



**CENTRAL HUB**  
*Bring the best from Europe to China*

# Chinese market at your door step

Evolving purchasing habits of Chinese consumers  
and the opportunities for foreign F&B companies

Brussels, November 18th 2014

# Overview

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## **China, a booming market for imported F&B**

- Chinese passion for food
- Chinese demand for imported F&B
- Chinese consumers' behavior
- Current trend of E-commerce in China
- Channel of reaching products: online and offline
- Cross-border E-commerce

## **Central Hub' s approach: easy and successful entry into the Chinese market**

## **Appendix**

# Chinese passion for food

China



## TOP 3 Gourmet Country

- ✓ 8 styles of cooking
- ✓ Various food materials
- ✓ Regional flavors differ a lot
- ✓ Open to food innovations

### China Noodle Map



Source: Baidu Wiki

# Chinese passion for food

Family reunion means  
Eat together



吃了吗 (Chi le ma)



I'm 吃货  
(Chi Huo)



# China F&B market

General Food Sector  
2013

**10 trillion CNY** (+9.1%)  
**No.1** industry in China

Chinese love eating,  
and now with an  
international appetite



F&B imports market

average growth rate of **21.2%**  
**biggest import food consumer** with  
market size of **480 billion Yuan** till 2018

Source: Ministry of Commerce of PRC

# Chinese passion for food

## “A Bite of China”

- Documentary television series on the history of food, eating, and cooking in China
- Drawing an estimated **100 million viewers**



## • “Bite” Butterfly Effect

- Chinese starts crazy searching of cuisines mentioned in the documentary
- Folk imitations springs up: “A Bite of (+ Hometowns, Universities, Companies...)”



## Case: Grandpa Zhang Noodles

Go out of mountains, into first-tier cities

A famous catering company paid **6 million yuan** for 3 years' production

# Food safety issue in China

1949  
keywords:  
food shortage



1980s, producing capacity increases, and food safety issue is brought in as a result



21 Century, **China** steps in the stage of general **distrust** towards Chinese food industry



**Lack of credibility and inspection** are the main reasons of food safety issue. But **China's having lagged behind in food industry** for years is the fundamental cause.

--Background and Reasons of China's Food Safety Issue

# Food safety issue in China

- If edibility break baselines of food safety, then comes scandals:



## “Di Gou You”:

- Scandal started in 2009, illicit cooking oil recycled from waste oil
- Domestic illicit oil exists despite repeated prohibitions
- China imported **14.7 million litres** of olive oil in 2013, almost **trippled** in past 5 years <sup>1</sup>

## Scandal breaks out in Taiwan:



- Started in 2013, repeated in 2014, fodder oil
- **11** countries (regions) including **Mainland China** and **Hong Kong**, forbade related F&B imports from Taiwan, a **NT \$ 2.2 billion** lost



Source:<sup>1</sup> Europe Weekly



# Food safety issue in China



## Milk Powder Scandal:

- Scandal started in 2008, milk powder added with melamine
- Crisis of confidence persists in domestic
- The amount of imports has increased by about **75%** in 2014 Q1&2 and taken over **80%** of the market



## Main exporter scandal - New Zealand:

- Aug. 2013, Fonterra announced botulinum toxin pollution problem of its milk powder
- China immediately stopped importing all milk powder from New Zealand
- Prime minister of New Zealand visited China in person to communicate about the scandal



# Demand for Imported F&B

- Food safety contributes to the good reputation of imported F&B, and Chinese become more sensitive to...
  - ✓ Security
  - ✓ Quality
  - ✓ Originality



- Imported F&B also face stricter quality supervision under Chinese government

- "AQSIQ 114 Order": created for imported F&B; ensure traceability

- Imported F&B need to apply for

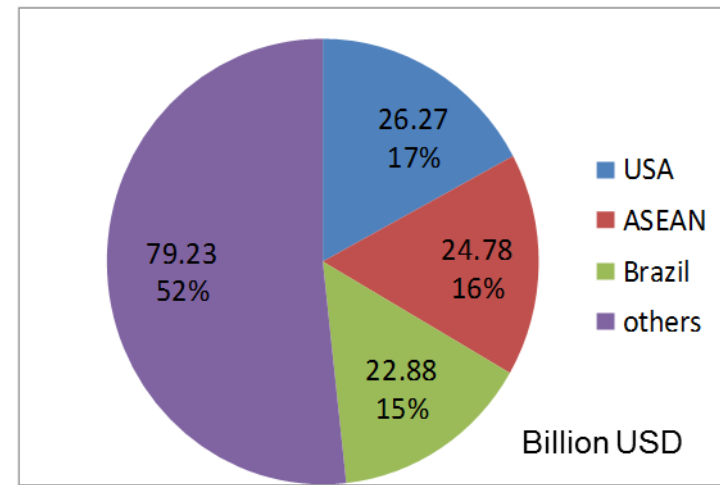


# Competition of Imported F&B

- Chinese market opens for different competitors

- Big competitors take over quite a lot market share
- Different competitors lead in different food categories

2013 Foreign Trade Market Share



Candies:



Malaysia



Thailand



Germany

Convenience food:



Italy



Korea

Can food:



USA



South Africa

Dairies:



New Zealand

Source: Askci, China Light Industry

# Successful Belgium F&B in China

- In recent years, Belgian F&B companies are actively reaching out for China market.



- One of the biggest beer producer in China
  - 32 beer manufacturers, with a annual producing capacity more than 3 million
  - Ranking 1<sup>st</sup> in 5 provinces
  - Market share in China up to 11.4%



- With multiple boutiques widely located in most 1<sup>st</sup> tier and 2<sup>nd</sup> tier cities

In the next 3 or 4 years, 100 Godiva boutiques will be set to meet the demands in China

-- Jim Goldman, Godiva CEO, 2012



# Successful Belgium F&B in China

- **Belgian biscuits is a new comer and well established its presence in a relatively short time**
  - Some Biscuit brands appear in all main E-commerce platform, for example, lotus, the top sales shop in Tmall obtains a monthly sales up to 12,988 orders



# Successful new migrants



**Olive Oil:** Chinese spent \$184 million on imported olive oil in 2013



**Corn Flakes:** sales expected to double by 2016 from \$730 million recorded in 2012



**Cranberry:** US exported 2.5 million pounds of cranberries to China in 2013



**Sparkling wine:** In the first quarter of 2014, China imported 2.17 million liters

# Chinese consumer's behavior

- A taste for foreign brands



“white collar” class



young consumers

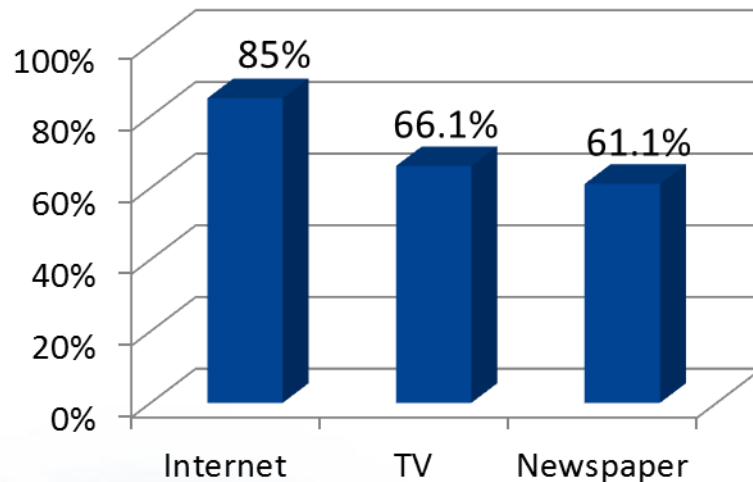
- ✓ Demand for quality life
- ✓ Sensitive to fashion and new trends
- ✓ Needless to care about prices

# Chinese consumer's behaviour

- **Online information catching**

- As of Dec. 2013, over **600 million** netizens, **3.2 million** websites in China
- High percentage of Chinese consumers choose internet as information source

**Chinese consumers choice for information**



Data Source: CNNIC

**Website, BBS, SNS...**





# Chinese consumer's behavior - E-commerce

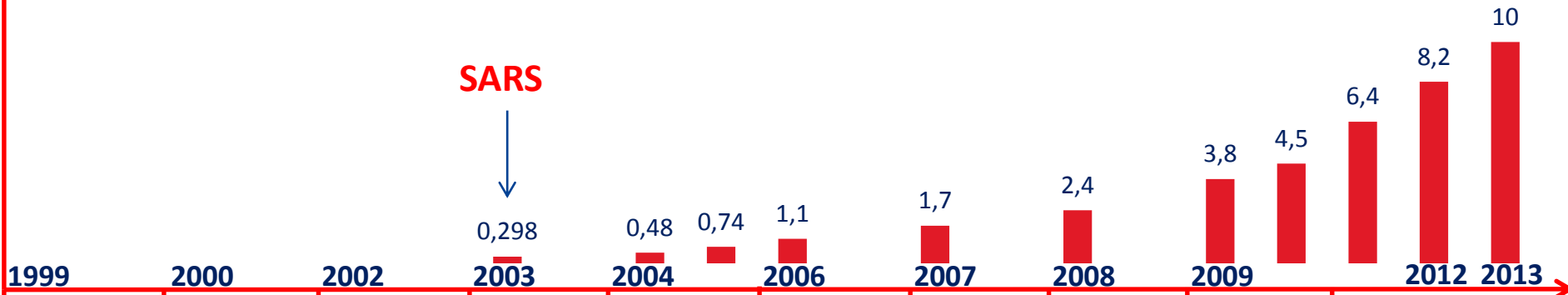
- Online shopping: E-commerce
  - The scale of Chinese E-commerce market has come to **10 trillion yuan**, till the end of 2013
  - E-commerce market of imported goods' breaks **3.1 trillion yuan** in 2013, and is expected to reach **6.5 trillion yuan** in 2016, with an average annual growth rate of **30%**<sup>1</sup>



Source: <sup>1</sup> Ministry of Commerce of China

# E-commerce Evolution

Scale / Trillion Yuan



# E-commerce - Mobile Internet

- Chinese mobile users reached **1 billion** last year, the smart phone users are expected to exceed **500 million** at the end of 2014.

## Smartphone Users and Penetration in China, 2012-2018

	2012	2013	2014	2015	2016	2017	2018
<b>Smartphone users (millions)</b>	<b>353.0</b>	<b>446.8</b>	<b>521.7</b>	<b>574.1</b>	<b>621.8</b>	<b>666.5</b>	<b>709.9</b>
—% change	69.3%	26.6%	16.7%	10.0%	8.3%	7.2%	6.5%
—% of mobile phone users	36.0%	43.0%	48.1%	50.8%	53.2%	55.2%	57.1%
—% of population	26.3%	33.1%	38.5%	42.2%	45.5%	48.6%	51.6%

Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month; excludes Hong Kong  
Source: eMarketer, June 2014

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www.eMarketer.com



## Mobile Social Network Users and Penetration in China, 2012-2018

	2012	2013	2014	2015	2016	2017	2018
<b>Mobile social network users (millions)</b>	<b>205.9</b>	<b>249.4</b>	<b>276.6</b>	<b>305.1</b>	<b>335.4</b>	<b>365.9</b>	<b>394.1</b>
—% change	58.0%	21.1%	10.9%	10.3%	9.9%	9.1%	7.7%
—% of mobile phone users	21.0%	24.0%	25.5%	27.0%	28.7%	30.3%	31.7%
—% of population	15.3%	18.5%	20.4%	22.4%	24.5%	26.7%	28.6%

Note: CAGR (2012-2018)=11.4%; mobile phone users of any age who use a social network site via mobile phone at least once per month; excludes Hong Kong  
Source: eMarketer, June 2014

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www.eMarketer.com

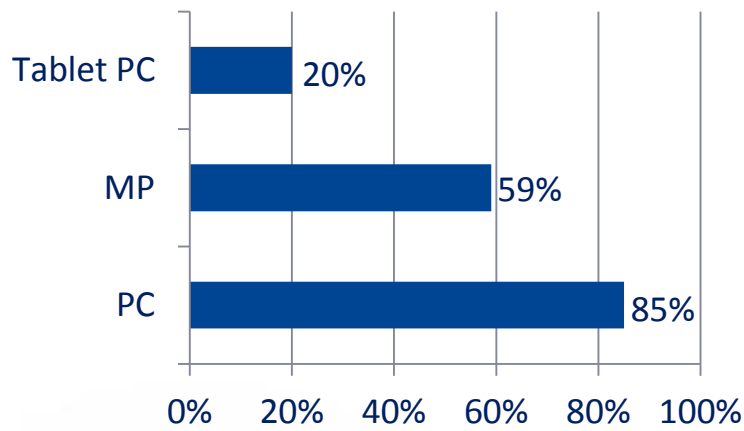
# E-commerce - Mobile Internet

- Mobile E-commerce appears in 2011, almost all of the E-commerce companies have developed their Apps now:



- Mobile E-commerce is gradually welcomed by consumers

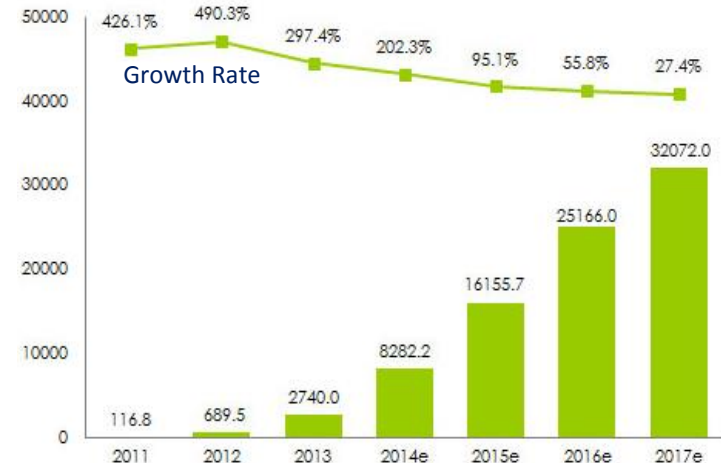
2014.2 online shopping terminals



Data Source: iCTR

2011-2017 Chinese mobile E-commerce scale

(1000 Million Yuan)



Data Source: iResearch Inc.

# E-commerce – “11.11”



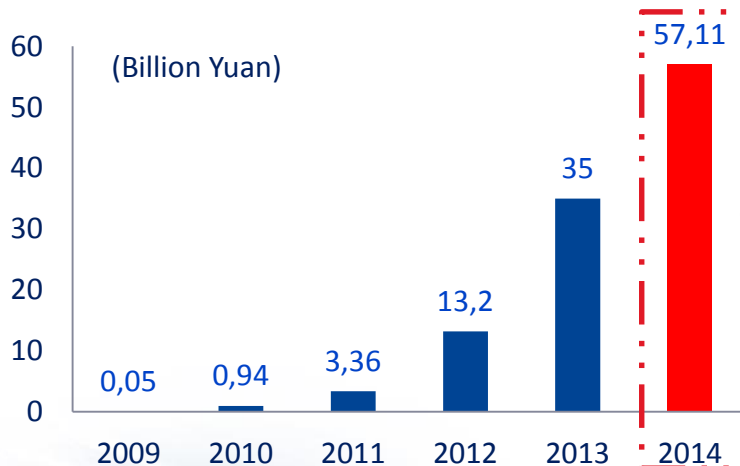
“11.11” = E-commerce shopping festival  
50% off, free shipping, national...

First created in 2009 by Alibaba 天猫 Tmall.com  
Joined by more and more companies...



- “11.11” grows dramatically year on year

“11.11” sales on Tmall.com



Data source: Baidu Baike

## 1<sup>st</sup> Global Festival

- ◆ Tmall.hk joined
- ◆ Global free shipping
- ◆ 218 countries and regions

## Overseas Buyers Top 10



# Channel of reaching imported products

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- Nowadays, Chinese consumers can reach imported F&B products from both online and offline

## Offline



- Imports zone in supermarket
- Imported goods supermarket
- Imported goods store in Free-Trade Zone

## Online



- Overseas purchasing
- Imported F&B section organized by E-commerce site
- Cross-border E-commerce

# Channel of reaching products: Offline

- Imports zone in supermarket

- Large-scale supermarkets in many first, second and third tier cities open up special zone for imported products
- Mainly contain leisure F&B products
- High price and less variety are primal disadvantages




As the introduction of Carrefour's work staff, since recently the sales keeps a sharp increase, Carrefour is considering to expand the purchasing quantity of imported foods. In 2014, another 500 varieties will be brought in, covering 4000 more products



# Channel of reaching products: Offline

- **Imported products supermarket**

- Mainly appear in first tier cities such as Shanghai, but also in some second tier cities like Wuhan, Hangzhou, Wuxi...
- Contains a much wider range of imported products
- High price is primal disadvantage

- **Case: Ole'** 

Launched in Shenzhen first in 2004 and owned by CR Vanguard

- 24 outlets in 14 key cities, will increased to 50 outlets till 2016
- Total sales broke 2 billion yuan in 2013, expected to reach 4.9 billion in 2016 <sup>1</sup>



Source: <sup>1</sup> Information Times



# Channel of reaching products: Offline

- **Imported products store in Free-Trade Zone**
  - Located in Shanghai Free-Trade Zone, products gain low prices
  - Fresh seafood, meat, fruit and wine are hot products
  - Crowds is primal disadvantage, daily passenger flow is over 5000

"This year, at least **6 imported products stores** will be opened in Shanghai.

The store in Longyang Station and the Free-trade zone have adopted sales over **10 million.**"

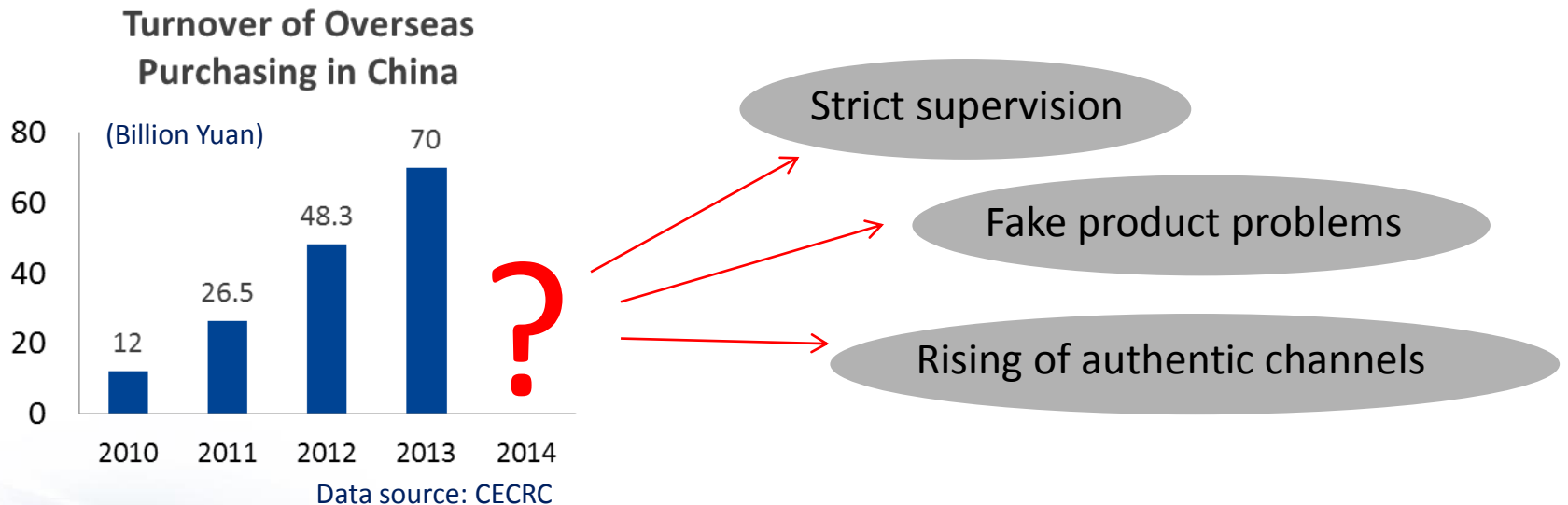
--Shanghai Waigaoqiao Imported Commodity Marketing Center Managing Director Guoguang HE



# Channel of reaching products: Online

- “海淘” (Overseas purchasing)

- Springs up in 2011, foreign products' price disparity create opportunities
- C2C operating model (e.g. mailing), cheap and avoids taxes
- Fake and inferior product is primal disadvantage, and since 2014.8, China Customs strengthens supervision



# Channel of reaching products: Online

- Imported F&B section organized by E-commerce site
  - E-commerce site plays a role of middle distribution agency
  - Product quality is approved by E-commerce sites and turns out better
  - Limited choices for products is primal disadvantage
- E-commerce sites with imported F&B sections:



# Channel of reaching products: Online

## Case: Yihaodian.com 1号店

### Imported F&B section:

- **250 Million** units imported food were sold in 2013
- Over 15 containers of imported milk are sold everyday, sales of imported milk counts **37.2%** of China's milk imports



2014-03-18 10:52:25

Starting from 10:00, the total sales

**600,000** Box

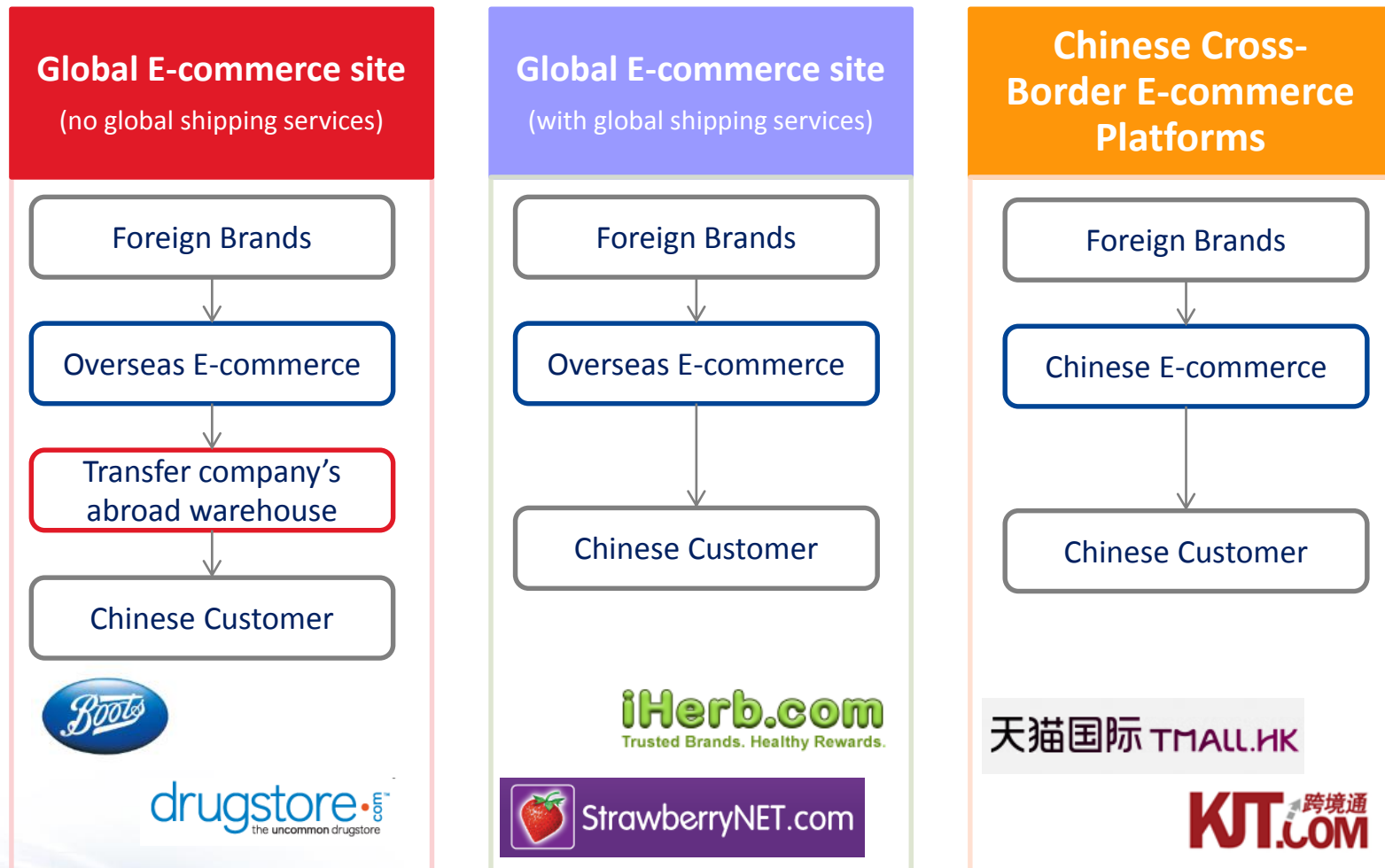
Yihaodian.com broke the Guinness World Records



Source: Chinabyte

# Channel of reaching products: Cross-border Ecommerce

- Cross-border E-commerce



# Cross-border E-commerce: TMALL.HK

天猫国际 TMALL.HK

launched on Feb. 19  
owned by Alibaba group  
with nearly 200 global famous brands

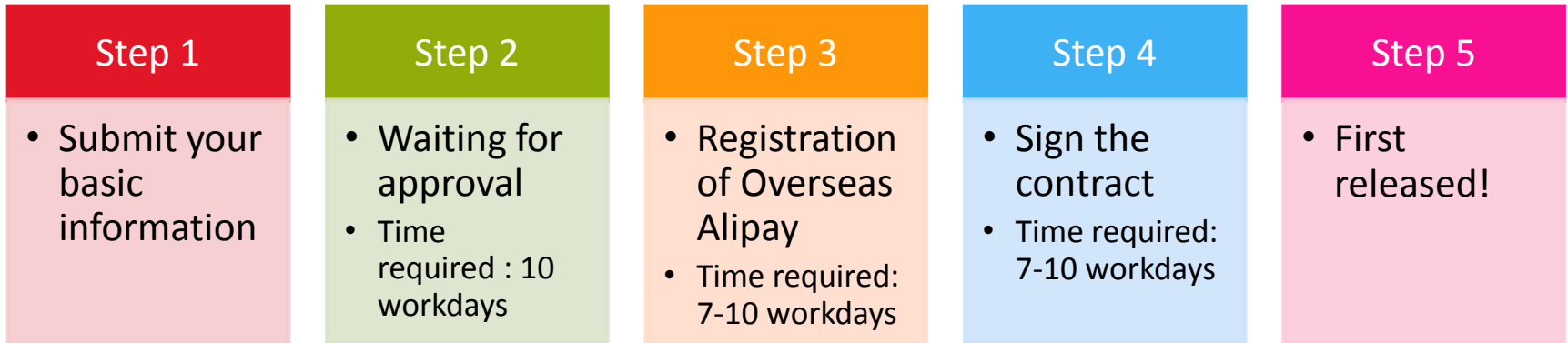
- Cooperation with Shanghai Free-Trade Zone helps reduce costs and speed up logistics, **sales increased for ten times during trial operation**<sup>1</sup>



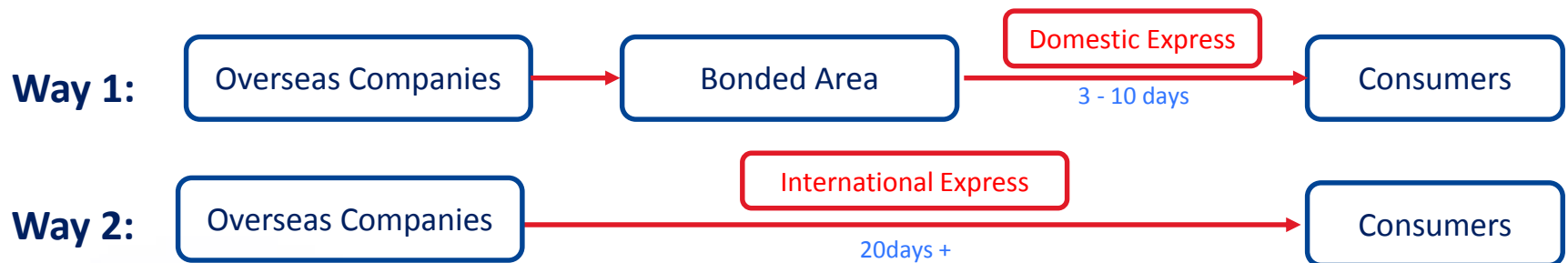
Source:<sup>1</sup> Askci

# Cross-border E-commerce: TMALL.HK

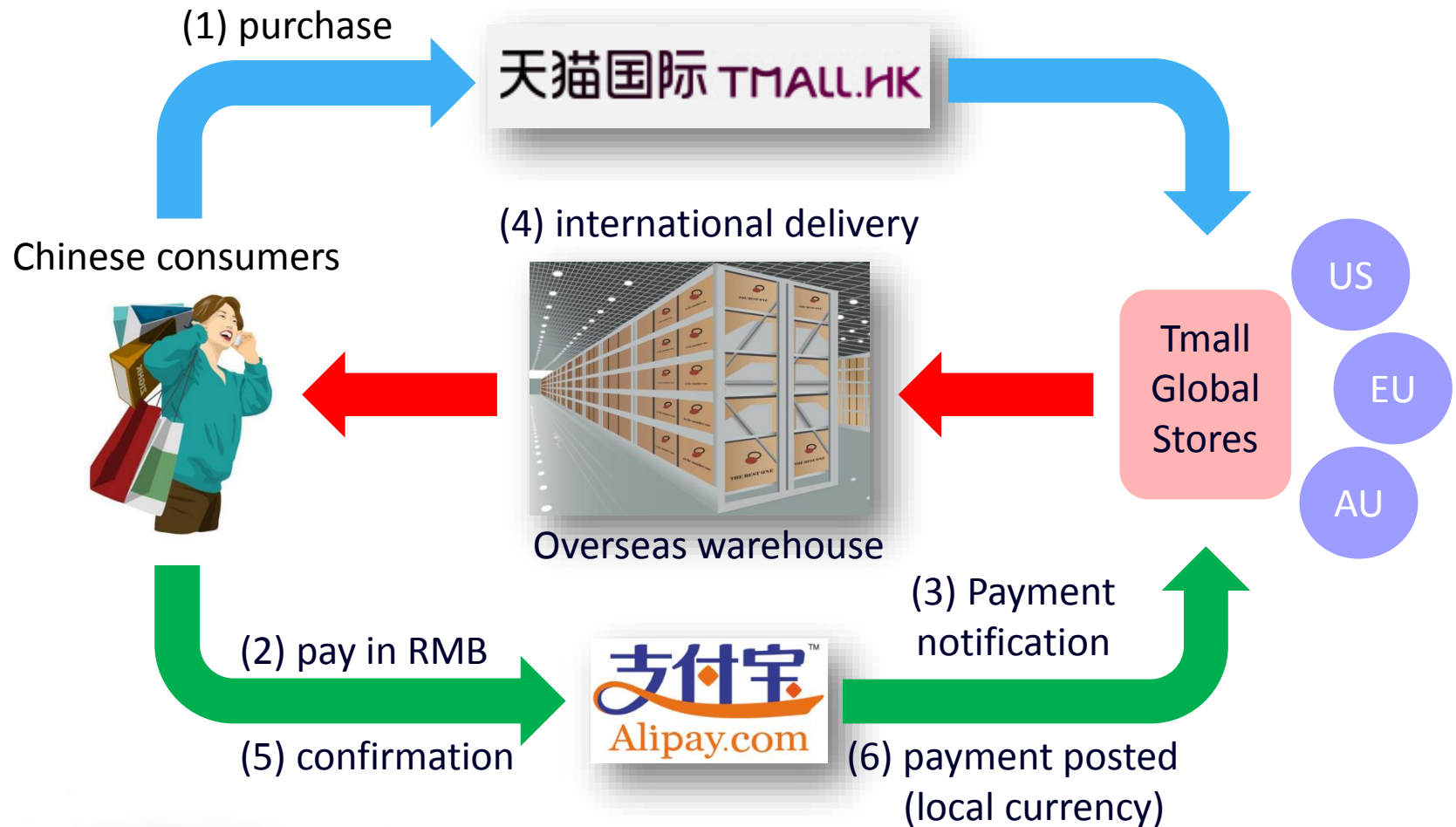
- How can brands start business in TMALL.HK?



- How can consumer get the commodity he/she purchases?



# Cross-border E-commerce: TMALL.HK





# Tmall's fresh food platform



- In 2014, Tmall established the exclusive platform for selected fresh food, especially for imported fresh fruit of the season, seafood, meat, etc.
- The “pre-sale” business model was adapted to the platform



## Best-selling product: Boston lobster

- Monthly sales volume:  
**More than 15,000**
- Number of pre-sale for  
“11.11” before Oct.24:  
**20,257**



Marketing tool: Free trial

# Tmall's fresh food platform



## Promotional highlights of miao.tmall.com:

- Fresh of the season;
- Price lower than offline malls and supermarkets;
- Strong logistics capacity to ensure the freshness of foods

### Invited by Tmall to the platform

- Tmall store with DSR (Detail Seller Rating) over 4.8
- Top 10 sales revenue on Tmall
- Strong offline strength

### Pre-sale

- With price much lower than offline sales channels

### Product importation

- Products imported from oversea suppliers, with gathered orders

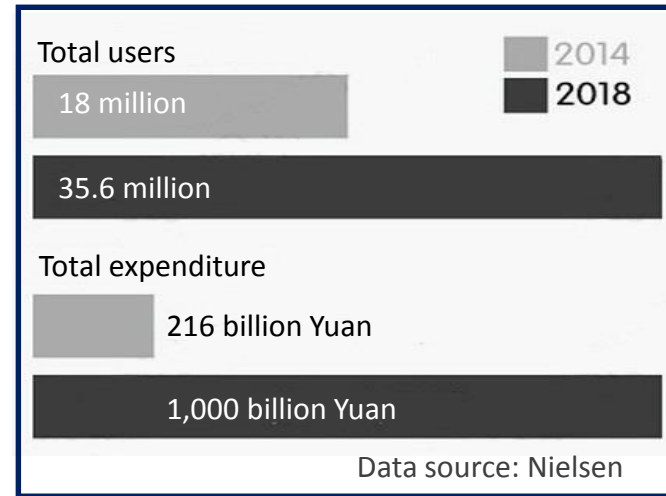
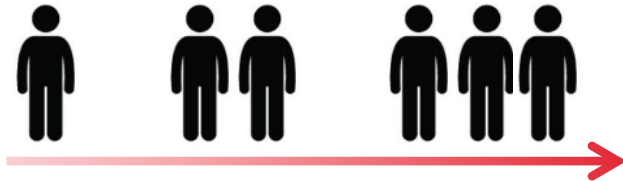
### Logistics

- By the cold chain logistics of **Cainiao**, an Alibaba Group affiliated company

# Cross-border E-commerce

- **Cross-border E-commerce expects fast developing**

- More and more users is expected to recognize cross-border e-commerce and spend more



- After Shanghai Free-Trade Zone was established, more and more Chinese cross-border e-commerce platforms were or will be launched:



# Cross-border E-commerce: Opportunities

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- **Government policy support**
- 2013.7 New “National Six Policies” for foreign trade:
  - ✓ Simplify custom procedures
  - ✓ Clean up operation fee, reduce administration fee
  - ✓ Positively expend imports, increase import discount interest
- 7 pilot cities will open for cross-border E-commerce platforms:

Zhengzhou  
Beijing  
Chongqing  
Ningbo  
Hangzhou  
Shanghai  
Guangzhou



# Cross-border E-commerce: Opportunities

- **Logistics**

- Chinese logistics companies set up overseas branches one after another, aimed at cross-border E-commerce business:



Opened import business on 17<sup>th</sup> May, 2014

- E-commerce companies are now busy building global logistics web:



Cooperate With



postal service

- **E-payment**

- In October, 17 third-party e-payment companies receive pilot qualifications for cross-border business:



Alipay.com  
因为信任 所以简单



汇付天下

金融支付专家 ...

- Volume of business is huge:



Volume of business:  
60-70 million yuan/month

# Cross-border E-commerce: Challenges

Just like the early stage of Tmall.com, Tmall.hk is now **invite-only**

- **Priority admission criteria**

- Own overseas corporate entity, having operated for **2 years**
- Annual sales over **\$ 10 million**
- **Well-known** brand as for Chinese consumers
- Preferential classification: mother & baby, health care products, clothing, etc.



# Easy / successful market entry

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- **Main Strategy**

**Online selling, marketing and branding is a suitable strategy for new comers in Chinese market for its following advantages:**

- Cost efficiency
- Precise marketing
- Easy reputation control
- Quick feedback from the market

- **What can Central Hub China do:**

- ✓ Regulatory framework
- ✓ Real-time and realistic pre-entry studies
- ✓ Sound distribution structure, extended partnership with key local players
- ✓ Further establish the brand

# Alibaba: Taobao, Tmall, Alipay...and more

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**Thank you!**



- ✓ **Communication**
- ✓ **Marketing**
- ✓ **Distribution**

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**CENTRAL HUB**  
*Bring the best from Europe to China*

# Appendix

# Evian

- Price in Chinese market

- RMB25 for 200ml Evian, which is 4 times compared to in Europe

- Positioning

- Top-end mineral water brand in China
- Healthy, elegant
- Never is and will be a popular beverage
- Could be found mostly in high-consumption venues, including high-level hotels for foreigners in mega-cities such as Beijing and Shanghai



- Target audience

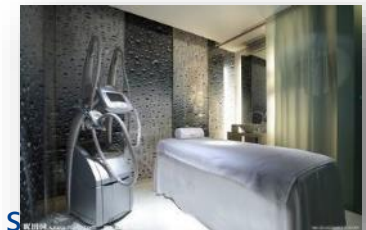
- Youth with monthly salary over RMB 6000, who wouldn't care about price of a bottle of water when it comes to "enjoy healthy life"

- Products

- Water with limited version bottle, plastic, glass, environment-friendly and etc.
- Personal care products
- Luxury hotels in Evian les Bains, and water spa service globally

- Crisis

- Continuously fails government quality test from 2006 to 2012 in China
- Crisis communication didn't fully eliminate the side effects on traditional or s
- More or less harmed its positive reputation in Chinese consumers



# Ferrero

- Advantages

- Established in 1946 in Italy, with good quality and specialty of its product
- Entered China in 1984, one of the earliest to establish its image of luxury and high quality
- No joint venture or plant in China, which made the market strategy simpler

- Chinese market

- Candy industry: raising rapidly (average increase rate of 8%), with great potential
- Imported and joint venture brands occupied most of the top chocolate market share

- Chinese consumers

- Much prefer European chocolates than domestic brands
- Regard Italy as symbol of romance, art and fashion
- Golden packing attracts them much, for it is linked with fortune and luck

- Chocolate purchasing motivation

- Gift for teenagers (people aging from 35 to 44)
- Self consumption (young women)
- Gifts as a symbol of romance (especially on Valentines' Day)

- Communication

- Overwhelming commercials in newspapers, magazines, TV and etc
- Launch different themes of ads targeting different groups of audience



# Macaron

- The macaron has become similar to:
  - Luxury French snack
  - Royalty and luxe because of its History
  - Sexy with its Chinese name: “少女的酥胸” (literally “soft bosom of young ladies”)
- The price is accepted because:
  - Regarded as a symbol of elegance by its colorful appearance and fine package
  - Complicated procedure of making macaron has been educated
  - In China, macarons can only be purchased or consumed in high-level hotel afternoon sets or restaurants, elegant French dessert shops, and special occasions etc.
  - Macaron became famous in the magic trick in Spring Festival Gala in 2012, which was watched by over half a billion of Chinese people
- Chinese use to buy macarons for:
  - Make a gift
  - The idea of lifestyle, colors and funny side
  - A special moment like the Mother’ s Day or the Spring Festival
- Brand effect, examples:
  - Shanghai: Jean-Paul
  - Hongkong: the intro of Laduree
  - Cooperation with five-star hotels in their afternoon tea sets
  - The concept “Macaron color” in cosmetic products (e.g. Esteem Lau)



# F&B market – Consumers expectations

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- Improvement of quality of life as a central interest

## Food safety concerns

Those consumers can afford to pay higher prices for food and they are motivated to do so because of increasing concerns about food safety and health. Imported western-style products have a good reputation for being good quality, nutritious and safe.

## Nutrition and health consciousness

Nutrition and health remain a very important driver, with many new product developments focusing explicitly on healthier ingredients and processing. Across almost all the packaged food sectors, nutrition and health has been the key selling point for new launches.

## Availability of foreign goods

Chinese consumers are being exposed to different types of lifestyles as they travel beyond their immediate surroundings and electronic media becomes ubiquitous. It opens the eyes of what is available globally and is driving new and higher consumer expectations for what they desire to buy here in China.