



## Tapping China's Leisure Food Market

*Interview with Huang Weihong, Founder, Elvish Bear*

"In the mainland leisure food market, vegetable and fruit chips are new snack varieties. We hope to do a good and big job in this emerging market and capture the top position in consumers' hearts." In an interview with *HKTDC Research*, *Elvish Bear* founder Huang Weihong shared his experience in brand building and operating in the mainland leisure food market, providing valuable information for industry players wishing to enter this segment of the Chinese food market.

### Focusing on New Varieties

China boasts a great diversity of agricultural products in vast quantities. However, its range of processed foods derived from agricultural products pales in comparison, with the majority being traditional products such as dried and preserved fruit. Thanks to the advance of processing technologies, mainland industry players are now more capable of raising the added value of agricultural products.

Huang said: "There are quite a number of industry players producing vegetable and fruit chips in the country, but most of them are engaged in export and not many build their own brands in the mainland market. The main reason is that vegetable and fruit chips are still a rather new food product to mainlanders and consumer awareness is not high. Hence, input of time and resources is required to educate the market."

He added: "Compared with traditional dried fruit, preserved fruit and puffed food such as potato chips, vegetable and fruit chips are more in line with the trend of advocating nutrition and health, and their market potential is therefore greater. So, instead of competing in the 'red ocean', it is better to develop this new market segment and strive for the top position in new products. This is the reason why we created *Elvish Bear*."

It is with this objective of attaining the No.1 spot in the emerging market that *Elvish Bear* has been focusing its efforts on producing leisure foods with vegetables and fruits since 2014. According to data collected from major e-commerce platforms such as *Tmall.com* and *jd.com*, *Elvish Bear* has already become the top selling brand of vegetable and fruit chips (crisps and freeze dried) in this market segment.

*Elvish Bear* products come in an extensive range of over 160 stock keeping units (SKUs). Every year, the company develops new items, including certain niche products such as tempura parsley. Huang said: "We hope to cover more agricultural products in our



Elvish Bear: vegetable and fruit snacks specialist.



product range so as to build our image as a vegetable and fruit snacks specialist. Since the consumer base of the mainland market is huge, if a niche product can satisfy the demand of a fraction of consumers, it can generate great opportunities.”

### Changing Consumer Preference

Based on his experiences, Huang has a number of observations on the mainland leisure food market:

#### 1. Tasty, Novel and Healthy are Drivers for Buying Leisure Food

Snacks are by definition tasty. Consumers will only make repeat purchases and remember the brand if a snack is delicious. In other words, tastiness is what drives the popularity of a brand. In light of this, *Elvish Bear* attaches great importance to the R&D of the taste and texture of its products, adhering to the maxim that “good taste comes first.”

Consumers are often eager to try new leisure foods. As long as a product is novel and interesting, they are willing to give it a go. Vegetable and fruit chips – a new food product complemented by the *Elvish Bear* brand – have found great favour with consumers.

As these new products not only offer good taste, good brand image and fun, but are also healthy and nutritious, consumers have found them highly attractive. As one consumer puts it, these are “healthy snacks so [we] can eat to [our] heart’s content”. As people are becoming increasingly health conscious, growing numbers place great emphasis on the nutrition facts of nibbles, such as those that are low in sodium, sugar and fat.

Huang said: “Although in terms of flavour people would much prefer exciting taste, where vegetable and fruit chips are concerned, whether more products of exciting tastes should be added requires careful consideration. According to current sales figures, original taste vegetable and fruit chips are more readily accepted by consumers. If more condiments are added in order to create exciting taste, it will go against [our] original intention of offering nutritious and healthy vegetable and fruit chips. It could also lead customers to compare [our products] with products like spicy chips and potato chips which offer lower price and exciting taste, thus putting [our] vegetable and fruit chips in a disadvantageous position where price is concerned.”

#### 2. Small Packs the Trend

“As far as snacks are concerned, a very prominent trend is packs are getting smaller and smaller,” said Huang. Factors driving the growing demand for leisure food in mini packs are convenience, hygiene, pricing and visual impression. Mini packs can satisfy consumers’ demand for “convenient and hygienic one-off consumption”. They are particularly popular with female consumers who prefer snacks that can be eaten in one go. With large packs, if the food inside cannot be consumed straight away after they are opened, some consumers would not want to eat it again afterwards as they would consider it to be neither fresh nor hygienic.



Where pricing is concerned, RMB10-20 per pack is the most acceptable price point for most mainland consumers. Huang said: "Take dried durian, a higher cost [fruit] for example, it takes eight catties of fresh durian flesh to make one catty of dried durian. For a conventional pack of Thai dried durian at 100 g/pack, the retail price is RMB40-70. This price point would probably keep first-time buyers off. But if this is split up into small 30g packs with the retail price kept at around RMB10, consumers would have no problem making a purchase."



Sales figures of *Elvish Bear* show that mixed vegetable and fruit crisps are their most popular snacks, especially with first-time buyers who can in this way try different vegetables and fruits while paying a relatively low price. Visually too, mini packs seem to be more attractive.

Elvish Bear: small is beautiful.

### 3. Give Customers a Good Reason to Buy

As the spending power of mainland consumers, especially that of the post-90s generation, rises, they are more than happy to spend. "They have the spending power and are not intimidated by high prices. But [you] have to give them a reason to buy," said Huang. He pointed out that product, price, brand, service, and customer experience are all consideration factors for shoppers, saying: "Customers would buy because of good value for money, but would never buy purely because of low price. In view of this, we place great emphasis on analysing the experience and preferences of consumers in order to develop surprise products and services which customers are genuinely interested in or [products that are] beyond their expectations. It is imperative to find out the most important reason why customers are willing to buy this product, and then strengthen and enlarge it."

As *Elvish Bear* had an early start in the mainland vegetable and fruit chips market, it has gained an advantageous position in the supply chain. In both upstream co-operation with vegetable and fruit production bases and downstream connection with end users, the company is able to carry out rational resources distribution according to the characteristics, output and sales of the agricultural products concerned to meet the demand of customers for product diversity. In brand positioning, *Elvish Bear* focuses on vegetable and fruit snacks and devotes great efforts to capturing the top position in consumers' hearts and building a brand specialising in healthy and nutritious vegetable and fruit snacks.

With regard to marketing and promotion, the brand builds on its experiences and moves with the times, adopting new marketing methods at the right time. For instance, to keep abreast of the latest trends, the company has launched the following products and promotion tactics: mushroom crisps and okra crisps, which are high-fibre and low-calorie and best for people doing exercise and workout; banana chips which are filling and high in unit calorie serving as an energy snack for runners; and topical live broadcast programmes which are currently the most popular marketing means. "A three-hour live programme can generate more than



one million yuan in sales," said Huang.

### Data Analysis, Targeted Promotion

The company places great emphasis on data analysis as the base for formulating operation strategies. For example, based on the data of online customers (duration of browsing, time of placing order, time of repeat purchase, shopping preferences etc), their consumption habits and daily routine can be monitored and analysed. Huang said: "For example, 7 o'clock in the morning is a peak period for placing orders, which shows that customers normally use their free time while taking public transport or underground on their way to work to place orders. Under such circumstances, the time for selecting products and making decisions is rather short, so the webpage should be easy to navigate so that customers can make decisions quickly. Another peak period of placing orders is 11 o'clock at night. Since placing orders at this time is not as rushed as in the morning, the webpage can feature a more artistic and sensational touch."

*Elvish Bear* uses different approaches in customer engagement. The company creates tie-in products (such as miniature *Muppets*, cards and notebooks) featuring *Elvish Bear* as the main character and sends them to customers as gifts. When new products are launched, they send samples to regular customers. On the offline front, fan clubs are organised inviting regular customers to movies and munchies. All these are efforts made to "give customers the best reason to buy".

### Recommendations for Hong Kong Companies

Huang pointed out that the greatest advantage of Hong Kong companies is their international exposure. However, it should be noted that the rapid growth of the mainland economy and the quickening pace of mainland industry players in "[going out](#)" has somewhat weakened Hong Kong companies' advantage.

Meanwhile, as the mainland market undergoes fast changes, Hong Kong companies must gain better knowledge and understanding of this market. Huang said: "To my knowledge, some Hong Kong companies which entered the mainland market at an early stage and have a longer history of operating there are doing quite well. To enhance understanding of the mainland market is the primary task of Hong Kong companies wishing to enter the mainland market."

Huang added that Hong Kong companies have a lot of good product resources in the fast-moving goods arena, but sales of products which are positioned too high for the general public are rather slow. However, in view of the current trend of consumption upgrade, quality products and even high-priced products are bound to sell well.

But their pricing, packing, sales channels and marketing strategies must be down-to-earth. On the one hand, attention must be paid to the demand of young mainland consumers for product content. High quality down-to-earth products which are fun appeal to these customers. On the other hand, given the rapid development of online business and *WeChat* business, sales formats are changing fast. Hence, industry players must adjust swiftly and effectively to meet changing market demands and should not just borrow the formats in foreign and Hong Kong markets and apply them to the mainland.

Moreover, marketing strategies must be flexible. Huang suggested that Hong Kong



companies should learn from the operations of successful imported brands in the mainland market, such as *Maxim's Cakes*, *Tao Kae Noi Crispy Seaweed*, *Richeese Nabati Wafer*, *Calbee Granola* and *Potato Farm*.

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