

# JESA INVESTMENT & MANAGEMENT CO. LTD.

NEWSLETTER

DECEMBER 2013

**In this issue:**

- **Yesterday is an important memory but Tomorrow is what matters**
- **China and E-commerce a compelling opportunity for leading European SME in the F&B industry**

## **Yesterday is an important memory but Tomorrow is what matters**

*By Saro Capozzoli, Founder of JESA Investment Ltd*

Having 120 years and don't feel them. It's just like that. The celebrations of the 120 years since the birth of Mao Tze-Tung passed quietly and without much fan fare. It is not a rejection, but a choice of priorities that do not include a return to the past but marks an evolution that began with the opening ceremony of the Olympics in Beijing in 2008. Surprisingly, even during the opening ceremony of the games no mention to the past has been done and no symbol of the party has been exposed, as if to make the world understand that the new China is ready to take the next step and both Mao and all that is entailed, are the past .

This is my last short message at the end of this year, to try to understand as well as in Italy we should learn from the Chinese the ability to celebrate and to remember but then put all in its place in the history of the past and than think and build the future.

We are at war. Only in times of armed conflict are seen drops in GDP and increases in poverty as the one we are experiencing now in Italy. Do not we realize it, and we should think instead to remain united and to rebuild the country to-

gether, not to destroy it as they would like some comedians or populist parties that still look to the Middle Ages, Italy municipalities and Feudal Italy. Unfortunately they are dangerous moments and I see the only solution in the union between the interests of employers and of the employees who must coincide in this situation, as in war, and then tighten a Pact for Italy. Make sure that the political class under stands that it is no longer the case for dancing the minuet in this situation and do sneaky that does not solve anything. Or is incised with a scalpel or the patient dies down costs considerably, not only salaries or allowances, but EVERYTHING, reject the lobbyists and corporations , put the banks in a position to give credit to businesses and people who want to renovate the house etc. as well as to invest in facilities that would accommodate tourists etc ....

We should learn from Germany who managed to recover after a very expensive and sudden union with the disaster-stricken East Germany. There was a time when Italy got along even better than the Germans, but unlike them, who have come together and worked hard and rebuilt a country, as well as to find ways to win more and more distant markets, we cheated our selves believing that the world does not change. Perhaps fathers have understood, but their children, who now run businesses, they have not realized that it all happened

so fast that the (in)competence of our ruling class has failed to understand this and we are now a country under observation who has fear of foreign and does not understand the dynamics of foreign markets. A country that does not begin to move is likely to remain bogged down and it will take decades to get out.

We are, as usual, always optimistic and realist, and that is why we see the light at the end of the tunnel and 2014 will tell us what it is.

We wish you all a Happy and Prosperous 2014, and that your projects will become even our and we are ready to give support to those who want to believe in your business and in the future.

### **\* \* \* ITALIAN VERSION \* \* \***

Avere 120 anni e non sentirli. E' proprio così. Le celebrazioni dei 120 anni dalla nascita di Mao Tze-Tung sono passate in sordina e senza tanti clamori. Non è una sconfessione, ma una scelta di priorità che non prevedono il ritorno al passato ma ad una evoluzione che è iniziata con la cerimonia di apertura delle olimpiadi a Pechino nel 2008. Sorprendentemente anche durante quella cerimonia nessun cenno al passato è stato fatto e nessun simbolo del partito è stato esposto, come se si volesse far capire al mondo che la nuova Cina è pronta a fare il passo successivo

e sia Mao che tutto quello che è comportato, sono il passato.

Questo è il mio ultimo breve messaggio per quest'anno, per cercare di far capire come anche in Italia si dovrebbe imparare dai cinesi la capacità di celebrare e di ricordare ma poi di mettere al suo posto nella storia il passato e pensare a costruire il futuro. Siamo in guerra. Solo in momenti di conflitti armati si sono visti cali di PIL e crescita della povertà come quello che stiamo vivendo ora. Non ce ne rendiamo conto e dovremmo invece pensare a restare uniti e a ricostruire assieme il paese, non a distruggerlo come vorrebbero certi comici populistici o partiti che ancora guardano al medioevo, all'Italia dei Comuni e dei Feudi. Purtroppo sono momenti pericolosi e vedo la soluzione solo nell'unione tra gli interessi degli imprenditori e di quelli dei lavoratori che devono coincidere in questa situazione, come in guerra, e quindi stringere un Patto per l'Italia. Fare in modo che la classe politica capisca che non è più il caso di ballare il minuetto in questa situazione e di fare leggi che non risolvono nulla. O si incide con il bisturi oppure il malato muore: abbattere i costi decisamente, non solo stipendi o diarie, ma TUTTO, respingere le lobby e le corporazioni, mettere le banche nelle condizioni di dare credito alle imprese e a chi vuole ristrutturare la casa

etc., oltre che a investire nelle strutture che dovrebbero accogliere i turisti etc..

Dovremmo imparare dalla Germania che è riuscita a risollevarsi dopo una gravosissima e improvvisa unione con la disastrosa Germania dell'Est. C'è stato un momento in cui l'Italia se la passava anche meglio dei tedeschi ma a differenza loro, che si sono uniti e hanno lavorato duramente e ricostruito un paese, oltre che a trovare il modo di conquistare mercati sempre più lontani, noi ci siamo illusi che il mondo non cambiasse. Forse i padri lo hanno capito, ma i loro figli, che ora gestiscono le aziende, non si sono resi conto che è successo tutto così in fretta che le (in)competenze della nostra classe dirigente non è riuscita a capirlo e ora siamo un paese sotto osservazione che ha paura dello straniero e non capisce le dinamiche dei mercati esteri. Un paese che non inizia a muoversi rischia di restare impantanato e ci vorranno decenni per uscirne fuori.

Siamo, come al solito, ottimisti ma sempre realisti, ed è per questo che vediamo delle luci in fondo al tunnel e il 2014 ci dirà che si tratta.

Auguriamo a tutti voi un Felice e Prospero 2014 e che i vostri progetti diventino anche i nostri e siamo pronti a dare supporto a chi vuole credere nella propria azienda e nel futuro.

## **China and E-commerce a compelling opportunity for leading European SME in the F&B industry**

The fast economic growth that invested China in the last 10 years completely transformed the country, making it the second largest market for consumer goods (and it is forecasted to become the first by 2020). The continuous urbanization favoured the creation of numerous megacities that are now the main source of consumptions.

The quick evolution of the market and the constant raise of new needs created many business opportunities in different industries. One of the sectors that is currently showing a discrete number of compelling opportunities is the Food & Beverage industry.

Food & Beverage is one of the industries that is towing the growth of Chinese consumptions. With a growth of 76% in the last five years China became the biggest grocery market in the world (USD 981 bln according a study of the Institute of Grocery Distribution). Since 2007 the Chinese consumption of food almost doubled, and the search towards safety and quality pushed imports of food coming from Europe and USA to increase by 3 times in the last 5 years.

The rising middle class is the main driver of China mass consumptions. Thanks to the constant process of urbanization China's middle class is forecasted to double in size by 2020. These people, whose income and spending capacity are constantly growing are looking for higher life standards and they will represent in the next 5 years a sound demand for consumer goods.

Not only the middle class but also people belonging to the upper classes are really attractive targets for non domestic companies specialized in food products, especially premium food products: China has around 1,265,000 millionaires in search for high quality and healthy food.

Imported food in China is still a niche market and it will probably remain so for the next five years. In fact imported food products in China have prices usually twice higher than the ones they have in their country of origin, and most of Chinese people buy and consume imported foods just in special occasions.

But where do Chinese people buy and consume imported food?

Well, usually imported food is mostly purchased by Chinese people that live in first tier cities and they usually consume it in restaurants and hotels.

The increasing number of five stars hotel, foreign restaurants and catering food service providers that offer imported food make the HORECA channel the most attractive for non domestic food.

A strategic role in the distribution of mass market imported food is also played by international supermarket chains like Carrefour, Wal-Mart and Tesco. But for high end imported food are becoming more and more important high end supermarket chains such as Olé, Better Life Together and City Shop.

Last but not least are the ecommerce platforms that are becoming more and more a key distribution channel for food products in China. Example of e-commerce platform that can not be neglected in designing an entry strategy in China's food market are [www.yhd.com](http://www.yhd.com) for mass market food, and [www.cityshop.com.cn/](http://www.cityshop.com.cn/) or [www.fieldschina.com](http://www.fieldschina.com) for high-end domestic and imported foods.

The huge size of China's food & beverage market and the increasing preference of Chinese people for imported food with a long history and unique brand heritage represents a great opportunity for Western producers of high-quality food products. An entry strategy that focuses on the e-commerce channel targeting those websites specialized in healthy or imported food such the ones managed by Fields China or City Shop, could be particularly

interesting especially for small and medium enterprises that usually face significant difficulties when trying to approach importers and large retail chains. In fact, such a strategy has the benefit to allow small and medium European enterprises, which are leaders in their niche, to target the Chinese market via specialized operators benefiting of their logistic infrastructures and of their distribution channels without the need to meet the high requirements in terms of volumes that are usually requested by international retail chains and leading import-export operators.

Before to pursue an entry strategy such the one mentioned above every company should first ask itself what is the target for its products in China, a niche (what are the factor that characterize the people that belong to that niche) or the mass of consumers, and then should question its own capability to serve the market (I am able to supply the requested quantity of products for my target clients). After having answered to these questions it will be possible for the management to design a strategy to approach China's market. But even if answering at these questions can seem easy, the process to understand the positioning of a foreign product in China's market is a complex process that requires the assistance of specialized professional service firms.

## **CONTRIBUTORS**

Scott Sun (Supervisor)  
Saro Capozzoli  
Michele Corbanese  
Alice Cremoni

For inquires and suggestions regarding this news-  
letter or for any other concerns, please contact  
us anytime at:

[alice.cremoni@jesa.com.cn](mailto:alice.cremoni@jesa.com.cn)

And please visit our website:

[www.jesa.com.cn](http://www.jesa.com.cn)

### **Our Newsletters:**

<http://www.jesa.com.cn/newsletter.html>

## **ADDRESS IN SHANGHAI**



**LANE 112 FENYANG ROAD – HOUSE 4**  
**200031 SHANGHAI - CHINA**

**Tel +86 21 64331555**  
**Fax +86 21 62880072**

**Offices also in:**  
**Saudi Arabia, Mongolia, Chile**

## **LEGAL NOTICE**

**The content of this newsletter is composed and written by JESA, and thus it is not reproducible and cannot be diffused indiscriminately without JESA's consent. The purpose of this newsletter is to keep our contacts informed about important changes occurring in China; any use of it that differs from the initial purpose must be authorized by JESA.**



**Good planets suitable for  
humans are hard to find.  
Please think of the environment  
before printing**