

絲翼

Weaving your brand presence into
the F&B market in China & Asia

Reviewing 2017...

Today's story...



Who we are

A brief introduction on who we are as a consultancy, and as a team



What we know

An exciting review of our top 10 insights from the China market this year



How we help

An introduction to some of our tools and processes to set clients up for success



Who you can ask

A look at some of our most relevant success stories with in-market examples

ALLOW US TO INTRODUCE OURSELVES

**An insights-driven brand
consultancy giving food &
beverage brands the strategic
direction they need to understand
and prosper in the Chinese market**



the **silk** initiative

Our partnerships

As a food and beverage brand trying to expand its footprint within China, it can almost seem impossible. From understanding the unique consumer landscape to evaluating the competition, lacking the right brand and business strategy can be detrimental.

That's where we come in. As an insights-driven brand consultancy with decades of expertise within the Chinese packaged food and beverage industry, we pride ourselves on helping our clients achieve exceptional growth.

Armed with the perfect combination of insight, strategy, innovation, and design, we take a holistic approach with every strategy to ensure that your brand will thrive. We work with global CEOs, CMOs, marketing directors, brand owners and insights professionals responsible for growth stories in the food and beverage industry.



A dedicated team

Combined experience of 60 years in China



Andrew Kuiler
CEO



Steve Maskell
Director (USA)



Grace Mou
Moderator/Senior Client
Manager



Joel Bacall
Senior Client Manager



Leigh-Anne Russell
Creative Services Manager



Tom Sommers
Director (USA)



Andrew Cameron
Client Manager



Cherie Han
Moderator



Jie Lu
Project Co-ordinator

What we know...

10 insights + market movements to contextualize the
China food and beverage space in 2017...



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Breaking news! As of Dec 1 2017 tariffs are being drastically lowered, opening the consumer and brand battleground even further

The biggest news this month for China food importers, among others, was the Ministry of Finance's announcement that it will cut import tariffs on nearly 200 consumer goods, effective almost immediately



Consumers are moving beyond product and marketing execution alone to authentic and better brand *experiences*

Brands such as Peet's Coffee have upped the 'coffee' retail experience by providing bean experience stations, homelier stores, engaging staff, and superior quality coffee

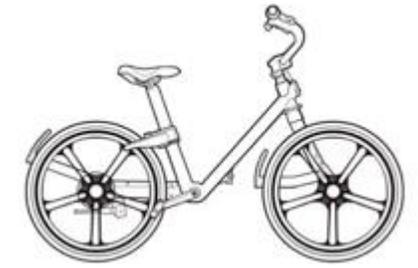
Starbucks have also just opened the worlds largest Starbucks store



Vs.



Consumers making active efforts to be *healthier...especially the younger cohort*



Health and wellness is a key trend, throughout Asia

Our pan-Asian work, including client work in China, shows us that health and routine is a key need throughout all food and bev categories. Millennials in particular are paying much more attention which has direct implications on NPD

HEALTH ASPIRATIONAL INDIA  In India, health is more aspirational and manifests itself as a differentiating factor.

VS

HEALTH CENTRIC CHINA  Health is common denominator for everything Chinese consume and do

Presented by TSI at the Global Beverage Innovation Conference
April, 2017 (Frankfurt)

...But they're still looking for novelty as well - 'noveltea' has been a major hit in 2017

While health is great you'd better not sacrifice on fun in China these days. Brands that are cutting through the clutter are providing new takes on old habits

We've seen consumers queue two hours for 'cheese tea'. Dairy and RTD brands appear most invested in break through innovation this year



Big Bang Tea – Online Sensation



Hey Tea – an overnight hit



Le Pur – novel ingredient stories

Companies are finally investing in segmentation for innovation! Moving away from GEN POP

There are many unexplored and untapped segments still

We discovered a late night segment for one of our drinkable yogurt clients that was 38% of the market!

While local players are attempting to own this space, no brand has cracked this so far...

Segment opportunities

Segment name	"Need a healthy late-night snack"	"Lunchtime Health"	"Cross-trainers"	"No Imports"
Size of market	38%	27%	26%	9%
Country origin preference	Receptive, but least of targets receptive to foreign beverages	Most receptive to foreign beverages	Very receptive to foreign beverages	Not at all receptive to foreign beverages
Brand repertoire (own and compete top 3 Chinese brands)	Favorite brand: Ambrosial Greek yogurt	Favorite brand: Yili	Favorite brand: Monchellosti	Favorite brand: Monchellosti
Average spend per purchase (RMB)**	34.4	35.5	34	40
Consumption occasions	Evening and late night consumption	High consumption mid-morning to afternoon	Early morning consumption	High consumption mid-morning to afternoon
Lifestyle outlook	Watch what they eat	Interested in healthy options, but more from a natural ingredients perspective	Most health-conscious, work out the most	Least health-conscious
Choice drivers (Driver analysis)	Primary: Tasty	Tasty	Refreshing / cooling	Natural
	Secondary: Digestion / gut health	Refreshing / cooling	Natural (no artificial)	Affordable
	Tertiary: Price point / convenience			

'Healthy late night snack' – 38% of the drinkable yogurt market

"Healthy late-night snack" - CAUTION

Our healthy late night snacker is trying to seek a more balanced lifestyle, but may feel they are struggling. They have a high awareness of probiotics and intestinal health, and are looking for balance at the end of the day with a tasty option that's good for them.

Caution - with that in mind, this segment is skewed toward local brand usage, and is more likely to remain a purchaser of the Chinese 'big 4' brands.

Brands tried (past month) - Q10c				
Ambrosial Greek	29%			
Mengniu	35%			
Yili	35%			

More likely to "strongly agree" with "trying hard to have a more balanced lifestyle" - Q18				
Healthy late night snack	Lunchtime Health - A	Cross-trainer - C	No-Imports - B	
41% (ACD)	27%	30%	27%	

Higher awareness of probiotics and intestinal / gut health - Q9b				
Healthy late night snack	Lunchtime Health - A	Cross-trainer - C	No-Imports - B	
25% (ACD)	11%	13%	12%	

More likely to purchase and consume cheaper / local options - Q10c (Wei Chuan user)

Profiling target segments



@威全旅游 官方微博

Possibility to extend in *Tier 2 + 3 cities*

Though we see a variety of segments appearing in Shanghai and in Tier 1, there are 100s of other cities out there that could be right for you...



Carlsberg designed a 'lower tier' strategy, spearheaded by their Tuborg brand

If you're looking to expand into China, you might just be able to achieve faster growth with less competition by focusing on lower-tier markets first.

Why Tier-One Isn't Always the Answer

Brands have long believed the greatest opportunities lie in tier-one cities like Shanghai and Guangzhou. This is an understandable misperception — tier-one cities have traditionally been larger ports for foreign trade and have the most developed retail presence, too.

Shanghai was one of the first economic free trade zones when Deng Xiaoping opened China's doors in the early '80s. In reality, tier-one cities are already familiar stomping grounds for international brands at this point.

The challenge in tier-one markets is breaking into a large, saturated region that is highly fragmented. This is why many of our clients come to us and say, "Even if we crack Shanghai, we'll be happy."



TSI on the lower tier opportunity – as seen in Smart Insights Magazine

We see 5 verticals ripe for growth coming out of our work this year

With rising consumer affluence, we've suggested these 5 verticals below...



Proteins – especially imported (branded) seafood and non-meat protein sources, such as dairy.



Preventative health products - allergen-free food and nutritional supplements are doing well. China's retail health market is projected to reach \$67 billion by 2020.



Premium Brands - Taste and status matter now more than ever before in China and consumers are seeking more emotional, indulgent, carefree, discovery-filled experiences



Performance beverages - in addition to health supplements, the Chinese people are developing a taste for energy drinks.



Healthier Food and Specialty Restaurant Chains - younger consumers are looking for faster, healthier dining and food delivery choices.

HOW you execute is as important about the product and brand these days
Standing out among youth targets is getting trickier.

It's no secret that technology is changing the game in China

QSRs are leading the space which will make its way into CPG very soon

In one recent NPD workshop we found 1/3 of our ideas were about 'execution' in market as much as it was about the product idea



CPG
?

KOLs have become increasingly more important replacing many celebrities as go-to sources for consumer guidance and inspiration

Steven Liu

As a former chef, and a judge of several cooking shows, Steven introduced Dove's new ginger chocolate

Not a massive following (fewer than 70,000) - Mars felt he was the most obvious choice considering his celebrity chef status and food credibility with his followers



Convergence of online+offline retail *landscape* means fast change and time to rethink brand development and go-to-market strategies

We've seen a dramatic change in the retail landscape, with retailers such as Yonghui, investing hugely to claw back shoppers who have switched to ecommerce

Giants such as Alibaba are merging 'consumption' with 'entertainment, and using data and technology to drive sales

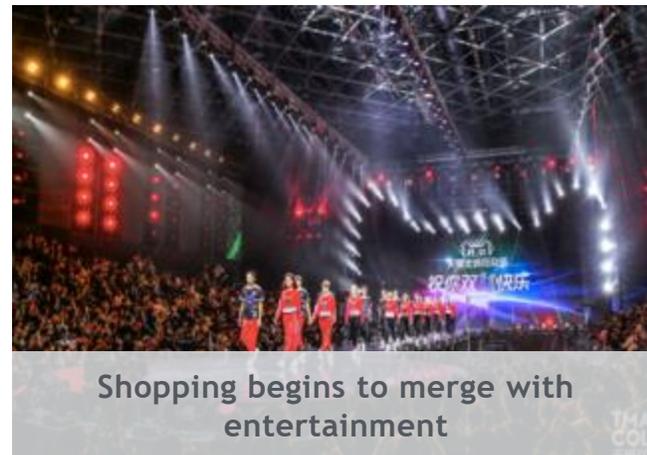
Are you ready for the new state of retail in China?



Alibaba is building an online / offline ecosystem to drive massive sales



HEMA leverages 'online data' in the 'real world'



Shopping begins to merge with entertainment



Brick n Mortar fight back with better store experiences (Yonghui)

How we work

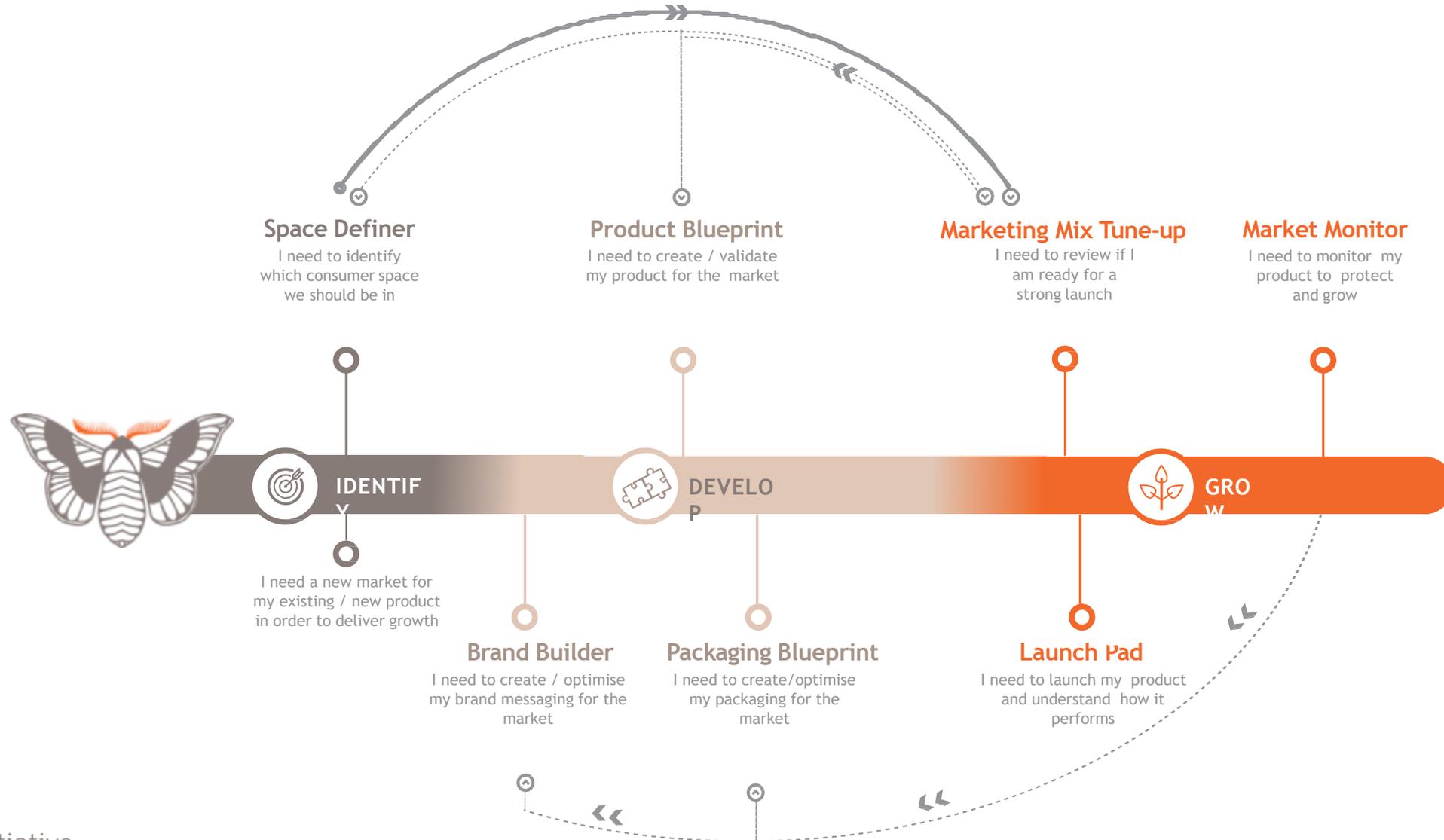
Tools and processes...

120.€



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Our solutions keep in mind the constant learn and adapt requirements of China



Proof of work

Showcasing some of this thinking



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Developing a China launch

We've been working with Tim Tam to help them identify how best to communicate their brand to a new, Chinese audience.

Through qual and quant research, we examined a range of factors to ensure launch communications resonate in market, but are also aligned with the Australian strategy.

Thanks to our efforts, the Tim Tam team now has a winning activation strategy and we continue to work with Tim Tam's creative agency to bring this to life.

Launched to market: Oct 2017



Q&A

How can we help?



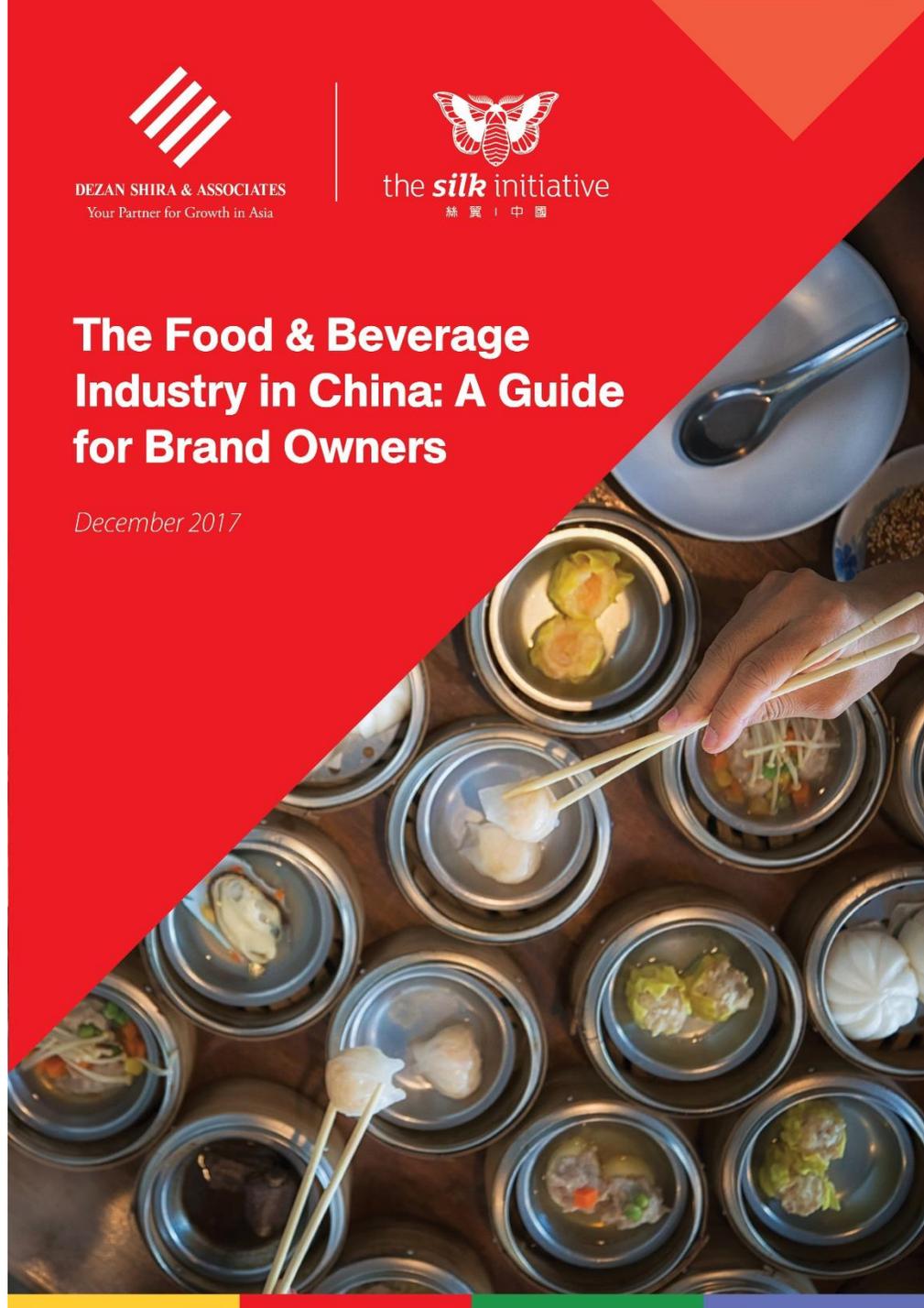
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Your Partner for Growth in Asia



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The Food & Beverage Industry in China: A Guide for Brand Owners

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Contact

Andrew Kuiler, CEO

andrew@thesilkinitiative.com

(+86) 156 0173 3177

 [andrew.kuiler](https://www.linkedin.com/in/andrewkuiler)

www.thesilkinitiative.com

Shanghai – Huai hai Road, Lane 584, Number 9, Shanghai, P.R.C.

上海市黄浦区淮海中路584弄9号1楼

Hong Kong – Room 1401, 14th Floor, World Commerce Centre,

Harbour City, 7-11 Canton Road, Tsimshatsui, Kowloon, Hong Kong

The Silk Initiative Ltd 丝翼企业管理咨询（上海）有限公司

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