

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

The Snack Food Market in the Yangzi Delta Region

Canadian Consulate General

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Introduction

Shanghai is the largest commercial and financial center in China. In 1998, its GDP growth increased by 10 per cent despite the Asian Crisis downturn affecting all other countries. According to the China National Statistics Yearbook 1998, the per capita annual income of urban and rural households increased dramatically from 921.6RMB in 1993 to 2090.1RMB¹ in 1997. Some reports indicate that over 100 million people in China's coastal urban provinces (including Shanghai) have a purchasing power parity annual

income of US\$10,000 to US\$40,000. This number is expected to grow to 445-580 million people by the year 2005. As a result of improved living standards, people require more choices and have increased demands on selecting and purchasing food. According to the China National Statistic Yearbook in 1997, people were allocating 67% of their retail spending on food.

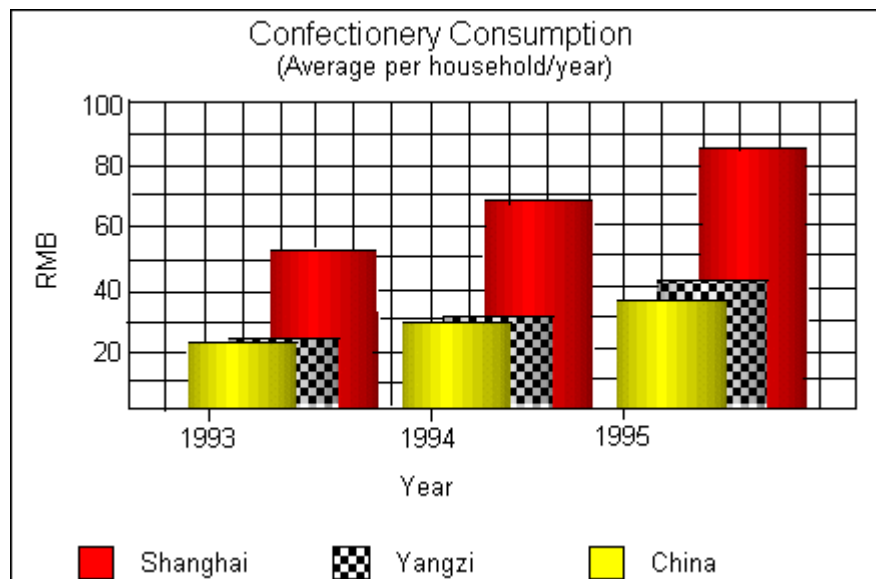
Snack foods, especially western snacks, have become more popular in big cities like Shanghai and Guangzhou. Seymour-Cooke Research International in Shanghai estimated the confectionery market to be approximately 50,000 tonnes in 1996. With 10% growth per annum, the confectionery market will increase to over 60,000 tonnes by the beginning of 1999 (including industrial sales). Sugar confectioneries accounted for over 97% of the total confectioneries consumed in China.

The following report discusses the overview, critical concerns, distribution and market opportunities of the snack food market in the Yangzi Delta Region.

Consumer Behavior

The Shanghainese are among the wealthiest people in China, earning 70% more than the average Chinese person. Most residents live in low-cost, subsidized housing and are subject to China's one child policy. Most families will have more disposable income to buy confectionery and luxury goods for themselves and their family members.

Most snack food and confectionery advertisements are targeted towards children or products will be beautifully packaged to attract customers. Advertisement focuses on different consumer markets such as the younger generations, women and elder people. Eastern snacks such as dried fruits, dried meats, seeds, nuts (with or without the shell), nuts with the pit, and fruits are popular in China. A lot of eastern snacks are purchased for consumption at social activities and festivals. For instance, during the Chinese Mid-Autumn Festival, mooncake snacks are purchased as presents and for personal consumption.



Source: 1997 China National Statistics Yearbook

Western snacks such as potato chips, gum, chocolates and candies, have become increasingly popular in Shanghai, especially for children, young adults and the Shanghai yuppies group (20-30 year olds), who consider "new taste" an important snack trait. Foreigners and tourists are also interested in purchasing Western snacks, which they recognized from their home countries. In 1997, 1.7 million foreigners visited Shanghai, up 15 per cent from 1996, with Japanese visitors accounting for nearly 46 per cent of the total, followed by American visitors representing almost 10 per cent. Most retailers stock products based on demand. Supermarkets targeted towards foreigners stock more Western style snacks, such as sour cream potato chips and corn chips versus dried cuttlefish or fruits for local consumers. Retailers targeting the local consumers tailor their products to suit local tastes. Shanghainese people prefer a less sweet taste in chocolate and candy and the use of different spices in flavoring chips.

Overview of Snack Food Sector

The Snack Food market in Shanghai is growing larger. Every day more Eastern and Western snack products are introduced or imported to Shanghai stimulating and intensifying competition amongst local, foreign and joint venture manufacturers and retailers. With the large variety of choices, consumers undoubtedly can afford to be choosy about what they buy. Snacks and candies not only need to be of good quality and taste, they also need to be attractively packaged. Advertisements are required to introduce and persuade local consumers to taste and purchase these products.

• Product and Competition Analysis

When you go to the supermarkets you will be confronted with a variety of types, brands and price ranges of confectionery products. The following is a general analysis of the different types of snacks. American products dominate the snack product market. According to one popular foreign supermarket manager, American products have already developed good brand images and established their long-term market commitment in China.

Candies

Candies in Shanghai supermarkets are no longer as sweet as they used to be. Most stores will sell different types of candies--hard, soft, fruit, milk, and gummy sour candies. They are in different packages, plastic or paper wrappers, gift boxed or wrapped in different shapes. They are from all over the world: Japan, Swiss, the USA, Canada, England, Holland and Taiwan amongst others. Chinese food companies in Shanghai and Guangdong also make and sell their candies in the local market. Candies are packaged in pouches of 5 grams for example Chinese Perfetti candies in plastic bags, to 400 grams of Hong Kong Garden's hard candies in a tin box. The price varies depending on the different package sizes and origin of countries. For the 100 and 175 gram packages, the price ranges between 3.5 and 17 RMB. The price for foreign products is more expensive than the Chinese products. For instance, Wang Zai (China) soft candy is cost 2.5RMB/ 70g pack, but the 80g of Cleary's candy (Canada) costs 19.5 RMB. Table 1 shows popular candy brands and prices.

Table 1: Examples of Popular Candy Brands and Products

Product Name	Package Size (in grams)	Price (RMB)
Swiss Ricola	25	13.3
Halls	32	7.2
Holland Fruit tella	37	1.9
Krispy Kernels	50	12.2
Wang Zai (China) soft candy	70	2.5
Cleary's candy (Canada)	80	19.5
Japanese UHA	120	17
Canadian Kerr's hard candy	175	17
Hong Kong Garden hard candy	400	22

Cookies

Cookies, biscuits and crackers are very popular. Western style snacks (chocolate chips and cream crackers) and Eastern style snacks (soy sauce biscuits, sesame and salted crackers) are commonly sold in local Shanghai supermarkets. There are brands from Singapore, Hong Kong, the USA, Canada, Belgium, Italy and Japan, plus many other countries. The most successful brands are from the United States that invest a substantial amount of funding for advertisement, promotion and joint venture production. Cookie packages are generally from 100 gram to 750 gram and cost from 2.2 RMB (Hong Kong Garden) to 128 RMB (Italy). Products are packaged in assorted sizes, tins, shapes and materials depending on the target consumers, season or sale promotion. Some successful locally produced brands are included in Table 2. Chinese brand crackers and cookies are generally attractively packaged and reasonably priced. Most local customers still prefer these over foreign imports.

Table 2: Examples of Popular Cookie Brands and Products

Product Name	Package Size (in grams)	Price (RMB)
<i>Chinese Glicco</i>	100	2.5
<i>Pacific Crackers</i>	100	2.2
<i>Hong Kong's Garden</i>	225	9.5
<i>Kjeldsens</i>	300	85
<i>Canadian Dare</i>	350	26
<i>Canadian Cleary's</i>	400	34.8
<i>Oreo-Nabisco</i>	450	16.1

Chocolate

There are a large variety of chocolate products in Shanghai. They are packed in different kinds of packages and customers can choose chocolates from almost any country in the world. The most sought after chocolates are from Belgium, Germany, USA, Australia, Holland, Italy and Japan. There are small quantities of chocolates made from local and joint venture operations in Shanghai, Guangzhou and Beijing, the most famous of which includes Dove chocolates. Chocolates are sold individually or packed in gift boxes, bright and attractive wraps, or small boxes. Prices range from a bar of 35g (Kit Kat) for 3 RMB to 1kg container (Italy Elah) for 77 RMB. Other brands are included in Table 3. Chinese brands tend to be less expensive. For example, while a Belgium Diamond chocolate gift box of 300 gram may cost 151.5 RMB and 84.6 RMB for Ferrero Rocher it only costs 39.9 RMB for Shenfu Chocolate (Chinese brand). Many Chinese chocolates are also of good quality and packaged in attractive packages. Many local people purchase them for gifts during festivities and celebration.

Table 3: Examples of Popular Chocolate Brands and Products

Product Name	Package Size (in grams)	Price (RMB)
<i>Cadbury chocolate bar</i>	90	9.9
<i>Italy Zain' Chocolate bar</i>	90	7.5
<i>Pepsi Co. Chocolate Bar</i>	90	2.8
<i>Drosite Holland</i>	100	16
<i>Germany Ritter Sport</i>	100	13.7
<i>Dove in gift box from USA</i>	140	44.9
<i>M & M</i>	200	18
<i>Lindtt</i>	225	96.1
<i>Dove in gift box from USA</i>	280	86.7
<i>Ferrero Rocher gift box</i>	300	84.6
<i>Chinese Shenfu chocolate gift box</i>	300	29.9
<i>Hershey's Kiss</i>	340	39.8

Chips

According to a number of local successful supermarket managers, potato chips, cheese balls, apple chips, prawn chips, pretzels, multigrain snacks and corn chips are the most popular snack items in their stores, especially stores that are mostly frequented by foreigners. These products are mainly imported from the USA, Belgium, Japan, Singapore, Hong Kong and New Zealand.

Chinese food manufacturers have been able to master chip production skills and developed Chinese flavoured chip products successfully. International companies like Pepsi have expanded from their main industry of producing beverages to producing snacks locally. These strategies have been effective and successful for Pepsi, who produces Doritos and Lays Chips. Both brands have become the popular chip items in retail stores. Yuan Yuan is a brand that is made in Beijing but it is licensed by a Singapore company. Similarly, Oishi that is joint-venture between China and the Philippines has reaped great rewards from their locally produced chips. Chip packaging sizes range between 50g (Cadina Chips from a Beijing joint venture) and 454 g (Krispy Kernels). Prices range from 4.9 RMB to 51.7 RMB. Other successful and

popular products are shown in Table 4.

Table 4: Examples of Popular Chip Brands and Products

Product Name	Package Size (in grams)	Price (RMB)
<i>Chinese Brilliant</i>	30	3.1
<i>Poco Loco Tortilla corn chips</i>	75	15
<i>Hong Kong prawn crackers</i>	120	12.1
<i>USA Eastcon</i>	158	15.6
<i>Nabisco Planters cheeze ball</i>	184	26.4
<i>Pringles</i>	190	13.9
<i>Glico roasted corn stick</i>	194	19.5
<i>Poco Loco Tortilla corn chips</i>	200	25
<i>Pretzel from the USA</i>	226.8	19.8

Pastries

Pastries and western style cakes have become common and are very popular in China. The demand for glazed puffs, mini rice cakes, pop tarts, cereal bars, coconut-fried rolls and cracker sticks are increasing in Shanghai. Table 5 shows an array of products that are sold in the local retail supermarkets such as Park N' Shop and Friendship stores. Packages are generally small versus large, 50 grams for individual consumption and 416 g as gift boxes. Prices are higher for imported products and cheaper for locally made pastries. For example, 50 g of Want & Want rice puff costs 3.3 RMB and 416g of Kellogg's pop tarts costs 32.8 RMB. During the mid-Autumn festival, the mooncake is the traditional and popular gift. Both local and foreign retailers will stock many varieties of the Chinese snack in their stores. The price range for mooncakes at regular stores ranges from 68 RMB for 450g to 228 RMB for 818g.

Table 5: Examples of Popular Pastries Brands and Products

Product Name	Package Size (in grams)	Price (RMB)
<i>Guai Guai rice puff from Tianjin</i>	50	2.5
<i>Want & Want rice snack from Hangzhou</i>	85	5.5
<i>USA Hain corn cakes</i>	127	30.8
<i>Vicenize glazed puff pastries from Italy</i>	200	27.3
<i>Canada Quaker chewing bar</i>	210	45.6
<i>Canada Leclerc cereal bar</i>	300	26.7
<i>Canada Kellogg's pop tarts</i>	416	32.8

Nuts

In the past couple of years, the demand for healthy products like nuts and pitted fruits has risen dramatically. In City Supermarket, sales for nut snacks (includes almonds, peanuts, seeds, pistachios and green beans) have doubled each year. Most of the products are imported from the USA and many products are packed in plastic bags or cans between 99g (7 RMB) and 454g (51.7 RMB). Locally produced nut snacks cost less than foreign products, ranging from 44.9 RMB for 191.4g of Blue Mountain almonds while almonds of 150 g made in Guangdong and licensed by an American company cost 17.6 RMB. Prices for other products and brands are included in Table 6.

Table 6: Examples of Popular Nuts Brands and Products

Product Name	Package Size (in grams)	Price (RMB)
<i>Act II from the USA</i>	99	7
<i>Maofa from the USA and Chinese joint venture</i>	138	11.9
<i>Planters</i>	184	42.7
<i>Blue Mountain from the USA (in bottle)</i>	191.4	44.9
<i>Krispy Kernels</i>	454	51.7

Others

Gum, jelly, marshmallows, popcorn, dried fruits, dried meats and frozen snacks are very popular in the Yangzi Delta area. For chewing gum, Wriglees from the USA (1.9 RMB/ 15g), Smint from Spain (16.5 RMB/8g), Play from Shanghai (2.9 RMB/30g) and Extra (2.2 RMB/ 13.5 g) are popular brands in Shanghai. Jello puddings are imported from Japan, Malaysia or manufactured by local ventures. The price is approximately 14.3 RMB for 340g and 11.7 RMB for 480g while Rocky Mountain marshmallow from the USA or imported from Hong Kong cost 21.1RMB for 300g.

Most Chinese people prefer consuming sweet popcorn and microwave popcorn has become a familiar and enjoyable snack for local people. Orville Redenbaker's popcorn, for example, costs 28.2 RMB for 289 g while popcorn that is made by a local Shanghai company costs 3.5 RMB for 210g.

Other healthier snacks that are increasingly becoming popular to women and elderly are dried fruits, plums and dates, dried meats and seaweed. Most of the best selling products are made in China, Shanghai, Hong Kong or Taiwan. Products cost from 3.8 RMB for 80 gram to 22 RMB for 400g, with foreign products costing more than locally produced products.

Dried meat snacks in packages of 80 to 180 g cost from 7.9 to 11.9 RMB. Most of the products are from the Guangdong area and Japan. The price for imported products is more expensive, around 5.1 RMB for 24g. Recently a new dried meat product of ostrich meat and ham has been introduced and is now selling in local supermarkets. It is made in Shandong, costing 19.9 RMB for 200g pack.

Seaweed products have only recently become fast selling snacks in the local market. It is considered a healthy snack item that is very popular. They cost from 2.45 RMB for 4.5g to 12.9 RMB for 30g. It is mainly produced and imported from Japan.

Ice cream and frozen snacks are popular during the hot summers in China. Nestle, Unilever-Walls and Haagen-Dazs are some of the popular western brands. Many Chinese ice cream and food brands are introduced to the local market and have attracted many local customers.

Critical Concerns

- **Price**

According to a survey conducted on twenty-one supermarkets, store managers responded that local customers in Shanghai use price as the main determining factor to purchase an imported or local snack. Customers will compare products and their prices, choosing lower cost for similar products. Foreign customers also compare the price of the brand with its price in their home countries, and consider if it is worthwhile to purchase the products.

Foreign snacks are more expensive than snacks made within the Yangzi Delta region. Some foreign companies intentionally set a higher price on their products to establish an "expensive and superior image" to local customers. It is part of their marketing strategy. When the product's image is established the high price is reduced to generate sales and compete for market share.

- **Brand**

Wealthy and young people are becoming acutely brand- conscious. When asked for managers input for the

unknown foreign products, they advised that companies must support their products by having more advertising, local promotion and consumer education. Enclosing small toys and prizes in the snack packages will attract the attention of young children.

Brand is a very important factor when selling snacks. Customers will look for famous and familiar brands. In some cases, the brand does not need to be popular in snack products. For instance, Pepsi is a very successful soft-drink brand. However, people will also have confidence to try its snack products, e.g. Lays and Doritos. Many customers believe that quality is highly related to brand, therefore they will look for familiar brands.

- **Flavour**

The Shanghainese people, especially the younger generations are more concerned about the health and nutritional content of food, therefore, more fat-free and low fat products have been introduced to attract this group of customers. According to managers, there is great potential for these products. Extensive marketing and taste research should be conducted before introducing any product with an unfamiliar flavour. Many foreign manufactures have to make small concessions to local taste. For example, Cadbury chocolates sold in China are less sweet than their overseas counterparts, as is Unilever-Walls ice cream. Some supermarkets and retailers are targeted to foreigners and visitors, like "The Market" in the Shanghai Centre. They will bring in more western flavour products, such as North American flavoured corn and potato chips and European chocolates.

- **Packaging and Promotion**

Promotion is considered as a very important factor to sell products in China. TV advertising, in-store display boards and shelves, samples and coupons are very common ways to promote products. For some brands less promotion is needed according to some supermarket managers because some imported product brands are very popular in foreign countries and have already established a brand image in the local market.

Packaging is very important, especially for new products. In the past, Chinese products had poor packaging. However, most Chinese products today have better packaging. For instance, Shen Feng is a Shanghai brand and its dark chocolate has a very stylish and attractive packaging. In order to compete, producers need to increase the attractiveness of their products.

The size of food packages also needs to be locally tailored. Most Chinese people prefer small and individual packaged snacks. For example, 30 grams is more suitable versus the 60 grams preferred in North America. Gift packages on the other hand are very popular during the holiday seasons, especially during Chinese New Year and the Western Christmas holiday.

- **Labelling**

All imported food products including snack products are required to have Chinese labeling in order to sell in China. Companies that trial test in the market can also use small Chinese sticker labels instead of investing in new packaging. If the order is small, supermarket or retail units need to make the Chinese labels. The sample label needs to be registered and approved by the government. For some international brands or products that are imported through an agency, Chinese labels have already been made by them. For some retailers and supermarkets that target foreigners and visitors, they will attach English stickers on the shelves to identify the packaging weight, price and product names. The following information should be included on the Chinese labels: Product name, Ingredients, Storage method, Manufacturers and/ or Import agency names, Manufacturer addresses in China, Origin of Country and Expiry date.

- **Tariff**

The tariff (including value-added tax) for imported snack products is around 23 to 35 per cent, for confectionery products tariff can be as high as 50 per cent. According to "The People's Republic of China Import and Export Trading Management Policy 1999", the tariff rate (including custom and value-added tax) of coco bean and coco products is ranged from 28.7 to 57.95%. And for pastries, cookies and cakes products, the tariff rate is 46.25%. One retail manager mentioned some import agencies would have used grey channels to import their products and reduce the high tariff costs. For instance, they will register fewer quantities of products to avoid tariff charges.

Retail Outlets

Snack foods can be purchased from a variety of venues. Most locations stock Western snacks. The following are some of these locations.

- **Supermarkets**

There are over 1000 supermarkets in 1998 in Shanghai and the number increases each day. Eighty percent of managers, surveyed, reported snack foods were among one of their most profitable products in the stores. Some managers mentioned that snack is one of their most popular and profitable item in the stores. It generates one-tenth of their total profit. To local consumers, supermarkets offer a good selection of foreign and local snacks and low prices. Western-style supermarkets and hypermarkets are new to China, and are developing rapidly. These markets provide a good entry point for western snack products as they are geared towards the hip and more affluent Chinese customers as well as foreign residents.

- **Convenience Store**

Convenience stores resemble the Canadian 7-Eleven counterparts. They offer a wide variety of popular snacks and products and allowing customers to pick up products off the shelf. They are well lit and neatly organised into sections, and often provide 24-hour services. Local market and convenience stores are the most prominent retail outlet for bottled water, but this is expected to change as the younger generations in China have begun to shop almost exclusively at the new western style supermarkets and hypermarkets.

- **State-run Food Shops**

Before supermarkets started emerging in Shanghai, state-run food shops, such as the First Food Provision Company and the Friendship Store, dominated the retail sector. There are still many of these shops in Shanghai, especially in areas where supermarkets have not yet made inroads. In these stores, products are stocked into various sections behind counters staffed by service people who retrieve products from shelves at the customer's request. Friendship Store carries many imported brands and snack products. They are still the very important retail venue for foreign visitor and upscale customers.

- **Mom & Pop Stores**

Mom and Pop stores are smaller retail outlets, which are pervasive throughout the city and suburbs, located on small and large streets of schools, colleges, restaurants, and residential apartments and compounds where a dense population of people live. These stores keep longer hours than supermarkets and although snack selection is limited the stores are visible and easily accessible.

Other retail outlets include speciality snack shops that offer a selection of eastern snacks like dried fruits, seeds and similar products. Also, snacks are sold in a variety of entertainment locations like movie theatres, bars, Karaoke and recreation centres.

Distribution

Most of managers said that it is very challenging and risky to import food from foreign countries. The main reason is that they will have to pay the suppliers or agencies in advance for the products and are responsible to store and keep the food properly during the shipping time. Perishable products and expiry dates are also concerns. Managers found that snack foods are one of their most important sales items, however the profit margin is minimal because the import cost is too high. It is more common for foreign brands to enter the Chinese market through joint ventures and licensing to a Chinese manufacturer to produce their products in China. There are several ways that Canadian products enter Shanghai's confectionery retailing stores. The following is a general structure.

- **Import/ Export Company**

These companies have an import license to import products from overseas. Import licenses are issued by

the local government foreign economic relations and trade commission. Products are imported directly from overseas or commonly via Hong Kong and Guangzhou where there are numerous trading companies specialising in foods. If any import tariff is paid, the importer will pay for it on behalf of the distributors and/or retailers. Import companies look after the documentation and labelling requirements. Products are transported to Shanghai by truck, train or ship and sold to distributors/wholesalers or local agents.

Some retailers and supermarket chains, which have import licences, will contact the foreign suppliers and import the products themselves. More common, these companies will also hire agencies and distributors to bring in western products. Some retail will go to foreign countries and select products and ask their designed agencies to bring the product in.

- **Distributors/ Wholesalers/ Agents**

Most wholesalers do not have their own import licence, so they entrust a local import/export company the job of importing goods from overseas. Distributors who own their own import license import goods from overseas themselves. Most successful distributors have established local contacts and market intelligence. Once imported goods are in the country, wholesalers distribute the products to the retail outlets. Sometimes, a given product can have many wholesalers or a few.

Retail outlets can be supermarkets, buyers who have kiosks at the local wet markets, high-end restaurants or hotels. Some retailers, like Japan's Yaohan and China's Orient Shopping Centre, have their own import licenses but they do not use them very often to import products directly from overseas. Yaohan's management justified that it is cheaper to supply their products through distributors because these distributors deal in larger volumes than Yaohan is able to handle. In comparison, if Yaohan was to import goods directly from abroad, it would only be a small quantity, which is enough to meet the needs of their own chain stores. So, in terms of cost, it is not economical for Yaohan to import the products themselves.

Also, supermarkets like Japan's Yaohan, Shanghai's Hualian and Lianhua and Hong Kong's Park N' Shop offer a large network of stores in Shanghai, so foreign snack manufacturers are assured the advantage of reliable and established distribution channels. The unique characteristic about distributors or wholesalers is they can also market imported products with the assistance of retail outlets and financial support of the foreign company.

For more detailed information on distribution, please refer to our 'Food Distribution Systems in the Yangzi Delta Region' detailed report, available through the Canadian Consulate General, Shanghai.

Buyers & Warehouses

Buyers determine what products a supermarket will put on the shelves. Larger chain supermarkets such as Yaohan have their own local buyers who choose products on the basis of appeal and cost. Smaller supermarkets rely on their distributor's buyer. Managers interviewed say that different distributors often charge different prices, indicating there are no fixed pricing standards for products.

Larger supermarket chains have their own warehouses where their distributors keep their products in storage. Products are shipped to the supermarket by truck, bicycle for smaller operations, especially during crowded traffic conditions.

Marketing Supports

Advertising, promotion and marketing support are very important to the success of a new product in the local Chinese market. Distributors and retailers are always ready to assist but exporters need to invest financial resources and promotional materials to advertise their products. Many local Chinese people today are extremely influenced by the advertisements and commercials they watch on television and see around them, particularly on billboards, and banners in the stores. Given the current economic boom and willingness by local Chinese consumers to try new products, exporters can be very successful if they invest time and money to inform, persuade and convince local Chinese consumers regarding the quality of their products.

In-store product sampling and promotions are valuable marketing tools in China. Supermarket managers welcome foreign companies' in-store promotions for a nominal fee. Companies are allowed to promote

their products as they desire in the store, such as through the use of 'promotion girls' who hand out company brochures and advertisements or offer product samples to local consumers. Japan's Yaohan, for example, often offer cooking promotions and give away company recipe cards to help Shanghainese customers learn to prepare unfamiliar imported products.

Suppliers need to pay listing or shelf fees to the retailers. The cost of these fees depends on the number of items and the location of the shelf space. Retailers and supermarkets usually provide marketing supports for new products, however suppliers need to provide the financial supports.

Distribution Challenges

There is no seasonal factor for importing snacks as supermarkets are usually able to get their products all year round. However, there is always a challenge for shipping and storing products in the hot seasons. For chocolate and sweet products, companies may need to use air-conditioned containers or ship by air. The dry container can get as hot as 50 degree Celsius during 30 degree Celsius summer day. The importation cost will increase and some companies will try to forecast sales and order more products in advance to avoid the problems.

Most of the products are delivered by ship because this method is less expensive. Retailers work closely with their distributors and wholesalers in order to bring in the products at the right time.

Distribution is considered the biggest barrier that confectionery companies face. Most local suppliers, distributors and transporters lack equipment to protect the goods. They do not have efficient and effective monitoring systems to track shipments between suppliers and retailers. Often goods are left under uncertain conditions before they are placed in proper storage facilities.

To minimise distribution problems supermarkets like Japan's Yaohan work through a few large suppliers as opposed to an array of small suppliers. On the other hand, companies like America's Conagra Refrigerated Foods International, minimise distribution headaches by selling their products through thousands of individually operated wholesalers--most of whom distribute the goods to wet markets. These processes seem to work most successfully for these two companies. For others, the effect may not be the same. Distribution processes work on a company by company basis. No uniform process has been discovered to work for every company.

Market Opportunities

Snacks are not regarded as staple foods and therefore, people are often not willing to spend a lot for them. However, customers are more interested and willing to try new products for this reason. Some analysts have suggested that the snack market is to some degree 'saturated'. This means that any new entry companies producing potato chips, dried fruits and chocolates, especially if the brand name is unknown, will find the process expensive and quite difficult. Nevertheless, a properly packaged and marketed product with a reasonable price range which appeals to the consumers' whims and changing needs can be successful.

With economic development and better living standards, Shanghainese consumers are more conscious of healthy snacks so they look for more nutritious varieties. As a result, many companies have taken advantage of the revised labeling laws to advertise the nutritional value of their food products. For beauty conscious young women, calorie content has also become a rising concern. Marketing snack foods that addresses this concern is an area, which can be explored in this market. Innovative companies could use this opportunity to make major market inroads. In general, managers are very interested in and flexible to try new products. According to managers, the best approach for bringing in a new snack product is promotion.

Conclusion

Fat free or healthy products are in demand by customers. In order to be successful in entering the China snack market, setting target markets and looking for a good distributor is crucial. This will help suppliers to set an appropriate price and to find suitable distribution places. Flavour is very important for customers. Suppliers can provide samples for consumers, and can also give suggestions to retailers and wholesales on how to promote the new products. Packaging should not be ignored in order to attract attention and sales.

'Western' style snacks are capturing market shares from traditional 'eastern' style snacks. To optimize success in the Shanghai market, Canadian snack food manufacturers need to conduct thorough research of local market conditions, local taste preferences and trends and connect with key contact people and agents to deal with the importation, promotion, marketing, and distribution of their products.

Importantly, in order to successfully penetrate the Shanghai market, Canadian companies need to be creative and persistent in their pursuit to build a profitable business, which caters to local tastes, price and packaging preferences and labelling requirements.

Follow Up

The Canadian Consulate General's Agriculture and Agri-Food Office maintains ongoing relationships with local importers, wholesalers, agents and outlets. The office also organises and participates in numerous promotional activities aimed at generating business for Canadian firms in this sector. Firms interested in taking advantage of these relationships and activities in their efforts to do business in this market would be well advised to stay in touch with us, as follows:

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