

The Advantages of Investing in Taiwan's Wholesale and Retail Industry

I. Ten Reasons to Invest in Taiwan's Wholesale and Retail Industry

- A.** The annual turnover of 2013 wholesale and retail industry hit a new record of US\$467.5 billion, and continues to be the third most favored foreign investment.
- B.** The development of retail industry is flexible and diversified, and has accumulated rich experiences. For example, Taiwan has the highest convenience store density in the world.
- C.** The department stores density is the highest in the world.
- D.** The warehouse stores and hypermarket density is the highest in Asia.
- E.** As Wholesale and retail industry is included in ECFA's early harvest list, Taiwan is able to serve as the gateway and the spring board for foreign investment to enter the China market.
- F.** The management model of Taiwan's retail industry is ahead of all countries, and is the benchmark for all emerging markets.
- G.** Taiwan has competitive chain management ability, and has the capacity of managing 5,000 chain stores.
- H.** Thanks to the 12th Five Year Plan in China, its domestic wholesale and retail market achieves 7 trillion RMB, which carries significant opportunities for Taiwan business.
- I.** Taiwan's retail industry has already entered China market and has obtained a satisfactory performance.
- J.** Foreign business is able to increase their chance of success in China market by integrating with Taiwan's retail industry

II. Introduction to Taiwan's Important Firms

Wholesale and retail industry accounts for 18.81% of Taiwan's GDP, making it the second largest of all service industries in Taiwan. In 2013, the annual turnover of retail and wholesale industry hit a new record of US\$336.9 billion and US\$130.6 billion.

Taiwan has 466,766 firms in wholesale and retail trade industry in 2013. According to research statistics compiled by the Small and Medium Enterprise Administration (SMEA), 96.16% of wholesalers and retailers in 2012 are small and medium enterprises with around 1.8 million of employees. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), the average monthly salary of employees in wholesale and retail industry in 2012 is US\$1,423.

Foreign investment in Taiwan's wholesale and retail industry reaches US\$ 703 million in 2013, making it the third favored industry that comes only "Banking and Insurance", and "Electronic Parts and Components Manufacturing".

Taiwan has many excellent wholesalers and retailers, important firms such as President Chain store Corporation, Shin Kong Mitsukoshi Dept. Store, Presicarre Corporation, PX mart, Taiwan Family Mart, Pacific SOGO Department Store, Costco President Taiwan Inc., RT mart International, Far Eastern Department Stores, Far Eastern Ai-Mai Company, Hi-Life International, Test Rite Retail, Lai Lai Convenience Stores Company, Breezn Development. The average profit margin is higher than the overall average, and the top fifteen companies with the highest revenue are listed in Table 1. In 2011, the return on sales of Far Eastern Department Stores is higher than 10%, while the return on sales of President Chain Store Corporation, Shin Kong Mitsukoshi, Pacific SOGO Department Store and Hanshin Department Store Co. are higher than 5%. Nine of the top 10 companies have return on sales above 9%, except Presicarre Corporation, indicating the growth potential in Taiwan's

wholesalers and retailers.

Table 1. Important Wholesalers and Retailers in Taiwan

Rank	Company	Note	Sales rank	Sales NT\$M	Change in Sales %	Pre-tax Income NT\$SM	Return on Sales%	Employee numbers
1	PRESIDENT CHAIN STORE CORPORATION	SN	8	114,664	12.68	6,629	5.78	7,500
2	SHINKONG MITSUKOSHI DEPT. STORE CO., LTD.	N	12	73,469	12.09	5,127	6.98	4,372
3	PRESICARRE CORPORATION	NF	17	62,100	0.16	N.A.	-	5,452
4	CHYUAN LIEN ENTERPRISE CO., LTD.	N	20	57,000	14.00	N.A.	-	7,000
5	TAIWAN FAMILYMART CO., LTD	CN	27	42,954	9.57	1,163	2.71	1,872
6	PACIFIC SOGO DEPARTMENT STORE CO., LTD.	N	28	38,574	9.02	2,630	6.82	1,815
7	COSTCO PRESIDENT TAIWAN INC.	NF	34	32,000	18.52	N.A.	-	3,200
8	RT MART INTERNATIONAL LIMITED	NF	37	31,400	26.02	N.A.	-	4400
9	FAR EASTERN DEPARTMENT STORES LTD.	SN	47	24,603	10.81	2,767	11.25	1,394
10	FAR EASTERN AI MAI COMPANY LIMITED	N	69	18,981	7.98	46	0.24	3319
11	HI-LIFE INTERNATIONAL CO., LTD.	N	73	17,803	1.65	N.A.	-	2,381
12	TEST RITE RETAIL CO., LTD.	N	84	15,041	60.68	579	3.85	3313

13	LAI LAI CONVENIENCE STORES COMPANY	N	130	10,154	-0.34	N.A.	-	643
14	BREEZN DEVELOPMENT CO., LTD.	N	147	9,000	11.11	345	3.84	369
15	HANSHIN DEPARTMENT STORE CO., LTD.	N	161	8,157	3.25	463	5.67	276

Source: China Credit Information Service

III. China's Wholesale and Retail Trade Market Grows Rapidly

China's retail market reaches **RMB\$ 21 trillion in 2012**, and the **growth rate is 14%**. In the past five years, the growth rate is over 15%, and categories such as cars, jewelry and real estate even have growth higher than 30%, while the growth rate of household appliances and telecommunications equipment are respectively 20% and 16%.

In China's 12th Five-Year Plan, wholesale and retail trade, accommodation and food and beverage industries will increase more than RMB\$ 7 trillion, with the growth rate achieving 11%. The sales of limited chain retail enterprises account for 20% or so of the total retail sales of social consumer goods. The system distribution rate is around 70%, and the average annual growth rate of e-commerce transaction will be more than 30%.

Table 2 China's 12th Five-Year Plan: Development Index of Trade in Services

Index	2010	2015	The Average Annual Growth Rate (%)	Attribute
Overall Scale Index				
Retail Sales of Social Consumer Goods (RMB\$ 1 Trillion)	15.7	32	15%	Anticipatory
Total Sales amount of means	36.1	76	16%	Anticipatory

of production (RMB\$ 1 Trillion)				
Growth Rate of Wholesale and Retail Trade, Accommodation and Food and Beverage Industry (RMB\$ 1 Trillion)	4.4	(7)	(11%)	Anticipatory
Domestic Employees in Trade Industry (100 Million People)	1.03	1.3	[2730]	Anticipatory
Domestic Urban Employees in Trade Industry(100 Million People)	0.74	1	[2560]	Anticipatory
Indicators of Circulation Modernization				
Sales of Limited Chain Retail Enterprises/Total Retail Sales of Social Consumer Goods(%)	17.4	20		Anticipatory
E-Commerce Transaction (RMB\$ 1 Trillion)	4.5	18	>30%	Anticipatory

Note : 1. The number in [] is cumulative number for five years while the number in () is the constant prices calculated by base index or the average annual growth rate.

2. According to *The Twelfth Five-Year Plan for National Economic and Social Development of the People's Republic China*, the annual average growth rate of GDP should achieve the target of 7% during the 12th five year period.

IV. Taiwan's Wholesalers and Retailers Have the capacity for Innovative and Chain Management, and Performs Well in the Expansion to Emerging Markets

Taiwan's wholesale and retail trade industry is one of the few important industries that rely on private brands in emerging markets.

Taiwan's wholesalers and retailers have advantages in management mode, chain management, marketing strategies and services. In recent years, with the active promotion from the government and the advancement of innovative management mode made by wholesalers and retailers, the wholesale and retail industry continues to improve its strength in operation and management skills. Moreover, since they all have great experiences in marketing and emerging markets, the development of Taiwan's wholesale and retail trade industry is expected to have a bright prospect in the future.

When it comes to chain stores, President Chain Store Corporation owns 4,920 chain stores in Taiwan as of the end of 2013. At the same time, Taiwan FamilyMart CO. owns 2,898 chain stores while Hi-Life International owns approximately 1,300 ones. OK mart, as the fourth largest, has 854 chain stores. PX-mart is the chain supermarket that has been recently actively expanding its business and owns 700 chain stores, followed by Welcome Fresh Food Supermarket, with 258 chain stores. When it comes to hypermarkets, Presicarre Corporation ranks the top with 69 chain stores while RT mart International has 22 chain stores. The third one Far Eastern Ai Mai Company has 19 chain stores. It is apparently that Taiwan's companies have mature skills in chain stores management.

Table 3 The Number of Chain Stores in Taiwan's Wholesalers and Retailers

Company	2010	2011	2012	2013
PRESIDENT CHAIN STORE CORPORATION	4750	4784	4852	4920
TAIWAN FAMILYMART CO., LTD	2588	2801	2814	2898
HI-LIFE INTERNATIONAL CO., LTD.	1247	1285	1293	1300
OK MART	839	869	880	854
CHYUAN LIEN ENTERPRISE CO., LTD.	568	600	617	700
WELCOME FRESH FOOD SUPERMARKET	303	280	272	258
MERCURIES & ASSOCIATES, LTD	205	250	269	346
PRESICARRE CORPORATION	61	60	60	69
RT MART INTERNATIONAL LIMITED	26	26	26	22
FAR EASTERN AI MAI COMPANY LIMITED	17	18	19	19

Source: Compiled by Commerce Development Research Institute

When it comes to Taiwanese business expansion in overseas markets, the annual revenue of RT Mart International in Shanghai has reached RMB\$ 21.2 billion in 2011. The annual revenue of ASUS Computer (Shanghai) Co., Ltd. has reached RMB \$ 15.4 billion while Jinan Renmin RT Mart Commerce has reached RMB \$ 5.5 billion. The annual revenue of Zhengzhou Dennis Department Store Co., Ltd. is RMB \$ 5.3 billion, and the one of DongFeng YuLon Motor Sales Co., Ltd. (DYMSC) is RMB \$ 4.8 billion. Synnex Technology International Corporation also earns RMB \$ 2.6 billion. Moreover, FamilyMart Co., Ltd. has 900 chain stores in East China while President Chain Stores has 100. Therefore, Taiwan's wholesale and retail trade industry not only deeply takes roots in Taiwan, but also expands its layout to the China market.

Table 4 Top 100 Taiwanese Enterprises in Wholesale and Retail Industry in China

Rank	Company	Parent Company	Industry	2011 Sales (Thousand RMB)
1	RT-MART LIMITED SHANGHAI	Ruentex Group	Household Appliances, Salt, Medicine, Decorative Hardware Products, Tools, Household Goods, etc.	26,210,800
2	ASUS Computer (Shanghai) Co., Ltd	Asustek Computer	Laptop, Computer Motherboard	15,476,259
3	JINAN RENMIN RT-MART COMMERCE CO., LTD	Ruentex Group	Supermarket	5,553,820
4	Zhengzhou Dennis Department Store Co., Ltd.	DONGYU INTERNATIONAL TRADE DEVELOPMENT LIMITED	Retail (including proxy service and consignment)	5,352,380
5	DongFeng YuLon Motor Sales Co., Ltd. (DYMSC)	Yulon Motor Co., Ltd.	Auto Sales	4,776,180
6	Synnex Technology International Corporation	MiTAC Synnex Group	IT Products Distribution and Maintenance	2,558,717
7	FOSHAN SANSHUI JIANLIBAO TRADING CO., LTD.	President Enterprises Corporation	Food and Beverage Wholesale and Retail	1,605,614
8	Pacific-Shanghai	Far Eastern Group	Department Store	1,559,154
9	Golden 85 Investments, Inc.	Gourmet Master Co. Ltd.	Golden 85 Coffee Shop Chain Stores	1,521,046
10	BUYNOW INTERNATIONAL	Clevo Co.	Buynow 3C Mall	1,324,997

	CORPORATION			
11	Starbucks Corporation and Shanghai President Coffee Corporation	President Enterprises Corporation	Starbucks Coffee Shop Chain Stores	1,143,207
12	SHANGHAI E7P TRADING CO.,LTD.	President Enterprises Corporation	Wholesale	1,075,798
13	WPI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Winning Partner Grouping (WPG Holdings)	Electronic Products, Computer Software wholesale	1,009,043
14	YINZUO GROUP CO., LTD.	President Enterprises Corporation	Hypermarkets	1,003,052
15	Far Eastern Department Store, Chongqing	Far Eastern Group	Department Store	862,510
16	Metropolitan Plaza, Chongqing Pacific Department Store	Far Eastern Group	Department Store	704,218
17	Chengdu Pacific Department Store	Far Eastern Group	Department Store	616,495
18	Chongqing Lexus	HOTAI MOTOR CO.,LTD.	Auto, Spare Parts and Accessories Sales	534,970
19	Tangshan Lexus	HOTAI MOTOR CO.,LTD.	Auto Sales and Maintenance	364,140
20	Yupeng-Nissan	Yulon Motor Co., Ltd.	Automotive Repair and Maintenance Industry	344,120
21	Chengdu Pacific Department Store	Far Eastern Group	Department Store	343,191
22	TEST RITE BUSINESS DEVELOPMENT CORPORATION (CHINA) CO., LTD.	Testrite Group	Wholesale	301,356
23	Shanghai Kunlun Mall	MERCURIES & ASSOCIATES, LTD	Retail	299,686
24	PCSC (Chengdu) Hypermarket Ltd	President Enterprises Corporation	Wholesale and Retail	288,544
25	FEDS Tianjin Store	Far Eastern Group	Department Store	277,674

Source: Top 1,000 Taiwanese Enterprises in China

V. Taiwan's Wholesale and Retail Industry Has a Bright Future

Income and Consumption Capacity of Taiwanese

A. The National Income and Domestic Consumption

In 2013, Taiwan's Gross National Product (GNP) was **US\$ 503.3 billion**, and per-capita GNP rose from **US\$21,082 in 2011 to US\$21,5573**. The latest statistics from the Directorate General of Budget, Accounting and Statistics show that per-capita national income **in 2013** was

US\$18,358 and that per-capita private consumption reached US\$12,471.

According to a 2010 MasterCard survey, the advance in Taiwan's consumption capacity is the second-highest in the Asia-Pacific region, only followed by Vietnam. MasterCard also predicted that the consumption capacity of Taiwan's young population will keep increasing and that the market scale of Taiwan's young elite will reach US\$28.8 billion by 2016, and the Young female market especially has the strongest potential. The market of the seniors is expected to reach US\$19.1 billion by 2015, and the consumption capacity of retired empty-nest families is forecast to reach US\$172.5 million by 2016 while senior singles is expected to reach US\$142 million. When it comes to consumption categories, while the younger generation prefers products related to travel, food, leisure, shopping, automobiles and electronics, the senior are more interested in products in the following order: travel and leisure, food, beverage and recreations, shopping, automotive electronic products, and high-end healthcare products.

With the changes of living patterns, Taiwan's "Otaku economy" carries amazing potential. According to the e-Commerce Consumer Monitor issued by Visa International in 2010, 97% of Taiwanese shop online; the island's annual average online spending is about US\$4,000 per person, which is the highest in the Asia-Pacific region.

B. Chinese Tourists Visiting Taiwan Increase Retail Opportunities

In 2013, 7.73 million foreign tourists visited Taiwan, and the government's target is to reach 10 million by 2015. The permission for independent travelers from China is the main reason for its increase. The number of Chinese visitors reached 2.87 million in 2013, of which 2.26 million were tourists. These inbound visitors created at least US\$3.3 billion output value for Taiwan's service industry.

C. With Taiwan's Economic Growth and Changes in Consumption Habits, New Business Opportunities Continue to Emerge. As a Result, It is the

Best Time for Foreign Investors to Enter the Following Markets.

a. High-End Hypermarkets

Nowadays paid membership systems are highly acceptable to Taiwan consumers, and Costco is the only warehouse hypermarket in Taiwan that adopts such system. Therefore, it is the best time for investors to get involved in the high-end hypermarket market in Taiwan.

b. Introduce Large Organic and Health Food Stores and Supermarket Chains

A large number of organic food stores have sprung up in response to consumers' increasing awareness of food safety and health in Taiwan. Taiwan currently has many franchise organic stores, such as Santa Cruz and Earthlife, but still lacks large hypermarkets selling organic and health foods. In the future, it is suggested to introduce large foreign hypermarket chains, such as the world's leading retailer of natural and organic food, the Whole Food Market from the U.S., to make up for the gap in business opportunity.

c. Introduce High-End Supermarkets from Europe and America

The concept of fine high-end supermarkets indicates a shopping business opportunity that is completely different from hypermarkets. However, many large high-end European and American supermarkets, such as Kroger from the U.S. and the Rewe Group from Germany, have yet to set foot in Taiwan.

d. Large Specialty Chains

As consumers are increasingly aware of service quality and one-stop shopping, various types of large-scale specialty chains focusing on products such as electrical appliances, furniture, stationery, pets, pharmaceuticals and cosmetics, games and auto parts have offered great business opportunities to Taiwan's future market. Chain stores include Best Buy (electrical products), Home Depot (home improvement), Staples (office supplies), and PetSmart (pet supplies) can take advantage of these opportunities.