

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

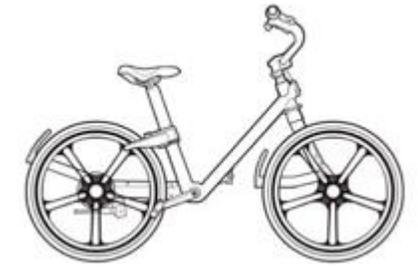
Starbucks have also just opened the worlds largest Starbucks store



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

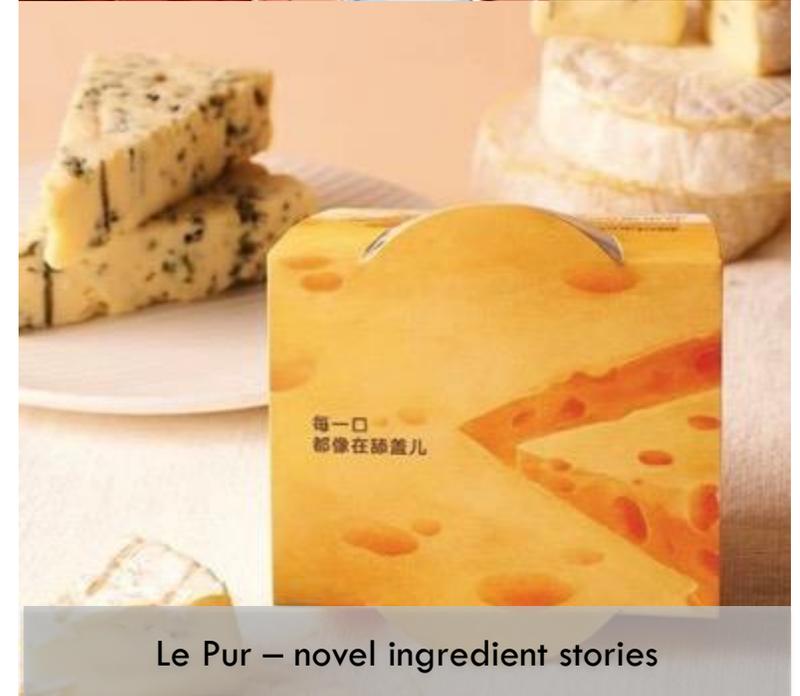
We've seen consumers queue two hours for 'cheese tea'. Dairy and RTD brands appear most invested in break through innovation this year



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 up 2 classes above themselves)	Favorite brand: Ambrosial Greek yogurt	Favorite brand: Yili	Favorite brand: Monchitos	Favorite brand: Monchitos
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 / value / 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



@威全乳酪官方微博

## 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



# 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



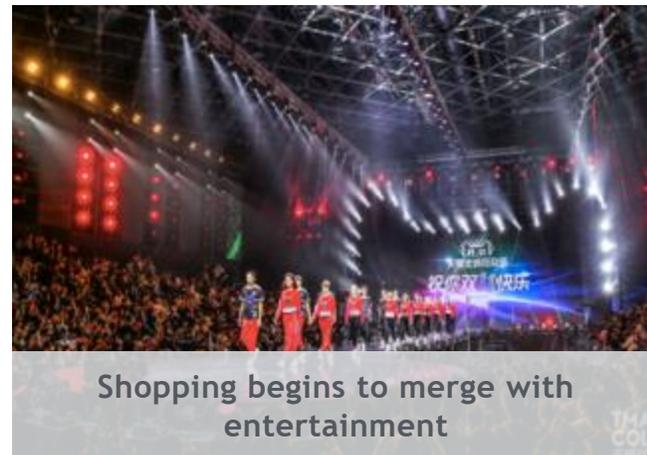
A screenshot of a Weibo post by user 刘一帆Steven. The post is dated May 15, 2015, at 11:00 AM, from an iPhone 6s. The text of the post reads: "录像中的小零嘴，容易讓我變得美美。巧克力撞上薑？講究！蒂芬哥撞上薑？不將就！黑巧給予能量，生薑賜予生命，好吃就是停不下來的滋味，淘宝搜索姜味德芙，官方旗舰店自己買啦啦啦..." Below the text are three images: a box of Dove ginger chocolate, Steven Liu holding a piece of chocolate, and another box of Dove ginger chocolate. The post has 213 shares, 65 comments, and 207 likes. There are three replies visible: one from 艾淇Angelia (May 15, 11:32) saying "姜味Dove，一会儿去超市找", one from 大推子 (May 15, 11:01) saying "特别好奇什么味道", and one from 怦然心动雪梨個人 (May 15, 20:23) saying "刘大厨推荐的一定好吃，去看看。".

## 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?*



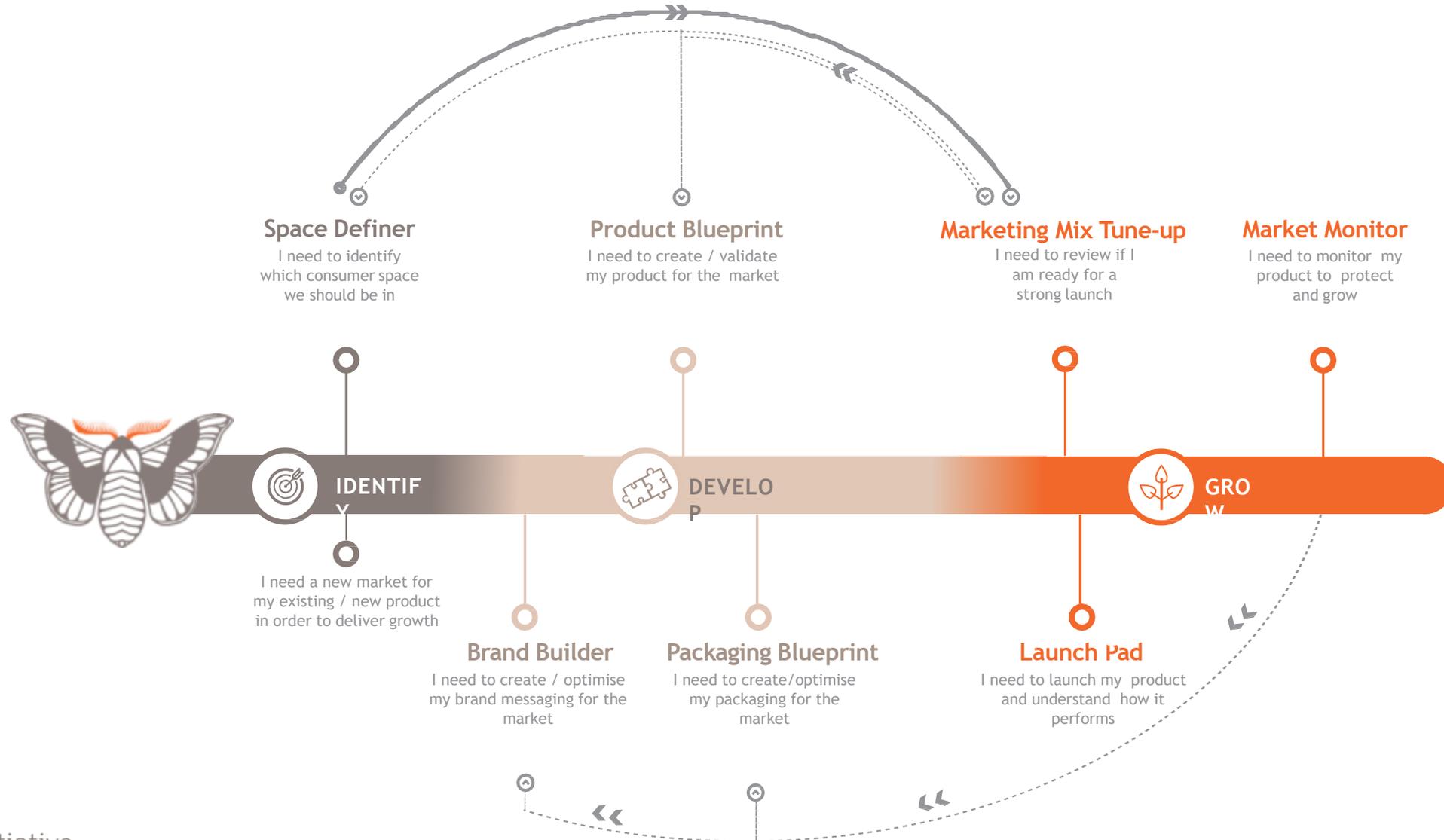
# How we work

Tools and processes...



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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?



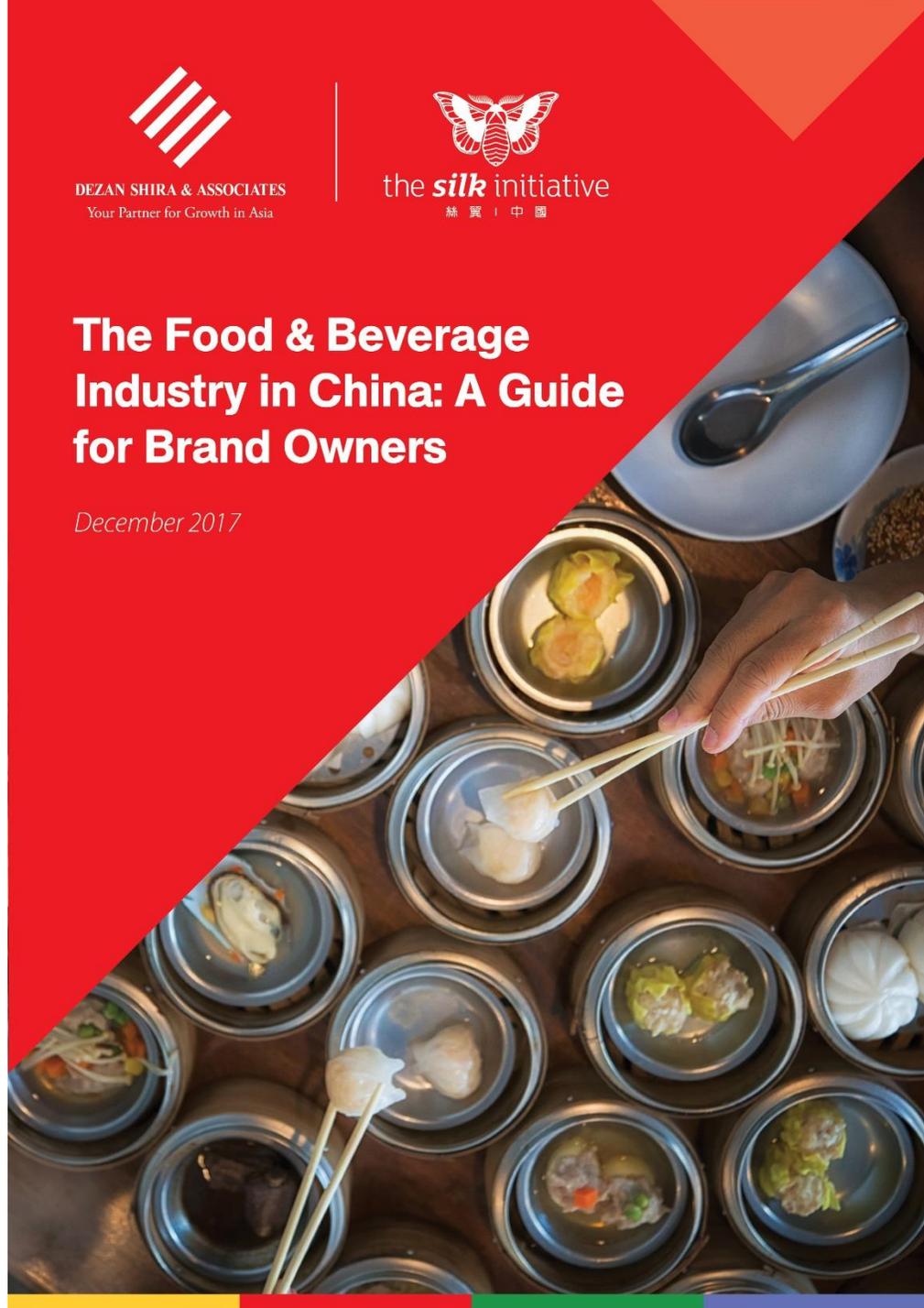
DEZAN SHIRA & ASSOCIATES  
Your Partner for Growth in Asia



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絲 | 翼 | 中 國

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

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