Snacking An Emerging Trend In China

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ByÂ Euromonitor International

There is consensus within the packaged food industry that snacking in between meals is an emerging trend in China. This is the result of economic growth and the progressive Westernisation of Chinese consumer patterns, particularly within large cities.

Chinese culture explains dominance of sweet and savoury snacks

Snack products in China consist mainly of sweet and savoury snacks and to a lesser extent, baked goods.

Chinese consumers prefer savoury snacks to sweet ones, and salty flavours are a very popular choice when it comes to snacking. Traditional savoury snacks - such as watermelon seeds and peanuts - are sold in street-markets and are purchased largely on impulse. The convenience channel, on the other hand, is still in a nascent stage of development in China, consisting of a few 7-Eleven-type chains, which are only present in large urban areas.

Packaged sweet and savoury snacks, however, are growing in popularity among consumers, in parallel with the expansion of cities and the lack of time among middle-class workers for traditional meals. One of the clearest examples of this trend is popcorn.

Popcorn becomes the star format
Developing from a small sales base, popcorn is expected to emerge as a star performer in the snack market, with an estimated retail growth of 14% in 2006 over the previous year, according to Euromonitor International. Similarly, chips/crisps, increased in popularity, growing by over 8% in current value terms in 2006.

Popcorn is tasty and convenient and as such it matches the rising demand for convenience food in urban centres, where consumers are increasingly leading fast-paced lives. Euromonitor International's research also suggests that the rise in household penetration of microwaves is directly responsible for the higher popularity of microwave popcorn in China, which held an estimated 80% of retail value in popcorn in 2006.

New product developments drive sales of chips/crisps
Chips/crisps sales in China are dominated by international players equipped with advanced production processes, sophisticated marketing techniques and strong financial support. PepsiCo China Ltd continues to achieve great success by taking the lead in new product development, supported by high-profile marketing campaigns. By keeping its finger on the pulse of consumer trends, the company has adapted new products to better cater to local consumer needs. The latest launch of the China gourmet series, for example, is available in a couple of traditional flavours, such as Peking Roast Duck and Spicy Crab and is presented in oriental packaging.

Interestingly, accelerating modern lifestyle and the Westernisation of Chinese culture has given rise to the rapid development of more western-oriented food such as baked goods. Baked goods, particularly cakes, are consumed by some Chinese consumers for breakfast or as a snack food, but by most they are given as a gift.

Chocolate confectionery enters the snack market
One of the key trends spotted by Euromonitor International in China is the trade up from sugar confectionery to chocolate confectionery, as a result of the increasing purchasing power of the population.

In China, the purchase of chocolate confectionery is usually planned and rarely done on impulse. Generally, the Chinese housewife goes to the local supermarket, where she purchases either tablets or boxed assortments, to be presented as a gift in the next few weeks. Boxed assortments account for the majority of sales, accounting for 40% of total retail sales in 2006, according to Euromonitor International's estimates.

Consumption of chocolate products is a relatively recent occurrence in China, stretching back only about 50 years in comparison to hundreds of years in Western European countries. This means that the Chinese do not have a strong tradition of consuming chocolate and it is because of this, along with the low income per capita in the country, that the chocolate industry is underdeveloped.

Interestingly, however, smaller formats of boxed chocolate confectionery are gathering popularity in middle class urban areas. This is particularly relevant among high-income consumers, treating themselves to chocolate boxed assortments for daily self indulgence. Brand examples proving especially popular among consumers include 32-g format Dove Hearts, manufactured by Effem Foods and 60-g format Le ContÃ© Seduisant Milk & Rice Chocolate, manufactured by Shenzhen Le ContÃ© Foodstuff Co Ltd.

Added value and new distribution formats will shape snack market future
Overall, the snacking landscape in China is in constant transformation â€“ moving from traditional unpackaged sweet and savoury snacks to packaged lines, namely chips & crisps and popcorns. Simultaneously, Chinese consumers are trading up from sugar confectionery to chocolate confectionery, particularly boxed assortments. Within boxed assortments, fun-formats are emerging and are meant to be consumed on the go for self-indulgence.

Euromonitor International's research indicates that both these trends are set to change the competitive environment of the Chinese snack market. On the one hand, they will add value to retail sales through the expansion of premium branded packaged lines. On the other hand, they will impact the distribution landscape by moving the product away from traditional street markets to supermarkets and 7-Eleven format convenience stores. The latter are expected to expand steadily in number, particularly in urban areas. Euromonitor International's research points out that sweet and savoury snacks and chocolate confectionery are set, however, to remain as fairly independent segments. Chocolate confectionery is more expensive than sweet and savoury snacks, and generally targeted at more affluent consumers

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