

PULSE OF CHINA REPORT

In this issue we focus on consumer and retail trends in China. We see ongoing evolution in the ecommerce market, with the relentless rise of live streaming selling as well as exploring some of the macro-trends shaping consumer preferences. We also look at how economic pressures are resulting in food safety concerns, as well as trends around preference for local. We'd love to hear if you have any feedback on the insights shared here today, do please get in contact.

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EVOLVING CHINESE CONSUMER AND THE NEW '4TH ERA'

A new report has been released (*How Pragmatism Shapes Catering Business in China*) looking at macro trends amongst Chinese consumers and divides Chinese consumer behaviour into 4 eras:

- **First Era (1979-1990)** the adoption of Western consumption patterns among the wealthy in coastal cities.
- **Second Era (1990-2008)** mass consumption and extravagance, with social identity tied to the goods consumed.
- **Third era (2008-to recently)** the shift from goods to services, focusing on personalization, diversification, and branding.
- **The fourth era, starting now** prioritises simple designs and rich human-interactive experiences over excessive brand premiums.

China is transitioning between the third and fourth consumer eras, marking a shift from emotional brand attachment, to experience-focused consumption. In food, consumers increasingly prioritize practicality, nutrition, and fun. **This trend can be divided into four sub-themes.**

EAT HEALTHY

- Young consumers are increasingly health-conscious, focusing on specific ingredients in food and beverages. To meet this demand, food brands are adopting healthier ingredients and innovative cooking techniques.
- For instance, Naixue Tea introduced a natural sugar substitute in November 2022, reducing sugar content in tea drinks and gaining popularity among a more health-conscious youth.



EAT COST EFFECTIVELY

- China faces economic challenges affecting residents' income. Affordable tea and coffee products are gaining popularity.
- Brands like Mixue Bingcheng and COTTI Coffee are rapidly expanding, offering promotions like 1 RMB coffee for new app users, reflecting a market focus on convenient, low-cost, and readily available food options.



EAT INTERACTIVELY

- In the fourth consumption era, Chinese consumers prioritize service and dining experiences. Meals with social attributes and enhanced dining experiences gain favour, as seen in places like Zibo Barbecue in Shandong Province.
- Unlike traditional restaurants, Zibo Barbecue allows customers to self-roast BBQ, emphasising experiential dining. This shift highlights a preference for immersive and interactive dining experiences over mere food products.



EAT TRADITIONALLY, BUT WITH A TWIST

- Kweichow Moutai, a renowned Chinese liquor brand, faces challenges in capturing the younger generation's interest.
- To adapt, they've collaborated on innovative products like "Baijiu Latte," a coffee infused with baijiu flavour, capturing attention with its unique blend. This strategic shift represents Moutai's response to evolving consumer trends, demonstrating their commitment to staying relevant and engaging with a younger audience.



DECLINE IN TRADITIONAL ECOMMERCE WITH ONGOING SHIFT TO SOCIAL SELLING AND LIVE STREAMING

- China's major online shopping festivals, like the "Double 11" (i.e., Singles day) and "6.18," (i.e., the anniversary of JD.com's founding) are viewed as strong indicators of consumer trends. However, last year's festivals saw leading e-commerce platforms, including Taobao and JD.com, declining to share their sales data, suggesting a weaker than expected performance.
- Despite this, 3rd party data highlighted a 22% market share increase for livestreaming e-commerce over the same period, with platforms like Pinduoduo and Douyin attracting customers from the traditional platforms. Live-selling shows no sign of slowing down - [approximately \\$500 billion USD in product sales were conducted on livestreaming platforms last year](#), up 8 fold from 2019.
- Ed tech companies have sidestepped the ban on remote English teaching by doing combined live stream selling and education sessions - New Oriental Dong [Yuhui taught viewers how to count steaks and seasonings in English](#) as part of a combined session
- To counter losing market share, Alibaba's Jack Ma has suggest refocusing on Taobao's cheaper C2C trading platform, acknowledging a shift in consumer behaviour to live streaming and cheaper platforms.

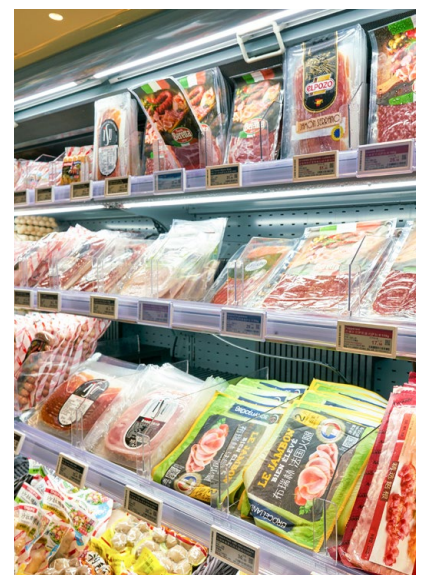


FOOD ADULTERATION SCANDALS INCREASES CHINESE CONSUMER CONCERNS ABOUT FOOD SAFETY

- Amid ongoing economic challenges, a concerning trend has resurfaced: the proliferation of "fake" mutton or imitation meat rolls.
- This problem involves food processors cutting costs by adding duck fat, flavourings, and water to 'hot pot' rolls. [A video blogger exposed a Beijing hot pot restaurant](#), Chaodao Hot Pot, where independent tests confirmed the presence of duck meat.
- Investigations traced the issue to a food processor in Harbin. While there's no mention of imported meat, regulatory probes may escalate consumer concerns, potentially dampening hot pot product demand, and placing greater emphasis on safety on all meat products.

INCREASING PREFERENCE FOR 'LOCAL' PRODUCTS AMONGST CHINESE CONSUMERS, FOOD AND BEVERAGES LESS IMPACTED FOR NOW

- [Sequoia Capital China](#), a leading player in China's venture investment sector, released the Chinese Consumer Brands Preference Report in April 2023, exploring the evolving dynamics between local and international brands in the Chinese market. The report, based on extensive research involving 1,600 consumers across various cities, highlighted significant shifts in consumer preferences.
- **It highlighted strong, growing preference for local products.** Since the 1980s, overseas brands enjoyed immense popularity in China. However, recent years have witnessed a shift, with consumers increasingly favouring local brands in most categories. This trend holds true regardless of age, and demographics.
- **Nevertheless, certain sectors, including food, continue to favour international brands.** Categories reliant on imported raw materials like wine, cheese, and chocolate remain dominated by overseas brands, as do high-tech items such as anti-aging skincare products, personal care items, and smart devices. Additionally, Chinese consumers still highly value long-standing luxury brands.
- **Increasingly international food importers will need to differentiate themselves** via unique value propositions and quality assurance, to convince Chinese consumers to choose their products over domestic alternatives. Establishing credibility, emphasising quality, and catering to specific Chinese consumer preferences will be crucial in an increasingly competitive market landscape.



COMPETITOR SPOTLIGHT

URUGUAYAN RUGBY TIE-IN WITH BEEF

- The Uruguayan National Rugby Team for the 2023 Rugby World Cup was supplied with meat by the National Meats Institute of Uruguay (INAC). Uruguay Beef [capitalised on this partnership](#) to emphasise its exceptional quality and nutritional advantages, highlighting its richness in iron, vitamin B, and high protein content.
- *When “Hot-blooded Football” meets “Domineering Tomahawk”, you will experience the ultimate enjoyment of power and deliciousness!*



BOARD BIA PROMOTING IRISH BEEF IN CHINA

- [Bord Bia organised an event in Guangzhou](#) to promote high-quality and sustainably produced Irish beef and mutton from Europe within the Chinese catering industry. Over 60 chefs and hotel staff attended the seminar, where European beef's transformation from raw to cooked was showcased using innovative techniques like single-person clear soup and small hot pot. The event aimed to enhance awareness of European meat products among Chinese catering professionals and consumers, addressing China's growing demand for high-quality meats.
- Chef Huang Shangfeng, renowned for his Michelin star, demonstrated various cuts of European Irish beef and prepared a special dish, highlighting the versatility of Irish beef. The event emphasised Ireland's capability to provide high-quality, sustainable beef, aiming to expand the presence of European Irish beef and lamb products in the Chinese market.



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