

## **China's eRTM Market to Reach an Estimated Worth of RMB 1.1 Trillion by 2028, a Joint Whitepaper by Oliver Wyman and AliResearch Reveals**

**BEIJING, November 14, 2019** – China's electronic Route-to-Market ("eRTM") solutions, a model of digital platforms mostly serving mom-and-pop stores, are about to enter a golden decade and reach an estimated worth of RMB 1.1 trillion by 2028, the *China Retail Digital Transformation Whitepaper* jointly launched today by Oliver Wyman and AliResearch reveals. This estimate further indicates that eRTM will represent about 12% of the entire China retail sector and grow to cover about half of all the revenue derived from traditional trade channels by 2028.

The traditional off-trade sector, largely consisting of the numerous independently run mom-and-pop stores, is still yet to be fully developed in a world of digitalization. In China, offline traditional trade still accounted for about 40% of the country's total retail sales value in 2018, making it an indispensable part of people's daily lives.

"Armed with one of the leading digital ecosystems in the world and a very digital-savvy population, China is well-positioned to be the first country in the world to provide digital solutions for traditional trade at scale," said **Jacques Penhirin, Partner, Head of Retail and Consumer Goods in Greater China at Oliver Wyman.**

The eRTM model operates by providing a digital platform that links up the three key parties in the value chain: brands, distributors, and owners of mom-and-pop stores. It aims to provide better flow and clarity to everyone by digitizing the relevant processes and information so that they are more readily accessible. If required, the platform can also provide a warehousing and distribution network to enhance and complement the value chain, as well as store operation management to improve efficiency along the chain and further boost sales.

Through market consolidation in China, essentially Alibaba LingShouTong's integrated platform (LST) and JD.com XinTongLu's integrated self-operation (XTL) have pulled ahead of the pack. Still, both will need to tackle some key challenges, such as logistical costs, lower-tier market expansion, brands' control over pricing, and distributor competition and management.

Oliver Wyman expects that as LST and XTL further strengthen their capabilities, China's eRTM market will turn challenges into potential opportunities, and sees a coming golden decade of robust growth for eRTM. The size of the entire retail sector in China is expected to reach RMB 9.2 trillion by 2028, and the sales value contributed by eRTM is expected to account for 12% of this total. With offline traditional trade estimated to represent about 24% of China's total retail market by 2028, eRTM could grow to represent about half of the entire traditional trade channel.

### Exhibit 1: Market size of eRTM in China



As part of this joint report with AliResearch, Oliver Wyman has developed the 4P digital transformation index to assess how far brands have progressed in this area in traditional trade. Specifically, the research assessed the brands’ degree of digitalization based on the following four dimensions: penetration, participation, promotion, and product. The results show that the confectionary and healthy snacks category is leading the way, while the general food and dairy & beverage categories are the main laggards.

**James Yang, Principal at Oliver Wyman**, thinks catering to the eRTM model alongside the traditional model in the value chain will become the “new normal” of traditional trade. “Mom-and-pop stores will need to take advantage of new eRTM capabilities to modernize their operations and so remain competitive. Distributors will need to adapt the range of services they provide to retailers to complement eRTM offerings and grow,” he elaborated.

**Xiang Ming, New Retail Senior Expert at AliResearch**, points out that actively embracing digital transformation has become the only way for brands, distributors and retailers (namely, mom-and-pop stores) to continue to gain traction in the traditional trade channel. “In the next decade, we will see eRTM becoming an inseparable part of traditional trade, so brands will need to utilize it to both achieve and maintain penetration within this channel. For participants to increase their chances of success, they should not only be first-movers. Rather, they should also fully embrace carrying out a comprehensive revolution in terms of their approach, and strengthening their own capabilities accordingly.”

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**Official WeChat account of Oliver Wyman:****About the report**

As the world continues to rapidly undergo digitalization, there remains one “blind spot” in the retail sector. Specifically, it exists in the traditional off-trade sector, and electronic Route-to-Market (eRTM) solutions are considered to be the most promising method for modernizing and digitizing these traditional offline channels. In China, eRTM has experienced rapid growth in the past few years and is about to enter a golden decade. Titled *Pushing the Final Frontier - China Retail Digital Transformation Whitepaper*, the joint report by Oliver Wyman and AliResearch aims to share views on the latest trends and developments in this area.

**Download the full report**

<https://www.oliverwyman.com/our-expertise/insights/2019/nov/pushing-the-final-frontier.html>

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Oliver Wyman is a global leader in management consulting. With offices in 60 cities across 29 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organizational transformation. The firm has more than 5,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit [www.oliverwyman.com](http://www.oliverwyman.com). Follow Oliver Wyman on Twitter @OliverWyman.

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As the research arm of Alibaba Group, AliResearch has been closely tracking the constant changes and innovations being brought about by the new era of digital technology. Aided by a full spectrum of innovative use cases stemming from Alibaba's ecosystem, the institute stays at the forefront of producing insightful thinking and crucial findings on the country's fast-developing digital economy.