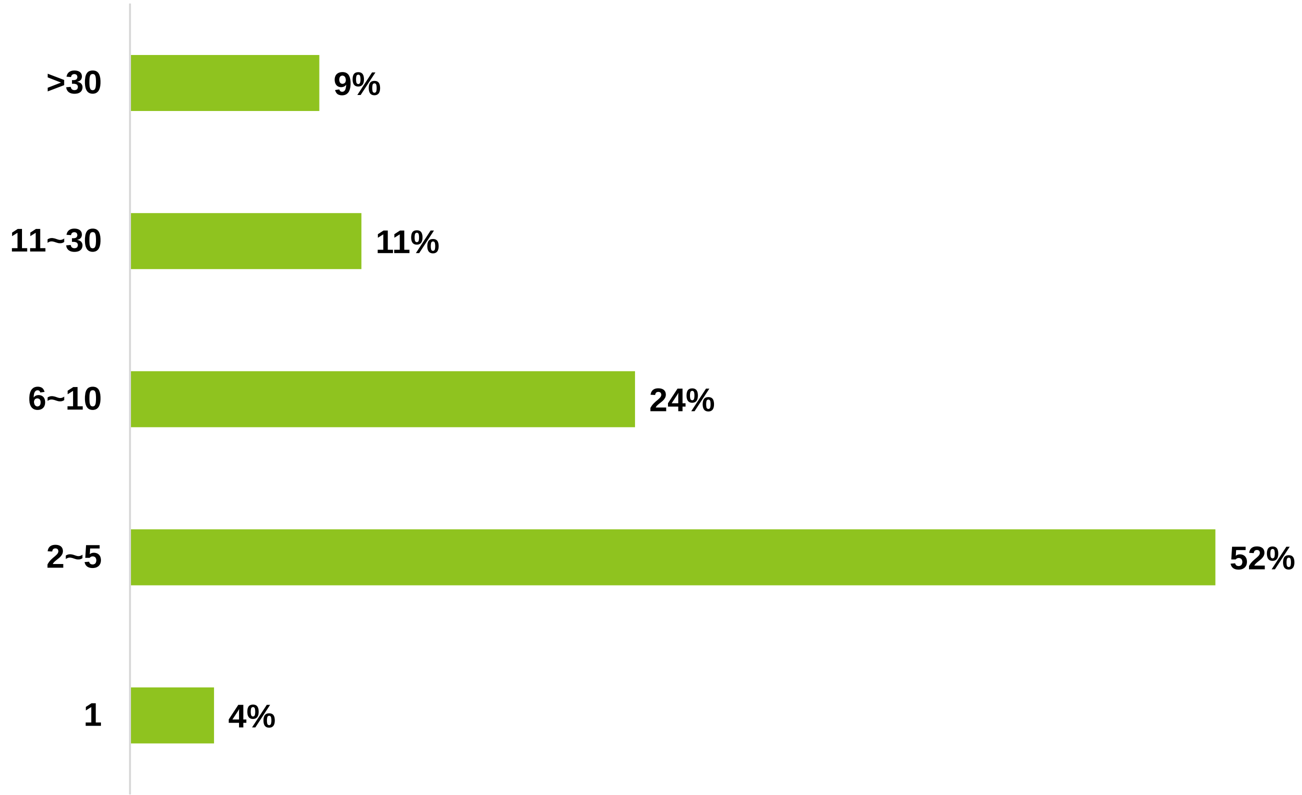
Distributors Analysis

Distributors Sales Growth 2016-2018

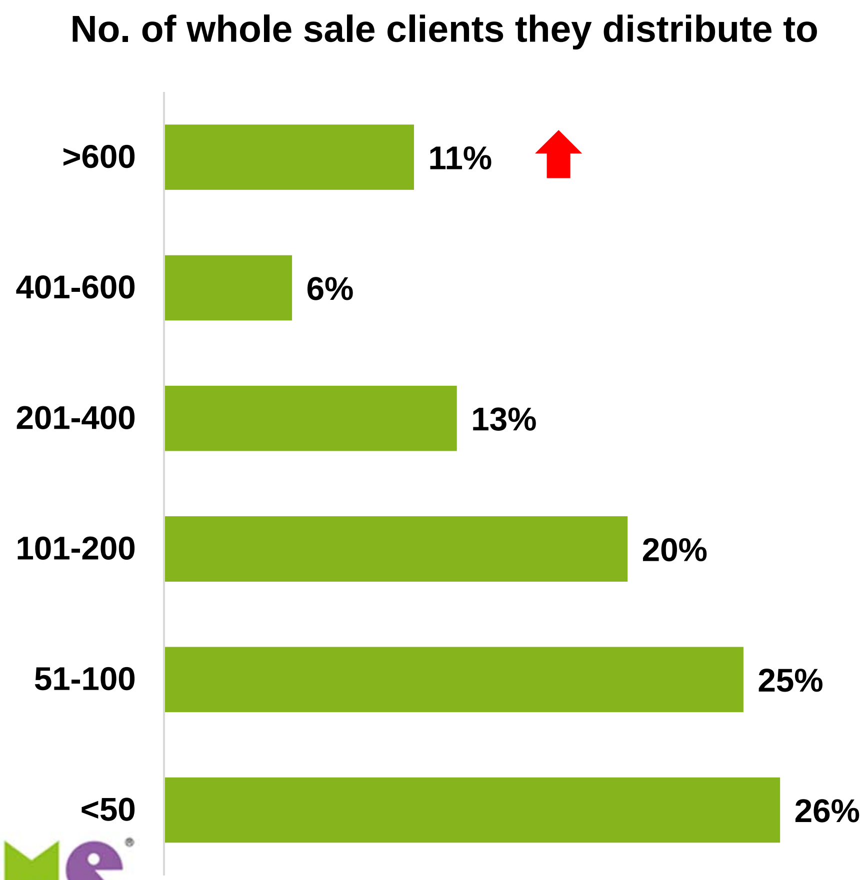
85% of distributors had achieved sales growth in 2017, an increase of 5% over last year.

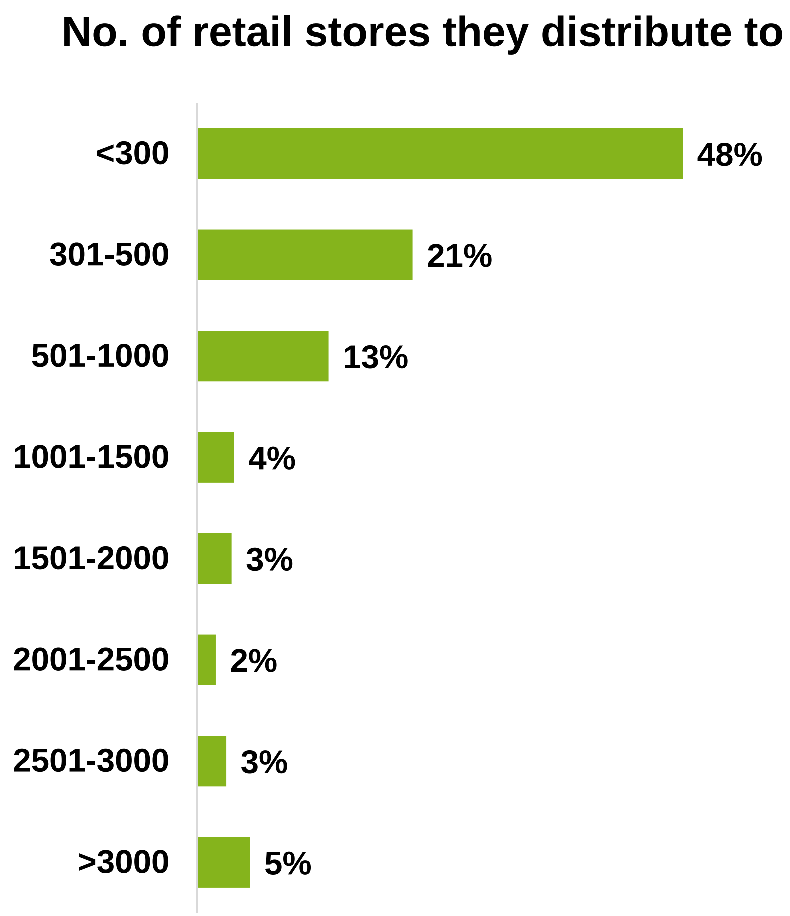


No. of Brands Represented by Distributors

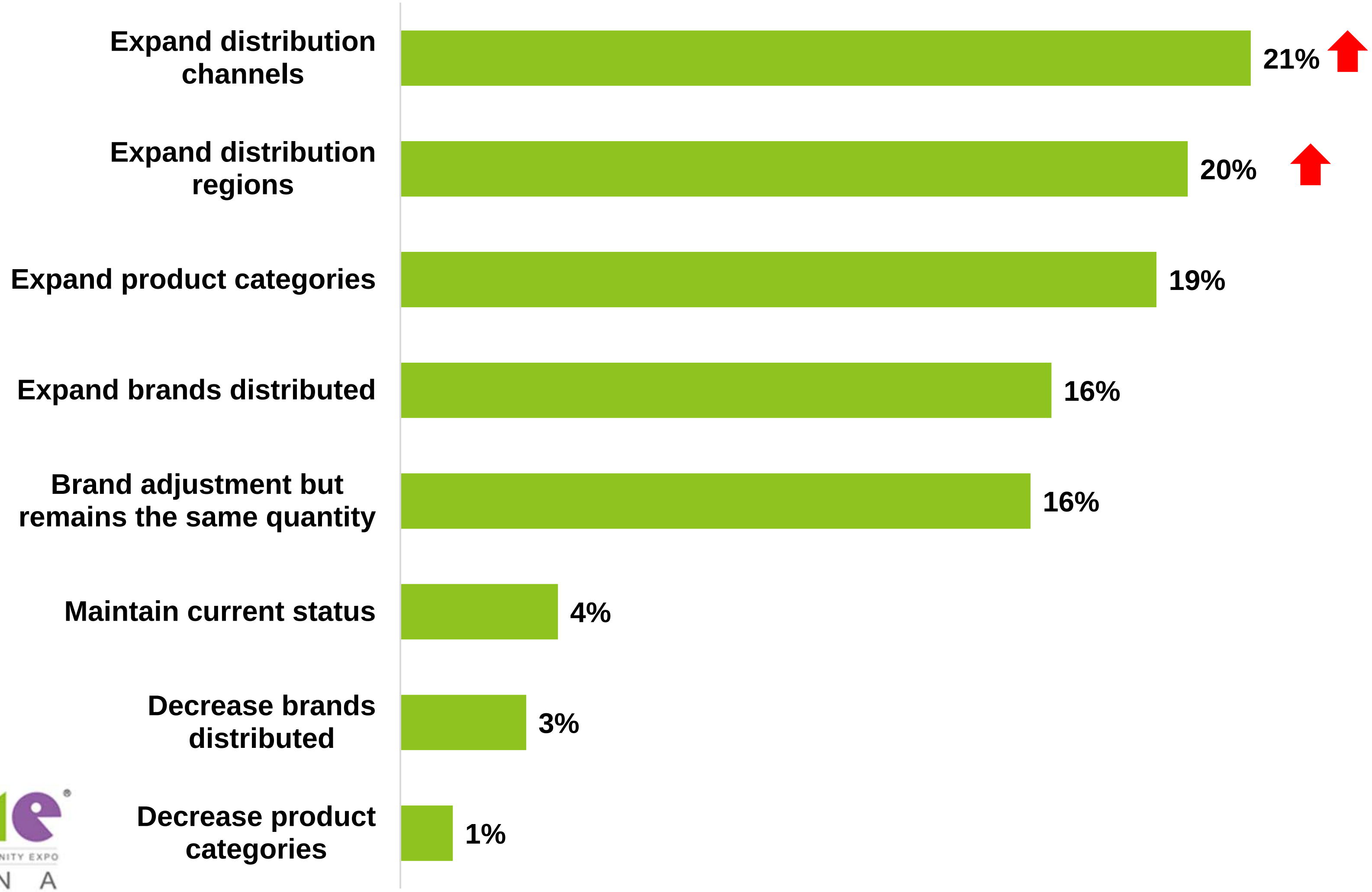


Business Scale of Distributors

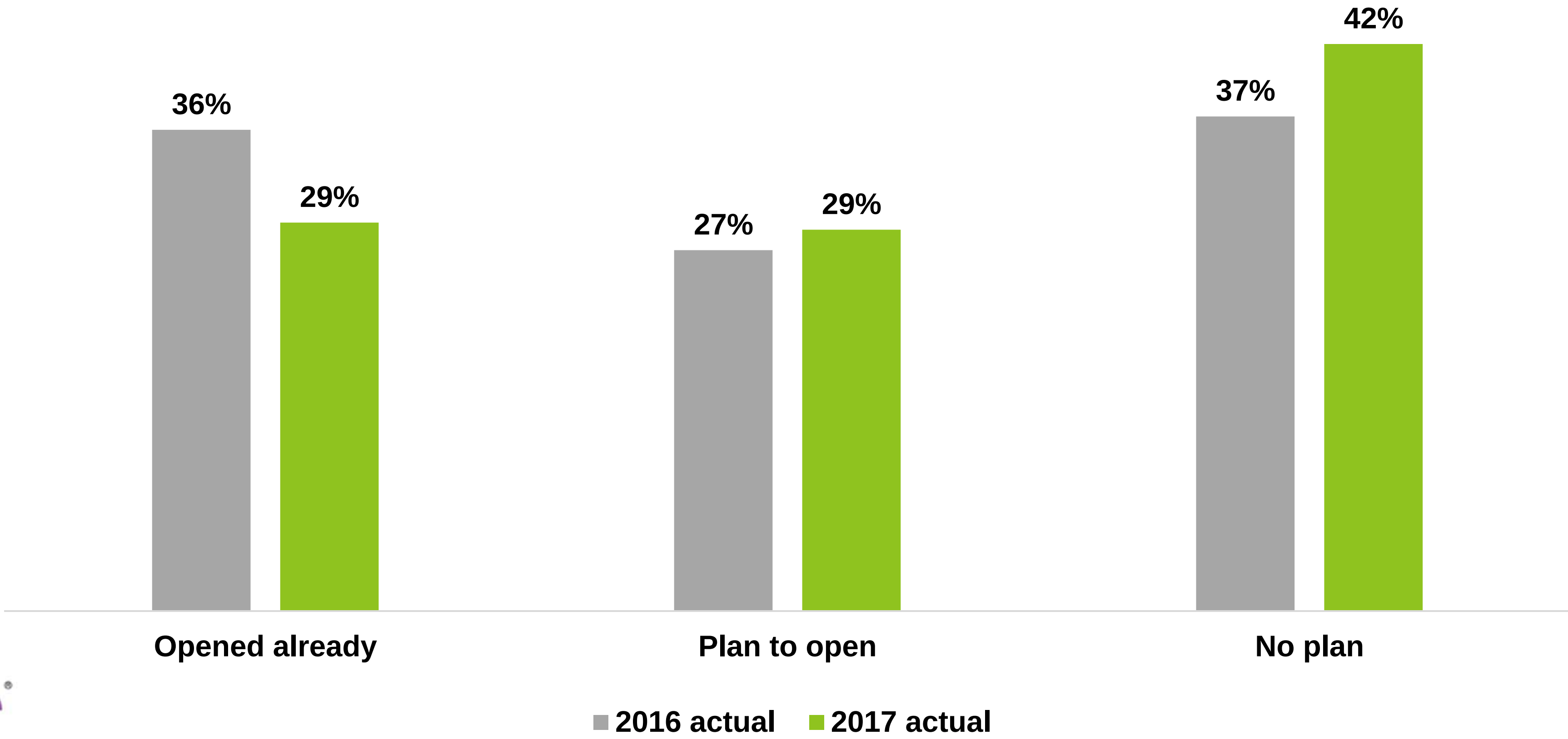




Distributors' Plan for the future

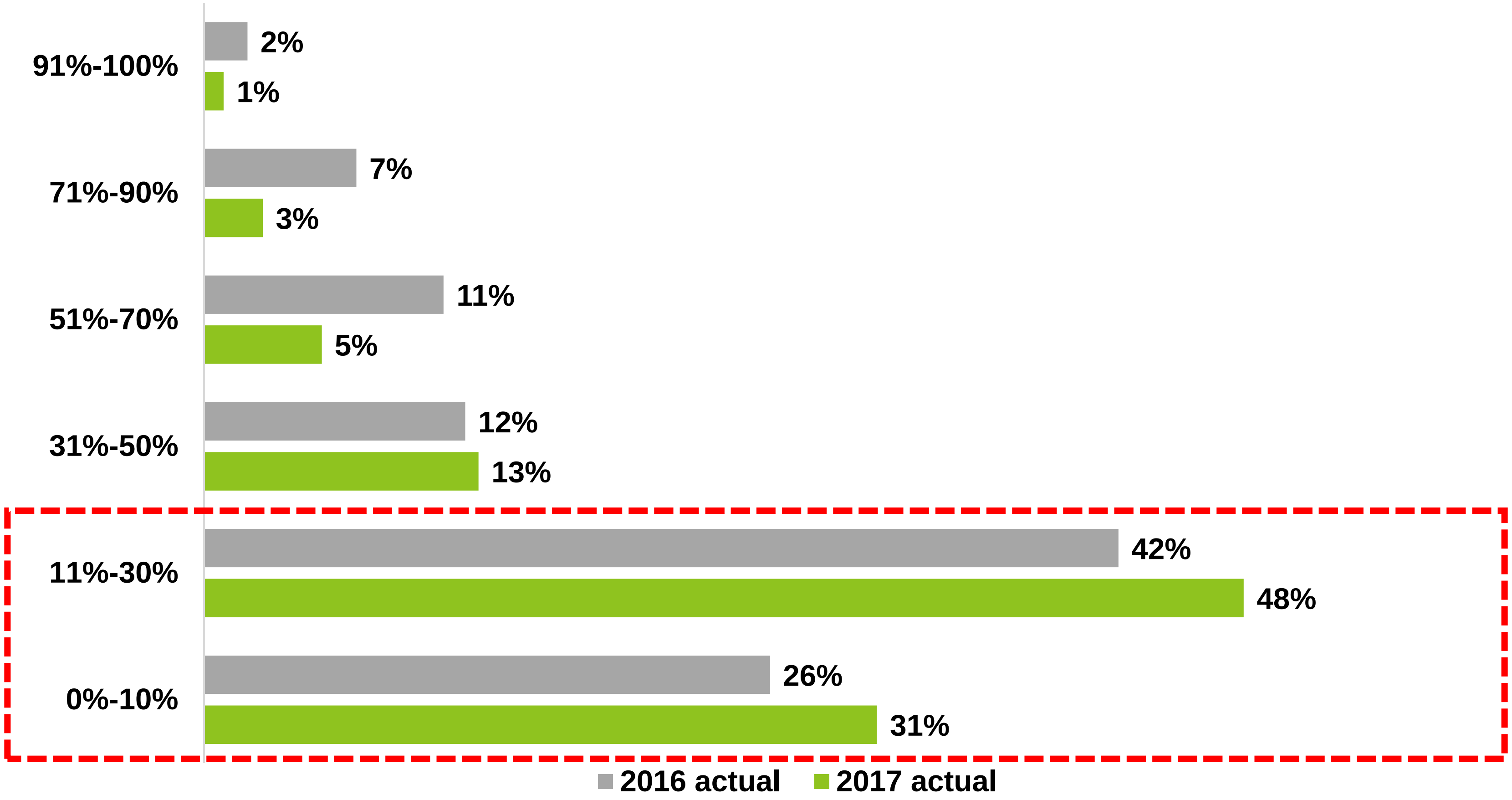


Distributors' Plans to Open Retail Stores



Sales Contribution of Distributors' Retail Stores to Their Overall Sales Revenue

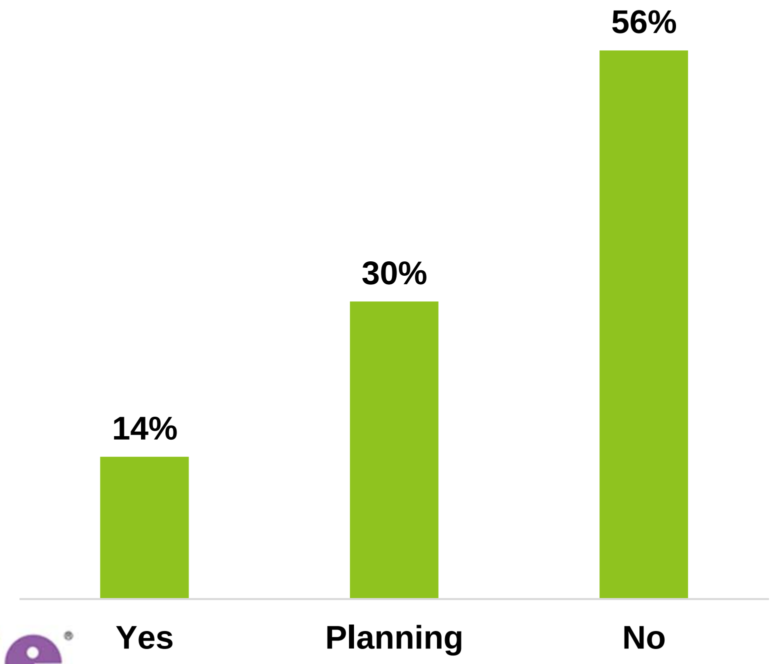
79% of distributors' retail sales accounts for less than 30%, the main business is still agency.



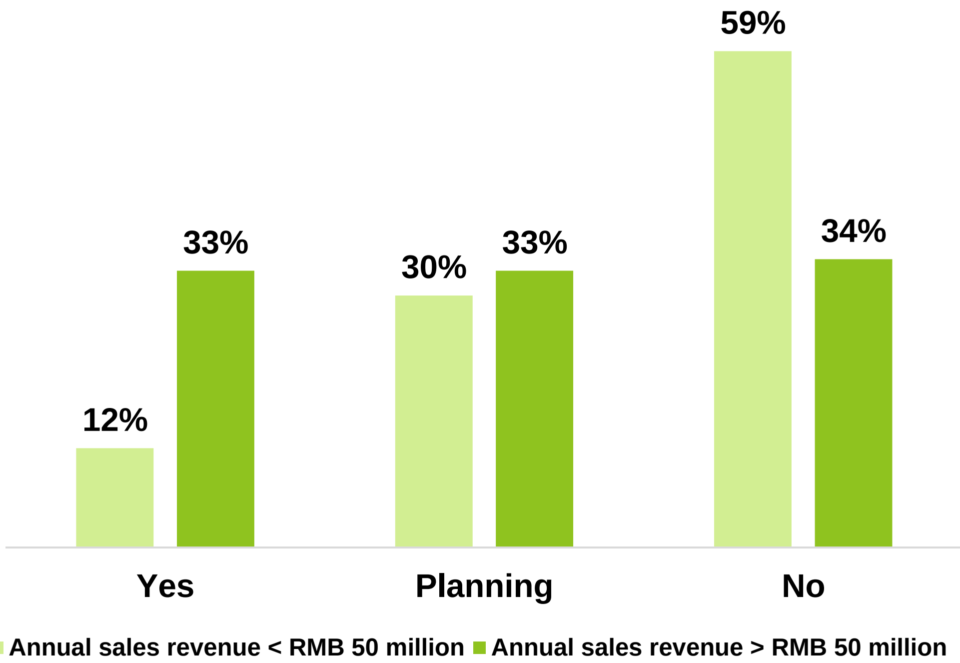
Distributors' In-house Brand Development

14% of the distributors are developing their own in-house brands, and more distributors whose annual sales is over 50 million are developing their own in-house brands.

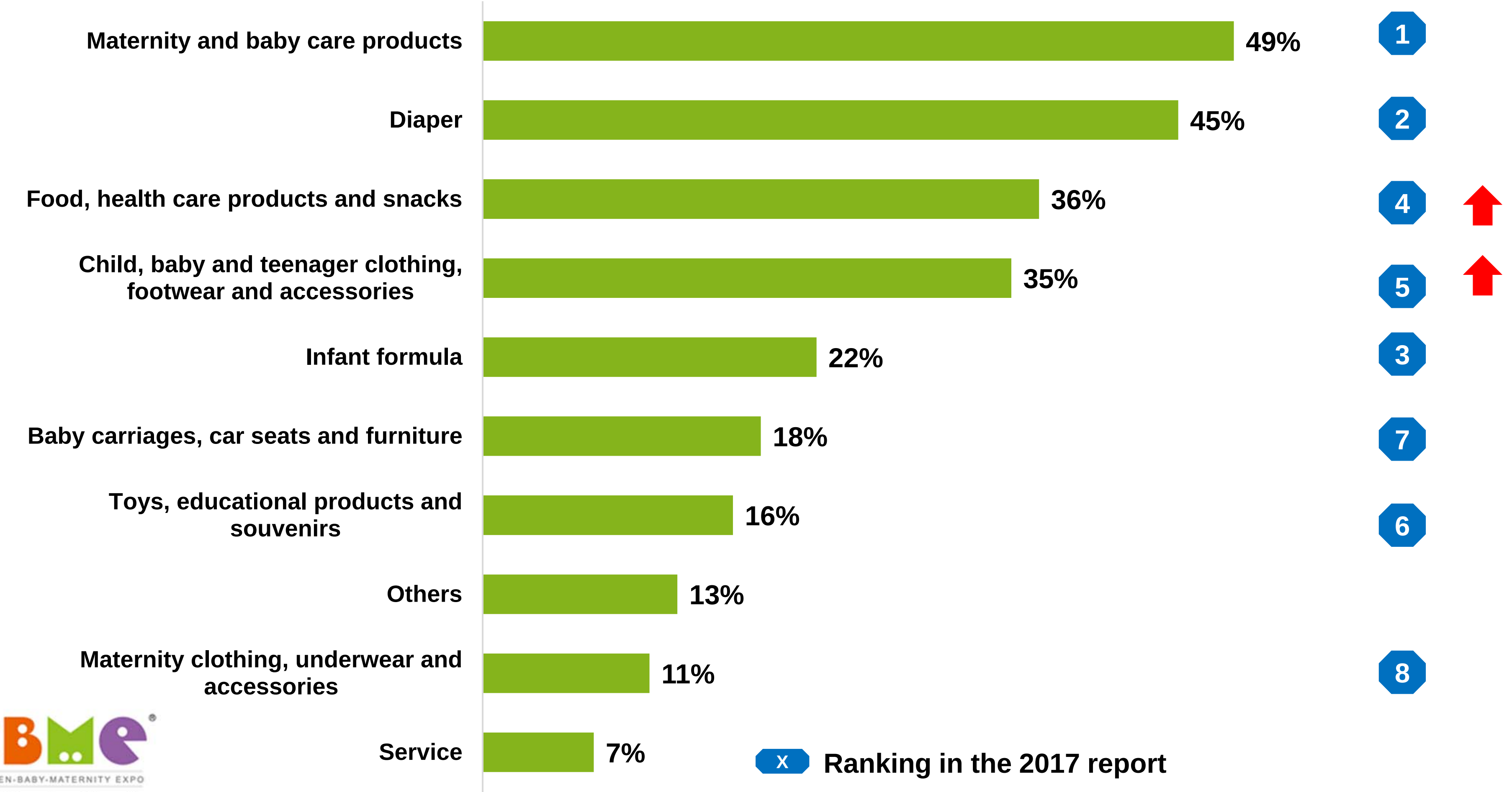
Have distributors created their own in-house brands?



Have distributors of different business scales created their own brands

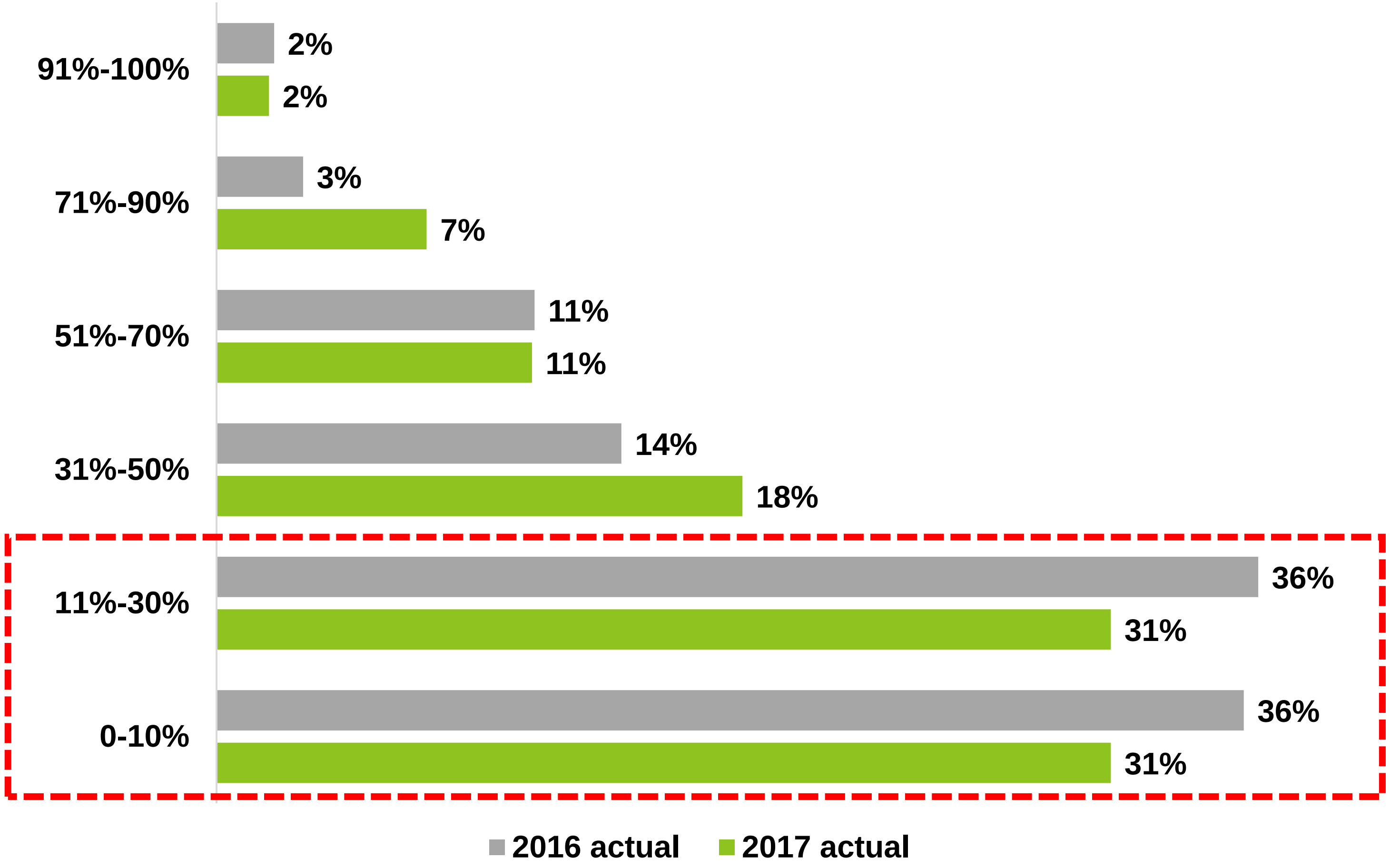


Distributors' "In-house Brand" Product Category

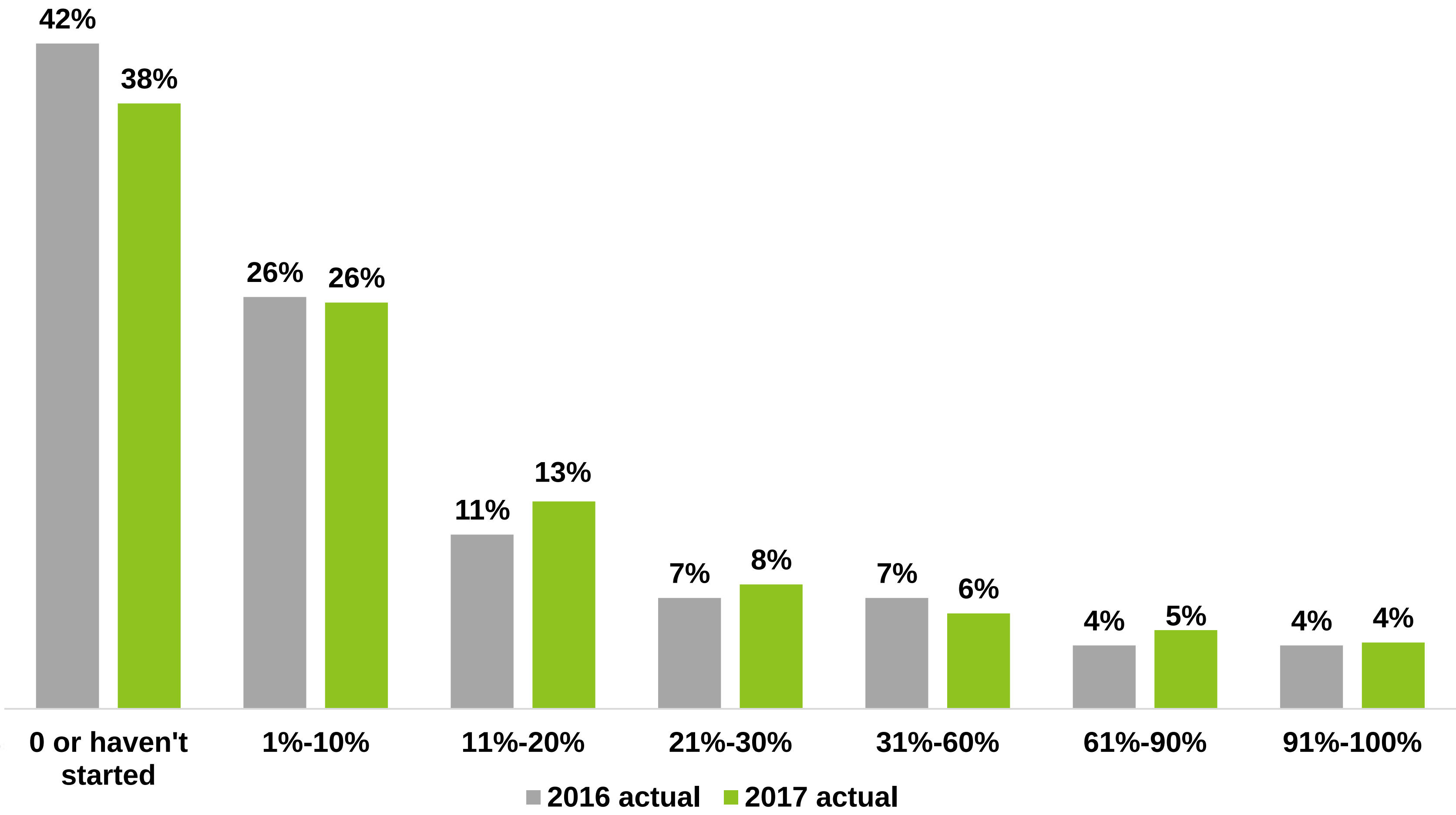


Contribution of In-house Branded Products to Distributor's Overall Sales Revenue

62% distributors' sales of in-house brands accounts for less than 30%

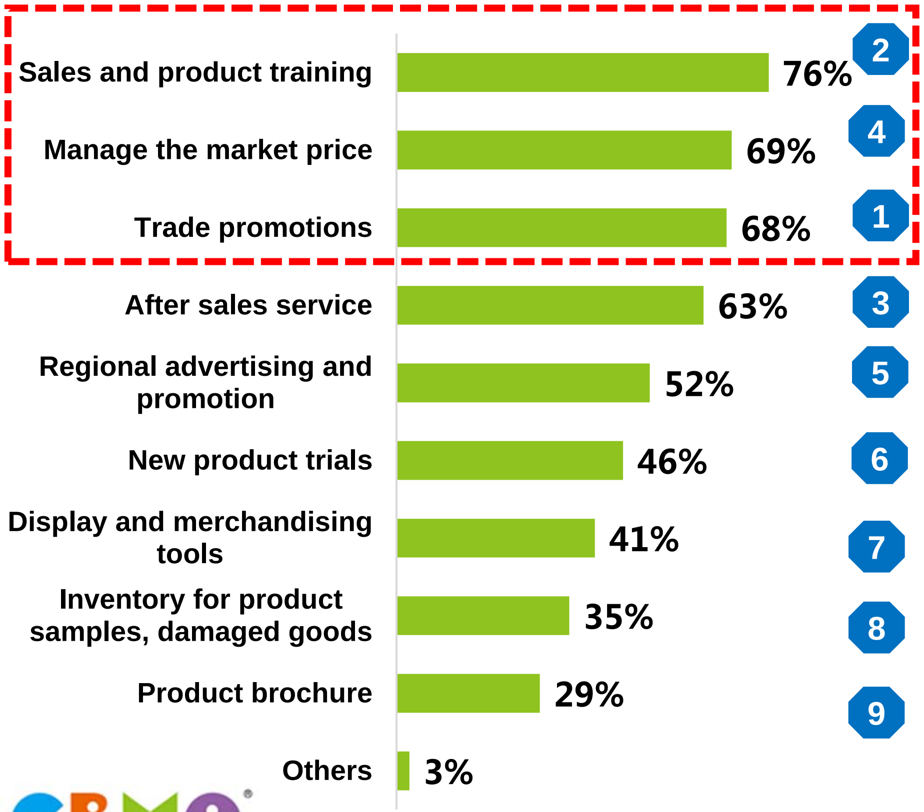


Contribution of E-commerce to Distributors' Sales Revenue

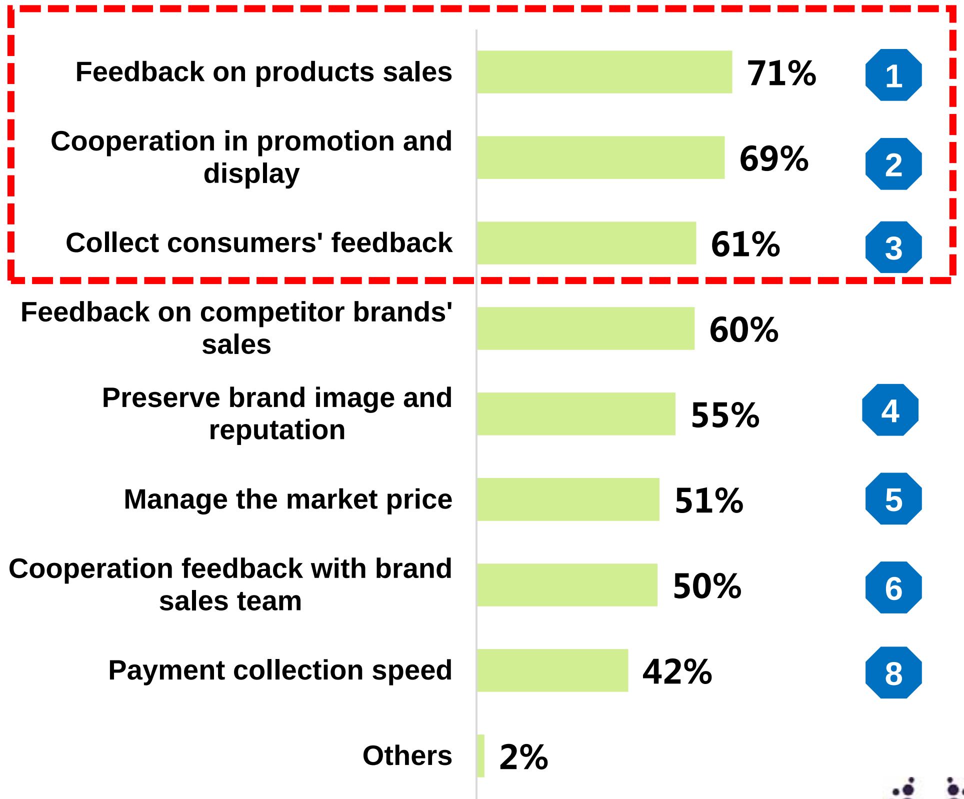


Support Distributors Seek from Brand Owners/Suppliers and Retailers

Support from brand owners/suppliers



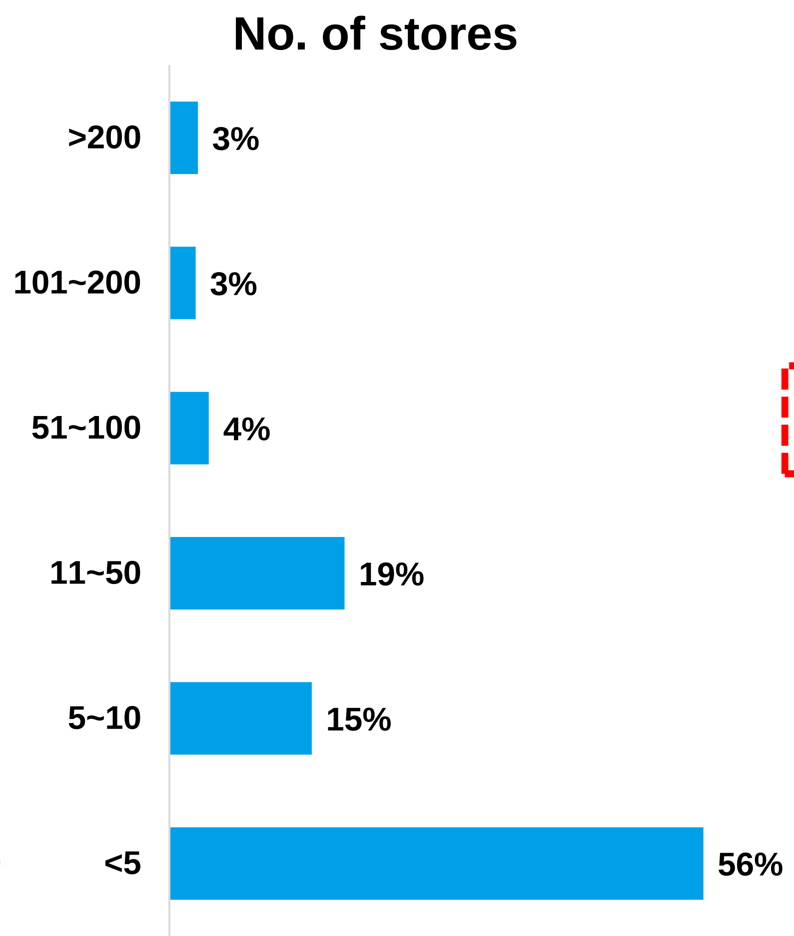
Support from retailers

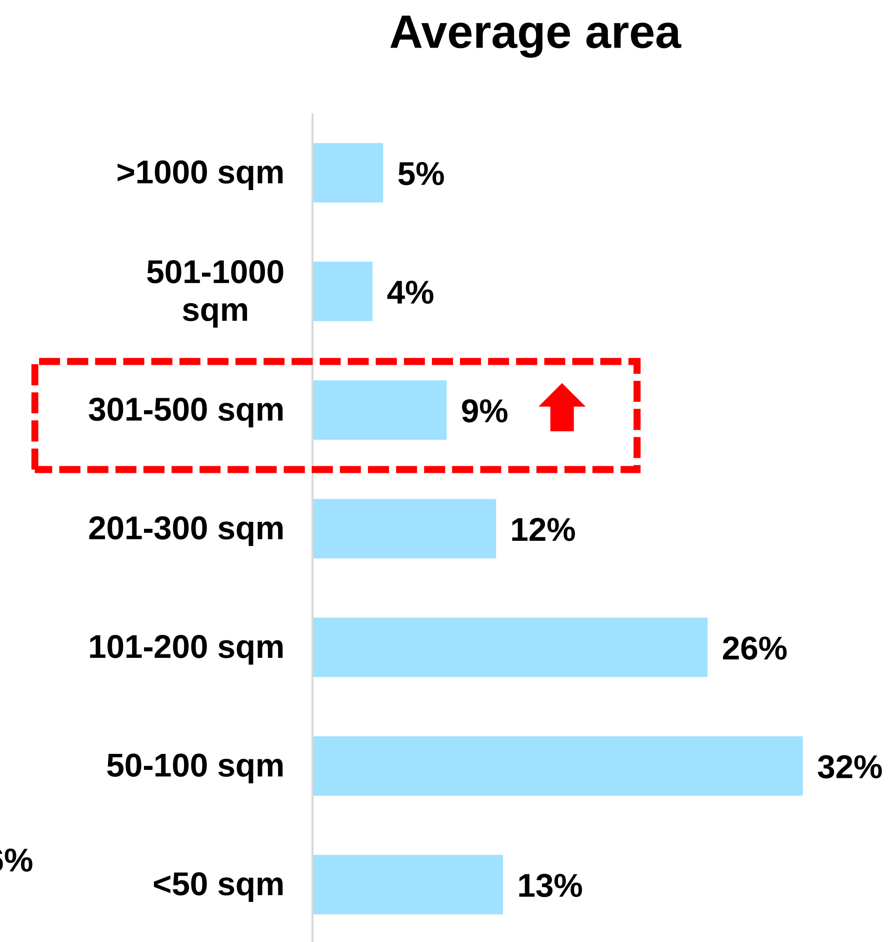


X Rank in the 2017 report

Retailer Analysis

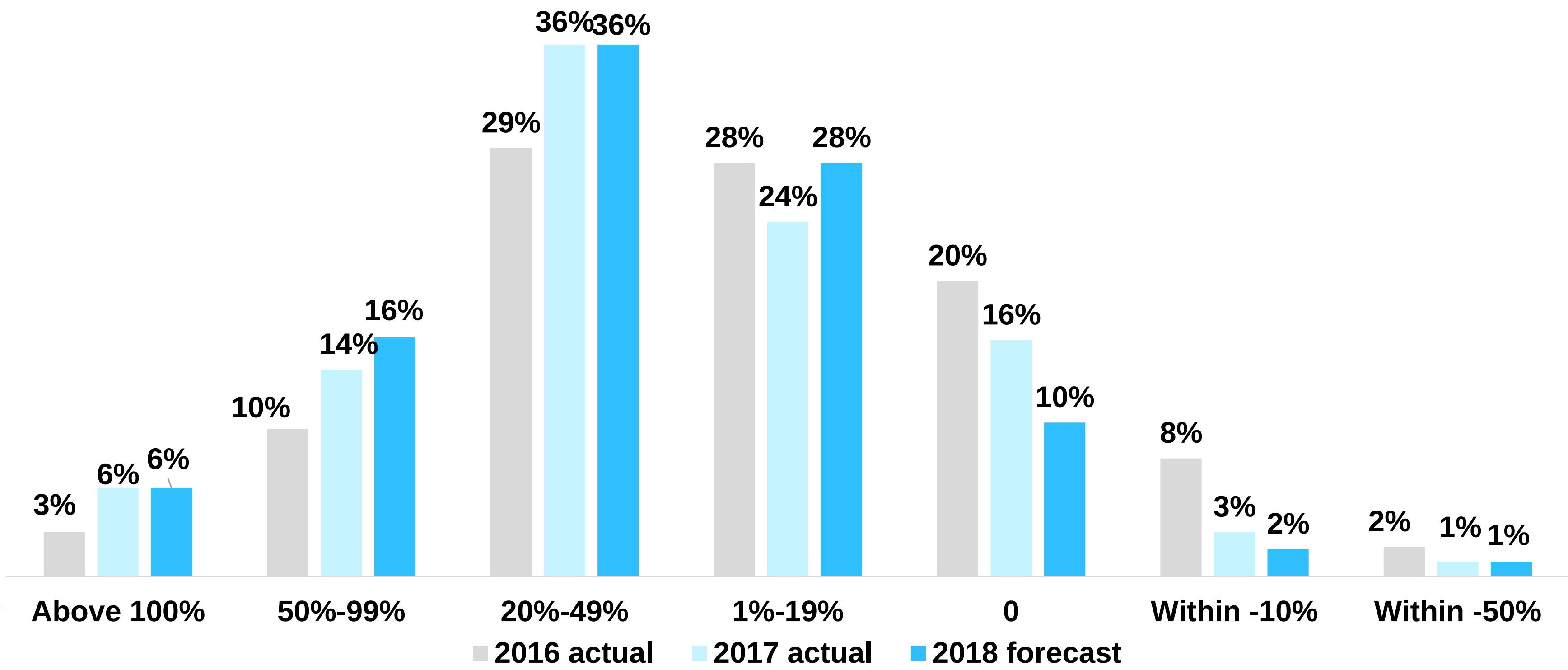
Current Business Scale of Retailers





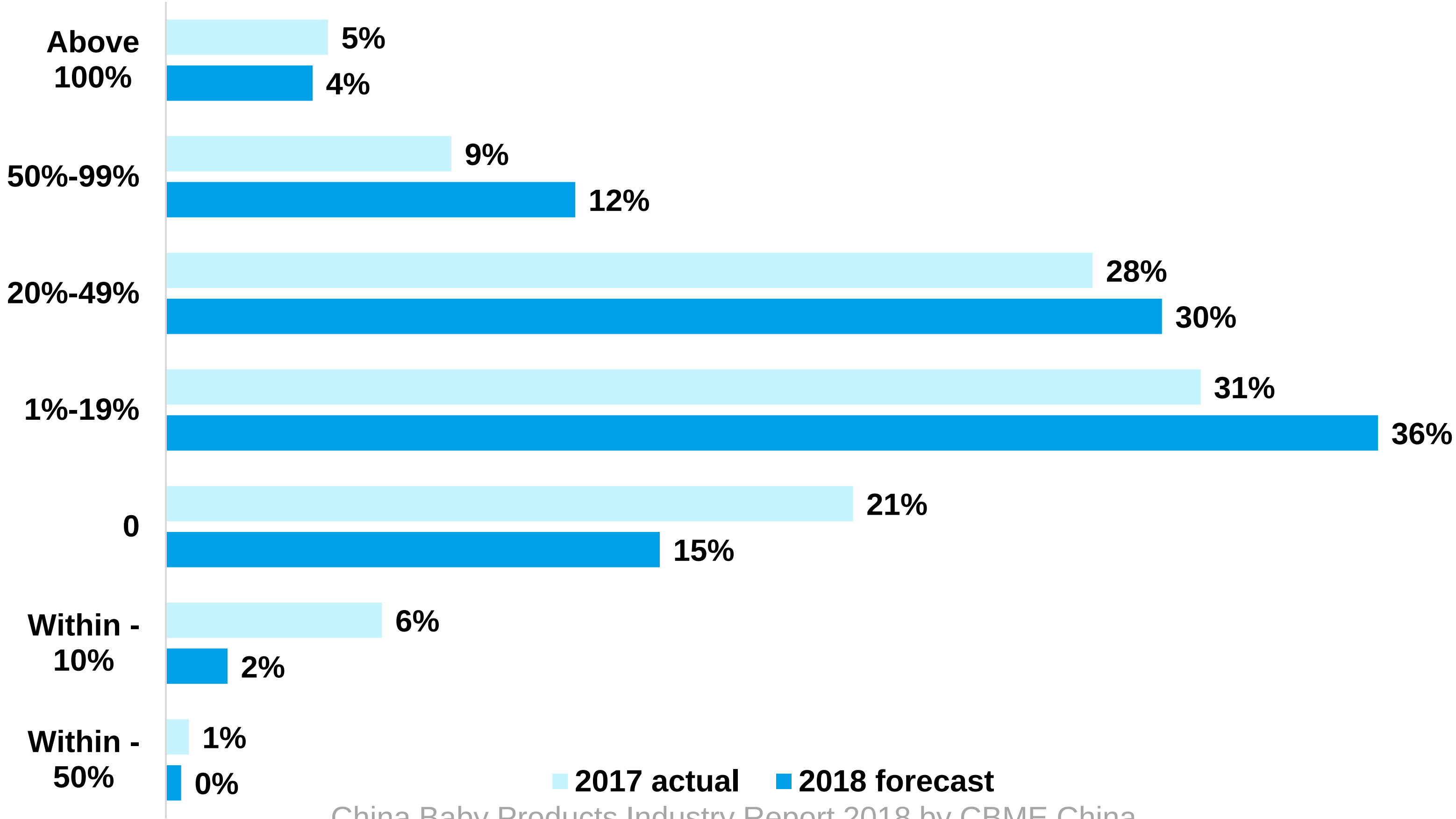
Retailers' Sales Revenue 2016-2018

- In 2017, 56% of retailers had achieved sales growth of more than 20%, increase of 14% compared to 2016
- In 2018, 58% of retailers expect their sales will increase by more than 20%.

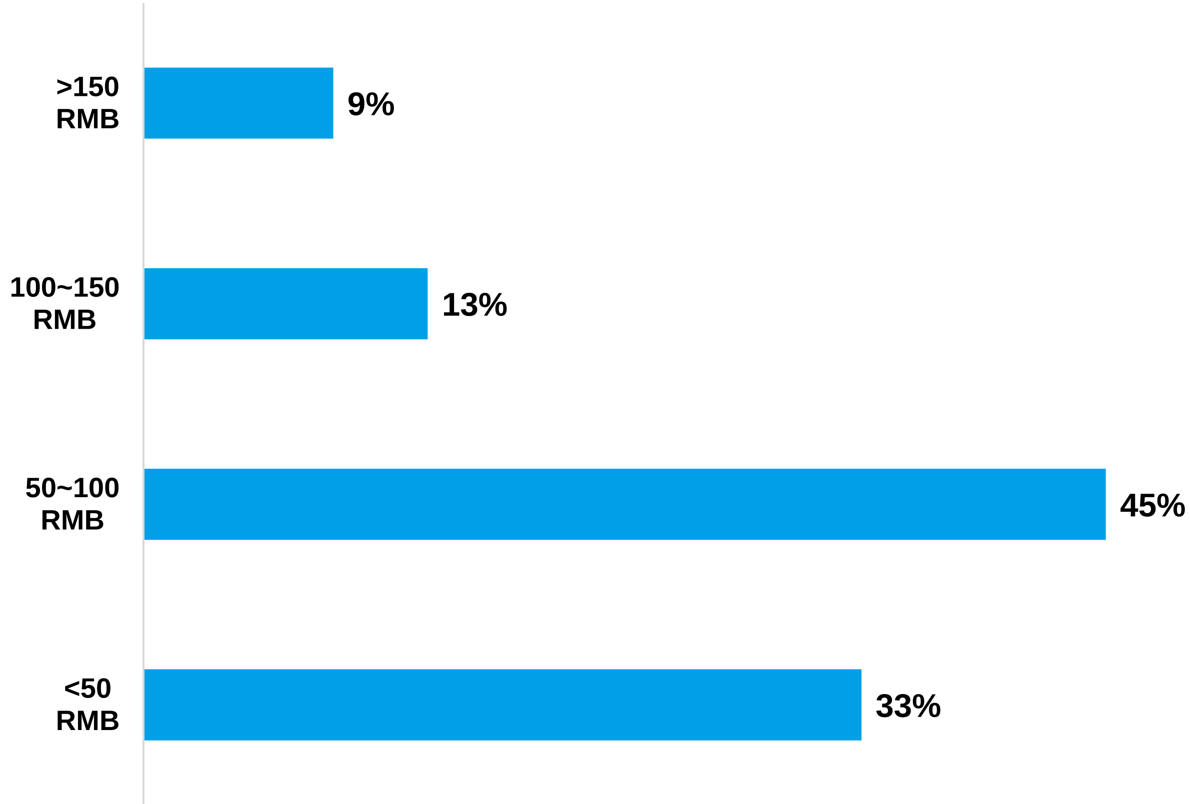


Retailers’ Gross Profit 2017-2018

- In 2017, 42% of retailers had achieved a gross profit growth of more than 20%.
- In 2018, 46% of retailers expect that the gross profit will increase by more than 20%.。



Baby Product Stores Daily Retail Sales per Square Meter



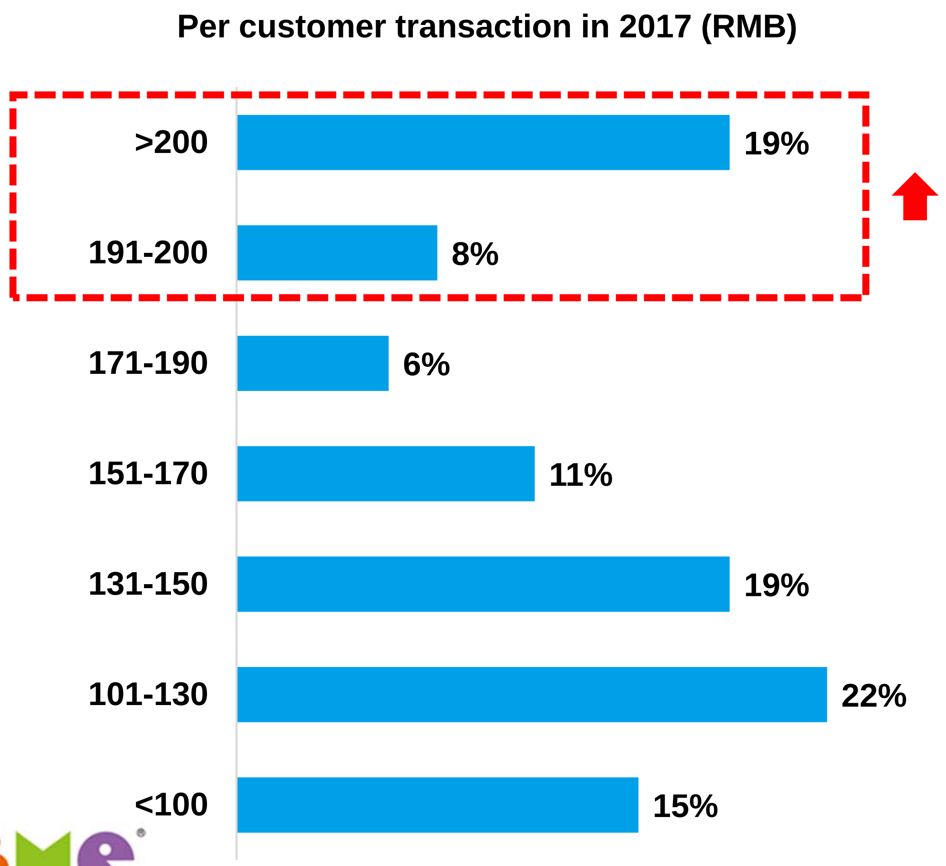
(Daily Retail Sales per Square Meter=(Annual Sales Revenue /sqm)/365)

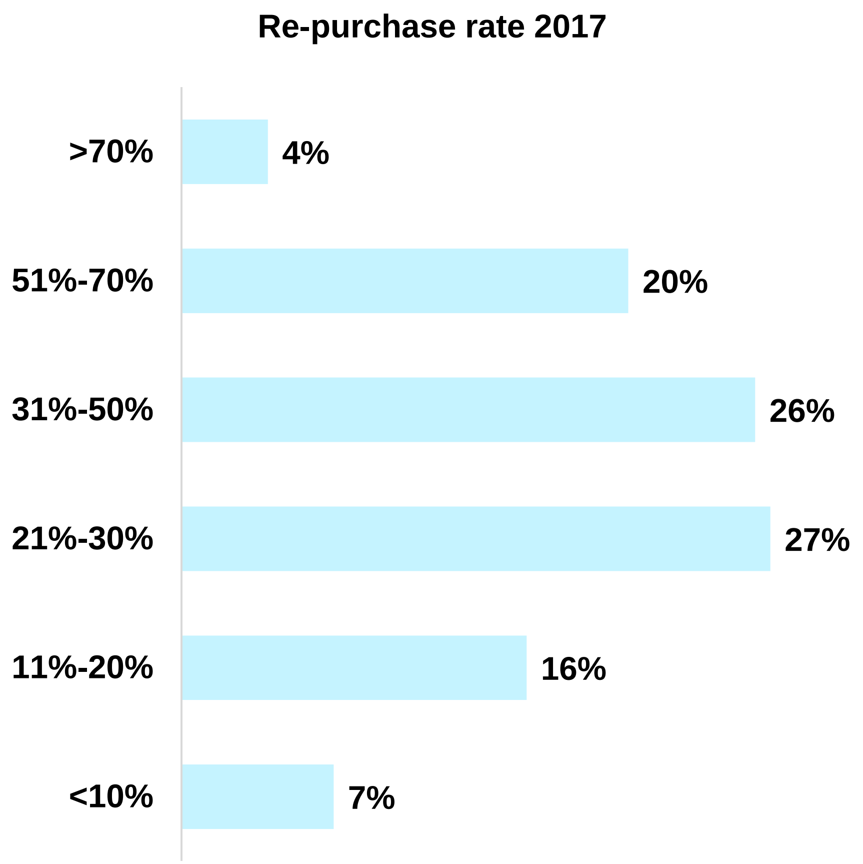
Reference

General situation of China retail stores (coverage is not limited to baby product stores):

- The daily retail sales per square meter of mom-and-pop store is RMB 40, general convenience store is RMB 57, and for Japanese convenience store it is RMB 78.
- In the United States, the best daily retail sales per square meter belongs to the Trader Joe Supermarket, at US$51

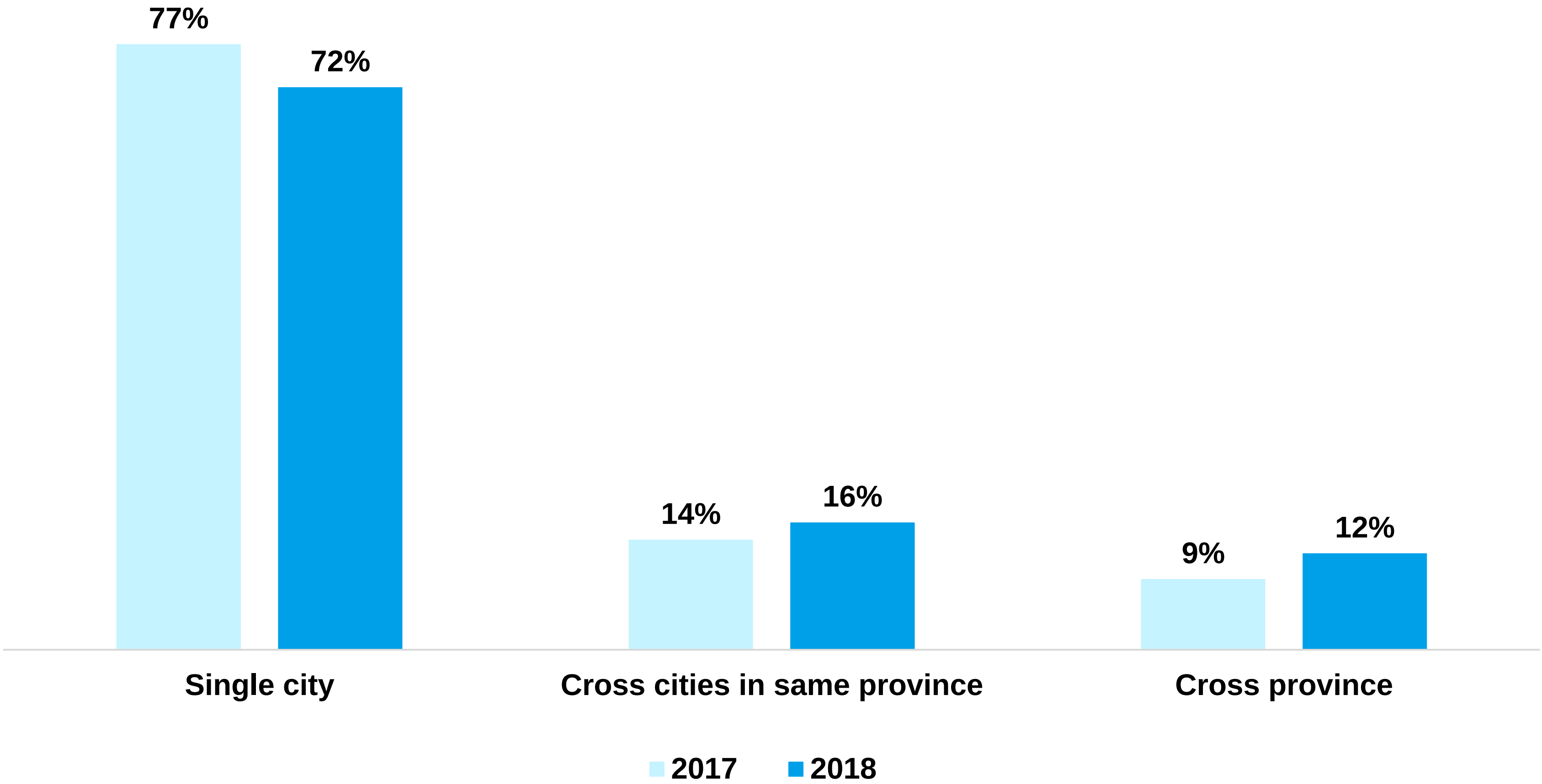
Per Customer Transaction and Re-purchase Rate of Baby Product Stores



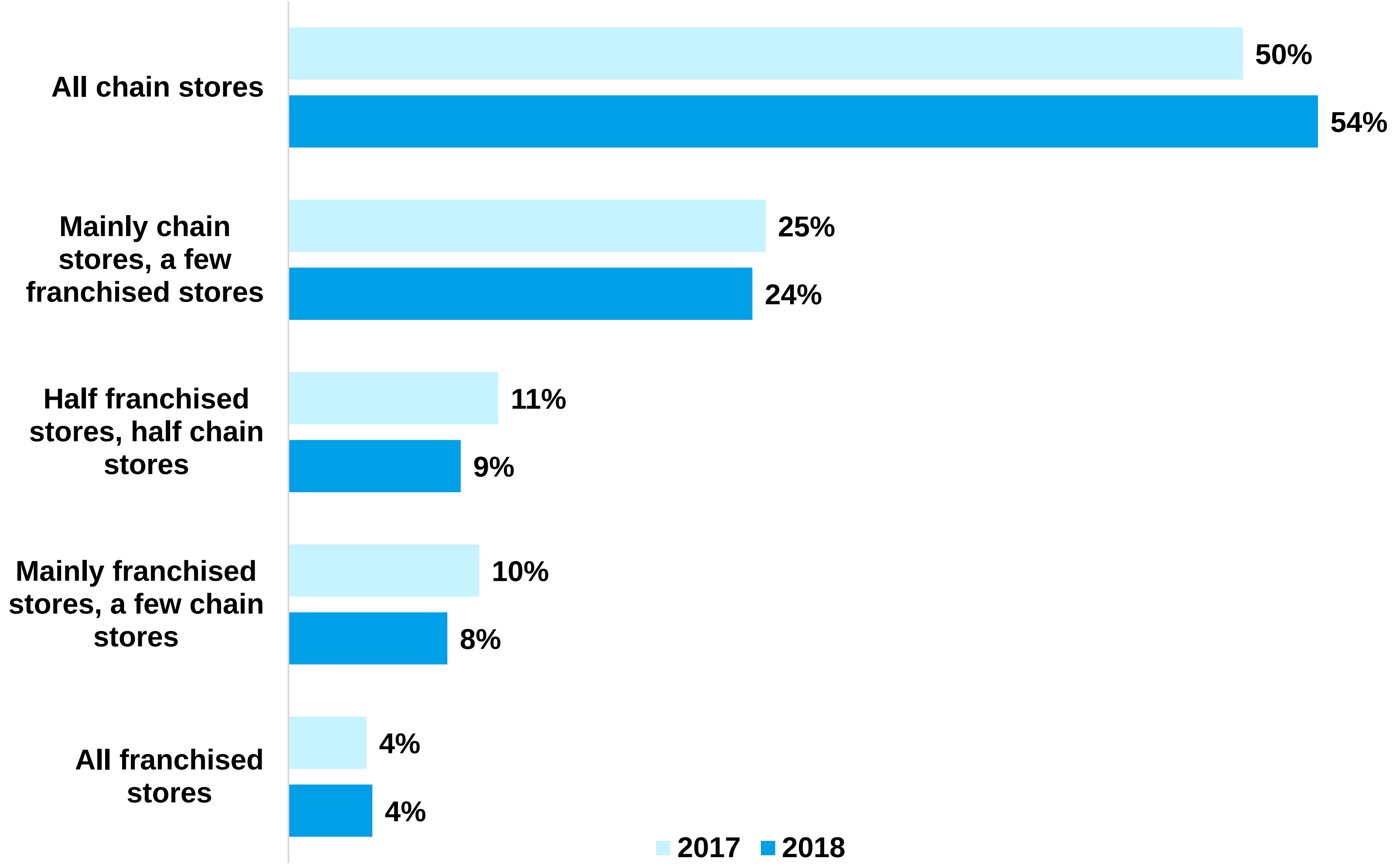


Baby Product Stores Coverage

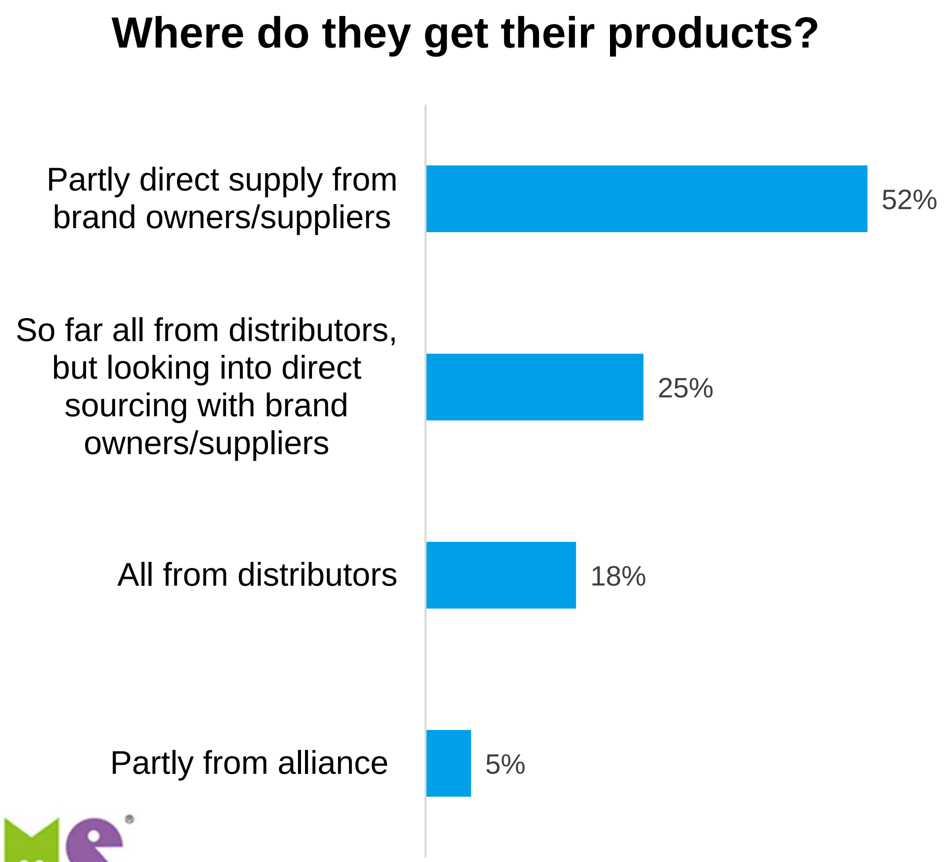
Franchising is a popular trend in retail, and the percentage of cross-city and cross-province franchisees are increasing.

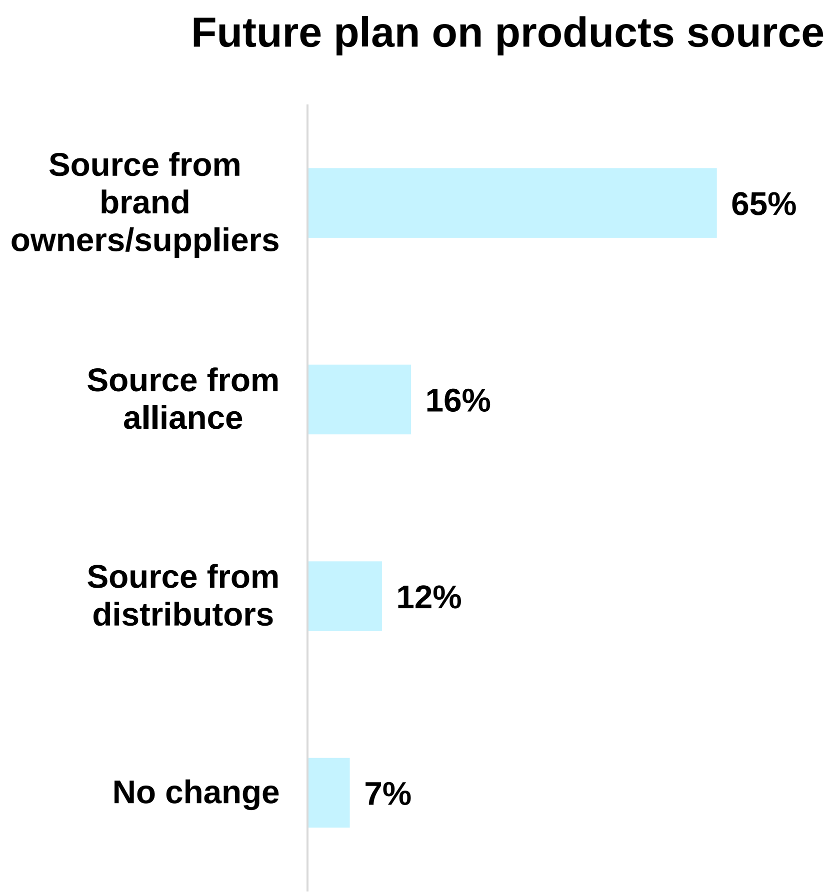


Business Type of Retailers

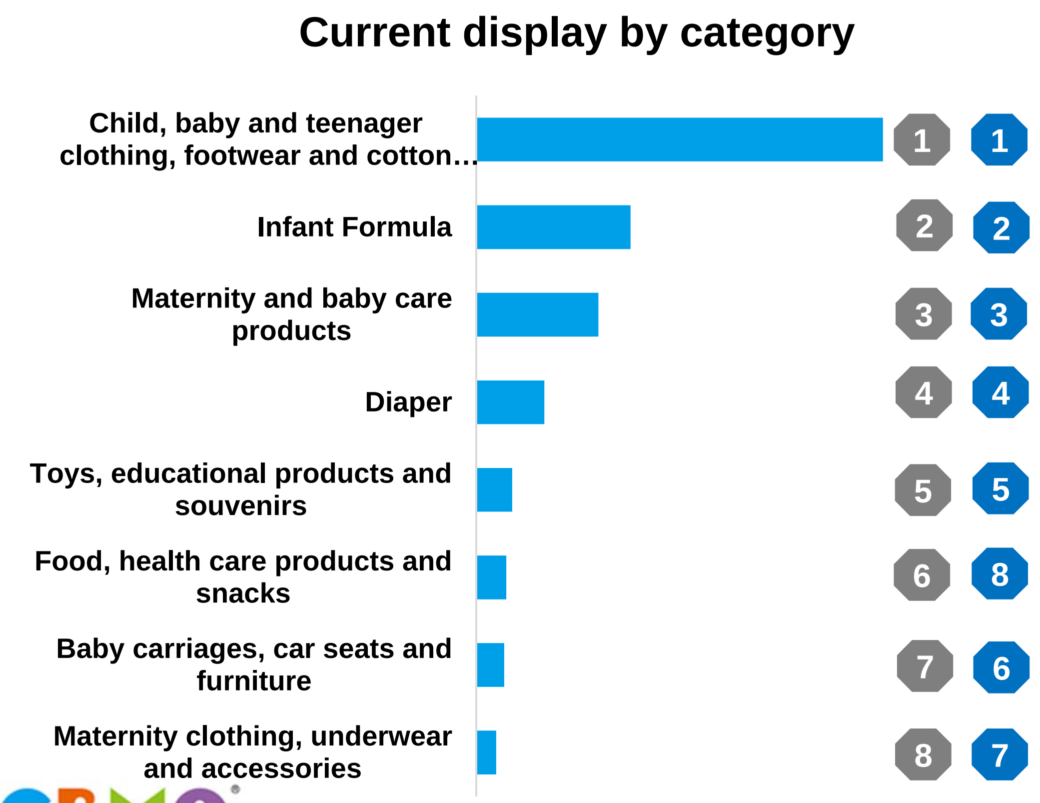


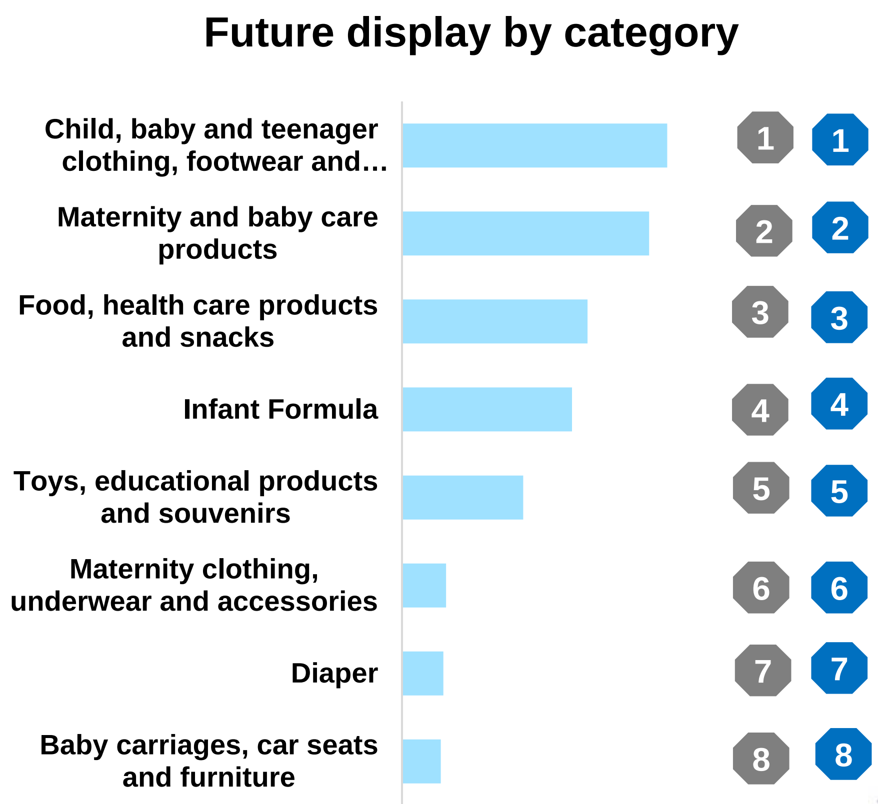
Retailers' Current Source of Products and Future Plan





Display Area of Retail Stores (Current and Future Plans)

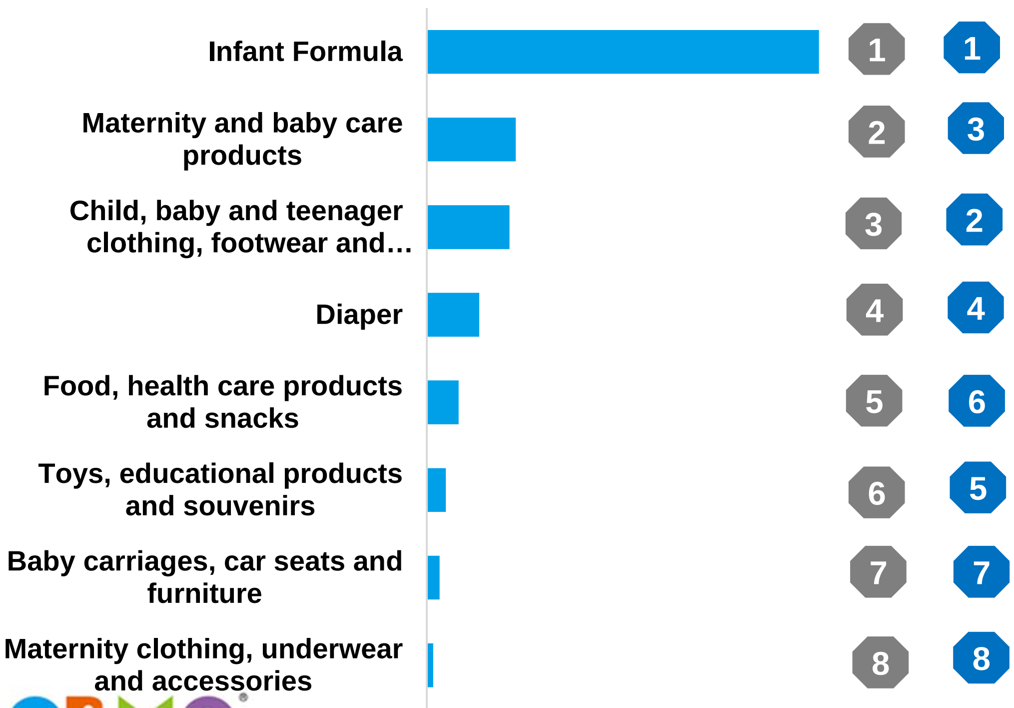




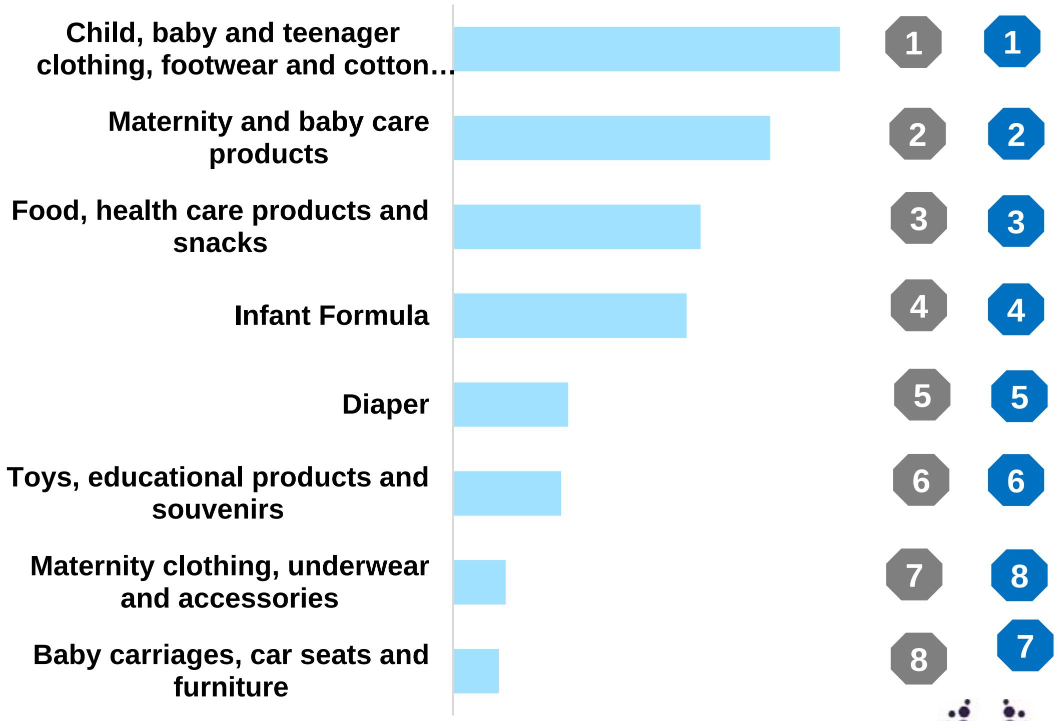
X Rank in the 2017 report

Sales Revenue of Retailers
(Current and Future Plans)

Top sales by category

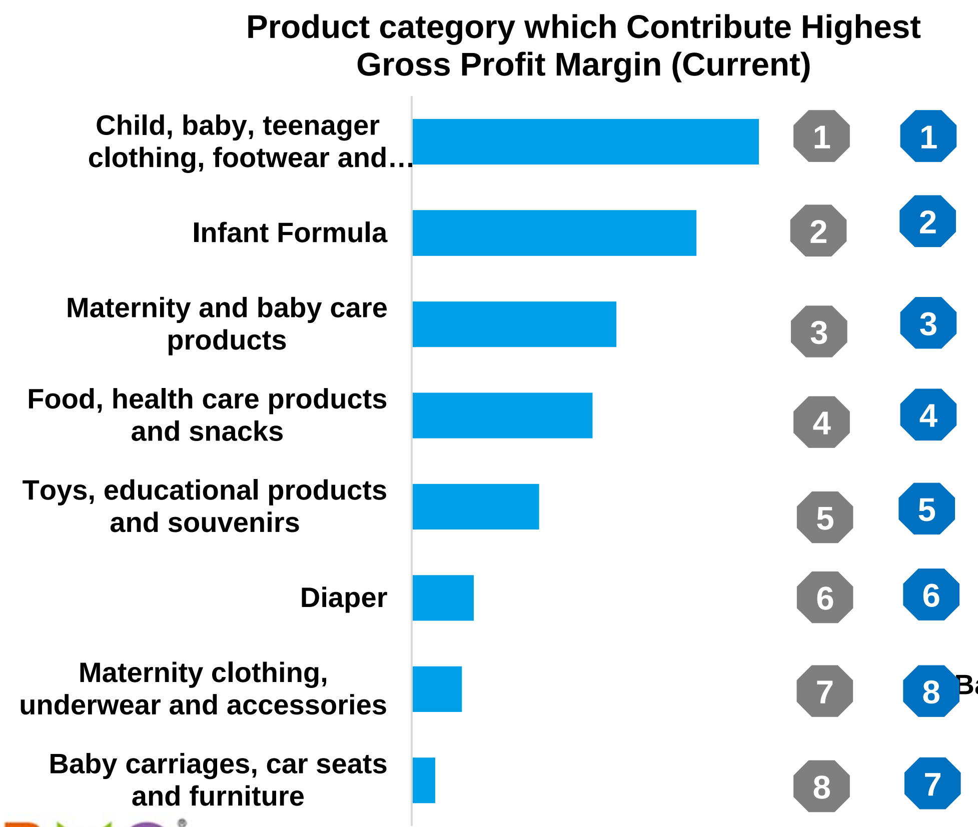


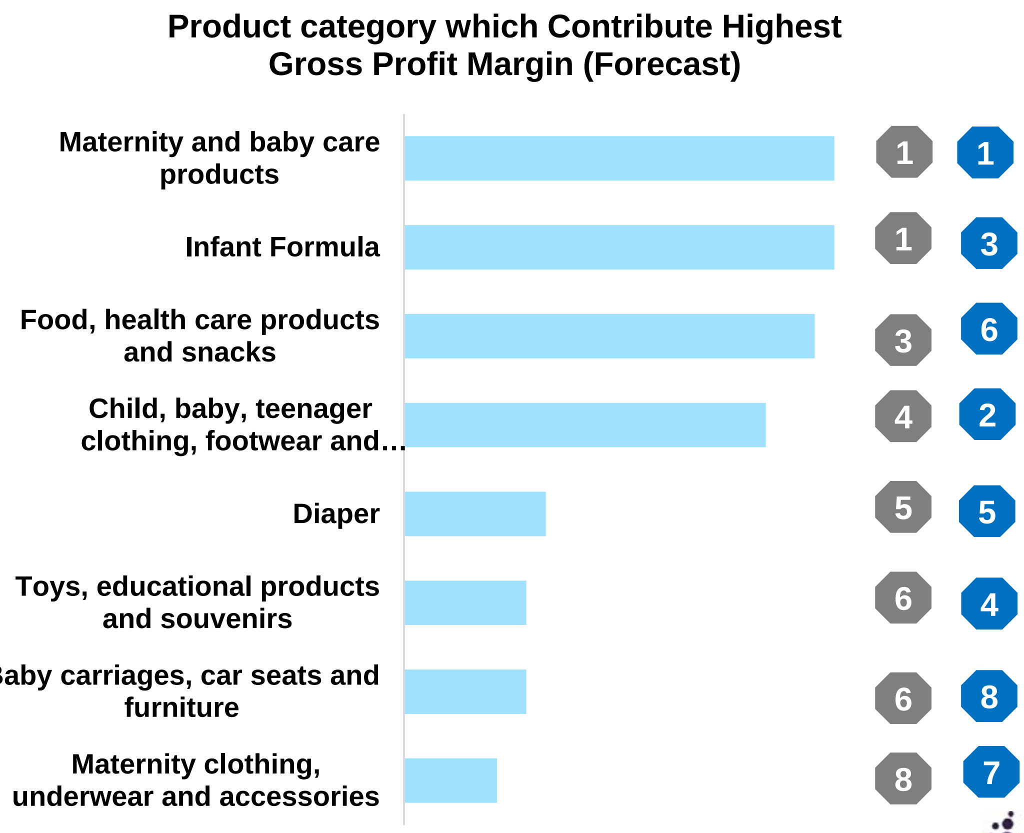
Potential Top Sales Category



X Rank in the 2017 report

Gross Profit of Retailers (Current and Future Plans)





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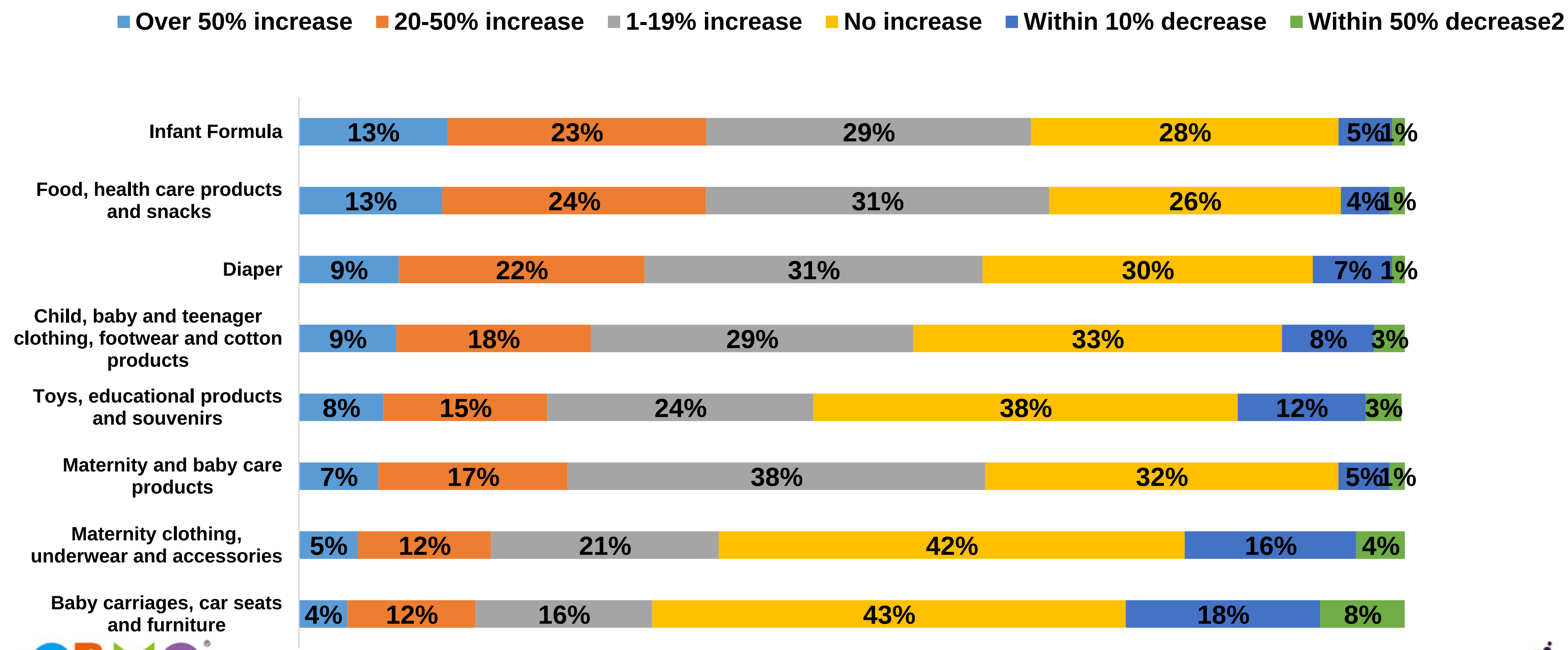
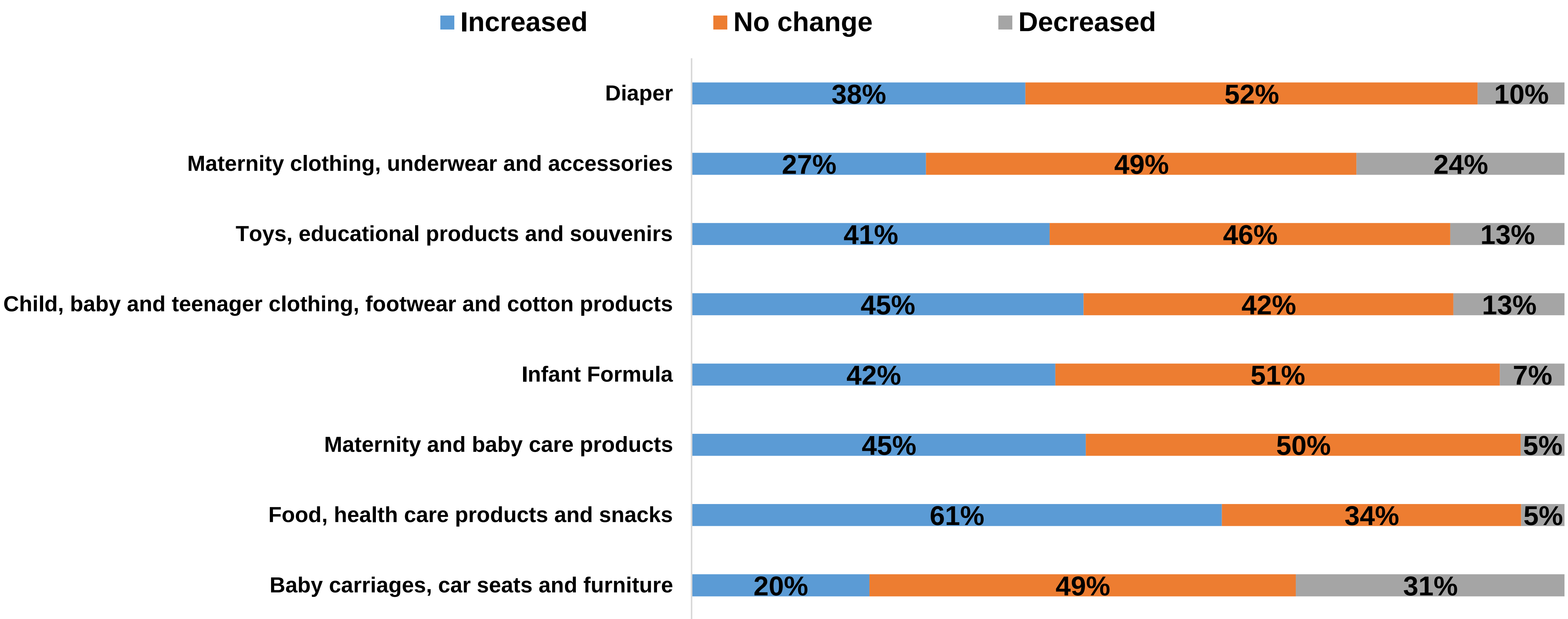
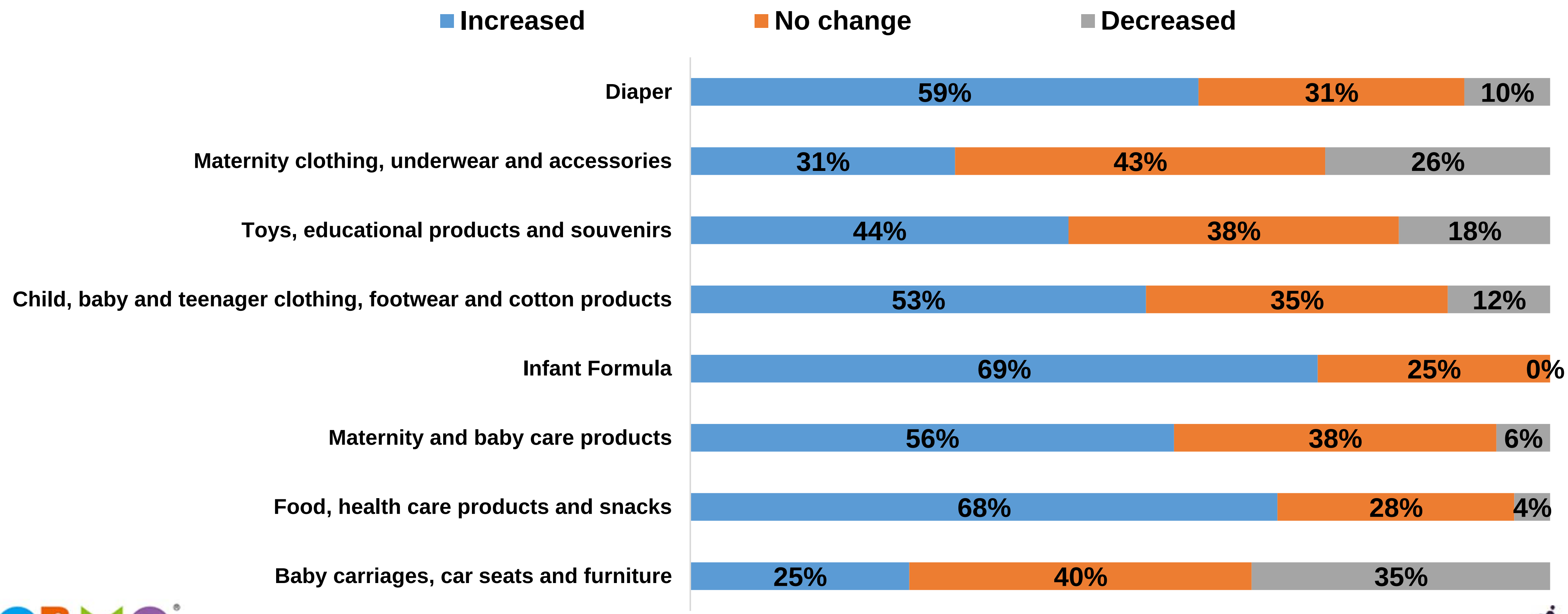
Sales Revenue Change by Category in 2017 vs. 2016



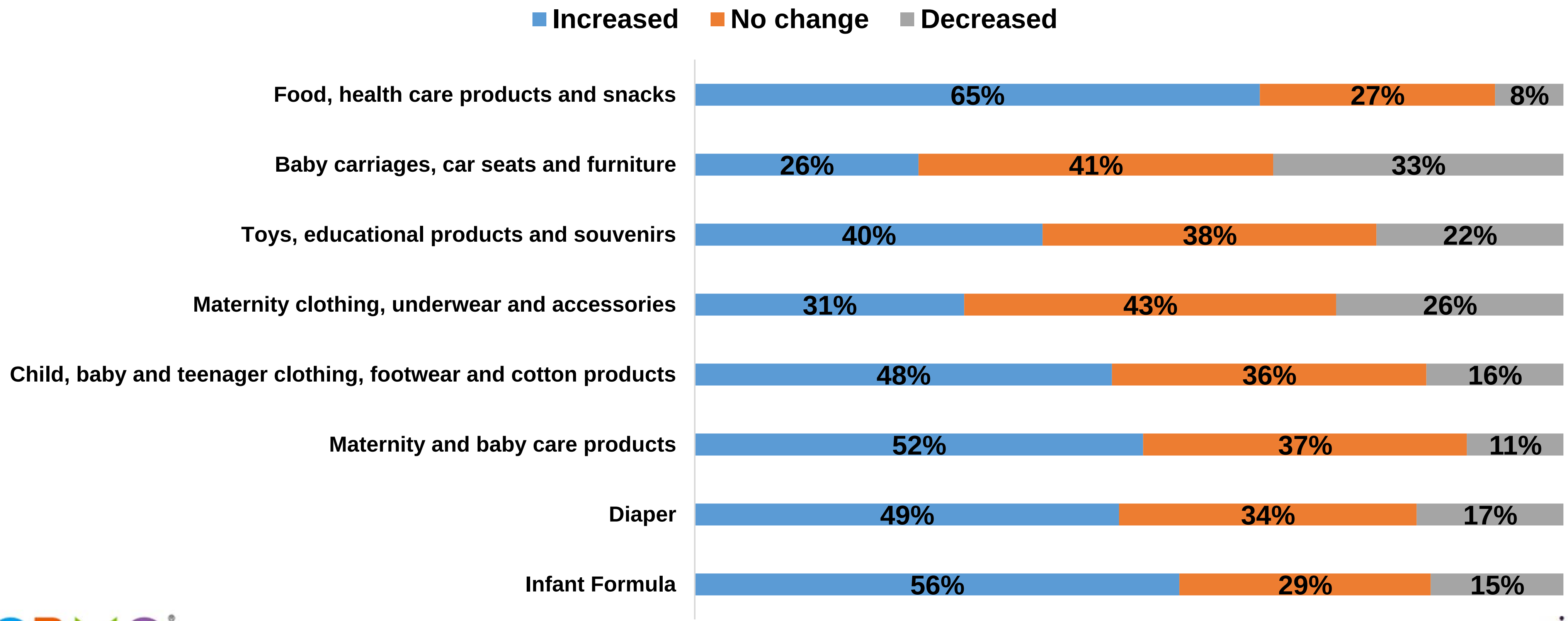
Change in Display Area by Category in 2017 vs. 2016



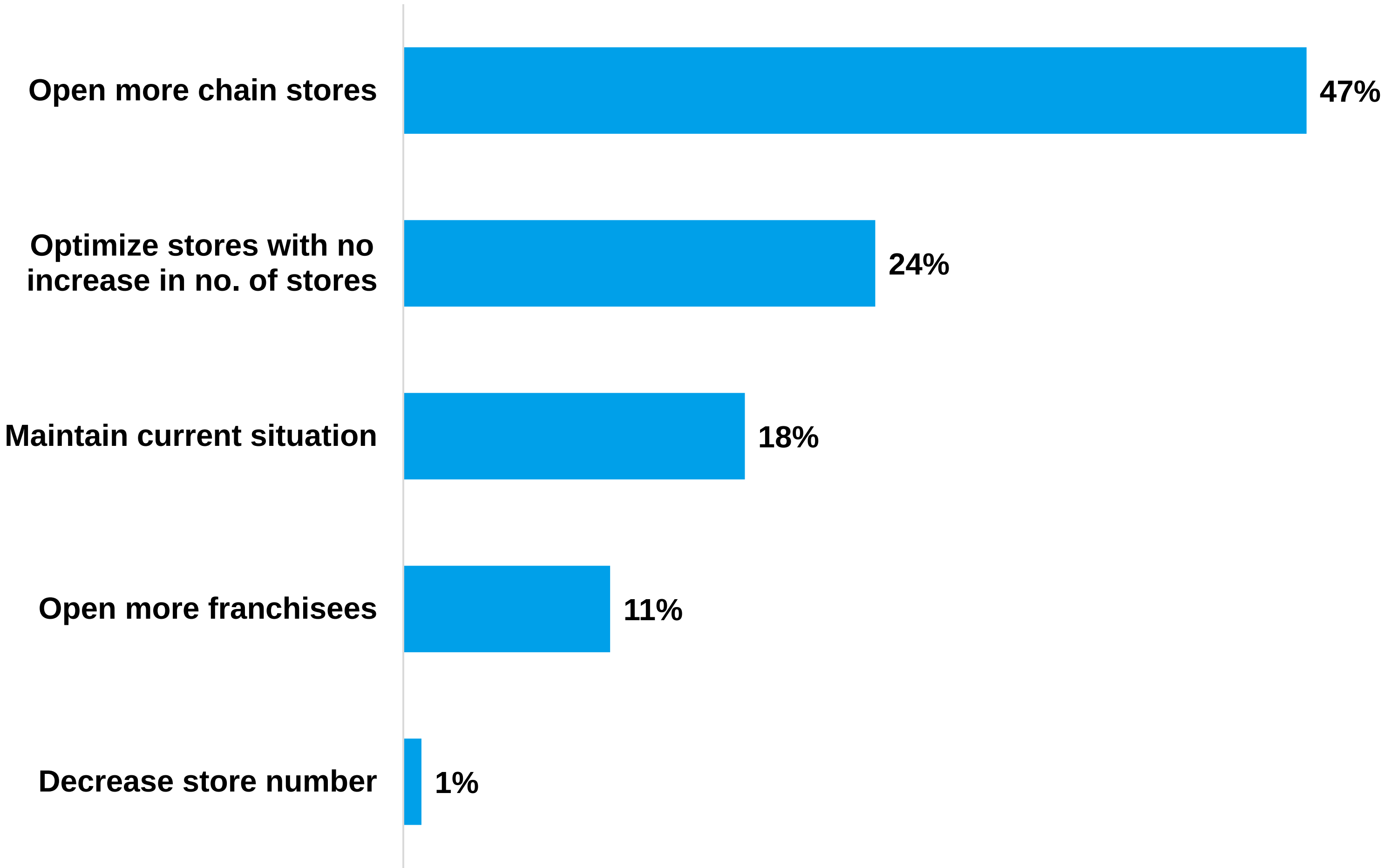
Change in Sales Revenue by Category in 2017 Vs. 2016



Changes in Gross Revenue by Category in 2017 vs. 2016



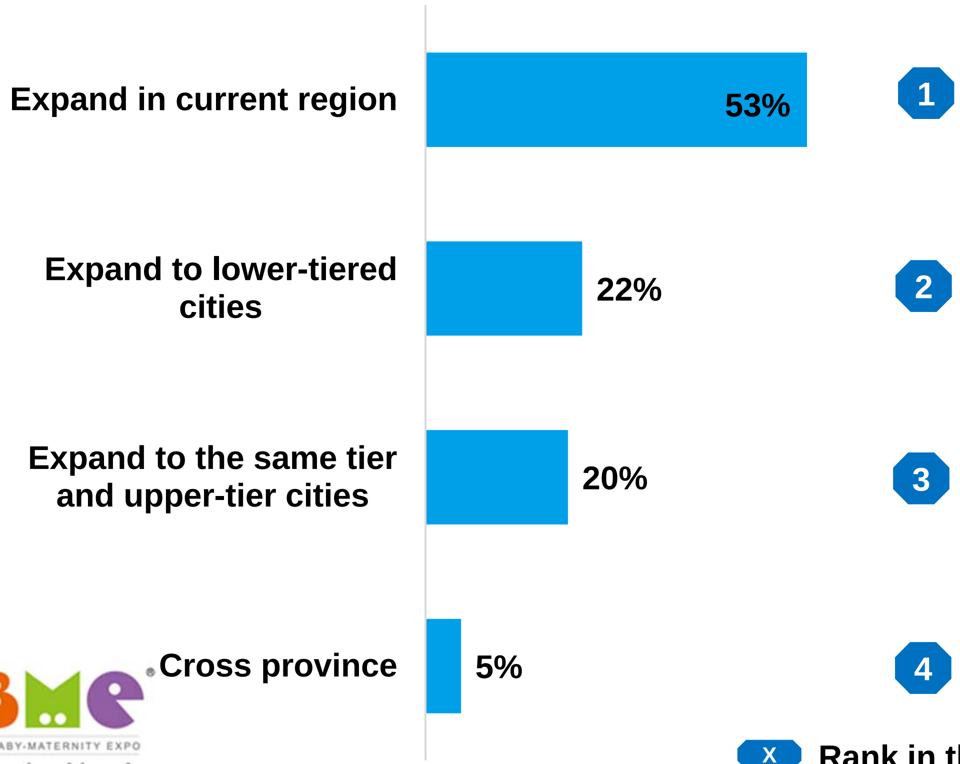
Retailers' Expansion Plan for 2018



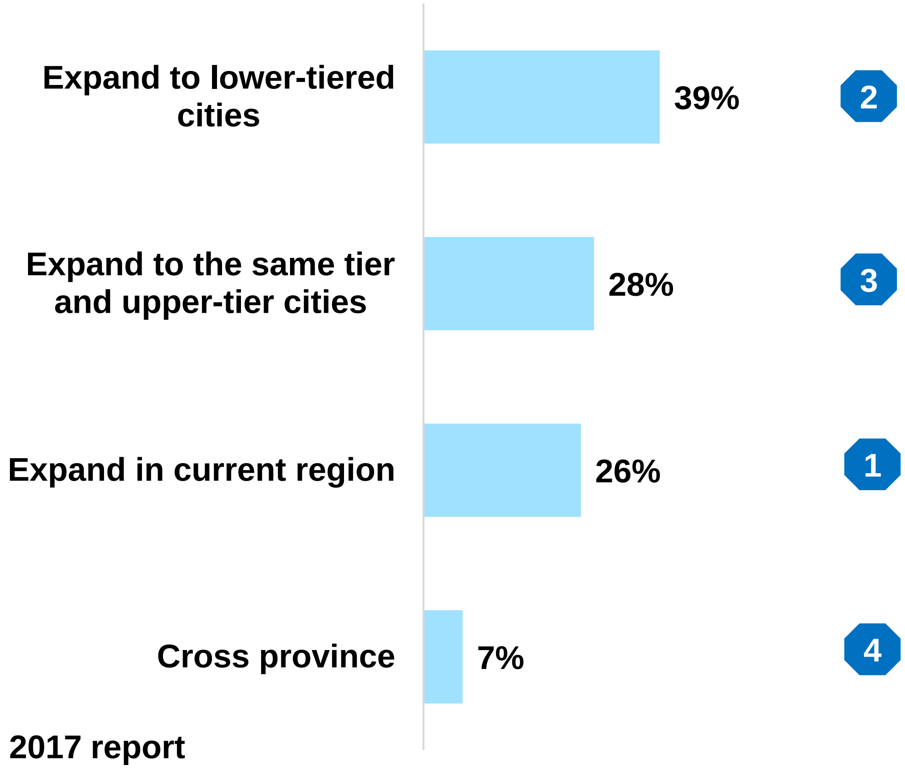
Retailers' Expansion Plan for 2018

The key to chain stores is still to expand in the current business region, while the expansion trend of franchisee stores is going downward with regards to expansion to lower-tier cities.

Chain Store Expansion Plans



Franchisee Store Expansion Plans



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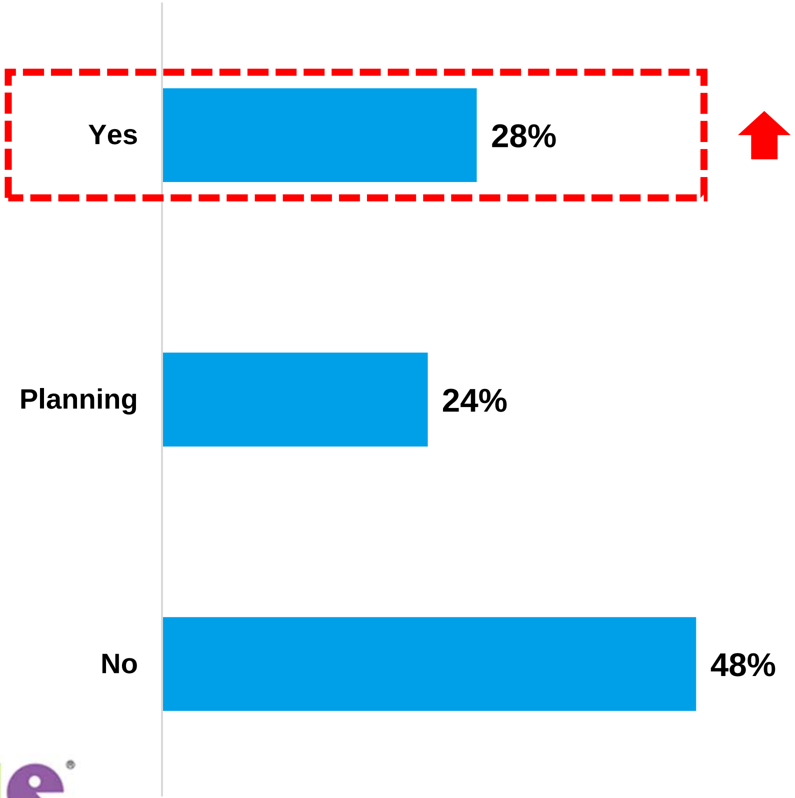
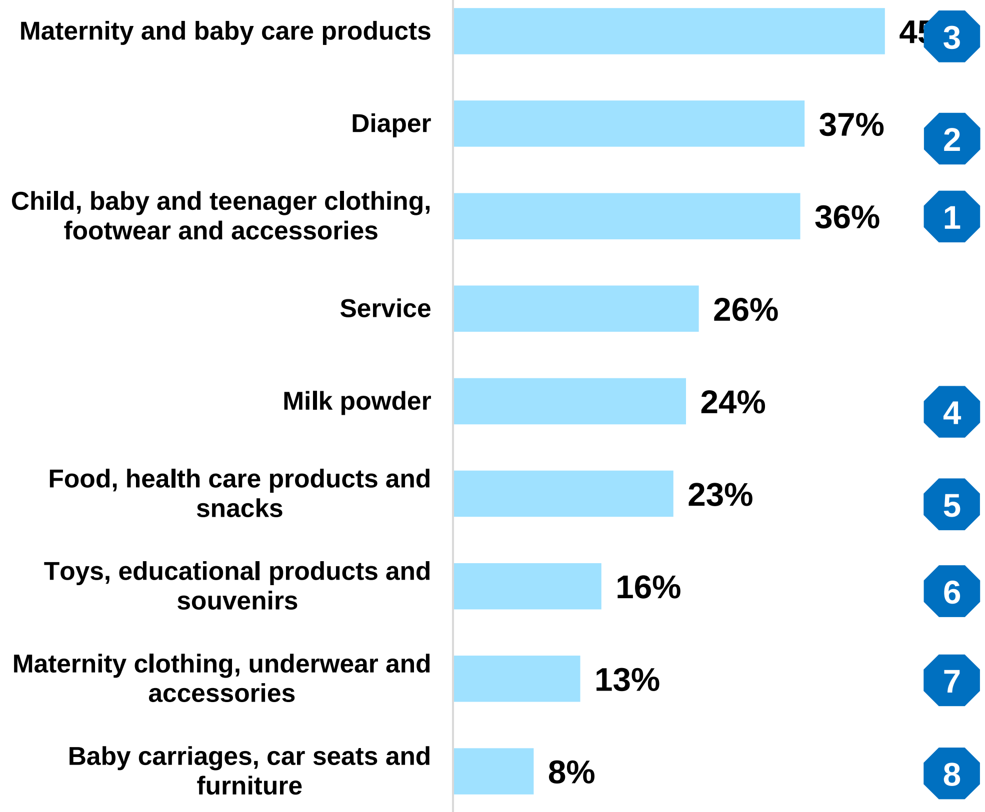
Retailers' In-house Brand Product Development

Have retailers launched in-house brands?



Which product category will retailers develop as in-house brands?



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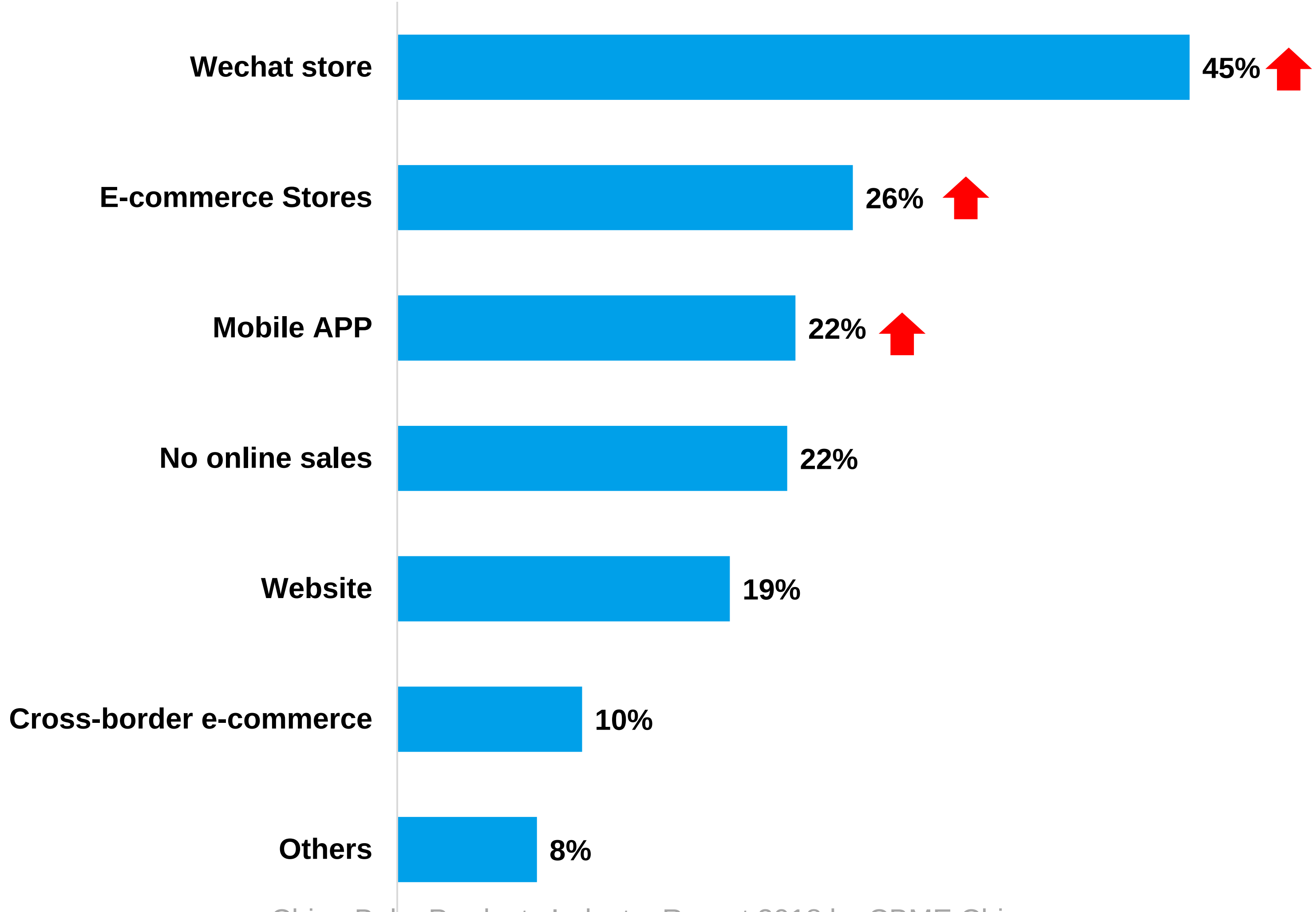
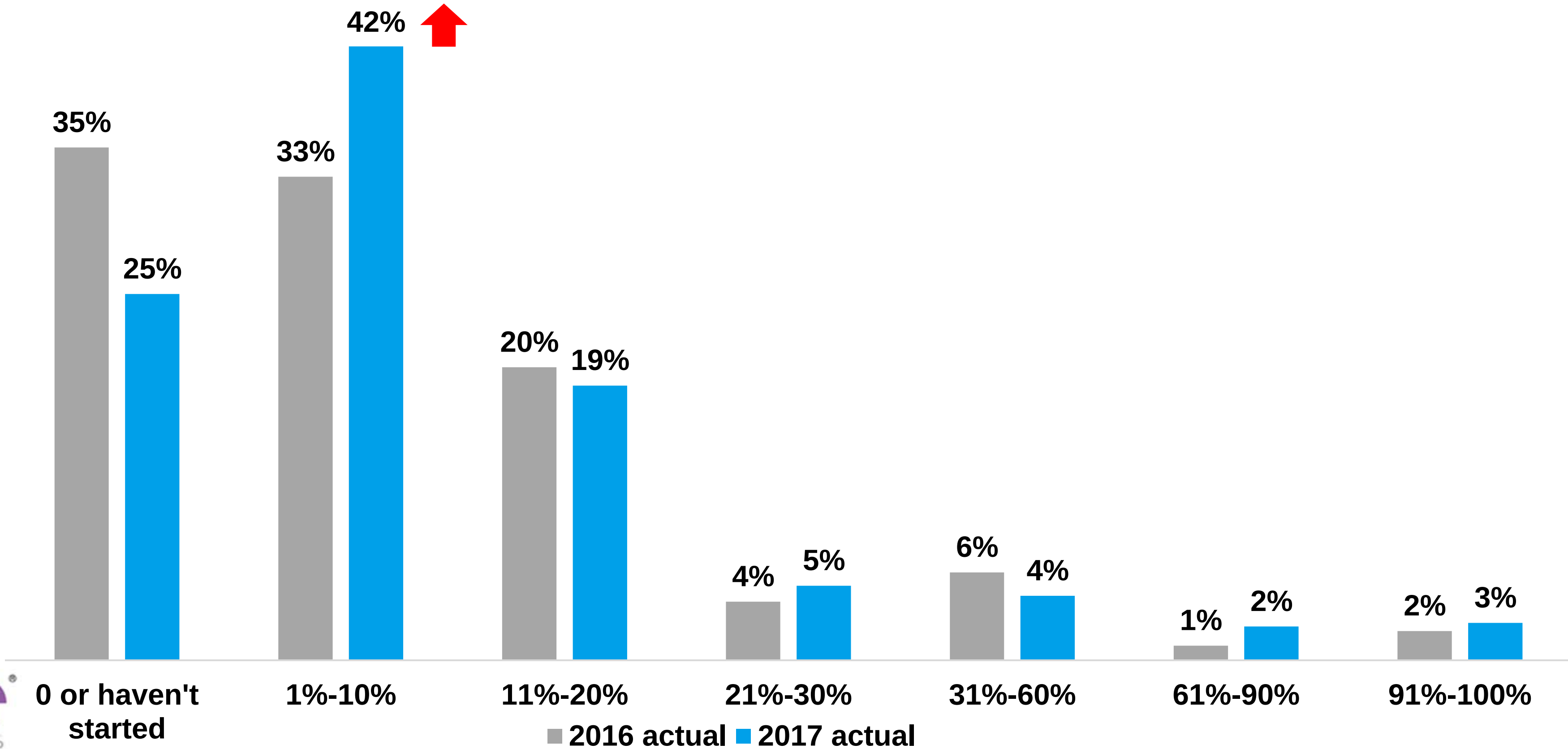
Retailers’ Channels of Online Sales



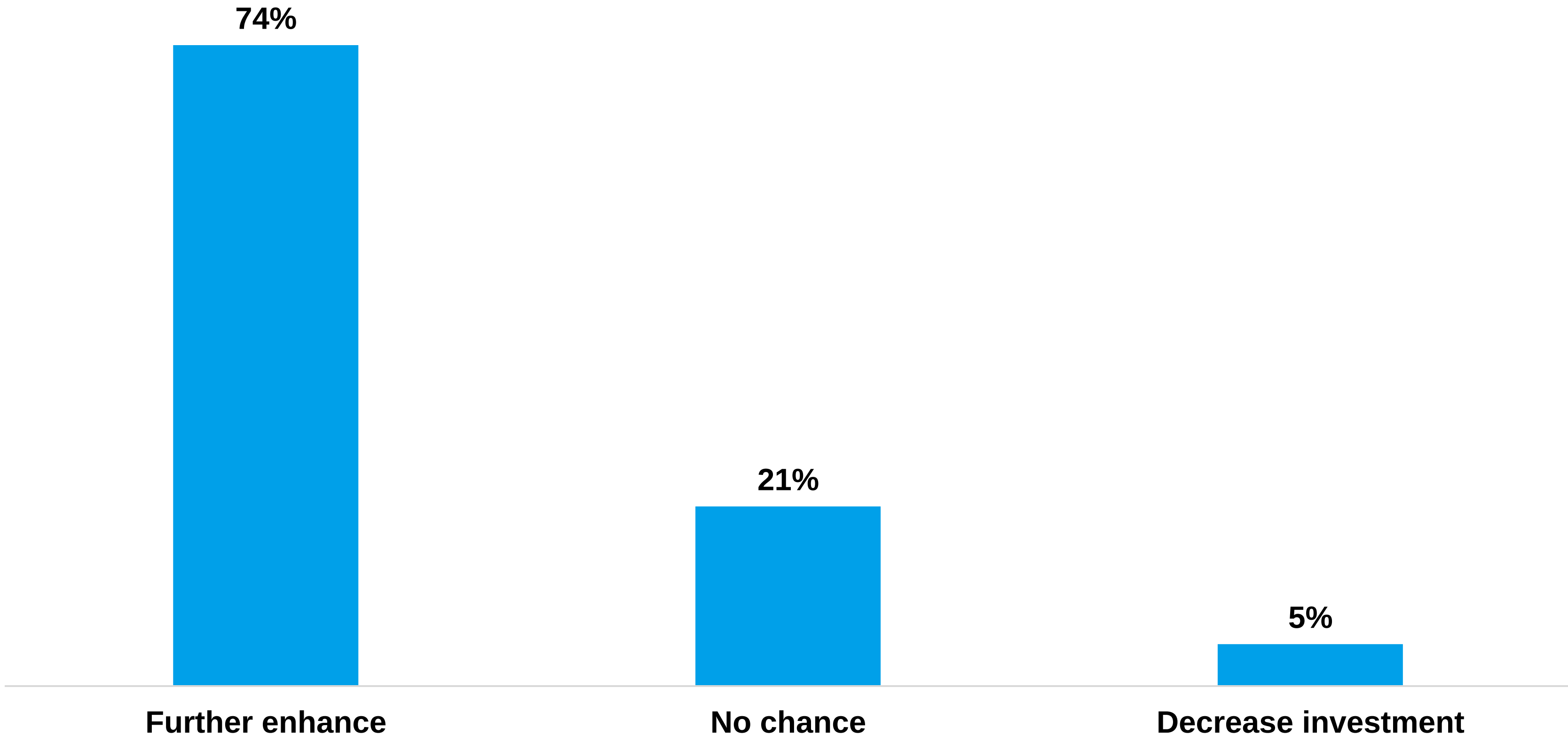
Contribution of E-commerce Stores to Retailers' Overall Sales Revenue

More and more retailers are involved in e-commerce, however, 86% of retailers' e-commerce sales accounts for less than 20% of overall sales revenue.



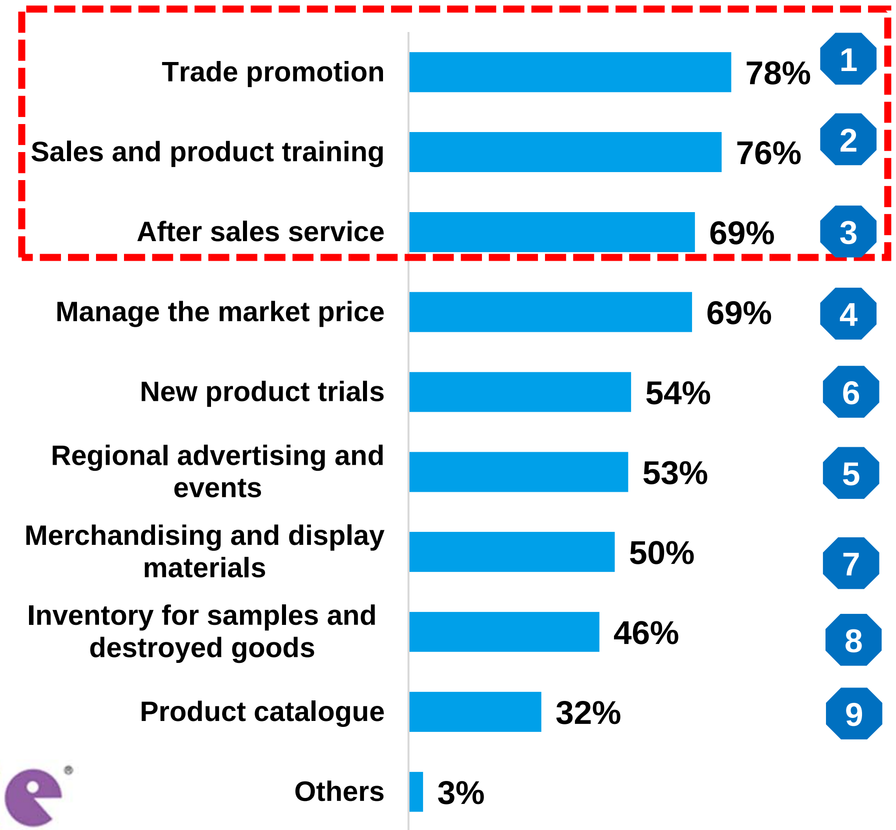
2017 E-commerce Development Plan of Retailers

74% of retailers plan to expand into e-commerce, which is 8% more than previous year.

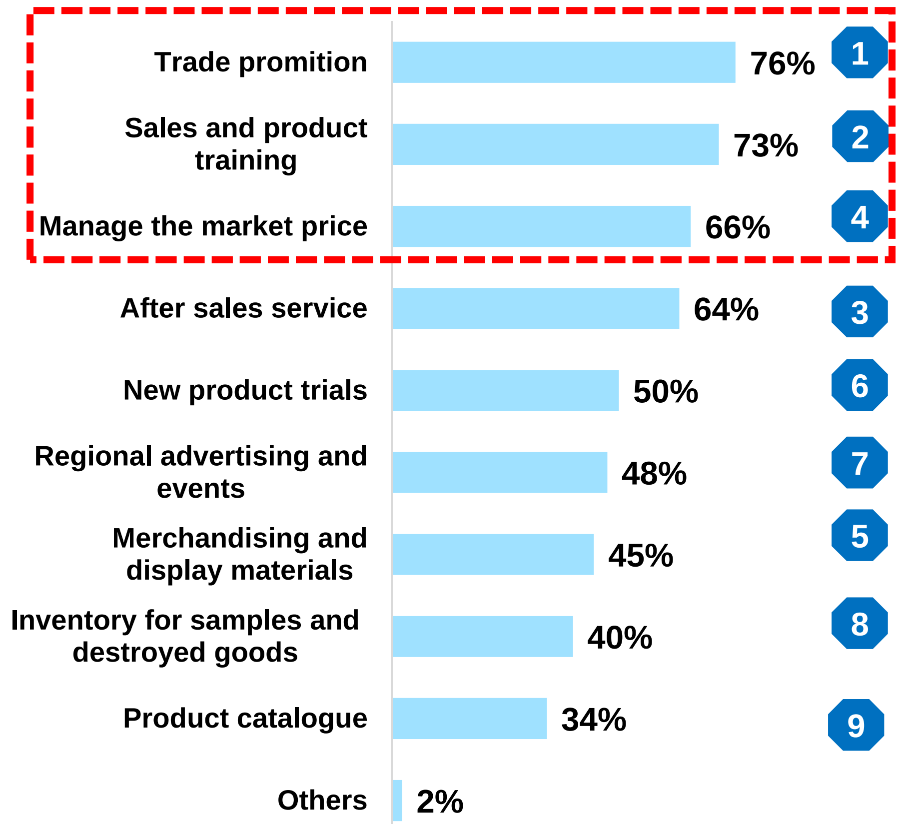


Support Retailers Seek
from Brand Owners/Suppliers and Distributors

Support from Brand Owners/Suppliers



Support from distributors



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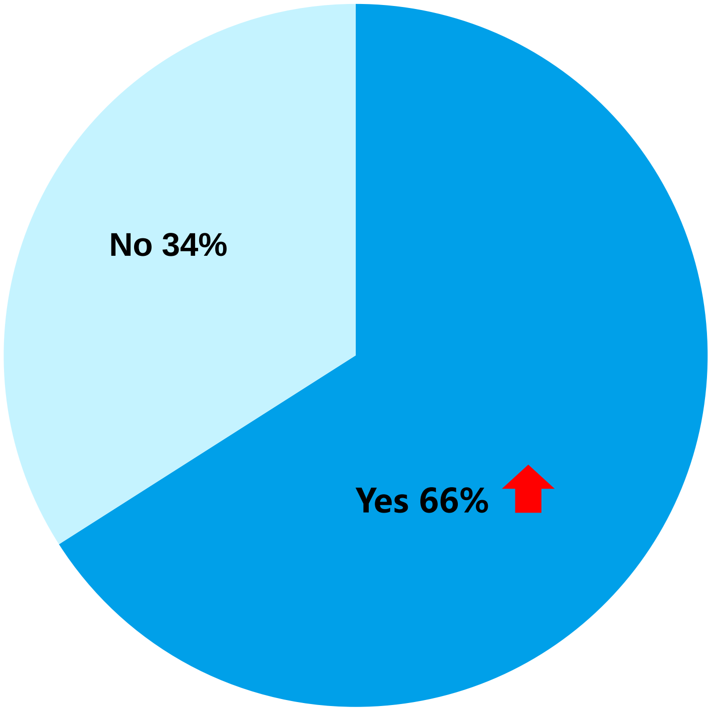
Non-traditional Baby Products Sales Report

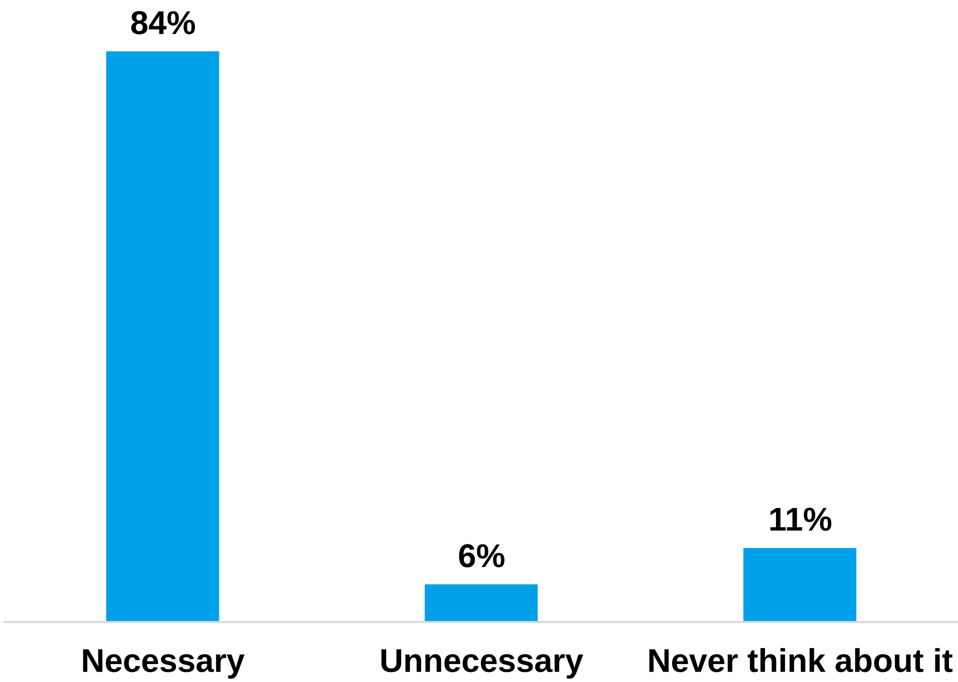
Retail stores' sale of non-traditional baby products

More and more retail stores pay attention to non-traditional baby products and start selling them.

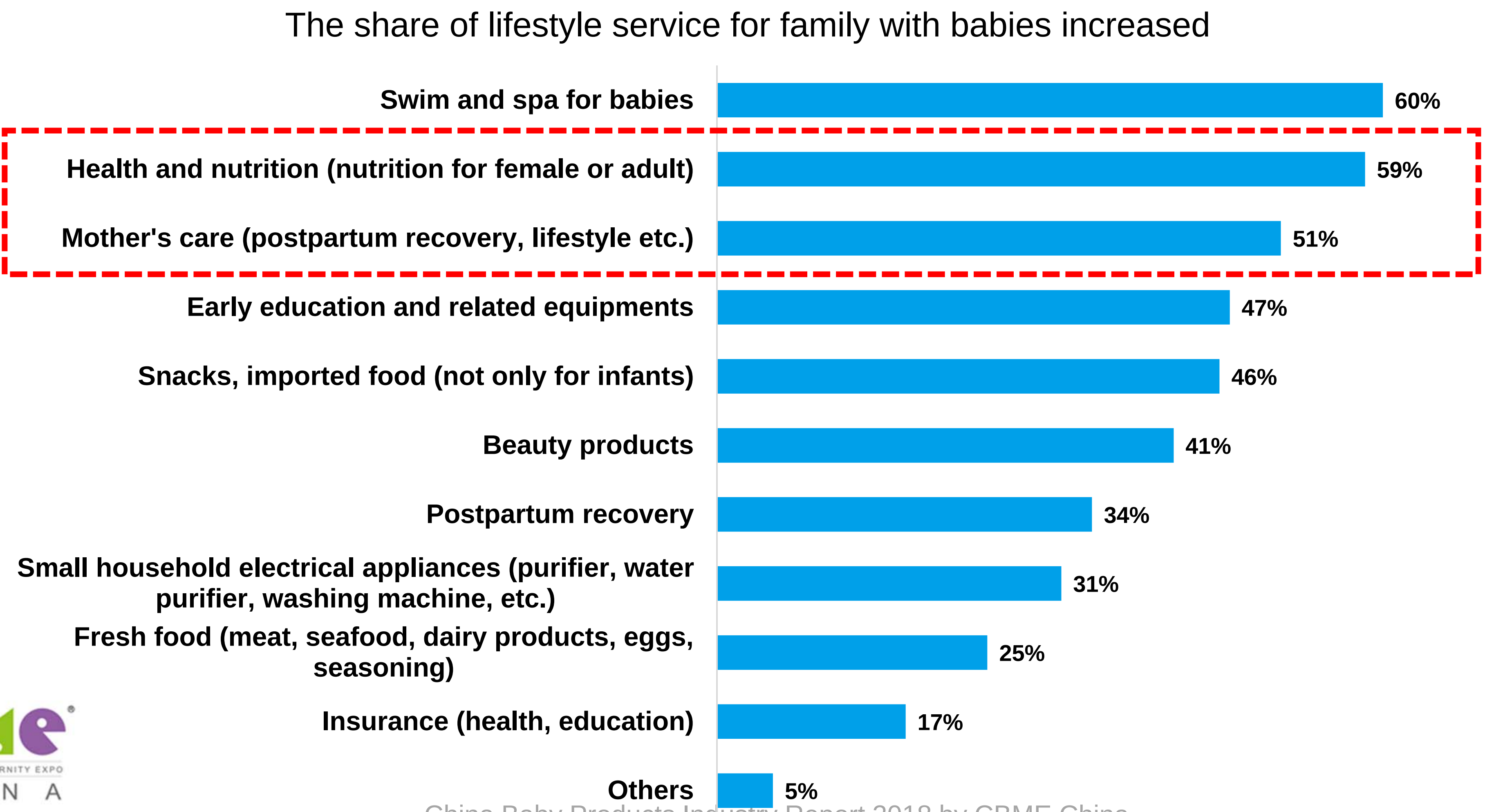
Whether your retail store sell the non-traditional baby products?



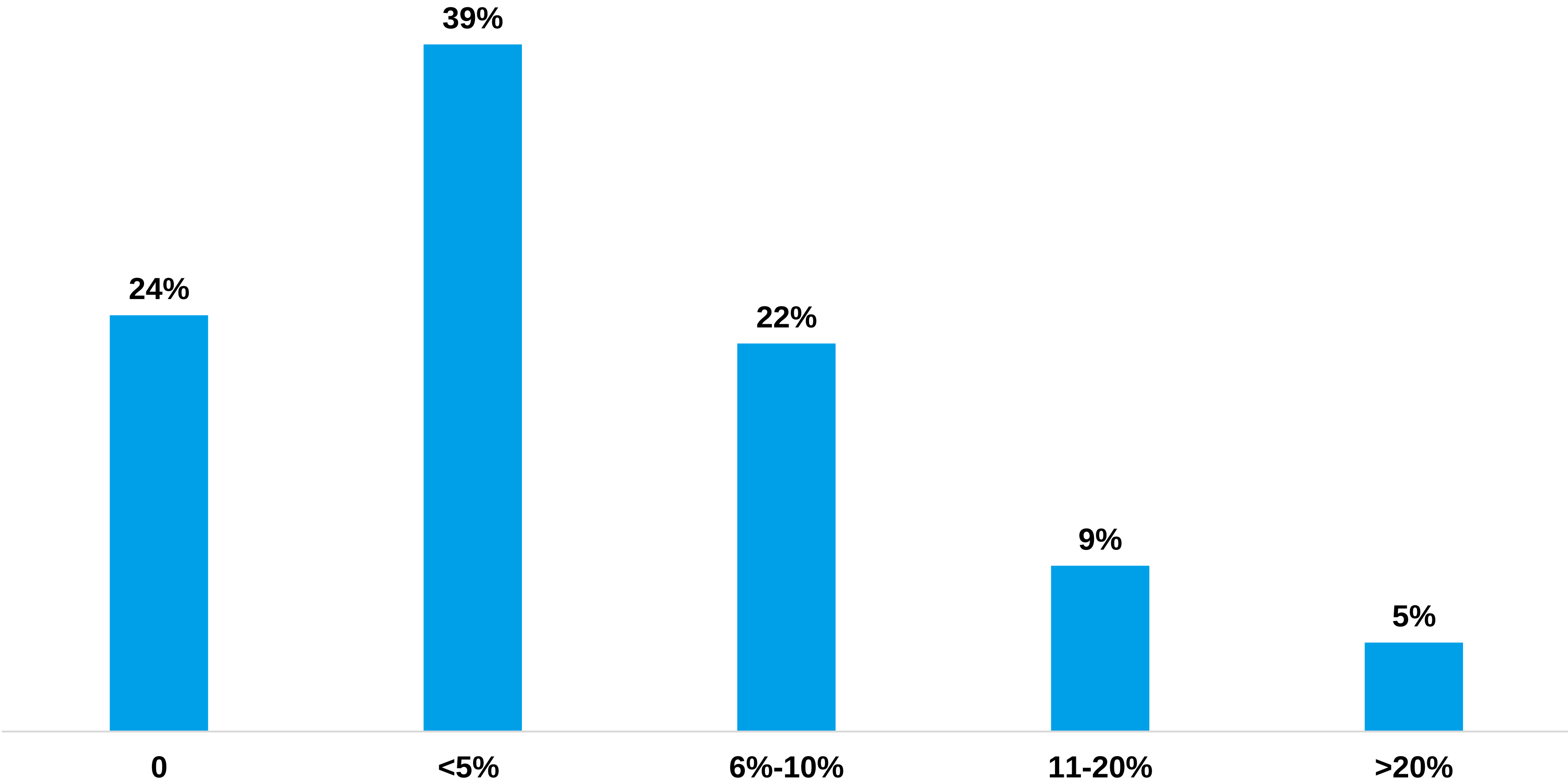
Do you think it is necessary to sell non-traditional baby products in the retail stores?



What kinds of non-traditional baby products are you selling? Do you think retail stores are suitable to increase their sales?



Contribution of Non-traditional Baby Products to Your Retail Store's Overall Sales Revenue



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