China's Packaged Food Market: Major Consumer Trends

The Chinese mainland is witnessing a sustained growth in its packaged food market thanks to rapid urbanisation and rising incomes. According to *Euromonitor International* estimates, sales volume of packaged food on the mainland reached some RMB1,577 billion in 2017, representing an average annual growth rate of 6.6% since 2012. The concepts of "food safety" and "healthy diet", an increasingly westernised lifestyle and changes in shopping channels are impacting the development of the packaged food market. As shown by a recent consumer survey conducted by *HKTDC Research* [1], four major trends have emerged in the mainland packaged food market, namely the gradual return of consumer confidence in domestic brands; preference for attractive packaging and international flavours; diversity of online and physical sales channels; and growing popularity of organic varieties.

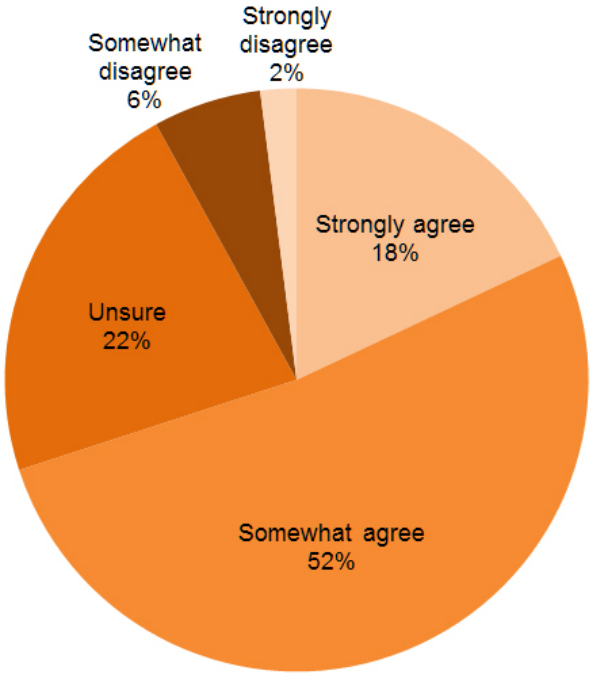
1. Gradual Return of Consumer Confidence in Domestic Brands

From focus group discussions, it was found that consumers' attitude towards domestic packaged food brands has gradually returned to normal levels, prior to the spate of food safety scares several years ago. As pointed out by a number of participants, quality inspection state authorities have launched targeted regulatory measures on food safety, with a stringent administrative mechanism and heavier penalties. There have been fewer negative reports about locally produced packaged food in recent years, making consumers more at ease in purchasing them. The intensive publicity conducted by brand owners on their increased investment and enhanced management of raw materials production, as well as their adoption of the organic food concept, also helped rebuild consumer confidence.

The dairy industry is a good example. The previous melamine crisis had prompted some consumers to shun domestic brands and go for far more expensive imported varieties. Yet at the focus group discussions, it was found that the UHT (ultra high-temperature treated) milk packages of some domestic brands, such as *Mengniu*, *Yili*, *Satine* and *Shengmu*, have become regular purchases for mainland consumers, though some of them are even more expensive than import brand products. Another notable trend is the immense popularity of UHT yogurt, with *Mengniu* and *Yili* being the most well known domestic brands.

According to the findings of the questionnaire survey, 70% of respondents agreed that "consumer confidence in domestic food brands has returned over the past two years in the wake of 'safety scares'". Their views on the above statement vary by respondent group, for example, male respondents have more confidence in domestic food brands than female respondents. Those older in age or with higher income also have greater confidence in domestic food brands.

"Consumer Confidence in Domestic Food Brands Has Returned Over the Past Two Years in the Wake of 'Safety Scares"



"Consumer Confidence in Domestic Food Brands Has Returned Over the Past Two Years in the Wake of 'Safety Scares'"

(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
70	68	59	68	71	74	73	61	82	66	75

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
72	67	66	65	73	75	63	71	73

The survey found that respondents mainly go for rational spending for both domestic and imported packaged food products. While 38% of the respondents said that they had, on the whole, purchased more imported food than in the past, a higher percentage of them said that their purchase decision is mainly driven by the suitability of a product.

Respondents who agree (%)	Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
I purchase more imported food products than two to three years ago	38	38	44	47	43	34	38	36	36	37	30
I purchase more domestic food products than two to three years ago	17	17	13	11	11	15	15	23	15	26	18
If the product is suitable I don't care if it is imported or domestic	45	45	43	42	46	50	47	41	48	37	53

Respondents who agree (%)	Gender		Age				Monthly household income (RMB)		
	Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
I purchase more imported food products than two to three years ago	35	41	38	41	34	38	30	39	43
I purchase more domestic food products than two to three years ago	19	16	14	13	21	21	20	16	16
If the product is suitable I don't care if it is imported or domestic	46	44	48	46	45	41	50	45	41

2. Preference for Attractive Packaging and International Flavours

Thanks to rising incomes, mainland consumers are known to have upgraded their consumption over recent years by shifting from low-price food to branded items and sampling diversified flavours. One of the major trends of the mainland's packaged food market reflected from the focus group discussions tells that consumer preference is now shifting further to "attractive packaging design" and "global flavours".

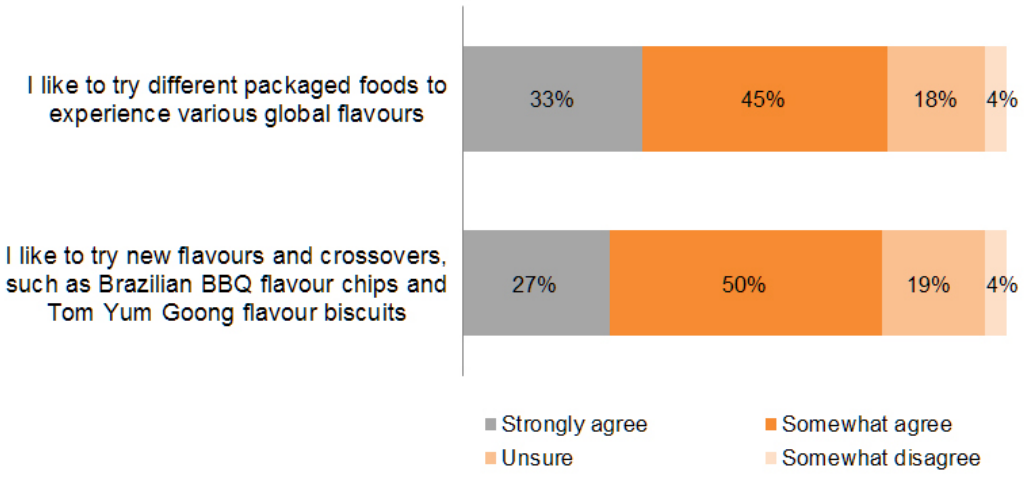
From the focus group discussions, it was found that consumers are moving away from bulk buys with good value for money to more attractive designs in small packs or individual packaging. This is not only because these attractive designs are more convenient to carry or easier to share, but also because consumers have become more demanding of the packaging design. Those with good designs and attractive appearance are more appealing to consumers.

Confirming this trend, the questionnaire survey found that 81% of respondents agree with the following statement: "Instead of bulk purchase with good value for money, I prefer buying products in smaller or individual packaging because they look more attractive and hygienic". 78% of respondents agree that "packaging materials can reflect

on food quality, and good products should have better packaging with modern designs."

The pursuit of "global flavours" reflects a new consumer attitude, which does not simply aim at bragging, but indeed underscores consumers' growing receptiveness towards novelties. After years of exposure to buying from both domestic and foreign markets, mainland consumers are now more ready to sample different flavours for their own enjoyment.

The survey showed that 78% of respondents agree with the following statement: "I like to try different packaged foods to experience various global flavours". 77% agree that they like to try crossovers and new flavours, which are being launched in growing numbers, fully reflecting the new consumer preference for global flavours, driven by consumers' receptiveness to novelties. The survey findings also show that the younger the consumers, the higher their receptiveness to new products with diverse flavours. First-tier cities, such as Beijing, Shanghai and Guangzhou, are more receptive to new products.



"I like to try different packaged foods to experience various global flavours."
(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
78	85	88	88	82	75	75	71	78	68	73

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
77	80	85	80	76	72	75	82	79

"I like to try new flavours and crossovers, such as Brazilian BBQ flavour chips and Tom Yum Goong flavour biscuits."

(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
77	81	76	84	80	74	75	70	78	76	73

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
76	78	80	77	77	72	73	77	78

3. Diversity of Online and Physical Sales Channels

From the shopping habits mentioned by respondents at focus group discussions, it was found that the development of online shopping has matured, since all participants buy packaged food from online channels. Comparatively speaking, young people are more inclined to buy packaged food online, while older consumers show different online purchases ratios. Such a development can be attributed to the significantly improved logistics speeds, where many online supermarkets can "deliver by 3:00 pm for orders placed before 10:00 am on the same day". In some cases, delivery of fresh food can even be made within two hours.

Nevertheless, online shopping channels have not replaced the role of bricks-and-mortar stores. Supermarket / hypermarket remains the most significant channel for purchasing packaged food products, though their sales are showing a slight downturn, whereas those of online shopping channels have increased most rapidly. The survey showed that for packaged meals purchases, 91% of respondents regard supermarket / hypermarket as a popular channel (down from 99% in a similar survey of 2013), followed by the online shopping channel included by 59% of respondents (up sharply from 14% in 2013).

For packaged snacks, 87% of the respondents choose supermarket / hypermarket as a popular channel, followed by online shopping with 63% (up significantly from 18% in 2013). As for dairy products, 88% of the respondents included supermarket/hypermarket as a purchase channel (down from 96% in 2013), whereas the online shopping channel comes out 4th on the list, with 39% of the respondents making use of it (up sharply from 8% in 2013).

Popular Shopping Channels for Packaged Food Products

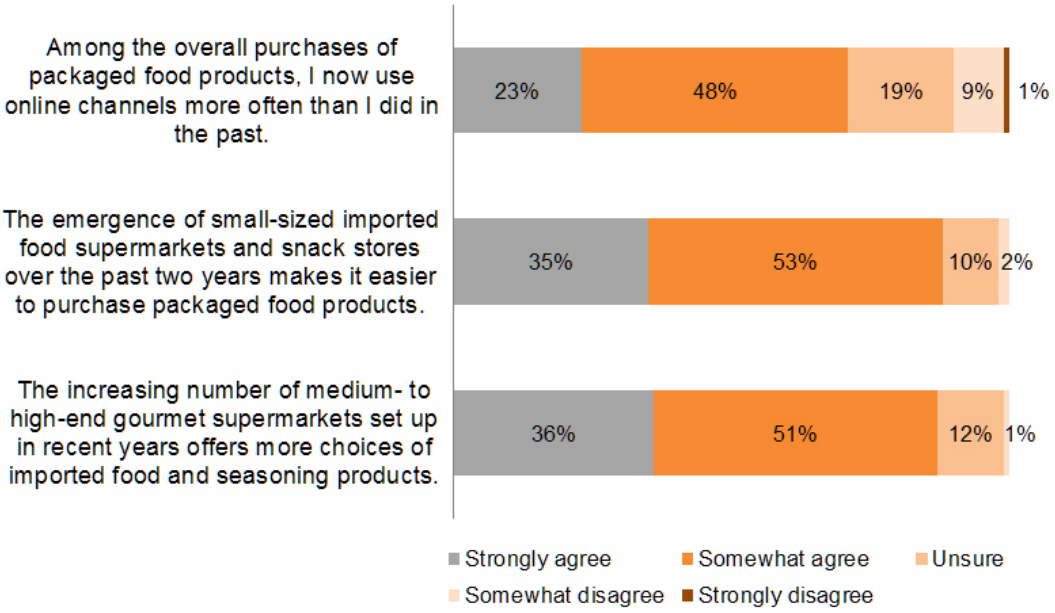
	Food for Meals *	Snacks	Dairy Products
Supermarket / hypermarket	91	87	88
Online shopping channel	59	63	39
Food store / general snacks store / retail chain convenience store	52	54	41
Medium- to high-end gourmet supermarket	47	40	41
Stand-alone convenience store	38	43	34
Grocery store	20	17	13

* Including grains and oils / dried produce, convenience or instant food, seasoning products and sauces.

According to the respondents, there has been an increasing number of small-sized imported food supermarkets and general snack stores set up in their neighbourhood in recent years. These stores attract consumers through specialising in imported food products and snacks, and their snacks to grains, oils and sauces ranges. Some domestic brands have also set up general snack stores to provide one-stop supply of different product types, and they all come in small packs for purchases of different quantities. The respondents are also aware that an increasing number of medium- to high-end gourmet supermarkets specialising in imported food products have been set up in recent years. These new sales channels can effectively meet consumers' growing preference for "global flavours".

Findings of the questionnaire survey also reflect the emergence of these new trends. 71% of the respondents agreed that "among the overall purchases of packaged food products, I now use online channels more often than I did in the past". 88% of them agreed that "the emergence of small-sized imported food supermarkets and snack stores over the past two years makes it easier to purchase packaged food products", while 87% agreed that "the increasing number of medium- to high-end gourmet supermarkets set up in recent years offers more choices of imported food and seasoning products".

Respondents with higher incomes show a more rapid growth in their online shopping than respondents in other income groups. The age range of respondents with online shopping habits has also gradually expanded over the past two years, and the 41-50 age group registered the fastest growth in online shopping ratio among respondents. Female respondents also show a higher percentage than male respondents in purchasing packaged food from small-sized imported food supermarkets and snack stores.



"Among the overall purchases of packaged food products, I now use online channels more often than I did in the past."

(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
71	76	75	72	64	73	70	65	72	76	71

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
71	71	71	72	74	68	65	72	75

"The emergence of small-sized imported food supermarkets and snack stores over the past two years makes it easier to purchase packaged food products."

(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
88	88	88	94	89	86	86	88	85	89	87

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
86	90	89	87	88	88	88	87	89

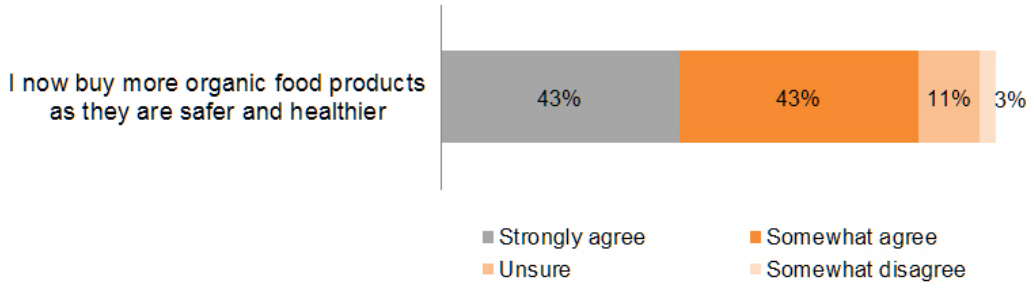
"The increasing number of medium- to high-end gourmet supermarkets set up in recent years offers more choices of imported food and seasoning products."
(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
87	90	88	89	90	90	91	85	86	80	82

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
84	88	87	87	87	86	88	86	86

4. Growing Popularity of Organic Varieties

With the rise in income and the gradual drop in organic food price over the past two years, consumers are showing an increasing appetite for organic food products. While organic foods mainly emphasise the absence of pesticides and chemical fertilisers in cultivation, the message to consumers does not merely promote "safety" but "health" as well. The rising popularity of the organic concept also echoes the change in consumer concerns from "safety" to "health". The survey found that consumers in the older age group have made more purchases of organic food products.



"I now buy more organic food products as they are safer and healthier."
(Respondents who agree, %)

Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
86	83	85	88	88	84	90	83	90	83	87

Gender		Age				Monthly household income (RMB)		
Male	Female	20-30	31-40	41-50	51-60	8,000-14,999	15,000-19,999	20,000 and over
86	86	85	85	85	90	87	85	87

Appendix

Survey Background

Thanks to rapid urbanisation and rising incomes, China's packaged food market has grown steadily over recent years. Today, mainland consumers place more emphasis on "food safety" and "healthy diet". A more westernised lifestyle also has an impact on packaged food market development, offering opportunities for Hong Kong and international brands keen to enter or further expand into the mainland market.

The economic and social environment on the mainland has undergone significant change over recent years. To provide a useful reference for Hong Kong companies interested in venturing into the mainland market, *HKTDC Research* conducted a consumer survey in October 2017 to gauge the changes in consumer preferences, spending mentality and trends of the mainland packaged food market. This updates the findings of a similar study commissioned in 2013.

Packaged foods consist of numerous varieties. The survey covers five major categories, namely dairy products, seasoning products and sauces, snacks, grains, oils and dried products, and convenience food (including chilled and frozen food).

Methodology

The survey was carried out during October 2017 in 10 major mainland cities. A total of 2,400 consumers were polled by online questionnaire. Before conducting the questionnaire survey, six consumer focus group discussions were held in Shanghai, Wuhan and Chengdu (two in each city). The objective of the focus group discussions was to further understand mainland consumers' spending mentality by way of qualitative analysis.

Design of Focus Groups

City	Shanghai, Chengdu, Wuhan
Number of groups	Two in each city; six in total (eight participants in each discussion)
Profile of participants	• Shanghai: Monthly household income of RMB15,000 or more; or monthly personal income of RMB8,000 or more • Wuhan and Chengdu: Monthly household income of RMB9,000 or more, or monthly personal income of RMB5,000 or more • Have the habit of buying food products for oneself or family on a daily basis. Must be the principal member of the family who buys food products. Have the habit of buying packaged food at least once a week • Have bought dairy products, snacks and convenience food (including chilled and frozen) in the past month • Have bought seasoning products and sauces, grains, oils and dried produce, and wine in the past six months • Have bought imported foods in the past month • At least four participants in each group have bought packaged foods online in the past six months
Group classification	Group 1 (eight people) • Age 25-35; four males and four females, with at least four married Group 2 (eight people) • Age 36-45; four males and four females, all married with children

Design of Online Questionnaire Survey

City	Beijing, Shanghai, Guangzhou, Chengdu, Wuhan, Shenyang, Nanjing, Harbin, Suzhou, Yantai
Number of respondents	250 in Beijing, Shanghai, Guangzhou, Chengdu, Wuhan, Shenyang, Nanjing and Harbin, 200 in Suzhou and Yantai; 2,400 in total
Distribution of respondents	Female, age 20-30: 25 in Suzhou and Yantai; 35 in each of the other eight cities Female, age 31-40: 25 in Suzhou and Yantai; 30 in each of the other eight cities Female, age 41-50: 25 in Suzhou and Yantai; 30 in each of the other eight cities Female, age 51-60: 25 in Suzhou and Yantai; 30 in each of the other eight cities Male, age 20-30: 25 in Suzhou and Yantai; 35 in each of the other eight cities Male, age 31-40: 25 in Suzhou and Yantai; 30 in each of the other eight cities Male, age 41-50, 25 in Suzhou and Yantai; 30 in each of the other eight cities Male, age 51-60: 25 in Suzhou and Yantai; 30 in each of the other eight cities
Profile of respondents	• Local residents. Age 20-60 • Beijing, Shanghai, Guangzhou: Monthly household income of RMB15,000 or more, or monthly personal income of RMB8,000 or more • Chengdu, Wuhan, Shenyang, Nanjing, Harbin: Monthly household income of RMB9,000 or more, or monthly personal income of RMB5,000 or more • Suzhou and Yantai: Monthly household income of RMB8,000 or more, or monthly personal income of RMB4,000 or more

Average Monthly Household Income of Respondents (RMB)

City	Average Monthly Household Income	City	Average Monthly Household Income
Beijing	26,300	Shenyang	19,318
Shanghai	26,484	Nanjing	20,828
Guangzhou	24,484	Harbin	20,860
Chengdu	20,892	Suzhou	21,580
Wuhan	18,764	Yantai	19,833
Overall Average	21,985		

Marital Status of Respondents, by City (%)

	Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
Never married/single	12	17	12	20	13	10	12	11	9	9	12
Married with no children	10	10	11	4	9	9	8	9	15	12	9
Married with children	78	72	78	76	78	81	79	80	76	80	80

Educational Level of Respondents, by City (%)

	Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
Junior high school or below	-	-	-	-	-	-	-	-	-	-	-
Senior high school/ technical/vocational high school	6	2	4	6	6	5	7	12	9	4	4
Post-secondary	25	13	20	22	19	22	36	24	33	30	32
Undergraduate	61	70	66	65	69	60	51	56	52	61	61
Post-graduate or above	8	14	10	7	7	14	6	8	5	6	4

Occupation of Respondents, by City (%)

	Overall	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Shenyang	Nanjing	Harbin	Suzhou	Yantai
Government employee/employee of enterprise or organisation	9	10	8	6	10	13	5	11	6	11	9
Professional (e.g. lawyer/doctor/ accountant/engineer)	18	18	19	10	17	26	22	14	19	20	20
Corporate senior management (e.g. director/ general manager)	5	5	4	6	3	4	3	6	4	5	6
Corporate middle management (e.g. department head)	32	35	37	36	32	25	36	28	28	31	37
Corporate general staff	23	24	26	26	24	21	20	24	21	26	18
Operator of individually-owned business/private enterprise	7	4	2	11	8	7	10	6	12	4	7
Self-employed	4	4	2	3	5	4	3	6	5	4	4
Full-time housewife	1	-	2	2	-	1	1	2	3	-	-

[1] See Appendix for details of the survey.

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