Business

Finnish deal gives company a lift

JOINT VENTURE WILL PRODUCE THOUSANDS OF TRUCK CRANES

By WANG QIAN
Wangqian2@chinadaily.com.cn

The Finnish company Cargotec Oyj, one of the world's leading providers of cargo and load handling solutions, has set up a joint venture with China National Heavy-Duty Truck Group Co, China's largest heavy-duty truck maker by revenue, and also known as Sinotruk, in the company's home province of Shandong.

The venture, Sinotruk (Shandong) Hiab Equipment Ltd Co, has secured combined investment of 120 million yuan (14 million euros; $19.3 million).

Under the deal, Cargotec owns half the joint venture, and its equity investment in the first year is about 10 million euros.

In the future, total investment will be about 100 million euros. Once the venture is in full swing, it is expected to produce 4,000 truck cranes and all-terrain cranes a year and have revenue of 3 billion yuan, the company says.

"Sinotruk's leading position in the Chinese truck market, together with Cargotec's deep knowledge in load handling equipment forms an excellent product and technology match that will offer unique competitive advantages," says Tapio Hakakari, vice-chairman of Cargotec's board.

The venture plans to produce 2,000 small and middle-sized truck-mounted cranes by the end of the year and is expected to bring in 300 million yuan in revenue.

"It (the joint venture) represents an important strategic step for Cargotec, demonstrating our full commitment to grow our offering and presence in the Chinese load handling market," Hakakari says, adding that the company had started to explore the best way to expand its presence in China five years ago.

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Sinotruk (Shandong) Hiab Equipment Ltd Co will produce 2,000 small and middle-sized truck-mounted cranes by the end of the year.

Sinotruk, founded in 1956, was a pioneer in China's heavy-truck industry and has held the biggest share of the domestic market for years.

Cai Dong, general manager of Sinotruk, says the company has developed more than 1,500 key sales centers across China. It sold 165,237 vehicles last year, 20 percent more than the year before, he says.

The company previously concentrated on heavy-duty trucks but is now committed to developing a full range of commercial vehicles, including heavy, middle and light-duty trucks, passenger cars, special purpose vehicles and construction machinery, he says.

"The partnership with Cargotec is crucial for us to diversify our product portfolio and sharpen our competitive edge in different market segments. By combining both companies' technical know-how and global sales networks, we hope the joint venture can become one of the big players in the global mobile crane business in the near future."

With operations in more than 100 countries, Cargotec is one of the biggest providers of cargo and load handling solutions on land and at sea. Its brand Hiab has more than 70 years' experience in making lifting equipment and has a share of more than 22 percent share in the global loader crane market.

The Asia-Pacific region, especially China, has long been identified as one of the company's most significant overseas markets. It now has five factories in the Asia-Pacific region where 25 percent of the professionals it employs work.

China is the world's largest crane market, having developed by leaps and bounds since 2001. Total sales were 40,000 units in 2011, compared with 4,800 10 years earlier, the China Construction Machinery Association says.

However, the industry has faced difficulties since 2012 caused by tightened monetary policy adopted by the Chinese central government, a slowing economy and excess capacity.

Even so, foreign participants in the industry say they are confident China's economy and the domestic market will bounce back.

In December, one of the world's biggest lifting machinery makers, Palfinger AG of Austria, expanded its partnership with Sany Heavy Industry Co Ltd, China's largest listed construction machinery maker, by investing 110 million euros for a 10 percent stake in Sany's two lifting machinery subsidiaries. In return, Sany Heavy Industry bought a 10 percent stake in Palfinger AG for 108 million euros.

Food categories lead slowdown in retail growth

ANTI-CORRUPTION CAMPAIGN, CONSUMER CAUTION ON SPENDING TAKE THEIR TOLL ON SECTOR

By WANG ZHUOQIONG
wangzhuoqiong@chinadaily.com.cn

Retail markets in China in the first quarter have seen growth slow to 6.1 percent compared with 10.4 percent a year ago, showing that consumers are getting more selective in their daily purchases and purchase volumes are staying stagnant, according to Kantar Worldpanel, a global market research institution.

The slowdown in the first quarter was primarily due to Chinese consumers' reluctance to spend as well as continued weakness in government and company spending on employee welfare, according to Jason Yu, general manager of Kantar Worldpanel China.

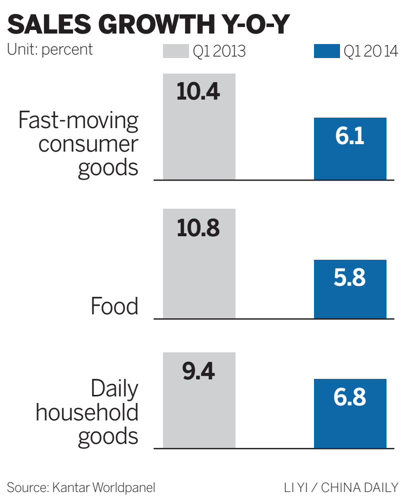
Despite continued strength of e-commerce channels, brick-and-mortar stores showed weaker numbers, and the slowdown was more obvious there, Yu says.

The report also indicated that the trend is more noticeable in food rather than non-food categories, which still reported 6.8 percent growth year-on-year.

Juice and tea saw more than 20 percent value growth through reaching more consumers and raising prices, but carbonated soft drinks leveled off due to a stagnant consumer base, according to the survey.

Confectionaries showed strong growth, driven primarily by chocolate. "Compared to other categories, we continue to see strong demand for chocolates though we saw biscuits slow down," Yu says. Chocolate remained a quality choice for gifting during the holidays and continued to show double-digit growth. The category attracted more new buyers with their luxury premium offers.

Crispy snacks reversed a flat trend in 2013, recording 6.3 percent growth this year through expanding shopping occasions for consumers.



Biscuits' and cookies' strong growth during the traditional Lunar New Year was not extended. But key manufacturers like Kjeldsens, Mayora and Orion, which operate in premium biscuit segments, including gift cookies and innovative bite-size snacks, still are enjoying double-digit growth.

With the trend of Chinese traveling overseas during the holiday season continuing, and dining out becoming more affordable thanks to the government's anti-corruption policy leading to lower menu prices at restaurants, cooking-related categories were adversely affected. Cooking categories declined by 6.6 percent as a result of weak performance in sesame oil and monosodium glutamate. But honey, oyster sauce and ketchup did well, according the report.

Premium products continue to prevail in higher-priced categories like oyster sauce and olive oil, though overall cooking oil performance was soft due to a reduction in company offers.

The retail market has recorded a slowdown mainly in top-tier cities, including Beijing, Shanghai, Chengdu and other provincial capital cities.

Yu says the fast-moving consumer goods categories were more saturated in key cities, where penetration of most categories hit a plateau. But there is still room to grow in lower-tier cities, he says.

The report forecast that for the rest of the year, growth in China's consumer goods market will slow as shoppers are expected to remain cautious about weakness in the macro-economy.

But with a growing middle class and greater disposable income, opportunities remain in 2014. Yu says publicity about consumer goods safety has lifted awareness of quality and safety to all-time highs. Tapping into consumers' unmet needs in this regard and creating a healthy image might help these categories grow against the downward tide.

The report predicts affordable goods purchases should rise as people reduce spending on luxury goods and fine dining.