

The **RED** Edition

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Message
From the **CEO**

Marketing in a Post-COVID-19 China

As talk of the post-COVID-19 landscape in China has come to a close, we have yet again seen more changes with regards to consumer demand, media effectiveness and purchasing-drivers.

Livestreaming conversions have slowed despite E-commerce sales continuing to stay strong. There is talk around town of major livestreamers gathering bands of people to buy the discounted products during their livestreams, then flooding the market afterwards by reselling the products at cheaper than original prices. Given these concerns, brands have turned to new methods such as unboxings, strategic giftings, online-to-offline (O2O) tactics and new product development (NPD) into trending categories through partnerships and collaborations.

Although China has witnessed strong economic outcomes post-pandemic, global budgets have seen reductions and as an agency, we have been finding more innovative ways to use the budgets to build solid ROI for our clients. The old-school PR launches, KOL events, in-store advertising and own-media community development are being drawn into question and agencies need to be quicker to adapt to the new ROI models their brands are heavily in need of.

Methods such as Moments Advertising and collaborations with top-tier KOLs (outside of livestreaming) are being less utilized by brands as they shift their focus to other tools that shorten the distance between themselves and their consumers. The old-fashioned content agency is nearing its retirement as brands look for ways in which they can talk to consumers from different angles, platforms and through more personalized methods. The one-way system of own-media pushouts struggles without intensive creativity and purpose and brands need to be aware that own media can only be successful when used in conjunction with a number of different media types.

The purchasing power of tier 2-3 cities has really started to shine as more consumers turned to E-commerce during COVID-19. In these cities, we have seen Kuaishou surge in popularity and influence, with many brands successfully targeting these smaller cities in order to avoid the saturation and heavy competition that exists in the higher tiered cities. It must be noted that although there is purchasing power in the lower tiered cities, brands need to be clear on whether their price-point is realistic for this form of geographical targeting.

In this issue, we will touch on categories that continue to flourish in China, such as Mother & Baby, Food & Beverage, as well as some more niche surprises that have risen in sales in a matter of months. We will also look to discuss industries that have been most affected, such as Education, and provide suggestions on ways in which they can bounce back post-COVID-19.

I would like to thank our partners Alibaba, CBBC and ChemLinked for their wonderful contributions to this issue of The Red Edition. I hope that through this issue, readers can discover new insights and key takeaways that will help them on their China Market Journey.

- Ryan Molloy, CEO

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An empty lecture hall with rows of wooden chairs and a whiteboard in the background. The room has a high ceiling with fluorescent lights and ceiling fans. The walls are light-colored, and there are large windows on the right side. The chairs are arranged in a tiered fashion, facing towards the front of the room where a whiteboard is visible.

Rise of Digital Marketing in China by Overseas Higher Education Institutes

Rise of Digital Marketing in China by Overseas Higher Education Institutes

By Frank Ren, RedFern Digital



In the past couple of years, China has been leading the world in terms of the number of Chinese students studying abroad. According to China's Ministry of Education, there were around 662,100 students studying abroad in 2018. However, the COVID-19 pandemic has had a huge impact on the Chinese international education sector.

One consequence of the health crisis was its effect on the mobility of Chinese students studying abroad or planning to study abroad for both the previous academic year and also the upcoming one. According to a survey conducted by the Beijing Overseas Study Service Association (BOSSA) in February 2020, 43 investigated educational agencies in China indicated that many enrolled students are being blocked entry to and exit from the countries where they had planned to study in.

In addition, language tests, which are essential for applications to higher education institutes abroad, were suspended for a period of time, increasing the pressure of meeting application deadlines for prospective students.

Under such circumstances, many universities in multiple countries have been providing support to Chinese students by offering alternative study options, postponing application deadlines and offering financial support. Furthermore, many leaders of universities have filmed videos specifically to demonstrate the care and responsibility that the university feels towards its students in these difficult times. These steps are significant, especially because of the importance of the China market in recent years when it comes to sending students to study at overseas universities.

From a marketing perspective, offline university events and face-to-face meetings, e.g. university interviews, have been replaced by webinars and other digital methods of communication.

Specifically, academic webinars have been a savior for universities during this crisis. Since March, many universities have started to launch their own webinars, introducing individual faculty members and discussing the courses offered. Some of these webinars are specifically aimed at helping Chinese students gain information about the university and become familiar with the course lecturers before they arrive overseas for their studies. These webinars are a great and relatively easy method to interact and connect with potential students.

Due to the initial lockdown earlier in the year from the COVID-19 outbreak, the international higher education industry has been forced to utilize more digital marketing approaches to maintain normal operations in China. Even as the COVID-19 crisis has been contained in China and universities have begun to restart offline marketing, many still realize the necessity of building a long-term digital marketing strategy in a country that is becoming more and more digital every day.

Why is Digital Marketing Important for Universities?

1. Digital platforms (social media and websites) are the major sources of information in China.
2. Offline tools are useful, but digital is the future.
3. More specific audiences can be proactively targeted using digital methods.
4. Nationwide touchpoints across China.
5. Brand validation for the university and CRM.





Although many universities have already begun to increase their presence on different digital platforms, in order to ensure long-term success, a strategic approach to digital marketing is required.

For instance, posting regular articles on their own official WeChat accounts has been common practice for many overseas institutes. The content that is posted normally includes campus news updates and holiday greetings. However, the universities should ask themselves the following questions when it comes to their content plan:

- What's the goal to be achieved through content marketing?
- What do you know about the account's followers? Are they prospective students, current students, alumni, parents, etc.?
- Is the content posted appealing to all the account followers, or just to a particular subsection? (E.g. content that is only relevant to alumni.)
- Is posting the content on the brand account the only method through which the content's message is conveyed? Are any other more direct approaches or tools used to reach a larger audience?

Without a systemic digital marketing strategy in place, operations on digital platforms will be unable to bring consistent value to the universities.

Key elements of marketing in China for higher education institutes include:

- Analyzing the target audience profile by segments
- Understanding the decision making process of the target audience when it comes to higher education
- Finding key digital touchpoints to intercept the target audience
- Developing a strategy and content marketing plan when it comes to operating the university's owned media (university run social media accounts) using the most effective features that the platform offers
- Ensuring that the content marketing plan includes strategies to target the different follower types (e.g. prospective students, current students, alumni, parents, etc.)
- Creating consistent branding for the university that is appealing specifically to Chinese students
- Developing creative ideas for marketing campaigns that target the Chinese audience
- Utilizing the existing resources that the overseas institutes has when it comes to digital marketing
- Developing a paid media plan to achieve predetermined goals while still remaining within the paid media spend budget

Since China has an entirely different digital landscape when compared to other countries, universities hoping to effectively market in the country may find it more convenient to work with a local marketing agency. As these local agencies already understand the student sector in China, Chinese culture, and the digital marketing tools available, they are often more equipped to develop strategic approaches for overseas higher education institutes looking to recruit Chinese students.





Message
from the

Creative
Director

Localization of the foreign brand's Visual Identity, achieved in three parts.

By Emily Jiang,
Creative Director at RedFern Digital

The visual identity system is a process of conveying brand ideas and of adapting and solving problems. Visual identity (VI) is not a stagnant aspect of the brand that can be decided once and never improved upon. Instead, the VI should be continuously polished and adjusted according to market and consumer demands. An excellent design team needs to have deep insights, be critical at identifying the brands' visual problems and use the VI system to solve these issues, while also capturing the brand essence. All of this will allow for the localization and metamorphosis of the brand in China.



TOYOTA

Car companies and fashion
brands usually do not use
Chinese logos



STARBUCKS®

The Chinese logos of some
well-known brands only
appear on specific
occasions.

01 Does the foreign brand need a Chinese logo?

In fact, Chinese logos are not always necessary. If the brand is already coming into China with a high degree of recognition in its official foreign-language name and logo, then the visuals do not need to be represented again in a Chinese logo.

Of course, this also depends on other factors, such as what category the brand belongs to, who the target audiences are, where the target audience is located, etc.

On the other hand, whether to use a Chinese logo or not is related to brand awareness. With the rise of domestic Chinese brands, a large number of these local brands like to use Chinese characters in their logos. When it comes to well-known foreign brands, many have been established in the China market for many years, so they retain their original logos in terms of visual identity. By only using their Chinese logos for more official purposes or for small text, brands are able to differentiate themselves and make themselves feel more international to Chinese consumers.



McDonald's
has been
conducting
global VI
upgrades
since 2018

02 Unifying the brand image and developing the brand's visual identity

Having a chaotic corporate visual identity can be a disaster for foreign brands coming into China. Visual identity (VI) can include the logo, the fonts (both for English and Chinese), the colors, and any other visual elements that the brand uses. How this visual identity can be localized for the China market is especially important for international brands, as it can not only convey the brand's mission, but can also affect how the brand is able to fit into Chinese culture.

In recent years, the application of multimedia has been particularly prominent in the Chinese market. Brands have successfully upgraded their VI to keep up with current trends, resulting more stripped away and modern designs. These simplified VI designs tend to have the advantage of wider applications and higher recognition among consumers. However, this phenomenon of simplifying the visual identity of major brands has resulted in the loss of brand characteristics that used to be conveyed through the visual designs. Brand strategies need to be people-oriented, authentic and allow for the humanization of brand concepts, all of which will help to make the brand more popular in the China market.

Brand localization should
be implemented in stages:

1. Analyze the brand's visual identity
2. Select the visual elements that have been successful
3. Tap into the potential of the brand's VI when it comes to local culture, consumer habits, and potential within the current era.

Steps for brands to follow:

- Investigate.
- Determine strategy and narrative.
- Design.
- Implement.
- Engage or Revise.

What content can best reflect the identity of fast-moving consumer goods brands?

RedFern Digital believes that the content that should best reflect the product's brand concept in more fast-moving categories is the E-commerce landing page. As this page is positioned towards the end of the consumer purchasing journey (for E-commerce channels), it is an important factor contributing to the consumer's decision on whether or not to purchase the product.

In the fast-paced Chinese E-commerce market, we have often found that brands were used to cookie-cutter design templates for their product or brand details page. However, this tendency is quietly changing, with more and more brands beginning to differentiate their landing pages. Instead, brands have started to include attention-grabbing designs or product selling points for each design, with the goal of leaving behind a deep impression in consumers and encouraging purchase.

How can brands differentiate from others and achieve their own brand positioning style? We believe that the most important factor for E-commerce is to develop detailed landing pages or designs using an organized and logical structure. Brands should compare the differences between competitors, make a rational analysis based on the brand's own strategy, select unique selling points for the brand and products and develop the creatives and designs, polishing them according to the previously established logic. The designs and copywriting are inseparable and should be developed concurrently.

Example landing page from Bellamy's Organic. Conveys the idea that the product is natural and pure.



While following these steps, you should ask yourself the following questions:

- Why are we here?
- What does the brand stand for?
- Who are we here for?
- What makes us different?
- What do we do
- How do we do it?
- What do we value the most?
- What is our personality?

Example landing page from Bellamy's Organic, continued. It conveys the brand's USPs and provides additional information on the benefits of consuming the product.



杭州
武林广场

Kuaishou: *Fighting Back*

By Fiona Xiong, RedFern Digital

Kuaishou (in Chinese: 快手), China's leading short video sharing and social networking platform and competitor to Douyin, collaborated with Asia Superstar Jay Chou to debut his first livestreaming session on July 26th.

According to official figures from Kuaishou, a massive 42.6 million viewers tuned into his livestreaming 'room' within the first 10 minutes, and the half-an-hour event attracted a total audience of 68 million. Within one day, the Jay Chou livestream caused Kuaishou too see a growth rate of 135% in terms of App Store downloads.

An account named 'Classmate Zhou' appeared on Kuaishou on May 29th, 2020, which was a while before any livestreams occurred. Without an official announcement or comment, the account still went viral because of the bio, which stated, 'the one and only Chinese social media of Jay Chou. Only on Kuaishou'.

To pave the way for Jay Chou's first livestream event, Kuaishou poured a huge amount of investment into advertisements. Before the livestream, Kuaishou put up large-screen ads on landmark buildings in major cities that included Beijing, Shanghai, Chengdu, Hangzhou and Guangzhou, to attract more traffic to Chou. The results exceeded expectations. Kuaishou gained organic traffic not only from Chou's existing popularity in China, but also from Chou's fans spreading the news on social media.

Kuaishou Technology operates one of China's top platforms for livestreaming – an industry that has seen a surge in growth during the COVID-19 outbreak. As the rival of Douyin, the main difference between the two platforms is user demographic. "Douyin for the south, Kuaishou for the north (南抖音, 北快手)", is a popular saying in marketing for China as it roughly describes the key user distribution for both platforms. Kuaishou has 34% of its users coming from tier 4 or lower cities, against only 22% on Douyin. Douyin has 24% of its users based in tier 1 cities.

Example of advertisement promoting Jay Chou's livestream. Text translates to: "Go on Kuaishou to watch Jay Chou's livestreaming debut"



As Douyin obtains its audience from the higher tiered cities, Kuaishou is fighting back and trying to 'break the circle' for a wider user demographic. Kuaishou used to be considered rustic, but has recently been making aggressive attempts to include industries such as E-commerce, education and gaming. For livestreaming, they not only invited Jay Chou, but also other top celebrities such as Huang Bo, Zhang Yuqi and Zheng Shuang, to engage with their followers on the platform. As a result of this push for livestreamers, among the top 50 ranked livestreamers in June, 19 of them are from Kuaishou's livestreamer pool.

Online shopping has particularly benefitted from livestreaming. Kuaishou built a broad strategic partnership with JD before 6.18, one of the biggest shopping festivals in China, thereby allowing users to purchase JD products directly on Kuaishou without needing to leave the platform. On Kuaishou alone, over 100 million users engage in E-commerce daily, and more than half of them are from tier 3 or tier 4 cities.

The partnership with Jay Chou is not just a campaign, it is also a demonstration of Kuaishou's future ambitions.

In its competition with Douyin, Kuaishou has proven that they are shifting from 'the defensive to the offensive'.

As a result of its efforts, the recent influx of users from top tier cities shows that Kuaishou may still be able to shake off its 'rustic' reputation.



Drunk on potential in the China
*Imported Alcohol
Industry*



Drunk on potential in the China Imported Alcohol Industry

By Sandra Weiss, RedFern Digital



The alcohol industry in China has been growing rapidly over the past two decades, despite slowing growth rates in the past couple of years. When compared to 1990, there has been a 70% increase in alcohol consumption in China. The estimated total revenue generated by the Chinese alcohol industry in 2019 was 246 billion USD.

With a wider selection of products and with the convenience of E-commerce, Chinese consumers have turned their attention more and more to premium or imported brands that produce alcoholic beverages ranging from beers to spirits. In fact, E-commerce has allowed foreign alcohol brands to reach consumers across the entire nation, selling products in locations where the brand may not have offline stores.

The Chinese population born after the 1980s have become increasingly important for the alcohol market. This category of consumers tends to be well-educated, more globally minded, and less price-sensitive, therefore, they are likely to purchase more premium products, such as craft beers or imported wines, for a more unique and customizable experience.

Impact of COVID-19

The COVID-19 outbreak caused a significant impact on the alcohol industry in China during the first half of 2020. Many offline channels, such as offline retail stores, restaurants, and bars were forced to close down during the lockdown period, causing alcohol sales revenue to drop. Sales revenue from the first four months of the year amounted to 249.7 billion RMB (35.19 billion USD), which was a decrease of 8.59% when compared to the same period last year. Despite the drop in sales, the alcohol industry has shown a general trend of increasing and is predicted to recover and continue growing in size and scope in the next few years.

The shutdown of offline purchasing channels has caused both a shift in behavior in terms of where consumers buy their alcohol and how they consume it. Although E-commerce sales channels were already becoming more popular, the lockdown has caused more consumers than ever to look into online purchasing. This is especially true among older Chinese consumers, who began to explore online channels after using offline channels for purchasing alcohol their entire lives. Even as offline channels have begun to reopen, the convenience of E-commerce has meant that consumers are unlikely to return to purchasing solely through offline channels. With the closure of restaurants and bars, alcohol consumers have developed new habits of drinking at home and for personal relaxation that are likely to continue despite the reopening of traditional offline sales channels.

A change in taste

Traditionally, baijiu and rice wine were the alcoholic drinks consumed in China, and many of the older generation still prefer these types of alcohols. In fact, the gifting of expensive alcohol has been a long-standing tradition in China and was seen as a symbol of wealth and status.

However, taste preferences for alcohol have been changing, especially among the younger generation who grew up in a more digitally connected world and were repeatedly exposed to foreign alcoholic drinks online. These younger consumers do not drink baijiu as frequently as the older generations, and prefer drinks that are lower in alcohol percentage. Post-80s consumers are frequently the target for foreign alcohol brands entering the China market, especially because they often enjoy trying novel products.



Being foreign is not enough

For brands looking to import their alcoholic products into China, being a 'foreign brand' is no longer enough to establish that the brand's products are of high quality. Instead, consumers have become more discerning and have increased their expectations, requiring additional marketing and education from the brand.

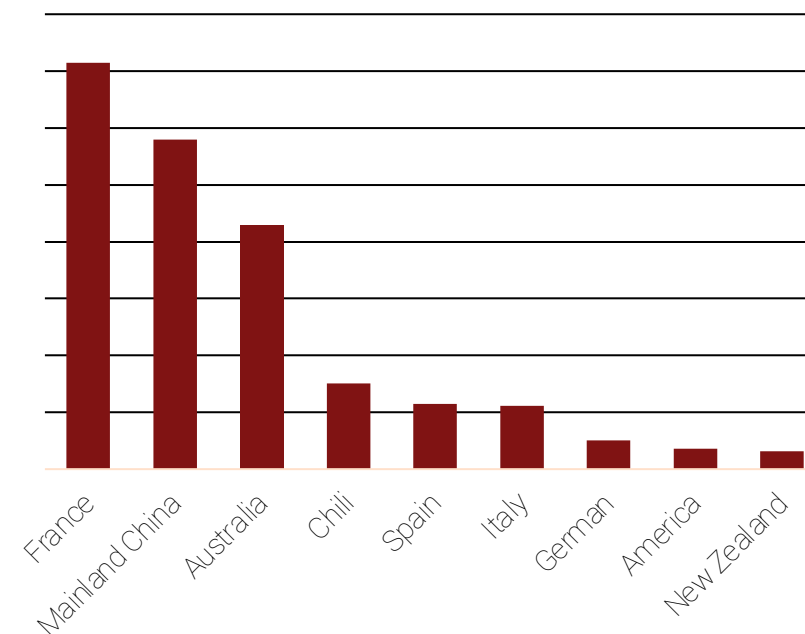
Many foreign brands have found it difficult to localize their brand identity and message to Chinese consumers. Due to their lack of understanding of the difference in Chinese culture and consumer behavior, some brands are unable to develop campaigns that appeal to and are able to intercept the purchasing journey of potential Chinese consumers. Foreign alcohol brands need to first understand their target audience before they can produce appropriate content, develop relevant campaigns and design appealing creatives.

The Wine Market

With the rapid increases in China's economic consumption, Chinese consumers are beginning to view drinking wine as a way of life. When cultivating this new lifestyle, Chinese consumers are less likely to consider price a priority. Instead, consumers will base their purchasing decisions on whether the product is able to improve their quality of life. Although wine was typically seen as a higher-class drink among the Chinese, the category has become more 'fashionable' in the past couple of years, especially among urban, young Chinese consumers. In fact, with the purpose of further educating Chinese consumers on the types and tastes of wine, many foreign brands or distributors of foreign brands have held wine tasting events throughout China. As the category matures, a shift towards more premium and expensive products is taking place.

Currently, French wine is leading the market, with Australian wine also becoming increasingly popular.

Top-selling countries of origin for the wine category on Tmall/Taobao, from 2019 to 2020



When it comes to the different wine types that Chinese E-commerce buyers prefer, red wine currently dominates the market. Although Champagne is commonly recognized among Chinese consumers as a type of wine, sparkling wine remained relatively unexplored and would require additional brand education. With the purchasing power rising alongside increases in income in lower-tier cities, the entire wine market is likely to be affected.

Even as offline channels such as restaurants and bars remain important for the sale and consumption of wine, online channels have gained popularity, especially because of the convenience of E-commerce shopping and front-door delivery.



The Beer Market

When it comes to the popularity of different alcoholic beverages in China, beer makes up 75% of all alcohol consumed in terms of volume. Although the consumption of beers is high, the beer market tends to be dominated by lower-priced, mass produced local beers with alcohol content at around 4%. That being said, as income rises alongside an increased interest in craft and premium beers, imported brands selling beers in the higher-end market have an opportunity as well.

'Craft beer' has become a trendy term online in China and is a growing market, especially among young Chinese consumers. From 2015 to 2019, sales in this subcategory grew by about 40% annually. The popularity of this type of beer is due to its perceived 'premium' value, its higher quality and its ability to deliver a unique experience to the drinkers.



The Spirits Market

In China, the market is still dominated by the traditional spirit, baijiu, which makes up about 96% of the total volume of spirits consumed in the country. Of the 4% that remains, the most popular categories are brandy and whisky, which account for 74% and 15%, respectively, of the remaining spirits sales (excluding baijiu).

It is interesting to note that in China, consumers are more aware of individual brands rather than of the different types of spirits. As consumers are less aware of spirit types, such as vodka, whiskey or brandy, education on these alcohol categories could be a marketing focus for foreign brands. By educating Chinese consumers on the different category types, the brands can establish themselves as the leading brand in their category, whilst also differentiating themselves from competitors.



China's alcohol industry offers many opportunities for foreign brands to enter the market, especially in the premium alcohol market. In order to succeed in this market, foreign brands need to diversify their sales channels both online and offline, while also building up a digital presence and conducting brand education. Doing so will allow the brand to build a relationship with their customers, encouraging customer loyalty and future repeat purchases.



A black and white photograph showing a glass bottle being poured into a glass. The bottle is tilted, and a stream of liquid is pouring out of its neck into the glass below. The bottle's neck has a ribbed texture. The glass being poured into is partially filled with liquid. The background is dark and out of focus.

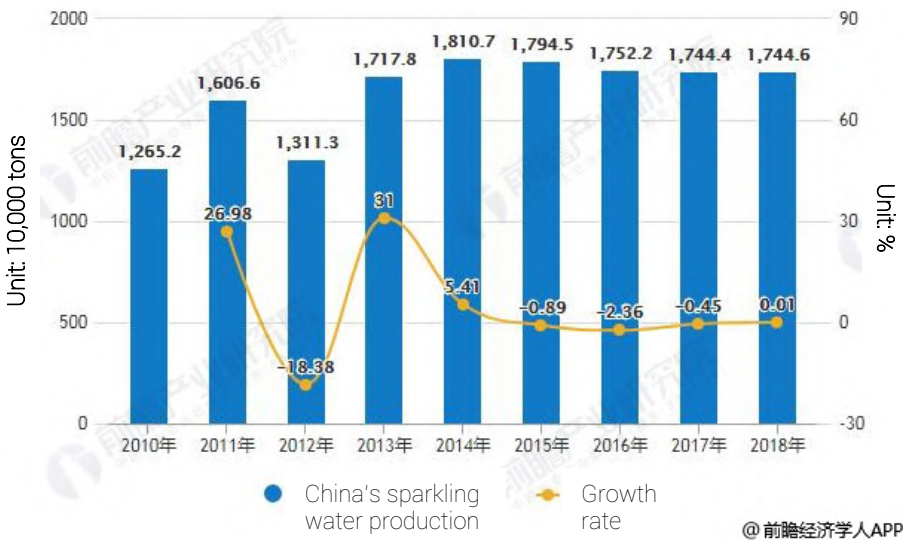
Sparkling water is
fizzing
through
China

Sparkling water is *fizzing* through China

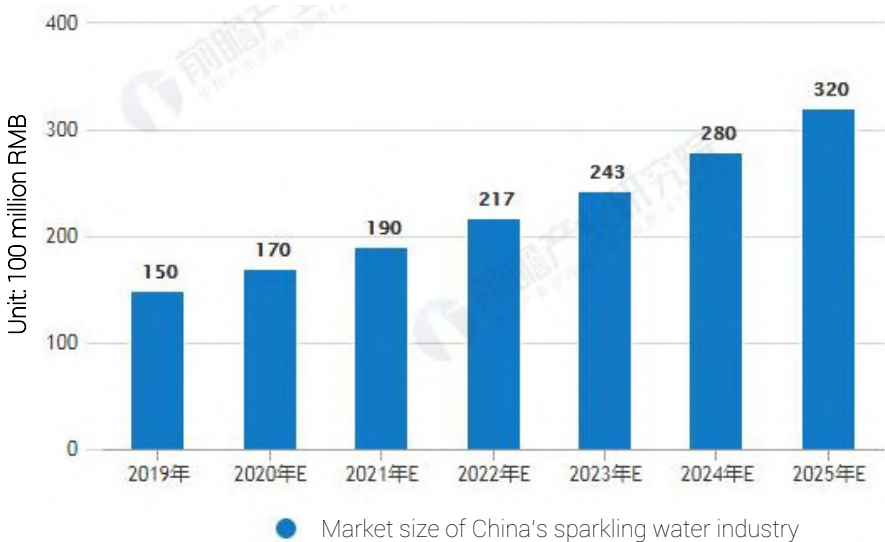
By Annabella Li, RedFern Digital

With summer creeping in, sales season for soft drinks has arrived. On 12th July, The Chinese tea drink chain, Hey Tea (喜茶), launched their first sparkling water product – zero sugar, zero fat, and available in flavors such as grapefruit green tea, peach oolong tea and grape green tea. On the first day of the launch, they cooperated with the top-tier livestreamer Viya and sold 300k units during her livestreaming session, which meant that 25k cartons of products were immediately cleared out.

Statistics on China's sparkling water production and growth rate from 2010 to 2018



Statistics and forecast of China's sparkling water market size from 2019 to 2025



资料来源：前瞻产业研究院整理

@前瞻经济学人APP

Why is sparkling water making a splash in the market?

As a matter of fact, carbonated beverages have always been one of the top-selling units in the soft drinks market. However, with the rising interest in health and the increased awareness of health issues, there has been a surging demand for low-sugar and low-calorie beverages. Consequently, since 2013, the YOY growth of other carbonated beverages, e.g. Coco-Cola, has been declining from 31% to -0.1% in only 5 years.

The Chinese sparkling water market is just taking off, leaving plenty of room for market development. According to Neilson research, soda/sparkling water achieved a 15% YOY growth rate in 2018. In the global market, European countries have the highest market share, taking up 54.1% of the category, followed by the USA, which takes up 13.2%. However, this number drops when it comes to the Chinese market, which only takes up 7.2% of market share. The Chinese sparkling water market is expected to continue growing and is predicted to reach 40-50 billion RMB within the next 10 years.

Who else is joining the sparkling water market?

Driven by the rise in popularity of healthy products and the association of health with sparkling/soda water, Chinese F&B giants such as Yili, Coco-cola, and Nongfu Spring have all launched their own soda water products.

As one of the first players in the market, Yuan Qi Sen Lin (元气森林) has first-mover advantage. Established in 2016 as an Internet start-up, the company specializes in producing no sugar, low calorie sparkling water. The company is now valued at an estimated 4 billion RMB.



Launched by Yili and now available on Tmall Supermarket. Priced at RMB89/15 bottles.



Coco-cola's premium sparkling beverage. Available in grape and apple flavor. Now available on Tmall and priced at RMB12-13 per bottle.

How to remain *competitive* in the category

Example advertisement from Yuan Qi Sen Lin (元气森林) promoting their sparkling water using the catchphrase, "0 sugar, 0 fat, 0 calories".



With more and more brands flooding into the sparkling water market, a common feature that the brands' products have is a series of 'free' claims on the packaging – 'free of sugar', 'free of fat', 'free of calories', etc. However, 'sugar free' does not mean that the product does not taste sweet. As an example, Hey Tea and Yuan Qi Sen Lin both use erythritol to make their products taste good while avoiding sugar. Although many experts have pointed out that these alternative sugar ingredients may raise the drinker's blood sugar level, compared to other sweetened soft drinks, these sugar-free products are still considered healthier. Therefore, these sparkling water beverages are favored by consumers looking for healthier alternatives.

Packaging is another important aspect. For example, most market players use a light and white packaging color and include curved line type into their bottling design. Doing so allows these brands to build an association between the product and a refreshing, healthy taste.

When it comes to pricing, most products are priced at RMB5-6.5. This pricing is slightly higher than other soft drink beverages that use sugar, but is lower than a cup of milk tea. Thus, the pricing is still friendly to the mass market.

Marketing is definitely a big part of brand success. The popular brand, Yuan Qi Sen Lin, has been launching massive marketing campaigns across a range of different channels – talk shows, reality shows, social marketing, LRB marketing, WeChat marketing, etc. By working with popular celebrities and developing a targeted digital marketing strategy, brands are able to build up strong awareness in the Chinese market.



Key takeaways

From packaging to brand marketing, it has become evident that the beverage market is becoming more digitized. Guided by in-depth market insights based on big data, brands should place their NPD efforts on building products that are healthier, are of higher quality, and have better-looking packaging. To achieve success in China, brands should always maintain an open-minded attitude and be ready to try trendy or novel marketing methods.

Message from the Head of E-commerce



The 618 Shopping Festival in the Post-COVID-19 era

By Vera Niu,
Head of E-commerce at RedFern Digital



On the 16th of July, the Chinese National Bureau of Statistics announced that the economy grew 3.2% in the second quarter, after a 6.8% year-on-year decline in the first quarter. Due to COVID-19, this year's offline consumption has been greatly impacted, causing demand to shift online instead. As the first shopping festival since the virus outbreak, this year's 618 festival ushered in a consumption spree across the E-commerce platforms.

Official data showed that during the 618 consumption season, Tmall's cumulative orders reached 698.2 billion RMB. During the first hour of the morning of June 18, the turnover rate on Tmall 618 increased by 100% year-on-year. This year, the number of brands that entered the "100 million club" (brands with sales of more than 100 million RMB) during Tmall 618 reached more than 150. In the first half of this year, 120,000 Tmall merchants saw sales that were higher than the sales they had in the same period last year.

In the early morning of June 19, JD.com announced that from June 1st to June 18th 2020, JD's 618 Global Mid-Year Shopping Festival saw their cumulative order amount reach 269.2 billion RMB, setting a new record.

When it comes to Pinduoduo, under the 'subsidy of ten billion' and the 'red envelope of 1 billion in cash' initiatives that the platform is taking, the number of orders placed on the platform increased by 119% when compared to the same period last year.

According to official data from Suning.com, omni-channel sales during 618 increased by 129%. In fact, sales through Retail Cloud increased by 431% within the first hour, while Suning Home Improvement sales increased by 283% in the first hour.

Selling through livestreams:

Livestreaming 'rooms' are a gathering place for E-commerce sales promotions and have become an important source contributing to the GMV of the major platforms. With the success of popular livestreamers such as Li Jiaqi and Viya, selling during livestreams is increasingly becoming regarded as the future of E-commerce. According to the data released by the China Internet Network Information Center at the end of April, viewership of China's E-commerce livestreams reached 265 million, which is 30% of the total number of netizens in China. The two kings of short video in China, Douyin and Kuaishou, took the initiative to join the 618 E-commerce festival as well. With the increase in livestream viewers, this new E-commerce format became an important aspect of the shopping festival.

More than 5.1 billion RMB worth of transactions were made on the first day of the official opening of Taobao livestreaming during the 618 festival (June 1st). At 7 o'clock on the morning of June 16th, the transactions that resulted from Taobao livestreaming increased by more than 250% year-on-year, and 13 livestreaming rooms saw a cumulative turnover of over 100 million RMB. Throughout the 618 period, the number of merchants that utilized livestreams increased by 160% year-on-year. Taobao Live was a key part of Tmall's 618 festival this year. From the number of livestreams, the year-on-year growth rate exceeded 123%. During 618, Tmall saw more than 300 celebrities and 600 company or brand executives hosting or participating in E-commerce livestreams.



Promotion for Tmall 618.



Promotion of a live broadcast on June 17th on Taobao.

In the era where anyone is capable of becoming a livestream host, people from all walks of life are starting to explore this channel. Through livestreaming, celebrities and brands have formed a closer, mutually beneficial relationship; officials and country magistrates are able to showcase and support local farms through livestreams; company executives have found new opportunities for marketing their businesses.

More than 300 celebrities, which is equivalent to 10 sets of celebrity meets everyday on Taobao Live

More than 100 officials/governors/mayors have invested in village livestreaming plans and more than 260,000 livestreams related to agricultural products were held.

More than 600 presidents/company executives personally hosted livestreams on Taobao Live, which became a marketing highlight for their businesses.



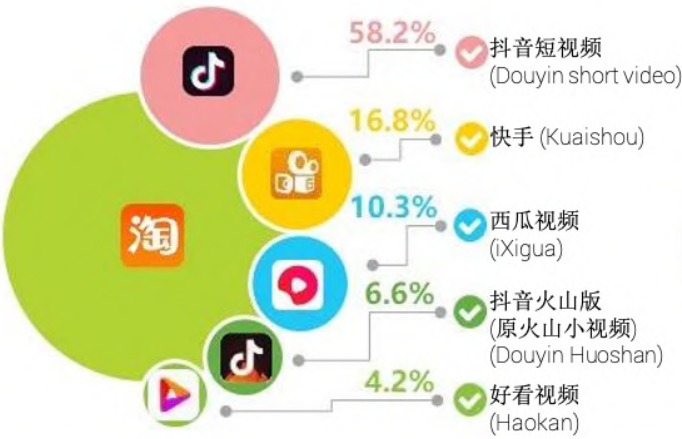
Translated to English. Source: 淘宝直播, Taobao Live

Livestreams with celebrities throughout the 618 period saw an average increase in viewers by 343% and an increase in followers by 670%. The influence and appeal of livestream hosts has allowed this new format of E-commerce to become an effective tool that brands can use to increase brand awareness.

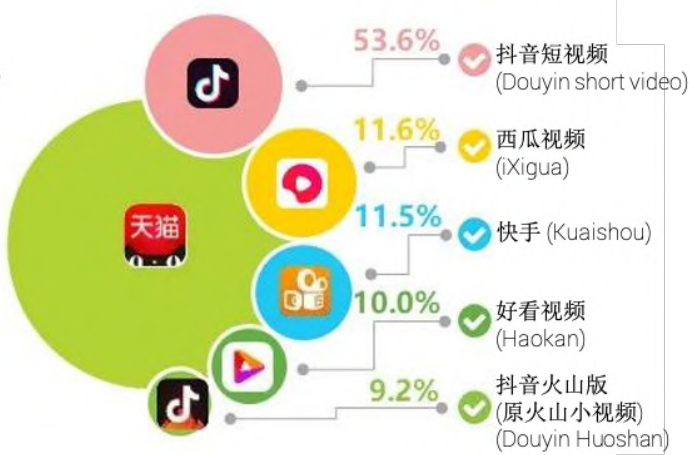
During 618, all of the top merchants on JD.com held their own livestreams. In fact, 18 brand livestreaming rooms saw sales that exceeded 100 million RMB, while 83 brand livestreaming rooms exceeded 10 million RMB in terms of sales. The sales during JD and Kuaishou's first joint livestream reached 1.42 billion RMB. Moreover, JD attempted to incorporate other elements into their 618 livestreams. During 618, JD Live launched several music concerts, including ones that featured Zheng Jun, Cui Jian and other celebrities. The Strawberry Music Festival and other music concerts were launched through livestreaming on JD, with a total of over 7.4 million people watching. To connect the concert back to E-commerce, alcohol brands were linked under the music festival livestreams and offered preferential prices to encourage sales. According to the data released by the platform, 814 tons of alcoholic beverages were sold during the Strawberry Music Festival.

Similarly, amongst the merchants conducting livestreams through Pinduoduo, the 3C merchants (merchants selling computer, communication or consumer electronics related products) stated that the 618 livestream traffic was 15 times greater than usual.

mUserTracker – During 6.18.2020, the top 5 traffic sources in the short video industry for the Taobao mobile app



mUserTracker – During 6.18.2020, the top 5 traffic sources in the short video industry for the Tmall mobile app



Translated to English. Source: iResearch (艾瑞咨询)

Multidimensional methods of rising to popularity

E-commerce platforms are pouring resources into helping brands to create more opportunities for integrating brand products and other elements. Participating in 618 activities has become an important factor in the digital transformation of businesses. Companies that range from real estate developers to home appliance enterprises have all opened online sales channels, and many previously offline focused enterprises rushed to established themselves on Tmall prior to 618. Included in this list of enterprises are well-known brands such as IKEA, Tesla, HEYTEA, Naixue, etc.

Examples of brands that entered E-commerce platforms before 618 during 2020

No.	Brand name	Entry time	Brand type	Platform
1	SCE (中骏集团)	May 22	Real estate development	JD
2	Shanghai Fine Arts Film Studio	May 27	State owned animation Company	JD
3	Prada	June 7	Luxury fashion brand	JD
4	IKEA	March 10	International home furnishing brand	Tmall
5	Tesla	April 16	Electric vehicle company	Tmall
6	FC Bayern Munich	May 27	Football/soccer club	Tmall
7	Kuanzhai Alley (宽窄巷子)	Early June	City landmark	Tmall
8	Dior	June 14	Luxury fashion brand	Tmall

Translated to English. Source: iResearch (艾瑞咨询)

Technological Advancements

With the advent of the 5G era and the advancement of technology, E-commerce platforms are able to provide consumers with a more immersive shopping experience and more wide-ranging services. This has allowed the consumption landscape to continually broaden, leading to the digital growth of brands and enterprises. 3D shopping technology was first applied on a large scale by Tmall during 618 and some home furnishing brands, led by IKEA, launched "cloud shopping" based on 3D technology. The first batch of brand merchants that utilized the 3D shopping function has reached 100. In the three days that followed after this feature went live, over 5 million people completed their shopping through the cloud. At the same time, the number of products added to the shopping cart per consumer averaged 15, which is 5 times higher than before. This developing digital landscape has become a new battlefield for E-commerce platforms.

During the 618 shopping festival, JD Logistics further upgraded their warehouse model and increased the efficiency of their delivery services. On June 1st, Suning Logistic's first 5G unmanned warehouse was unveiled and put into use.



"Tmall 618 launches their 3D shopping experience for the first time. 100 merchants will be the first to open."

The sudden outbreak of COVID-19 has not had a long-term effect on domestic consumer demand and economic development. Instead, the situation has provided a boost to E-commerce and created demand for new online channels. With the fierce competition in the E-commerce industry and the progression of modern science and technology, new markets and opportunities will continue to arise alongside new consumer demands. The coming-to-age of Z-era consumers, the increase in cross-border operations, and the rising importance of social media in E-commerce will all lead to a growth in overall consumption demand in the China market.

A photograph of a baby lying on a white leather sofa, drinking from a bottle. The baby is wearing a yellow and white striped onesie. In the background, there is a large teddy bear wearing a red shirt, a television on a stand with toy cars on a shelf below it, and a potted plant with pink flowers.

Achieving success
in the **Mother & Baby**
category

The rise of goat/sheep **infant milk formula** and how a brand achieved success

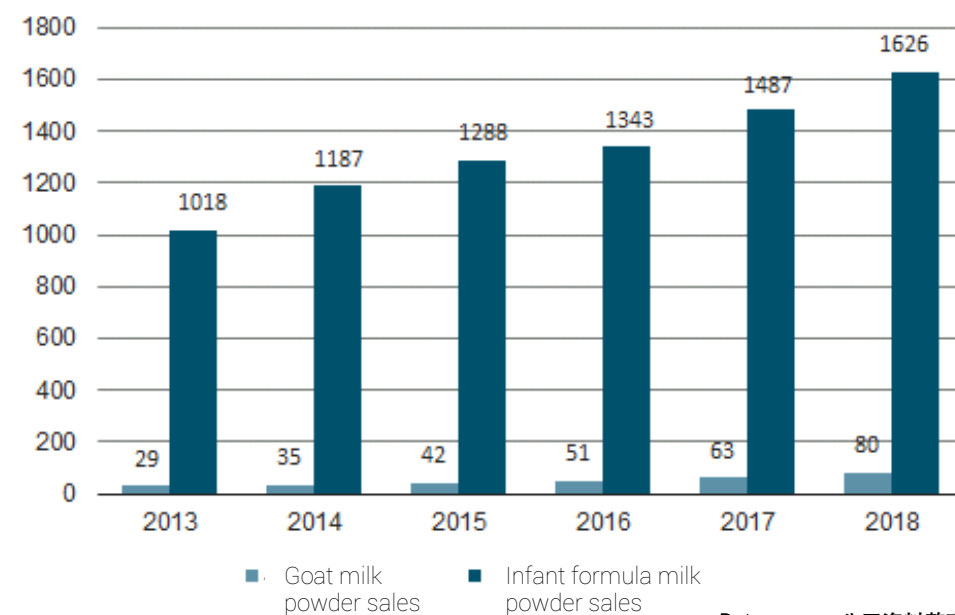
By Fressia Liu, RedFern Digital



As quality of life among Chinese consumers has generally improved, consumption habits have also increased in the past few years. When it comes to the Baby Food industry, this has led to an increase in the scrutinization of different subcategories of milk formulas. The example we will be discussing in this article is goat or sheep milk formula (in Mandarin, goat milk formula and sheep milk formula are described using the same characters). The fat molecules in goat milk are smaller than in cow milk, which goat milk brands claim has the effect of making goat milk easier for infants and young children to digest and absorb.

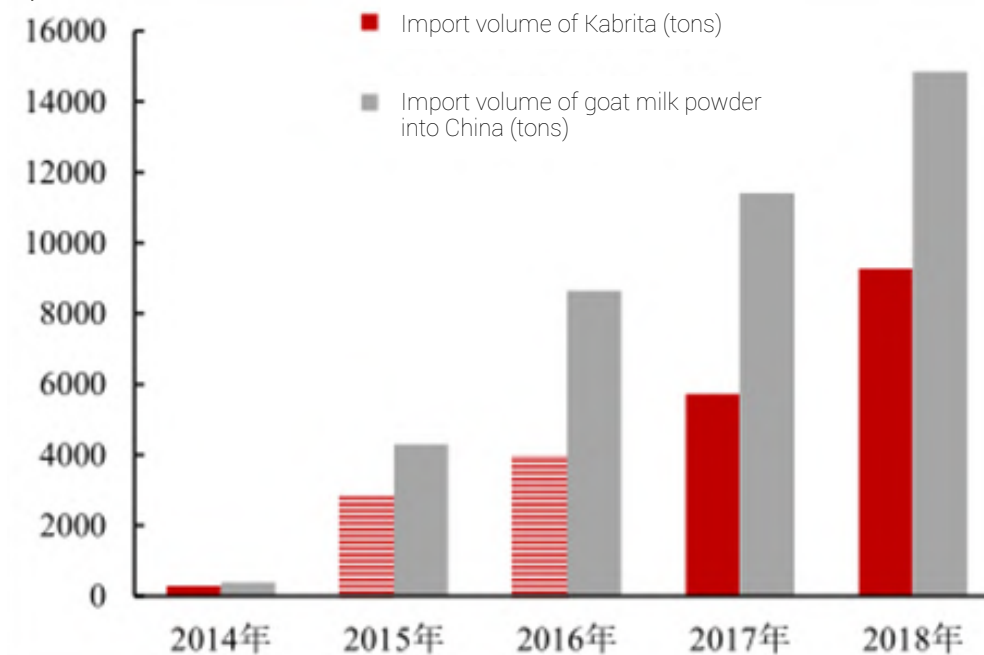
In 2018, the goat/sheep milk formula market in China was around 8 billion RMB, a year-on-year growth of 27% compared to the previous year. The market growth rate for this subcategory remained above 20% in the past 5 years previous to 2018. Goat/sheep milk formula for infants currently only takes up a small proportion of the entire infant formula or infant milk powder market, with sales of goat/sheep milk formula accounting for 4.9% of the infant formula market in 2018. However, as brands invest in large promotions and increase education among Chinese consumers on the benefits of goat/sheep milk, the market size of the goat/sheep milk powder category for infants is expected to double to around RMB 20 billion within 5 years.

China's goat/sheep milk formula market size from 2013 to 2018 (100 million RMB)



Data source: 公开资料整理

Import volume of goat/sheep milk formula into China, from 2014 to 2018



Data source: 公开资料整理

It can be seen that goat/sheep milk powder is becoming accepted by an increasingly large number of consumers, proving its future potential. Kabrita, a goat milk formula brand from the Netherlands, is a standout among the other imported goat milk powder brands.



Kabrita: How did the brand achieve and maintain its success?



Kabrita's goat/sheep milk formula, for 6-12 month old babies and 12-36 month old toddlers.

Kabrita is a popular goat milk formula brand from the Netherlands. According to statistics from China's Goat/Sheep Milk Formula Industry Research Report 2017, in the first half of 2017, the import volume of Kabrita's goat milk formula reached 954.43 tons and was valued at USD 10,603,900. As such, Kabrita accounted for 40.92% of infant goat/sheep milk formula imports. In 2018, Kabrita's share of the goat/sheep milk formula market in China reached 66.57%. Therefore, Kabrita is one of the top brands in the niche market of goat/sheep milk formula.

"Consumers' purchasing decisions are affected and restricted by many factors. Branding is an important part that directly affects consumers' purchasing decisions."
– Kabrita

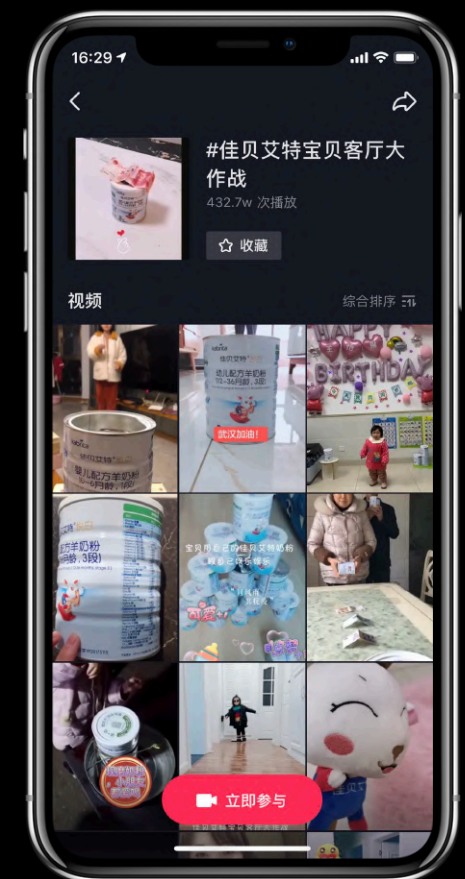
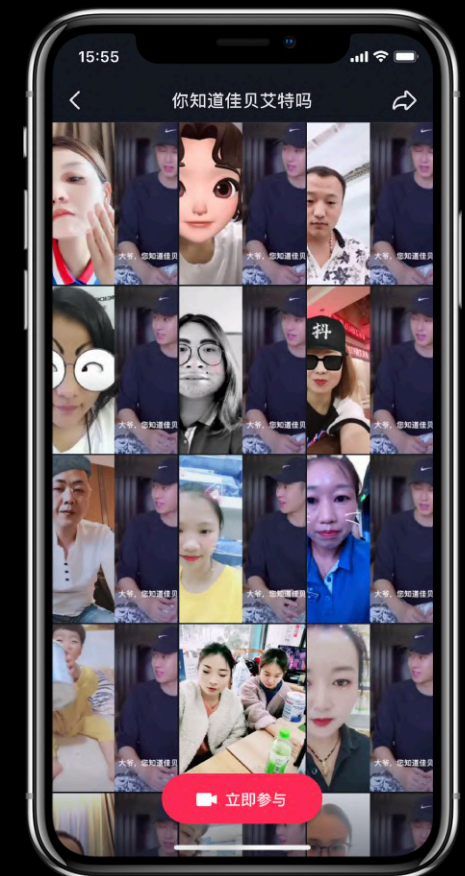
Programmatic Advertising

Kabrita was able to reach their target audience by using specific targeting metrics via programmatic ads on various media channels. Programmatic advertising allows brands to increase consumer awareness and drive potential customers to the brand's E-commerce stores.

Vlogging Platforms

Kabrita has been able to effectively use Douyin, one of the most influential UGC platforms in China, to spread brand awareness and build online word-of-mouth (E-WOM). Kabrita works closely with high-quality Douyin mother & baby KOLs and KOLs that specialize in reviewing mother & baby products to develop interactive content using specific hashtags. As an example, in 2019, Kabrita created the hashtag #你知道佳贝艾特吗# (Do you know Kabrita) and invited hundreds of KOLs and KOCs to make videos using the hashtag. As a result, videos with the hashtag were played 5.5 million times. Most recently, during COVID-19, Kabrita carried out the hashtag campaign #佳贝艾特宝贝客厅大作战# (Kabrita living room battle with your baby). For this campaign, during the quarantine period, the brand encouraged users to use the product's container as a toy or prop to have fun and play with their children.

Hashtag campaign that Kabrita ran on Douyin, #你知道佳贝艾特吗# (Do you know Kabrita)



Hashtag campaign that Kabrita ran on Douyin, #佳贝艾特宝贝客厅大作战# (Kabrita living room battle with the baby)



Community of Mothers

Kabrita began to build up its own community of mothers very early on by investing in interactive campaigns, vouchers, coupons, free products, giveaways, etc. to encourage mothers to join the brand's community and try out its products for the first time. To encourage the mothers to remain in its community, Kabrita developed a number of tasks to complete, such as daily sign-ins, product reviews, friend invitations, etc. By completing these tasks, the mothers are able to earn points which can be used to redeem coupons or products later on. Moreover, mothers in the brand's community will have priority when it comes to trying out new products and will get special benefits from the brand. From the mothers' perspective, they not only gain access to these benefits from Kabrita, but they also gain a place to discuss their parenting experiences with each other. These mother groups are a form of private traffic that the brand directly controls. Undoubtedly, building a community of loyal mothers is one of the best ways to increase WOM for brands in the mother & baby industry.

Free Trials & Products Reviews

When Kabrita was first launching their products into the China market, the brand invested in interactive H5 campaigns on WeChat, including WeChat Moment ads, KOL collaborations, mother groups, etc. During the campaign, the brand sent out free trial products to mothers, encouraging them to try out the products and leave reviews online.

Kabrita understood that Chinese mothers often look up product reviews and conduct research before purchasing infant formula products, in order to ensure that the product is safe for their babies. This is especially true for a previously unfamiliar product type coming into the market, such as goat/sheep milk. Building up an online brand presence and WOM is crucial for the brand's success, especially in the Mother & Baby category. However, doing so requires long-term investment. Although Kabrita remains at the top of their category, the brand still offers trial products to new consumers in the form of special gift boxes that are sold at the lower price of 59 RMB.

Sponsorship & Product Placement

When talking about Kabrita, it is hard to ignore its huge investment in TV show sponsorships, mostly on Mango TV. Their cooperation with Mango TV started with a cartoon channel, during which Kabrita was able to accurately target its consumer groups and leave an initial impression on potential consumers. After this, the brand appeared in a wide range of TV shows, sponsoring the shows and conducting product placement in them. Through these sponsorships and product placements, Kabrita and its products gained widespread exposure and became well-known in the market, particularly among potential consumers that do not use social media.



Gift box with trial products, offered at the lower price of 59RMB.



China-Britain
Business Council
英中贸易协会

Insights on the Baby Food Category in China

The China-Britain Business Council (CBBC) is the UK's national business network promoting trade and investment with China. Since 1954 they have acted as the independent voice of business, located at the heart of the action, engaging across both countries in every sector and region.

RedFern Digital conducted an interview with Mei Chu from CBBC, discussing the Mother & Baby industry in China. The interview focuses on the Baby Food category and provides insights into current trends in the market.



Interview with Mei Chu, Assistant Director, Consumer and Creative Industries at CBBC.

Q: Could you please provide some background into your and CBBC's experience within the Baby Food category?

A: I currently lead CBBC's consumer goods and creative industries in Shanghai and specialize in cross-category business collaborations to support UK companies in their China market development. Part of what we do at CBBC includes helping baby food brands from the UK develop their new sales channels in China. We support them on consumer insights and provide assistance on their in-market campaigns.

Prior to CBBC, I was the new product development lead at Nestlé and was the cross-border E-commerce team leader of its largest baby food brand in the China market.

Q: What are some key differences between the Mother & Baby industry in China compared to that of Western countries? What about specifically in the Baby Food category?

A: The Mother & Baby industry in China has its own unique culture. Mothers in China often seek out social platforms specifically for new mothers, where they can join communities of other mothers. In these communities, the mothers can discuss their parenting experiences, obtain parenting advice and knowledge, or receive product recommendations. Recommendations or product reviews from their peers can be extremely important factors that mothers consider when making a purchasing decision. Because of this, these social platforms, such as Babytree or Mamabang, or other vertical platforms, such as Beibei or Mia, are very important for the Mother & Baby industry in China.

When it comes to the Baby Food category, the entire concept of how to feed or nourish babies is quite different when comparing Western countries to China, especially due to differences in culture, habits and general consumer backgrounds. In recent years, I would say that the way Chinese mothers are feeding their babies has been influenced by Western habits.

We can observe this by looking into the category trends. For instance, 20 years ago, the older generations of parents adhered more to the belief that self-made mashed rice is best for feeding babies. However, when looking at the current generation of Chinese mothers, we can see that they are more accepting of feeding their babies rice cereal products developed by brands. As a result, these mothers tend to be very loyal to the brand from which they buy their rice cereal products. Part of the reason for this change in approach to infant nutrition is also due to changes in lifestyle between past and current generations of parents, and the convenience of purchasing rice cereal products, rather than making their own rice-mush.

Q: What would you say is a major development trend in the Baby food market?

A: Many brands have started to expand their marketing focus beyond rice cereal, which has traditionally taken up the majority of sales. Brands are increasing investments in other baby food subcategories, for example fruit puree and snacks. In more recent years, brands have begun to educate Chinese mothers on fruit puree products, going against the traditional belief that fresh fruits are better than ready-to-eat purees. With brand education combined with the changing lifestyle among parents, they have an increased need for more efficient and convenient methods of feeding their young children. As a result, the newest generation of mothers are more accepting of feeding their children ready-to-eat purees, such as those sold by Ella's Kitchen or Little Freddie.

Because of the changes in feeding concepts and lifestyle, aside from rice cereal, consumers are showing a rise in demand for other baby food subcategories such as purees, baby snacks, and edible teethingers.

Q: What are some new product developments that have come about in recent years in the Baby Food industry?

A: Many brands are focusing on very specific sub-sectors of the baby food market. Brands are launching products that have specific features or functions.



A2 milk products for baby nutrition

For instance, Nestlé launched their 'low sensitivity + gentle protection' product line, which is aimed at babies that may be sensitive to different types of more harsh ingredients. Some local brands have launched baby food products that they market as having been specifically developed for babies that were delivered through C-sections or born with low-birth-weights.

Another trend that has been a huge hit is A2 milk, which is a type of cow's milk that has lower amounts of the A1 form of beta-casein protein and is claimed to better suit babies' more sensitive guts. After the a2 Milk Company launched A2 milk into the market, other brands followed suit. Illuma launched their own version of milk products with the A2 claim, alongside Nestlé Nan. However, when it comes down to it, A2 milk is a very small sub-sector of the larger baby food market in China.

Goat milk is another subcategory that has seen some growth both through cross-border E-commerce and among local brands.

Q: Have you seen a difference between how domestic and foreign infant nutrition brands approach the infant nutrition market in China?

A: In the infant nutrition industry, local brands have quite a strong presence. Not only because they're supported by the Chinese government, but also because they frequently position and market themselves as local brands that know and better understand the nutritional needs of local babies. One example is the brand Feihe, which frequently uses the claim 'designed for Chinese babies'.

On the other hand, imported foreign brands will often focus on two factors in their marketing. The first is the high quality of their products. These brands will emphasize their product origins and how their products have passed the strict standards of their country of origin. The second is the 'premium' status of the foreign brands. The tone and visuals used in the brands' marketing efforts and campaigns will be focused on positioning the brand in the more 'premium' and higher priced market.

Q: What insights can you share about what has given key competitors in the baby food market an edge against the rest of the market?

A: As an example of a successful brand in the China market, Little Freddie started by focusing on one product type, puree. Puree is a category that generally has less customer loyalty. This is different to infant nutrition, where mothers do not like changing the brand after they start to use the brand's products. Generally speaking, puree is considered a supplementary snack for Chinese babies, so it has low barriers of entry, even as it has low customer loyalty. Little Freddie was able to penetrate the market through their puree product lines, building up their brand reputation in the China market. Only after becoming established, did Little Freddie begin to expand their product lines beyond purees, investing in baby snacks or rice cereals.

Q: Do you have any suggestions for new brands coming into the China Baby Food market?

A: For brands that are just entering the baby food category, one suggestion is to focus on one type of consumer or mother to recruit that suits the brand positioning and products, then continually provide brand education and recruit new mothers within that consumer segment.

As from the Little Freddie example, brands can find success by initially launching products in one subcategory, rather than launching multiple product lines at once. Doing so will allow the brand to focus its investment and penetrate the market, ensuring that the one product line succeeds before expanding into other subcategories.

Every year, new mothers are entering the market, so the most crucial aspect of this industry is for brands to start engaging with the mothers early on in their pregnancy, in order to influence them at the start of their preparation stage for a new baby. Continually recruiting and educating new consumers/mothers is always key in this industry.



RedFern Digital will be sponsoring a CBBC/CBME initiative for the Children Baby Maternity Expo (CBME) from 10th to 12th October 2020 in Shanghai. As a service partner, RedFern Digital will be a keynote speaker at the CBBC/CBME webinar and will act as a moderator for focus group discussions with UK brands.



2020 H1 China Food Market Review: Categories with Brilliant Performance

By Shine Hu, from ChemLinked.

ChemLinked, launched by REACH24H Consulting Group in 2012, is now a leading comprehensive regulatory information and market insights online platform. They focus on meeting the growing demand for clear and concise regulatory advice and market intelligence involving Chemical, Food, Cosmetic, Agrochemical industry in Asia Pacific regions, especially China.

China's food and beverage industry in 2020 H1 was clouded by the COVID-19 epidemic. Consumers put forward higher requirements for food with more focus on health, nutrition, safety and natural ingredients

General review:

In the first half of 2020, China's FMCG industry was severely impacted by the COVID-19 epidemic. According to data from the National Bureau of Statistics, the total retail sales of consumer goods in January-February fell by 20.5% year-on-year. In March and April, the year-on-year decline was 15.8% and 7.5%^[1], showing a rebounding trend.

Affected by the pandemic, Chinese consumers' disposable income and consumption expenditure have both declined, and long-time home quarantine has severely affected their traditional consumption habits and channels. Online e-commerce became a major channel, and consumers are putting forward higher requirements for food with more focus on health, nutrition, safety and natural ingredients. Under this situation, food categories performed differently, with some showing an obvious upward growth trajectory.

Prominent categories



Bird's nest

With the rise of health consciousness, traditional Chinese tonics, represented by the bird's nest, have gained increasing traction among consumers.

During this year's 618 mid-year shopping festival, fresh stewed bird's nest recorded a remarkable performance. According to online data, from June 1 to June 20, Xiao Xian Dun fresh stewed bird's nest sales exceeded 245 million yuan, a year-on-year increase of 463%^[2].

In JD, the turnover of the bird's nest category increased by 72.4% year-on-year from June 1st to June 18th, of which the turnover of fresh stewed bird's nest brand Xiao Xian Dun increased by 573.6% year-on-year^[3]. On Tmall, Xiao Xian Dun even surpassed imported health brand Swisse to clinch the No.1 title in the pharmaceutical category, becoming the first tonic brand in the history of Tmall 618 with sales over 100 million yuan^[4].

Fresh foods (vegetable & fruit)

During this year's Spring Festival (since January 24) when China was in the hardest time of fighting against the epidemic, orders from fresh suppliers soared: the sales of JD Fresh increased by 470% year-on-year; Wal-Mart's O2O "Home Delivery" sales increased by more than 4 times year-on-year; Meituan's daily order volume in Beijing reached 2-3 times that of the pre-holiday order volume^[5].

As China gradually returned to normality, people's demand for fresh food remained high. Taobao data shows that the growth of fresh food, including meat, aquatic products and vegetables, in March exceeded 180%, 85% and 136% respectively^[6].

The Kantar Consumer Index shows that as of the end of May 2020, the Chinese fresh food market has increased by 16% year-on-year (the growth rate of FMCG during the same period was only 3%). The outbreak of the COVID-19 pandemic has prompted more consumers to switch to online channels to buy fresh food. Fresh food e-commerce platforms (Fresh Hema, MISSFRESH, etc.) grew by 5% and 8% respectively^[7].

Pasteurized milk

During the epidemic, the Chinese National Health Commission and four industry associations have encouraged the drinking of "300 grams of milk or dairy products every day" to enhance immunity. Consumers are paying more attention to improving immunity, and many Chinese people have begun to drink milk daily. Among various dairy products, the consumption of pasteurized milk, which is more in line with the fresh and healthy concept, has maintained rapid growth and is higher than normal temperature dairy products.

During February, Brightdairy, China's leading pasteurized milk manufacturer, has seen its UBest Fresh Milk and Zhiyou Fresh Milk sales increase by 5 times more than usual. Also, its high-end fresh milk Jersey has tripled in sales^[8]. The epidemic has brought consumers' focus on health to a new level. How dairy companies can satisfy the deliciousness and nutrition of dairy products while enhancing health and functionality will be the focus of future dairy product development.



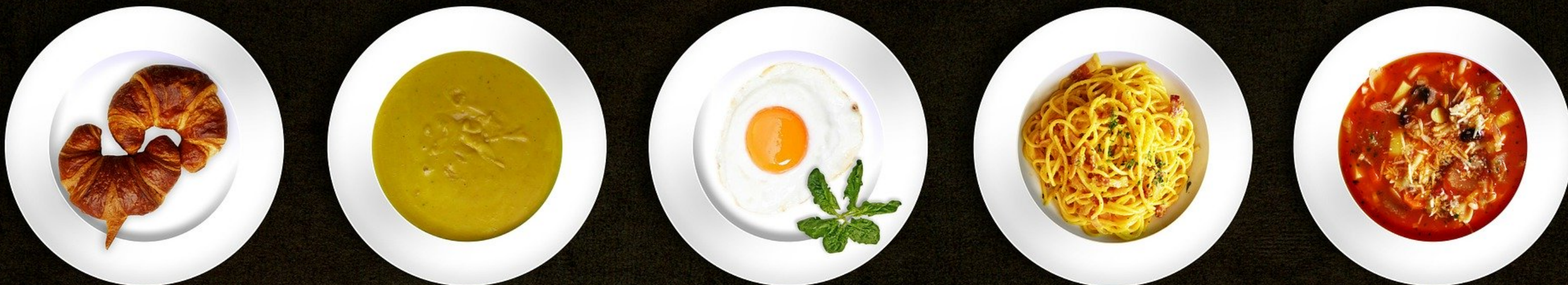
Instant foods (frozen products and convenience foods)

As the epidemic has trapped everyone at home for two or three months, various types of convenience foods and frozen foods have become the first choice for consumers to stock up.

According to Tmall data, since February, the sales volume of convenience foods has increased by 700% year-on-year. According to JD Big Data, in February and March during the epidemic, sales of instant noodles and ham sausages increased by 210% year-on-year, and sales growth of self-heating products such as "Zi Hai Guo" reached more than 400%. Suning's self-heating food category sales increased by 370.27% year-on-year^[9].

Facing the booming market of convenient and instant food, many food brands have rolled out relevant products, including traditional hot pot brands like Haidilao, instant noodle brands like Kangshifu, snack brands like Three Squirrels and startup brands like Li Ziqi and Moxiaoxian. On the "Li Ziqi (李子柒) Tmall Flagship Store", the river snail rice noodle alone has recorded 1.5 million orders in a month.





Functional foods (health foods and supplements)

Health products rose as much as 11%^[10] during the epidemic. On JD, the turnover of many domestic and foreign health product brands has grown rapidly, such as FANCL's year-on-year growth of 25 times, Swisse's year-on-year growth of 13 times, and CENOVIS's 10 times year-on-year growth. According to public data, in the first quarter, a total of more than 150 nutrition and health product merchants settled on JD^[11]. In addition, Tmall health products category sales increased by 50% in March, and the best-selling products include protein powder, vitamins, probiotics, calcium tablets, etc. As for Suning, since April this year, Suning supermarket health products orders increased by 88%, and the sales of vitamins, dietary supplements and other categories are the highest, with the sales of By-health, Centrum and Swisse increasing significantly^[12].

During the 618 shopping festival, the health food category sales were outstanding. JD Health Data show that from June 1-18, the turnover of imported health products increased by more than 100% year-on-year. The segmented health products also witnessed explosive growth: the sales volume of the probiotic category increased by 230% year-on-year and the turnover of the vitamin/mineral category increased by 115% year-on-year^[13]. According to the data released by Alibaba Health, health products represented by Vitamin C tablets maintained high growth, and the transaction increased by 109% year-on-year^[14].

Snack foods (clean label)

Also due to the long home isolation, snack category sales grew during the 2020 H1. The income of the snack food industry in the first quarter was 14.32 billion yuan, an increase of 2.7% year-on-year. The leading snack enterprise Yanker Shop, Three Squirrels, Toly Bread, Cha-cha Food achieved year-on-year revenue growth of 35%, 19%, 16%, 10% respectively^[15].

In 2020 Q1, leisure snacks sales on Tmall & Taobao were 19.313 billion yuan (increasing 16.89% year-on-year). Affected by the epidemic, consumption has shifted from offline to online and livestreaming has contributed greatly to online snack sales. The leisure snack is expected to maintain over 15% speed growth in 2020^[16].

As consumers' awareness of health continues to increase, green, organic, low sugar, additive-free, functional features are becoming the highlights of the snack market.



****Disclaimer: All images used in this article are from the internet.**

Reference Links

- [1] How Should Food Companies Respond to the Epidemic?
- [2] Stewed Bird's Nest Surpassed Imported Health Products
- [3] Big Data of JD 618
- [4] Bird's Nest Brand Xiao Xian Dun Performed Excellently in 618
- [5] Fresh Retail in Epidemic
- [6] Taobao Saw Strong Growth of the Food Category
- [7] What are Consumers' Needs for Fresh Food?
- [8] Demand for Fresh Milk has Increased Several Times

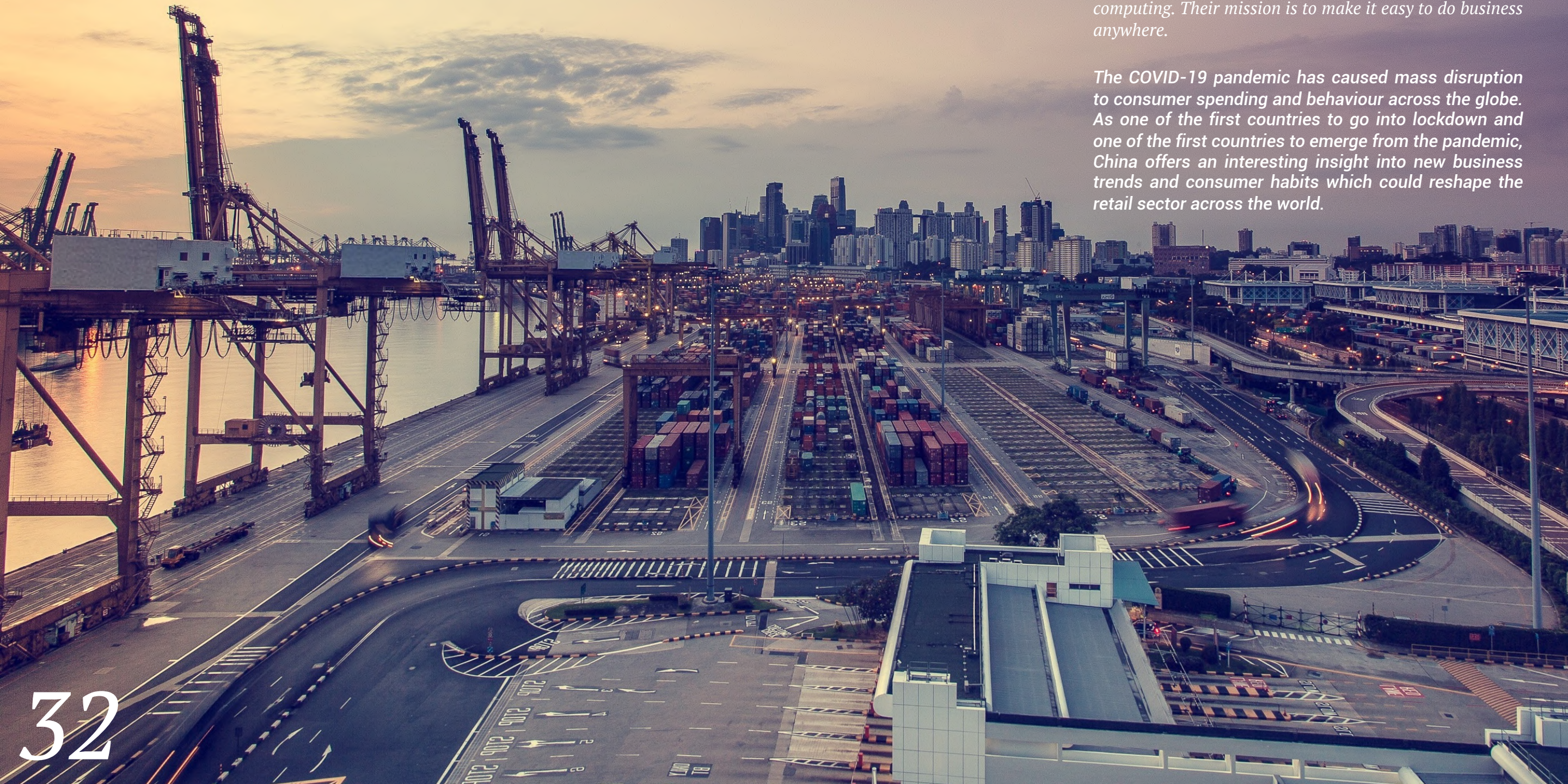
- [9] The Demand of Convenient Food in China is Strong during Epidemic
- [10] Food and Beverage Industry under the Epidemic
- [11] Health Products Sales Soared due to the Epidemic
- [12] Sales of Health Products Increased Month-on-Month in March and April
- [13] JD 618 Shows the Trend of Health Consumption Upgrading
- [14] Ali Health Grows Rapidly during 618
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Consumption trends analysis as Chinese consumers emerge from COVID-19

*By David Lloyd, General Manager
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Alibaba Group's businesses are comprised of commerce, finance, logistics and big data powered by cloud computing. Their mission is to make it easy to do business anywhere.

The COVID-19 pandemic has caused mass disruption to consumer spending and behaviour across the globe. As one of the first countries to go into lockdown and one of the first countries to emerge from the pandemic, China offers an interesting insight into new business trends and consumer habits which could reshape the retail sector across the world.





We're also seeing a continued appetite in China for quality overseas products, which presents an incredible opportunity for international brands to make clever use of digital tools and technologies to connect with a new audience and support their growth through and following the crisis.

While physical stores were closed and many people confined to their homes, consumers became increasingly reliant on online shopping. The already sophisticated and extensive e-commerce market in China grew by 5.9% in the first quarter of 2020. The China Internet Report 2020 shows that as of March this year, Chinese internet users were spending an average of 7.2 hours online every day, a sharp increase from 5.6 hours a day in the previous year. This statistic underscores both the prevalence of e-commerce and the convergence of retail, social and entertainment, which make shopping an interactive hobby, rather than a static transaction.

Throughout the first half this year, demand for imported goods has remained strong. Data from Tmall Global – Alibaba's cross-border e-commerce platform – shows that purchases of goods from overseas were up 52% year-on-year in February, with beauty and dental devices soaring to a 459% year-on-year growth. More recently, during Alibaba's 6.18 Mid-Year Shopping Festival, we saw a 43% surge on imported product sales compared to 2019.

Soaring demand in key categories

Several sectors have proved particularly resilient. Already firmly on the agenda as part of the Healthy China 2030 initiative, the crisis has brought with it a renewed focus on personal wellbeing, driving growth in Beauty & Personal Care, and Health & Wellness. A recent survey showed that 72.3% of people say they developed healthier eating habits during lockdown.

The demand for natural supplements, such as fish oils, probiotics, and 'functional' teas, has continued to grow. Many consumers see supplements as a quick and easy way to boost immunity and gut health. We are also seeing brands thrive in the meal replacement and sports nutrition sector. Myprotein, Slimfast, and emerging brand Exante, are all doing well by offering individual portion-sizes and on-the-go packaging, which is perfect for people looking to fit consuming a balanced diet into their busy lives. The meal replacement subcategory is expected to grow by another 30% this year and be worth 120 billion yuan (approx. £13.8bn) by 2022.

Finally, alternative milk is also extremely popular in China – set to maintain its position as the largest subcategory within the beverage sector. Soya, walnut, and coconut milks account for 11%, 10% and 12% of the market respectively, though it is the new alternatives such as oat, pea and rice milks, that are expanding most rapidly. This 'other' section of the alternative milk market already accounts for 64% and is expected to continue to grow as people look for mixed alternative milk products such as pea, banana and oat combined to give them increased nutritional benefit.

This enthusiasm for healthy products also translates into the Beauty & Personal care sector – for example, there has been a surge in demand for natural products, hair supplements and vitamins. Coresight Research shows that online is a lucrative channel for beauty, with 1 in 3 surveyed consumers reporting that they make more than 50% of their beauty purchases online. Meanwhile, China Renaissance research shows that 49% of Chinese female beauty consumers surveyed intend to increase their spending on skincare following the pandemic.



Tools and technologies to connect with consumers

Chinese consumers already had high expectations for brand engagement and retail. The crisis has accelerated existing innovation and moved the bar even higher for brands looking to win consumers' attention. Now is the time for experimentation and bravery with innovative online experiences.

Livestreaming, which blurs the line between entertainment and shopping, was already prevalent in China as the go-to option for consumers when seeking out new products and deciding on what to buy, and the primary medium for key opinion leaders (KOLs) to engage with their audience. The crisis has made this technology an even more significant part of the discovery and purchase journey.

Taobao Live, Alibaba Group's livestreaming platform, saw a sharp rise in brand activity over the course of February 2020. At the beginning of the month, livestream sessions had increased by 110% compared to the same period last year.

We're also seeing the integration of this online phenomenon within physical stores. Intime, China's leading department-store chain, is now using livestreaming to promote products within its stores – in fact, more than 5,000 sales associates from Intime's physical stores have registered as livestreaming hosts. When viewers see a product they like during a stream, they simply tap on its link to purchase – if the item is eligible for discounts or coupons, these will then be automatically applied at checkout.

Alongside livestreaming, 3D shopping and Augmented Reality have come to the fore, particularly in the fashion and beauty sectors, to entice and engage consumers. Using this technology, brands can allow consumers to virtually try on makeup and clothing before they buy. This interactive shopping format is driving strong results – on Tmall, Estee Lauder's use of AR attracted visitors to stay an average of 30 seconds longer on the site, extending the visit time to longer than 70 seconds.



Tapping into the export opportunity

The drastic period of change we have lived through has quickly and dramatically reshaped consumer behaviour and accelerated a familiarity with and reliance on e-commerce.

Alongside domestic priorities, export will have a key role to play in supporting economic recovery and a return to growth. Global demand for international goods remains strong, and the worldwide shift to e-commerce gives companies the chance to connect with consumers all across the globe.



RedFern Digital is a China specific, full-service agency that helps brands navigate the digital ecosystem, increase their brand awareness and convert that awareness into sales. After 17 years in China, RedFern has grown alongside our clients, some of which are now among the most successful brands in-market.

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