



CHINA

Agri-Food Consumer Profile

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Forward

With a total population of 1.3 billion people, of which approximately 250 million are urbanized consumers, China boasts a market enjoying a growing discretionary income as well as a taste for international goods and services. The diverse nature of the market makes the review of consumer data valuable when estimating export potential and niche markets.

Key points on Chinese consumers	
<p>Growing tastes for international goods and services.</p> <ul style="list-style-type: none"> • 39% of annual living expenditure allocated to food purchases. • Strong variations between urban and rural consumption patterns. • Chinese view Canadian products as high quality. 	<ul style="list-style-type: none"> • Strong variations in younger generation consumption compared to older generation consumption. • Chinese consumers appreciate and are willing to pay for quality, but react positively to a good bargain which caters to their innate desire to save,

DEMOGRAPHICS

3 main distinct generation groups:

- **those born between 1946-1964 known as National Survivors** - non materialistic, tend to be more price sensitive and conservative in product choice.
- **those born between 1965-1976 known as Economic Modernizers** - appreciate the monetary benefits and increased stability that are brought on by reform, and are also price sensitive and conservative in product choice.
- **those born from 1976 onward known as Young Achievers**- consumption oriented and willing to spend and experiment with new products (gaining rapidly in importance as they become steady income earners) view consumption as a form of entertainment and intrinsic component to everyday life.
- China is home to over 55 ethnic groups, 10 of which have a population exceeding 2 million. These various markets are niche markets within the broader market.
- Population is still largely rural based with emphasis on urbanizing and raising the incomes of its huge rural population.
- The highest spending consumers are in southern and eastern coastal cities.
- 50% of all households are located in urban areas.
- The country's population control program, or "one child rule" began in the late 1970's and has contributed to the trend in higher disposable incomes.
- Purchasing power parity has grown from US\$4,300 in 2001, to US\$4,400 in 2002 and US\$5,000 in 2003.

Major Cities/Regions and Corresponding food taste preferences:

- Food tastes vary by region with the eastern cities preferring sweet tastes, the north and northeast cities preferring salty, the central areas preferring hot and spicy and the south preferring delicate tastes.
 - ▶ Shanghai (east) 13.3 million
 - ▶ Beijing (north) 7.2 million, Tianjin (north) 3.9 million, Shenyang (northeast) 3 million, Harbin (northeast) 3 million
 - ▶ Wuhan (central) 4.1 million, Xian (central) 3 million
 - ▶ Guangzhou (south) 3 million

CONSUMER DETAILS

- ▶ Strong variations in younger generation consumption compared to older generation consumption.
 - ▶ Senior age groups consume more rice, fruits and vegetables (traditional), while younger generations branch out consuming products such as processed foods, snacks, meats and alcoholic beverages (non-traditional).
- Strong variations between urban and rural consumption patterns.
 - ▶ Urbanized population consume more meat, processed food, restaurant meals and less grains.
 - ▶ Rural households grow most of their own food and have less access to markets, stores, processed food and refrigeration. Grain is still a major component of the rural diet.
- Consumer traits:
 - ▶ Imported products are generally accepted and viewed as high quality, safer, worthy of their higher price tag and in some cases stylish status symbols.
 - ▶ Consumers are attracted to established brand names, as they are seen as a guarantee of authentic and quality goods.
 - ▶ Chinese consumers have strong loyalty to high quality brands and frequently recommend those products and services to others, word of mouth communication is key to product success in China. **Although**, there is little brand loyalty to foreign products, and fads come and go quickly. Local manufacturers are always able to quickly replicate international products and produce them for less. Therefore, there is great potential for imported products but domestic competition to follow is a strong threat.
 - ▶ Strong emphasis on family, tradition and cooperation. The group is often more important than the individual, therefore traditional goods will always compliment this characteristic and consistently be included in consumption patterns.

CONSUMPTION FACTORS and TRENDS

- ▶ Annual living expenditure breakdown: food 39%, recreation and education 13%, clothing 10%, residence costs 10%, transport and communications 9%, household and services 8%, medicine and medical services 8%, miscellaneous 5%.
- ▶ Market features growing discretionary income and tastes for international goods and services.
- ▶ An increase in consumption is determined by income levels as well as consumer confidence in recent overall economic situation.
- ▶ Chinese consumers are recognized for their desire to save money, but they are willing to pay for quality and other positive factors in a product that meets their needs.
- ▶ They react positively to a good bargain which compliments their innate desire to save.
- A large percentage of the population is young and live most of their lives in multiple income earning households. Younger consumers are now entering into their prime earning years and have a greater discretionary income.

- ▶ The younger generation is more likely to experiment with more westernized products as opposed to traditional alternatives.
- ▶ The urban segment of the younger generation are familiarizing themselves with foreign lifestyles and global media.
- ▶ The population tends to be highly educated and places great emphasis on education, this is carried into decision making processes surrounding consumption.
- Chinese consumers enjoy shopping as a means of entertainment.
- ▶ Chinese consumers prefer fresh over canned and processed goods on the whole, but with lifestyles getting busier, more women working and tastes changing, some processed foods as well as easy to prepare goods are gaining in popularity.
- ▶ Consumers prefer smaller packaging even though price may be higher.
- ▶ Consumers like to see the product in the package preferably through some sort of window feature or with a clear picture of the content on the label. Chinese consumers appreciate attractive packaging in terms of size, color and design.
- ▶ Chinese consumers continue to prove their willingness and open-mindedness to new western tastes and products. With an influx of these kinds of products in the marketplace consumers seem to be constantly adapting, changing and expanding tastes.

DISTRIBUTION AND RETAIL SECTOR

The last decade has brought serious change to the Chinese retail market. The market has undergone considerable growth along with profound change. Traditionally, food products were purchased daily from local wet markets and dry goods from local state run stores. Recently, western-style retail stores have slowly replaced this traditional retail structure. Retail outlets have evolved to house flashy displays and a vast range of goods in one place. Hypermarkets, supermarkets and convenience stores have blanketed city regions, specifically in key populated areas like Shanghai. These locations provide convenience, reasonable prices and more selection, as well as improved sanitary conditions. Consumers have accepted and adapted to this new retail system with ease.

- ▶ Supermarket chains are now in almost every Chinese city, while hypermarkets reside in most large cities.
- ▶ Convenience store chains have also rapidly blanketed the country, mostly in East China. Shanghai alone has over 2,500 convenience stores.
- ▶ Distribution systems vary dramatically by region and market. Eastern coastal regions including Shanghai and Beijing represent the strongest consumer markets for imported goods.
- ▶ Distribution options for Canadian exporters include direct sales to retail outlets, existing distribution networks and warehousing, agents and sales reps, or establishing independent distribution networks.
- ▶ Best option for small exporters is the use of a sales agent due to market and retail knowledge specific to the region.

REACHING THE CONSUMER - MARKETING PRACTICES

It is often recommended that before jumping into the Chinese market, exporters should invest in targeted market research and taste testing. In a country as large and diverse in tastes as China, it is critical to identify a specific target group of consumers and confirm if your product appeals to this group. This practice is not meant to limit market potential, but rather decipher whether it exists, and is possible to build on.

TRENDS SPECIFIC TO CANADIAN FOOD EXPORTS

China is Canada's fourth largest export destination, and ninth largest source of imports. Total

merchandise trade between Canada and China was valued at over US\$16 billion in 2003, with agricultural trade representing over \$664 million in the same year, 43% of Canadian exports to China were intermediate goods, while 12% of all exports were consumer goods.

Opportunity for Canadian agri-food exports exist. China is an ideal market for Canada to capitalize on trends towards processed food products, specifically in fish, seafood and meats because of Canada's reputation for high quality products. Trends in the marketplace also reveal opportunity in the dairy products category, wine, beverages, confectionary and nutraceuticals. An increase in retail space and consumer desire for convenience has provided a demand frozen and microwaveable food, which will likely continue to grow.