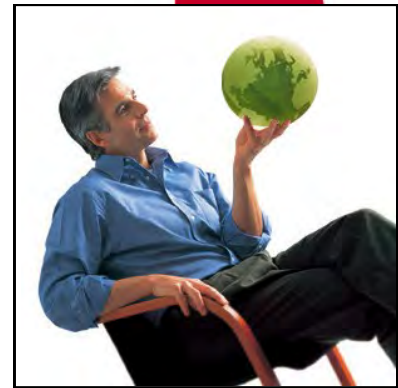




**International
Markets
Bureau**

MARKET INDICATOR REPORT | MARCH 2012

Consumer Trends Confectionery in China





▶ **EXECUTIVE SUMMARY**

In 2010, China was the world's second-largest economy with a gross domestic product (GDP) of US\$5.8 trillion. The same year, China was the second-biggest confectionery market in Asia, with US\$9.5 billion in sales, following Japan with US\$10 billion in sales. However, the most recent estimates reveal that, as of October 2011, China is the most important market in Asia, with US\$10.4 billion in sales, surpassing Japan, which has sales of US\$9.8 billion.

In 2010, China's confectionery sales value increased by 8.8%, due mainly to the rising purchasing power of consumers, and the increasing use of confectionery as snacks and to mark special occasions.

From June 2010 to June 2011, 302 of the 484 confectionery products launched on the Chinese market were completely new, making it the third-most popular market for new products in Pacific Asia. Australia had the largest market for overall confectionery product launches with 490, followed by India with 448.

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▶ **CONSUMER TRENDS**

Traditionally, confectionery products are offered as gifts for special occasions such as New Year's day, weddings and birthdays. However, foreign influence, along with higher purchasing power, have contributed to a growing trend of snacking between meals.

Chinese consumers tend to be wary of the nutritional content of confectionery products. Candy is generally perceived as having too much sugar for regular consumption and Chinese consumers prefer packages that are smaller than the Western standard.

Dark chocolate was the preferred type of chocolate in 2011, due to its apparent health benefits. Manufacturers promote its lower fat content as compared to milk and white chocolate, and its ability to increase antioxidants in the blood. Chocolate is also being promoted as a good way to relax from a stressful day at work and as a way to treat oneself. In the gum sector, the most visible trends were functional, herbal and sugar-free gums. Xylitol was also a popular ingredient, as it is known for its dental and health benefits.

Increasing disposable income has led to a demand for premium products. Foreign products, such as foreign chocolate brands, are perceived as having a better taste and being of higher quality. Imported concept flavours, such as mocha and cappuccino or milky fruit flavours, are marketed as luxury items.



▶ RETAIL TRENDS



- ▶ International brands dominated the Chinese chocolate confectionery and gum sectors in 2010, due to their large investments in marketing campaigns and new product developments. Local companies tend to sell their products through retail outlets in lower-tier cities or rural areas.
- ▶ To meet the preferences of Chinese consumers, international players will need to localize flavours a little more. Local companies are increasingly competitive in the chocolate confectionery sector and they understand the importance of incorporating local preferences into standard chocolate.
- ▶ Countlines (products sold to retailers in packages of multiple wrapped items, which are then sold individually to consumers), are increasingly popular in China. Manufacturers are likely to invest in this product category as packaging costs are lower, and more flexibility in terms of taste is allowed.
- ▶ Domestic players dominated the sugar confectionery market. International companies were particularly present in the high-end market while domestic brands, which are more affordable, remained popular in rural areas. The growth in sugar confectionery was largely supported by increasing disposable income amongst Chinese consumers from low-tier cities and rural areas.
- ▶ Convenience stores and Internet retailing are expected to gain market share due to their greater expansion compared to other retail channels. Supermarkets/hypermarkets saw their share increase slightly, while sales through small grocer retailers and independent small grocers diminished.
- ▶ Many manufacturers from other industries, such as pharmaceutical or beverage producers, entered or are planning to enter the medicated confectionery market. Growing health concerns among Chinese consumers and the strength of Chinese medicine contribute to this market's high potential.

Confectionery Sales in China (US\$ Millions)

Categories	2006	2007	2008	2009	2010
Chocolate	903.2	1,006.8	1,115.0	1,221.7	1,370.7
Gum	1,655.0	1,827.1	1,963.5	2,074.3	2,270.6
Sugar Confectionery	4,672.5	4,964.9	5,213.0	5,426.9	5,847.3
Total Confectionery	7,230.8	7,798.8	8,291.5	8,722.9	9,488.7

Source: Euromonitor, 2011.



Source: Shutterstock.



Source: Shutterstock.



Sales of Chocolate in China by Sub-Sector—Retail Value in US\$ Millions

Sub-Sector	2005	2006	2007	2008	2009	2010
Chocolate	810.4	903.2	1,006.8	1,115.0	1,221.7	1,370.8
Bagged Selflines/Softlines	114.6	126.6	139.3	153.9	165.6	183.0
Boxed Assortments	282.5	323.0	366.2	405.9	443.7	505.6
Standard Boxed Assortments	253.3	288.8	327.3	362.9	397.4	454.0
Twist Wrapped Miniatures	29.2	34.2	38.8	43.1	46.3	51.6
Countlines	90.0	108.1	129.4	151.1	180.8	212.6
Tablets	323.3	345.5	372.0	404.1	431.8	469.6

- ▶ Mars, Inc. was the leading company in the chocolate sector in 2010, with a 41.3% market share. Mars, Inc.'s leading brand was Dove, with 36.5% of the market's brand shares.

Sales of Gum in China by Sub-Sector—Retail Value in US\$ Millions

Sub-Sector	2005	2006	2007	2008	2009	2010
Gum	1,452.9	1,655.0	1,827.1	1,963.5	2,074.3	2,270.6
Bubble Gum	246.6	253.1	258.6	263.6	266.7	277.9
Chewing Gum	1,206.3	1,401.9	1,568.4	1,700.0	1,807.6	1,992.7
Functional Gum	546.0	709.5	854.1	964.9	1,053.0	1,191.4
Sugar-Free Gum	45.2	49.9	54.3	58.6	62.8	69.6
Sugarised Gum	615.0	642.5	660.1	676.5	691.9	731.7

- ▶ Wrigley Confectionery (China) Ltd. was the largest gum manufacturer in China, constituting 38.9% of the market in 2010. Wrigley's main brands (Extra, Doublemint and Juicy Fruit) were the top three brands of the market with brand shares of 14.6%, 13.0% and 5.2% respectively.

Sales of Sugar Confectionery in China by Sub-Sector—Retail Value in US\$ Millions

Sub-Sector	2005	2006	2007	2008	2009	2010
Sugar Confectionery	4,402.0	4,672.6	4,964.9	5,213.1	5,426.9	5,847.4
Boiled Sweets	1,760.1	1,813.2	1,876.4	1,941.7	1,994.3	2,115.7
Lollipops	177.6	185.5	192.7	204.7	218.3	239.5
Medicated Confectionery	72.9	79.9	87.0	95.0	104.0	114.2
Mints	13.2	14.5	15.7	17.0	18.0	19.5
Standard Mints	13.2	14.5	15.7	17.0	18.0	19.5
Pastilles, Gums, Jellies and Chews	558.9	609.6	673.0	756.7	810.9	902.0
Toffees, Caramels and Nougat	1,819.3	1,970.0	2,120.1	2,197.9	2,281.4	2,456.5

- ▶ In 2010, Dongguan Hsu-Fu-Chi Food Co. Ltd. was the leader in sugar confectionery, accounting for 6.8% of the market, followed by Perfetti Van Melle Confectionery (China) Co. Ltd. with 5.0%.

Source for all: Euromonitor, 2011.

Note: Data converted as per Euromonitor fixed exchange rate of US\$1.00 = 6.973 ¥.

► FORECAST SALES



Forecast Sales of Chocolate in China by Sub-sector: % Constant Value Growth

Sub-sector	2011-16 CAGR*
Chocolate	6.3
Bagged Selflines/Softlines	5.7
Boxed Assortments	7.2
Standard Boxed Assortments	7.5
Twist Wrapped Miniatures	5.1
Countlines	9.2
Tablets	4.0

- Chocolate is expected to be the fastest-growing confectionery sector between 2011 and 2016. Countlines, with a compound annual growth rate (CAGR) of 9.2% from 2011-2016, will be the fastest-growing sub-sector in the chocolate category. This is due mainly to their availability in a wide variety of flavours and the fact that new products are continually being launched.

Forecast Sales of Gum in China by Sub-sector: % Constant Value Growth

Sub-sector	2011-16 CAGR*
Gum	4.3
Bubble Gum	-0.4
Chewing Gum	4.8
Functional Gum	6.8
Sugar-Free Gum	4.5
Sugarised Gum	1.0

- Growth in the gum sector will slow, but will remain positive, due mainly to the expected poor performance of bubble gum and sugarised gum. Functional and sugar-free gums are forecast to be the most promising sub-sectors between 2011 and 2016, as they respond to Chinese consumers' health concerns by providing health-related benefits.

Forecast Sales of Sugar Confectionery in China by Sub-sector: % Constant Value Growth

Sub-sector	2011-16 CAGR*
Sugar Confectionery	3.0
Boiled Sweets	1.5
Lollipops	4.6
Medicated Confectionery	7.6
Mints	3.7
Standard Mints	3.7
Pastilles, Gums, Jellies and Chews	5.8
Toffees, Caramels and Nougat	2.7
Other Sugar Confectionery	-

- Sales of sugar confectionery are expected to increase moderately between 2011 and 2016. However, chocolate confectionery and baked goods are strong competitive sectors that will affect sugar confectionery's prospective growth.

Source for all: Euromonitor, 2011.
*CAGR = compound annual growth rate.



Confectionery Company Shares 2009 to 2010
– (US\$ Millions and %) Retail Value Retail Sale Price (RSP)

Company	2009 (US\$ Millions)	2009 (%)	2010 (US\$ Millions)	2010 (%)
Mars Inc.	1,412.9	16.2	1,565.5	16.5
BVI Hsu-Fu-Chi Holdings Ltd.	371.2	4.3	412.1	4.3
Perfetti Van Melle Group	364.8	4.2	394.6	4.2
Want Want Group	185.4	2.1	198.4	2.1
Fujian Yake Food Co. Ltd.	158.2	1.8	181.1	1.9
Nestlé SA	143.2	1.6	166.5	1.8
Shanghai Golden Monkey Food Co.	141.0	1.6	147.3	1.6
Kraft Foods Inc.	15.4	0.2	133.1	1.4
Lotte Group	123.5	1.4	128.0	1.3
Ferrero Group	107.0	1.2	127.2	1.3
China National Cereals, Oils & Foodstuffs Import & Export Corp. (COFCO)	112.9	1.3	117.3	1.2
Orion Group	93.6	1.1	113.5	1.2
Bright Food (Group) Co. Ltd.	63.9	0.7	69.5	0.7
Shanghai WoWo Group Co. Ltd.	47.9	0.5	49.4	0.5
Fujian JJW Foodstuff Co. Ltd.	44.2	0.5	49.0	0.5
Beijing Jingyuan Madajie Food Co. Ltd.	47.1	0.5	48.0	0.5
Mikakuto Co. Ltd.	38.6	0.4	44.0	0.5
Shanghai Taishang Food Co. Ltd.	34.6	0.4	34.0	0.4
Others	5,217.5	60.0	5,510.2	58.0

Source: Euromonitor, 2011.

- Mars Inc. (China) was the leading company in the confectionery sector, particularly because of its intense investments in advertising and product development. The company was able to target the needs of Chinese consumers with its marketing of a line of dark chocolate, which is considered healthier than other chocolates. The line is sold in convenient plastic boxes, appealing to working professionals.
- International chocolate brands, despite their higher-priced products, appear to be an attractive option to Chinese consumers as they tend to be associated with premium quality and better taste.



▶ NEW PRODUCTS AND TOP FEATURES

- Top Sub-Categories**
1. Pastilles, Gums, Jellies and Chews
 2. Other Sugar Confectionery
 3. Boiled Sweets
 4. Toffees, Caramels & Nougat
 5. Individually Wrapped Chocolate Pieces

- ▶ The most popular sub-category for new products launched on the Chinese market between October 2010 and October 2011 was “Pastilles, Gums, Jellies and Chews,” with 64 new products out of a total 302. Of these 64 new products, 12 had a “no additives/preservatives” claim and 7 were claiming to be halal. The preferred flavours for this sub-category were fruit, strawberry and milk.
- ▶ Many new products fell into the “Other Sugar Confectionery” sub-category, which includes products such as sweet liquid concentrates sold as candies, halva products usually made from ground sesame seeds (tahini) and honey, and fruit roll-ups, where the main ingredient is sugar. Principal claims were “children (5-12)” and “no additives/preservatives.”

Chewy Yogurt Flavoured Candy
Pastilles, Gums, Jellies and Chews



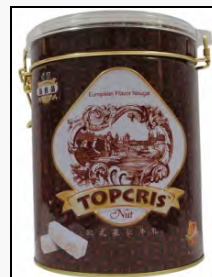
Pujiang Rice Popping Candies
Other Sugar Confectionery



Cream and Sour Plum Flavoured Candy
Boiled Sweets



European Style Nougats with Nuts
Toffees, Caramels & Nougat



Chocolate Individually Wrapped Chocolate Pieces



Source for all: Mintel, 2011.

- Top Claims**
1. No Additives/Preservatives
 2. Children 5-12
 3. Low/No/Reduced Sugar
 4. Halal
 5. Seasonal

- ▶ “No additives/preservatives” was the most popular claim for new confectionery products launched on the Chinese market between October 2010 and October 2011, with 22 new products out of a total 302. Products with the “no additives/preservatives” claim fell exclusively under the sugar confectionery category.

- ▶ “Children 5-12” and “low/no/reduced sugar” claims each saw 18 new products. Products with the “children 5-12” claim were mainly sugar confectionery with the exception of one chocolate confectionery product. As

for “low/no/reduced sugar” products, the claim was present in all three confectionery categories, with 12 sugar confectionery products, 5 gum products, and 1 chocolate product.

- ▶ The confectionery market is strongly affected by the health trend. In keeping with this trend, manufacturers are introducing products with health claims such as “no additives/preservatives,” “low/no/reduced sugar,” and “added calcium.”

Sugar-Free Mints
Claim: Low/No/Reduced Sugar



Blueberry Bean Jelly Cups
Claims: Added calcium, bone health, children (5-12), functional - brain and nervous system, and mineral/vitamin fortified



Goji Candy
Claims: Halal and no additives



Source for all: Mintel, 2011.



▶ NEW PRODUCTS AND TOP FEATURES (continued)

Top Flavours (incl. blends)

1. Unflavoured/Plain
2. Fruit
3. Milk (unspecified)
4. Strawberry
5. Peanut

▶ Unflavoured products, such as plain chocolate, were the top flavour for new products on the Chinese confectionery market and all fell under the individually or non-individually wrapped chocolate pieces, marshmallows, chocolate countlines or seasonal chocolate sub-categories.

▶ Milk flavours were used for multiple sub-categories in sugar confectionery and chocolate, but mainly for other sugar confectionery, pastilles, gums, jellies and chews, and boiled sweets.

- ▶ Strawberry and other fruit flavours were used in a variety of sugar confectionery and chocolate products.
- ▶ Peanut-flavoured new products were mostly available in toffees, caramels and nougat, and non-individually wrapped chocolate pieces.

Cacao 70 Chocolate
Unflavoured/Plain



Milk Candy
Milk Flavour



Assorted Fruit Jellies
Fruit Flavour



Squidgy Candy
Strawberry Flavour



Source for all: Mintel, 2011.

Top Ingredients

1. White Sugar
2. Glucose Syrup
3. Salt
4. Glucose
5. Flavouring Substances

▶ Out of the 302 new confectionery products launched on the Chinese market between October 2010 and October 2011, 220 products contained all of the 5 top ingredients.

▶ All of the ingredients were mainly present in the sugar confectionery category, namely in pastilles, gums, jellies and chews, other sugar confectionery and boiled sweets.

- ▶ The preferred claims for the products using these ingredients were “children (5-12),” “low/no/reduced sugar” and “no additives/preservatives.”

The following new products all contain white sugar, glucose syrup, salt, glucose and flavouring substances:

Milk Flavoured Chocolate
Corn Balls



Chocolate Beans



Throat Soothing Candy



Mini Lollipops



Source for all: Mintel, 2011.



▶ NEW PRODUCTS AND TOP FEATURES (continued)

Top Package Type
1. Flexible
2. Tub
3. Flexible sachet
4. Carton
5. Rigid box

- ▶ Between October 2010 and October 2011, over 50% of new confectionery products launched on the Chinese market were sold in flexible packages. This type of package is easy-to-carry and increasingly popular. Flexible packages were mainly launched in pack sizes over 80 g.
- ▶ The remaining top package types comprised 20% of all new products launched between October 2010 and October 2011. Flexible sachets were popular for lollipops, other sugar confectionery, pastilles, gums, jellies and chews, and boiled sweets. Tubes were mainly used to package other confectionery and pastilles, gums, jellies and chews. Cartons were popular for gum, individually wrapped chocolate pieces and chocolate tablets. Rigid boxes were mostly used for seasonal chocolate and individually wrapped chocolate pieces.

Sorghum Candies
Flexible



Marshmallows
Tub



Coconut Milk Candy
Flexible sachet



Delicious Chocolate
Carton



Chocolate with Nut Filling
Rigid box



Source for all: Mintel, 2011.

Pack Size
1. 80 g
2. 100 g
3. 200 g
4. 180 g
5. 120 g

- ▶ Packages of 80 g were the dominant format in the sugar confectionery category between October 2010 and October 2011, and were mainly used for marshmallows. The 14 new products launched in this pack size were snack-size portions that were mostly packaged in flexible sachets.
- ▶ Individually wrapped chocolate pieces, toffees, caramels and nougat, pastilles, gums, jellies and chews, and boiled sweets constituted most of the 100 g size confectionery products released between October 2010 and October 2011. Of the 12 new products launched in this format, 7 were in flexible packages.
- ▶ The 400 g new confectionery product releases consisted mainly of sugar confectionery. Of the 11 new 200 g confectionery products released on the Chinese market between October 2010 and October 2011, there were 4 pastilles, gums, jellies and chews products, 4 boiled sweets products, 2 other confectionery products, and 1 individually wrapped chocolate pieces product.

Mylikes Chocolate
80 g flexible package



Black Sesame Candy
100 g flexible package



Coconut Candy
200 g flexible package



Source for all: Mintel, 2011.



▶ **NEW INNOVATIVE PRODUCTS**

This section highlights a small sample of the innovative product introductions to the Chinese marketplace. For the purposes of this report, “innovative products” are defined using the Mintel criteria of “novelty,” “innovative ingredients,” “interesting packaging,” and/or “convenient packaging.”



Golden Milk Nuggets

Baoniuruye has introduced Golden Milk Nuggets (Baoniuruye Jin Zhuang Nai Bai Jin). This product, containing high quality milk, claims to be nutritious and easy to digest. This product is available in a convenient package containing multiple individual sachets.

Company: Baoniu Dairy

Coolmint Gum

Lotte I°D has launched Coolmint Gum (Kou Xiang Tang Qing Shuang Bao He Wei). This product provides long-lasting coolness and is available in a easy-to-carry 25 g pack that contains 12 slices. The product’s package design also allows consumers to pull the slices more easily.

Company: Lotte



Grape Flavoured Refreshing Lozenge

Zheng Tang Zhuang has introduced Grape Flavoured Refreshing Lozenge (Zheng Tang Zhuang Shuang Pu Qing Liang Han Pian). This product contains white granulated sugar, glucose syrup, concentrated grape juice, amaranth, brilliant blue and menthol. It has a refreshing taste and is sold in a convenient 40 g pack.

Company: Zheng Tang Zhuang Heal Thcare

New Year’s Pack

Wrigley has launched a convenient New Year’s Pack (Wrigley Xin Nian Xiang Fu Bao) which contains a variety of sugar confectionery and gum packs such as Wrigley’s Extra Sugar Free Chewing Gum, Wrigley’s Golden Pack Doublemint Chewing Gum, Wrigley’s Doublemint Chewing Gum, Skittles Fruit Juice Candies, Wrigley’s Pim Pom Fruit & Milk Flavoured Lollipops, Sugus Assorted Milk Flavoured Chews, and Sugus Assorted Fruit Flavoured Chews.

Wrigley’s Extra Sugar Free Chewing Gum has a tropical fruit flavour and contains xylitol. Wrigley’s Doublemint Chewing Gum provides long-lasting fresh breath and is mint flavoured. Skittles Fruit Juice Candies are made with real fruit juice. Wrigley’s Pim Pom Fruit & Milk Flavoured Lollipops as well as Sugus Assorted Milk Flavoured Chews offer a range of milk or milky fruit flavours.

Company: Wrigley



Source: Mintel, 2011.

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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