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It is clear that Chinese consumers are becoming less focused on value for money and more interested in addedvalue and point of difference and it will become paramount for brands to fully understand this divergence.

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The Integration of Online and Offline Channels

China's digitization has created a unique environment where online and offline channels are becoming increasingly integrated, forming new hybrid models of shopping and purchase.

Partner Insight: Poca Chen,

Interview on Developments in the Snacking Sector in China

As the snack market in China continues to grow, one of the biggest trends that stood out is the increasing popularity of healthy snacks or snacks with health claims, such as "nonfried", "low-fat", "high-protein". Marketing and Promotions: Preparing for Double 11

The big question that most brands have as Q3 draws to a close is ensuring that all plans have been finalized and locked in for Double 11.



Men's Skincare: Data Overview of the Market

Male consumers in China are becoming more image conscious and are increasingly spending more on skincare products, especially in the facial skincare category.



Being one of the most competitive E-commerce markets in the world, China has a variety of requirements for both the E-commerce platforms and the merchants who sell on them, all of which are essential for achieving ongoing growth and consumer satisfaction.



Partner Insight: Shakeup Cosmetics, An Inside Look at the Men's Skincare and Cosmetics Industry in China

For any Western brand that wants to go to China, my first advice is to forget about everything that they've learned in the West as very little of it is useful for Chinese consumers.

> SHAKEUP COSMETICS



Consumers are no longer satisfied with claims of low sugar, low fat, no sugar and no fat, but have begun to develop more specific demands when it comes to raw materials, ingredients and additives.



Partner Insight: Kung Fu Data, Insights into the E-commerce Landscape in China 2021

One of the biggest changes we see is in where brands should focus their energy in terms of marketing and operations. We call it screen real estate.







Message From the **CEO**

Dear Readers,

For brands and agencies alike, the next month unravels into chaos as the final elements of Double 11 are locked in. Some brands will be trying to increase their exposure as much as they can prior to the event, while others will be chasing to lock-in last minute deals with live-streamers. For some brands, this won't be their first Double 11 and they will be looking forward to reaping the benefits of a well-planned out festival. For others, energy and patience will have become the main focus for their brand as they persevere to stand out among the thousands of other brands in their category.

As mentioned in previous issues, category competitiveness and increasing traffic costs within Alibaba, coupled with a wider rand of platforms to choose from, has meant that strategic online plays have become increasingly complex. Brands are now using a combination of marketing types in order to increase brand awareness and, ultimately, conversion as they move through the three stages of building brand strength: Awareness, Consolidation and Cultivation. Firstly, brands must increase recognition through working together with KOLs and KOCs, initiating brand collaborations, building their own media channels and running offline events. Secondly brands must then look to consolidate their share by driving sales, developing their identity and improving consumer perception. At this point brands will often look to NPD, in order to culturally develop and localize their offering. They will further increase attention to creating memorable IP, attention to detail, ingredients and function. Once this has been cemented, they will then turn to livestreaming, celebrities and the platforms to drive their sales. Finally, once these brands have gained their recognition, they must turn 360 degrees to face their customers and understand not only how to recruit them, but also how to retain them through loyalty programs and more.

For some brands, this is a long process of acceptance, while for others there are some ways in which they can circumvent the process to some extent. By ensuring that their brands USPs, ingredients, function, added value and performance are superior to their competitors, brands can ensure an increased chance of purchase and repurchase. The big question for brands becomes: at what point does the initial marketing support across advertising and influencers cause the tide to change and start to convert to sales?

It is clear that Chinese consumers are becoming less focused on value for money and more interested in added-value and point of difference and it will become paramount for brands to fully understand this divergence. As we look over a number of categories in this issue, including the very lucrative snacking market, it becomes evident that Chinese consumers are becoming increasingly engrossed by healthier products that fit into their fast-paced lifestyles. As an example, in the snacking category, brands are diversifying by launching products targeted towards children, such cheese-based snacks, alphabet letters for learning and non-fried, no-sugar healthy alternatives.

It is more important than ever that brands are prepared, committed, flexible and ready to evolve as they head into this year's retail season. We wish all clients, colleagues and friends of RedFern a happy National Holiday and a prosperous Double 11!

- Ryan Molloy, CEO

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Marketing and Promotions:

Preparing for Double 11





Marketing and Promotions: Preparing for Double 11

By Ryan Molloy, RedFern Digital

The big question that most brands have as Q3 draws to a close is ensuring that all plans have been finalized and locked in for Double 11. The festival has now become a month-long opportunity for brands to gain more traction through their Ecommerce stores. There are three major components to the festival that brands need to take into consideration, the prewarm-up, the warm-up and the day itself. The pre-warm-up involves trying to build brand awareness, increase the sales within your store and negotiating with the platforms for resources that can be provided to support traffic. Often brands will use social media campaigns to create noise and hype as well as livestreaming to ramp up sales. This takes place from early September until the first day of presales.

Presales start on the 20th of October and the first day usually brings strong sales and headlines from the larger live streamers. During this period, consumers will pay deposits for products that they will later check out if they still feel the same way towards the end of the pre-sale period. It is categorized by two periods and most traffic is encountered on the first and last days. Brands usually spend most of their time driving as much traffics as possible through in-app display marketing as well as livestreaming to increase sales. Social media, although still useful in this period, loses its effect as KOLs cannot provide attractive enough VIP discounts since most products are already relatively discounted.

1st October

Warm-up

20th October

Pre-sale

- 1st November
- 11.11 Festival

• 11th November

The timeline above shows how brands need to look at their Double 11 preheat. Platforms such as Xiaohongshu should first be used to build up hype and noise (depending on category). Another important note regarding Xiaohongshu is that a lot of the content does not necessarily trend for weeks after it is posted, so it gives more time for that content to grow.

Later, WeChat and Douyin are used to amplify noise and drive sales as more direct to sale platforms. Finally, once the brand enters into the discount stage and sales have started to reach their peak. livestreaming can then be turned on. For live streamers, booking them far in advance is crucial as once the festival nears, many streamers become overpriced. It is suggested that brands focus on non-celebrity streamers who can provide a better ROI. The timing of the stream is critical. Another element is that the top 5 streamers generally provide the best ROI, but live-streaming is always a risk and the ROI of streams from the same person can change tremendously.



Finally, the big day, Double 11 itself. The majority of sales take part on this day and traffic is at its highest by far. All brands listed on EC will see some form of increase in sales irrelevant of their discount as traffic on the platform skyrockets. Most shoppers will tune in during the early hours of the morning in order to get the very best deals on offer and many of the larger stores will see stock sell out of their best value items before midday.

In order to have an effective Double 11, brands need to ensure that they take part in all 3 stages of the journey. What is clear for many newer brands in the market is that jumping online in time for 11.11 is not a means to an end and if they miss out on previous stages or have not built sufficient sales, they may find that they have a disappointing Double 11.

Another prerequisite is pricing and profitability. Double 11 is not a time for brands to cash in on their hard years' work but is instead a time to once again increase the weight of your store, lift sales, welcome first-time consumers and then prepare for the year ahead. Discounting, livestreaming commissions and other costs will mean that profitability is not the main goal but instead to move volume.

content creation







By Frank Ren, RedFern Digital

Double 11 Preparation

After 618 came to an end a couple of months ago, overseas brands selling on CBEC platforms in China started shifting their attention to the next S-level promotional festival in China, while also recapping their previous performance.

Being one of the most competitive E-commerce markets in the world. China has a variety of requirements for both the Ecommerce platforms and the merchants who sell on them. all of which are essential for achieving ongoing growth and consumer satisfaction. Therefore, the preparation work for Double 11, one of the biggest online shopping festivals in China, starts in July even though the actual event does not take place until November.

In this article, we'll be discussing from an overseas merchant's perspective what preparation is needed in advance for Double 11 when selling through CBEC.

Inventorv

Most people know that traffic and sales on E-commerce platforms will reach a peak in November, which makes inventory planning and logistics preparations crucial to ensuring that there is sufficient stock replenished and ready for the large sales volume that is to be expected.

There are mainly two modes for CBEC logistics, Bonded Import and Direct Shipment. Regardless of which mode the brand is using, there are key timings for inventory preparation.

Take Tmall Global for instance. For this year's Double 11, brands selling through bonded warehouses and working with Cainiao as their logistics partner must do the following:

- Submit their replenishment plan before August 27th
- Get the products delivered to the port (by air, freight or railway) before September 27th
- Get their products to the warehouse before October 13th

The process from inventory planning to getting the products listed on the online store can be challenging for brands that are new to this journey. These brands are new to preparing for such a largescale sales promotion, and are unfamiliar with all the documents and communication needed for each step, including commercial invoices, packing specifications, shipment bookings, arrangement for land transportation from port to warehouse, etc.



特殊说明:

1.查询时请注意入仓模式(保税 or GFC)和运输方式; 2.最晚到港日期适用于:使用空运、海运、铁路运输方式送货至中国目的港 3.最晚到仓日期适用于:使用陆运,如:中港车、区间调拨、区内调拨送货至保税仓; 4.补货系统会在8.27关闭,在10.08补货系统重新打开用于提交双十一后销售补货计划;

Released by Tmall Global, the chart above is the 2021 Tmall Global Double 11 Festival Supply Chain Timeline for Merchants, showing the D11 logistics preparation schedule from July-August to November. Different deadlines for various activities are provided, including submission of merchant report, inventory report, stock replenishment plan, and completion of replenishment review. Final deadlines are also given on when the products must arrive at port or warehouse.

It is suggested to liaise closely with the contact from the Ecommerce platform and obtain clear to-do lists regarding the information or details that are required in the preparation phase as soon as possible. Although the brand can choose whether to handle the whole or any part of the transportation journey themselves (such as only international freight), working with one provider that can deal with every step is often the best choice when it comes to investment of time and effort.

One particular aspect that brands should consider is the unpredictability brought about by COVID-19. On the one hand, shipment of international freights might be delayed from the country of origin; on the other hand, it may take a longer time for the ports in China to release the goods for domestic delivery due to the combination of the large volumes that need to be handled during the peak seasons, along with possible stricter COVID-19 inspections.

It is suggested for brands to get ready to utilize other measures to bypass these potential hurdles, such as considering air freight or a Global Fulfillment Centre (GFC).



Activity

In addition to inventory, preparation is also needed when it comes to store operations. The whole point of getting the products ready to sell by the time the sales promotion arrives is to hold a successful campaign.

Usually, the portal for the Double 11 campaign will open in September, which is also the time when brands can look at the requirements set by the platform for merchants to participate. These requirements can include store rating, years of store operation and base sales volume.

Merchants should also check the E-commerce platform to determine if there are any new initiatives that they or their brands can take part in, such as category specific promotional tools or specific advertising resources.

If a brand submits a significant enough promotional budget for the planned festival, there is chance that the platform contact for that category will reach out to the brand personally and negotiate cooperation opportunities. A suggestion for overseas brands is to try to utilize possible opportunities with the goal of maximizing exposure, store visits and sales, especially because these S level promotions are a crucial opportunity to receive substantial ROAS and ROI.

In addition, it is also very important to prepare for out-of-app promotions in order to preheat and build up hype, thereby boosting the store's performance during Double 11.

Examples of pre-heat activities include paid media promotions and livestreaming sessions prior to the shopping festival, which can be significant channels through which to bring in a tremendous amount of exposure, encouraging more potential customers to make purchases during the actual festival. All of this helps to create the busy and sales heavy atmosphere across China during October and November.



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Shifting **Consumer Attitudes** Towards Snacks

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Shifting Consumer Attitudes Towards Snacks

By Nathan Wu, RedFern Digital

A Healthier Snacking Future

In the field of snacks, health upgrades have become a major trend. Consumers are no longer satisfied with claims of low sugar, low fat, no sugar and no fat, but have begun to develop more specific demands when it comes to raw materials, ingredients and additives.

According to iYiou's "2020 China Fresh Snacks White Paper", when buying snacks, health needs rank first among all age groups and are of the highest importance. For the health food category, most consumers are concentrated among the post-90s and post-80s age groups. With regards to chocolate and confectionary, health has become a major concern causing a rise in preference for dark chocolate among the post-90s and post-80s age group, as it is regarded as being healthier than standard varieties of milk chocolate.

The healthiness of snacks is not just talked about, according to DXY's survey, consumers will also pay careful attention to the ingredients and nutritional information before purchasing. Among these ingredients, although sugar, fat and food additives are of the highest concern, it is worth noting that 11% and 8% of consumers will pay attention to added nutrients and dietary fiber.

Therefore, it can be said that the definition of healthy snacks for consumers is slowly shifting from 'less sugar', 'less fat', '0 sugar' and '0 fat' to a more comprehensive understanding of the functional ingredients and overall nutrition in a product. Examples of health snacks that are rising in popularity include bird's nests as a sleep aid and energy bars to boost energy and suppress appetite.

Vertical platforms have also been getting into the health industry.

As an example, KEEP, China's leading vertical fitness app, has expanded into the healthy snacks category, allowing users to purchase related products directly on the platform. With their DAU count at 6 million and MAU count at 40 million as of March, 2021, the platform is positioned to easily access and recommend healthy snack products to its user base who are the target audience. This development by KEEP reflects shifting consumer attitudes towards living a more healthconscious lifestyle and is especially evident in the fitness community and the number of users on KEEP.

Trends in Snacking

The general trend indicates that consumers are increasing their demand for healthier snacks, however, this does not mean that the healthiness of snack products has become the only factor determining purchase. During the pandemic in China, indulgence of snacking products became an important purchasing driver among consumers trapped at home during lock-down periods, a trend which has not slowed down in China's post-pandemic era. Consumers are expecting richer and diverse flavors to satisfy their appetites, refusing products that are considered monotonous or too boring.

According to DXY's research report, 81% of consumers consider taste when buying snacks. Consumers look for unique combinations and flavors such as salted egg yolk, creative potato chip flavors, milk coated dates, and other novel combinations that brings a unique experience.

Chinese consumers also pay particular attention to the packaging of snacks and often want to share their lifestyle and the snacks they are eating online through social media platforms. Therefore, products that have a design or packaging format that is unique and photogenic are more likely to be shared, thus organically validating the brand image and reputation. This has led to high quality and attractive gift boxes becoming a trend in China.

Another trend among Chinese consumers has been the increased preference for individual portions and smaller packaging of units. Snacks that come in multiple smaller packages allow consumers to control how much they eat in one sitting and are also very convenient.

With the continuous expansion of the snacking industry, there are endless varieties in the market, making it particularly difficult to choose standouts. To enhance brand recognition while still ensuring product quality, snack brands must carry out New Product Development (NPD) localized for China, and constantly innovate in terms of product, packaging, taste, texture, and ingredients. In the snacking category, new products are constantly being launched, so localized NPD is essential if brands want to compete and remain at the forefront of the category.





Brands should look to incorporate elements that will enhance the experience, such as personalizing products for Chinese customers. As an example, for Chinese Valentine's Day this year, known as Qixi Festival, Lay's launched a new range of chips with unique Chinese prints. To make their chips more fun and engaging, the chips are printed with messages, and are available in three varieties, with each having a different theme. In fitting with Qixi, the themes were love, friendship, and singles. These chips are both very creative in appearance and have that touch of personalization that consumers enjoy. With the product's unique appearance and ability to offer a novel experience to consumers, consumers responded by sharing the products online and discussing different types of prints and memes they found on their chips.



mage taken from Lav's Weibo Official Account promoting their Qixi printed chips.



Photos taken and posted by consumers on Xiaohongshu about Lay's printed chips.

How can Snack brands build up their brand strength in China?

Building up brand strength in China can be split into three stades:

- 1. The awareness stage where the brand begins to build up recognition among consumers
- 2. The consolidation stage where the brand develops a brand identity and improves consumer perception
- 3. The cultivation stage where developed brand building increases brand loyalty among consumers is experienced.

Stage 1 is where the brand determines its general direction and brand positioning. For an imported snack brand that has just entered the China market, building up a memorable brand and product image is essential. Thanks to the era of new media, this can be realized easier than before through media platforms that can quickly publish content. Using text, visual design, audio editing, user interaction, and other formats, brands can convey product information to consumers in a memorable and engaging manner. Through the continuous output of new content, a complete brand image will gradually emerge and can be showcased. Of course, in addition to online content, offline brand education is also indispensable and will help root the brand image among potential customers.

Stage 2 involves consolidating the brand image and gradually shifting from building up the brand in China to mass sharing. After brands have successfully developed a localized brand book, they will need to increase customer interest for products. This can be accomplished through online word-of-mouth marketing, using KOL and KOC recommendations, to increase online discussion about the brand and establish a sense of trust and credibility.

The last and most difficult stage is building brand loyalty. As an example, is the loyalty of Starbucks' consumer base. The brand has created a membership system, allowing for more interaction with customers and the creation of a community of dedicated Starbucks fans. This membership system has always been at the core of brand operations at Starbucks, and marketing activities are heavily focused on the' membership system. Brands need to discover and adopt their own methods of increasing interaction and establishing an emotional connection with their customers. For long term success, increasing the product's perceived value and brand loyalty among consumers has become more important than simply offering discounts and basic promotions.





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The Integration of **Online and Offline Channels**

By Sandra Weiss, RedFern Digital

Over the past couple of years, China's digitization has created a unique environment where online and offline channels are becoming increasingly integrated, forming new hybrid models of shopping and purchase. Although China's level of digitization was already high, pre-COVID-19, the virus has caused an acceleration in both the acceptance and implementation of these new technologies.

When the term "020" is used in a marketing context, it usually refers to "Online-to-Offline". However, China's innovation when it comes to 020 commerce has caused an integration of digital and offline channels, creating unique experiences that combine offline participation with online or digital components. This has created a new omni-channel shopping experience that has altered how brands and customers engage with each other.

Digitization and Trends impacting 020

The Mobile Revolution

Smartphones are now more widely used than ever before, and an average of 7.3 hours is spent on mobile internet every day in China. Two thirds of this time is spent on social apps, engaging with friends, family, and KOLs. In China, Ecommerce transactions occur more frequently on smartphones than on computers. Moreover, as 5G technology becomes more prevalent, this will allow Chinese consumers to live even more digitized lives.

Digital Payment Methods

China is moving towards becoming a cashless society, as most consumers have become accustomed to using Digital Payment Methods through their smartphones. This trend has further integrated online systems into everyday offline shopping, making the entire experience more convenient, as payments can be completed by simply scanning a QR code, which will then connect to the customer's Alipay or WeChat Pay account (the two most popular digital payment systems in China).

Use of OR codes

• QR codes are also widely used outside of digital payments as a simple method of connecting with brands and other users both online and offline. QR codes can be easily shared online, or printed on marketing collaterals such as posters. brochures, banners, packaging, etc., then scanned through any smartphone device. These QR codes can link to websites, social media accounts, or any other relevant online channel

Social Media

• For most people in China, social media has become a part of everyday life. Thus, it has become essential for brands to also have a social media presence to attract customer interest, build brand lovalty and capture repeat purchase. Brands need to have their own accounts on the major social media platforms and run digital marketing campaigns that can be linked to offline events or activities. Moreover, building a following on social media allows for easier targeting of consumers and retargeting of past customers. reducing acquisition costs and increasing customer loyalty.

Social Commerce

• In China, different sales and social channels have become integrated into a greater social experience, causing the rise of social commerce. Online commerce has increasingly become a social activity through the sharing of product experiences on various social platforms, and e-commerce has become a form of entertainment, especially when considering e-commerce livestreaming. As a result, all channels have become a part of the customer journey, and are used for anything from product research, comparison, purchase. delivery, customer review/recommendation/advocating.



service. and



The Concept of New Retail

In 2016, Alibaba introduced the term "New Retail" to describe their efforts to create a fully integrated and seamless online and offline experience for consumers, pushing the idea of "020" to a greater degree and digitizing the entirety of commerce. Nowadays, 020 and New Retail are concepts that every brand should consider when expanding their reach in China, while still ensuring that the consumer remains at the core of the brand's mission and goals.

New Retail encourages the development of new efficiencies and innovations in logistics, marketing, product development, and consumer experiences. This leads to:

- 1. Supply chain and distribution logistics
 - The combination of online and offline channels allows for multiple streams of data to be unified and analyzed. Through more accurate sales information, optimization of logistics and supply chain allows for more customized restocking of physical and online stores.
- 2. Value-added services for producers and retailers
 - Through New Retail and the integration of offline and online, products, merchants and retailers get access to tools that will allow for better management of production processes and stocks through a digitization of payment systems, inventory monitoring, restocking, sales analytics, and customer services. Alerts can be set in place for when items start to trend or run out of stock, allowing inventory to be more easily managed.
- 3. Fully integrated shopping experience
 - New Retail aims to digitize the offline shopping experience in an intuitive manner and create a customized experience that shoppers bring with them even after they have left the physical store.

Specific changes that New Retail could potentially bring to the offline shopping experience include:

- Contactless curbside pickup
- Al-enabled, smart shopping carts
- Radio frequency identification technology for tracking products in-store
- AR or VR systems both at offline locations and online
- Product traceability

A feature that many New Retail stores currently offer is the ability for customers to shop at the offline location, choose the products they want, make a purchase at the store, then have the products delivered to their homes within 30 minutes, depending on how far they live from the offline store. Moreover, most New Retail stores also allow for customers to scan the QR code or barcode displayed on every SKU for additional information on the product, such as origin, ingredients/material, expiration date etc. These added services increase the convenience of offline shopping and encourage customers to purchase more as they are no longer restricted by what they can carry.

Hema/Fresh Hippo, owned by Alibaba, and 7Fresh, launched by JD in competition with Hema, are examples of this new form of retail, and both offer many of the mentioned features.





Source of Image: Screen capture of video from Alibaba Group's YouTube Channel

Selling products in or having an offline channel that offers digital integration, even if it is just a pop-up store or offline event, can allow for greater brand awareness and brand recognition. Hybrid models that digitize the offline shopping experience allow brands to provide a more convenient and personalized experience for customers, while also receiving more data on the customer and allowing for a brand connection that follows the customer online even after they have left the store.

7Fresh Store

Source of Image: TechCrunch

Hema Store



Men's Skincare: Data Overview of the Market



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Men's Skincare: Data Overview of the Market

By RedFern Digital Research Team

Market Overview

Male consumers in China are becoming more image conscious and are increasingly spending more on skincare products, especially in the facial skincare category. Nearly 90% of men stated that they thought skin care should be a part of their daily routine, and they choose skin care products that meet their own needs.

Growth Rate of Male Skin Care Product



Male Response to the Necessity of **Skincare in their Daily Routines**

88%

- Necessary and should be used daily
- Doesn't matter and can be used occasionally

Consumer Profile

Men in different age groups have different expectations for the quality of their skin. Therefore, the benefits they demand from their skincare products also varies. Younger consumers primarily look for products that can help get rid of blackheads, remove acne and whiten their skin. Older respondents tend to go for products that can give them clearer, smoother and firmer skin.

Expected Benefits of Male Skincare Products



Factors Driving Male Skincare Habits



Source: RedFern Digital Research Team

■ Aged 31-45 Aged 20-30

40% 43% 39% 46% 64% 62%

■ Aged 31-45 Aged 20-30

69%





Male Skin Care Preferences



There is the rising trend of male skin care consumption in lower-tier markets. The consumption of male skin care products in the tier 1 and 2 cities account for 61% of the market share. However, in the lower-tier cities, where skin care purchasing channels are not as varied, men with skin care needs are more likely to buy them online.

Proportion of Online Male Buyers by City Tier



■ Tier 1 ■ Tier 2 ■ Tier 3 ■ Tier 4 and below



Men from mainland China prefer to buy skincare brands they are familiar with. Therefore, when a new brand enters the mainland market, it must offer unique products before it can attract consumers to buy and try its products.

Male Skincare Products Brand Loyalty

- I would only buy 1-2 skincare brands
- I would buy several specific skincare brands
- I would buy and try different skincare brands



Considerations when Buying from New Male Skincare Brands



Source: RedFern Digital Research Team



59%

Market Opportunity

Men's attention to high-end skin care brands has increased year by year and is significantly higher than the proportion of all consumers who use high-end skin care brands. More than 40% of male skin care users have used high-end skin care products, and nearly half of them hope to upgrade their skin care products in the future.

Male Consumers' Attitudes Toward **High End Skin Care Brands**

Always chooses highend products



51%

- end brands, but plans to products in the future
- brands before, but plans
- Never used, and doesn't plan to in the future

Male Consumers' Attention to High-end **Skincare Products**



- Proportion of male consumers that focus on highend skin care brands
- Proportion of all consumers that use high-end skin care brands

E-commerce Data

Time Period: 2019-06 to 2020-05







YOY Growth



Total Sales Value & YOY Growth of the Men's Skincare Market





Sub-Category Deep Dive: Men's Cleansing Products

Time Period: 2019-06 to 2020-05

Sales Value (AUD)



405.02M 29.7%

Average Pricing (AUD)

YOY Growth



Cleansing products are a daily necessity for many male consumers. Sales value of men's cleansers picked up again after a drop during COVID-19 and the YOY growth rate has also begun to recover.

Top market players take up nearly 58% of the total market, with a mixture of foreign and local brands. The top market player takes up 14% of the entire market, while the rest of the brands all have smaller market shares of around 5%. Local brands have started to pick up the competition, with the top 4 selling units in this subcategory from Chinese brands.

For product features, male consumers care mostly about oil control and pore reduction, therefore products with ingredients such as volcanic clay and charcoal are popular.

Total Sales Value & YOY Growth of Men's Cleansing Products



Top 10 Players vs. the Rest of the Market



Pricing, Sales Volume and Market Share for the Top 20 Players



Top Selling Functions for Men's Cleansing Products

Function	Sales Value (AUD)	Sales Value (%)	Sales Volume (#)	Sales Volume (%)
Oil control	264586974.9	65.33%	18712916	59.13%
Blackhead Removal	194078594.2	47.92%	13252025	41.87%
Acne control	192164017.3	47.45%	14031135	44.34%
Moisturizing	163695609.3	40.42%	10775446	34.05%
Whitening	95543118.85	23.59%	4703505	14.86%

Others 和风雨 ■左颜右色 Mentholatum ■洁芙泉 L'OREAL



Sub-Category Deep Dive: Men's Care Set

Time Period: 2019-06 to 2020-05

YOY Growth Sales Value (AUD) 214.66M 26.6% **Average Pricing (AUD)**



Double-11 is a key sales period for men's care sets, with a fourth fold sales generated compared to other months. Therefore, sales promotions are considered a strong factor in influencing consumer purchase decisions. The YOY growth of men's care sets have quickly picked up since a drop in January, suggesting continued future growth.

Among other Men's Skincare sub-categories, a higher percentage of sales are through Tmall Global in this subcategory.

Products priced between 150-200RMB generate the most sales value and sales volume. The lower-end market priced between 20-40RMB is crowded with local brands, while foreign brands compete fiercely in the mid-tier market. The higher-end market is less competitive and is mainly foreign brands.

Three-piece sets that include a cleanser, toner and moisturizing lotion are popular choices for men's skincare sets. Moreover, Men's care have become a popular gift choice.

Total Sales Value & YOY Growth of the Men's Care Sets



Source: RedFern Digital Research Team

Top 10 Players vs. the Rest of the Market



Pricing, Sales Volume and Market Share for the Top 20 Players



Men's care sets have become a popular gift choice for Valentine's Day and Father's Day



'Just got this for Father's Day. I personally think that choosing skincare products as gifts is a great option. Today I'm going to share with you a great men's skincare set."

Image was a screenshot from Xiaohongshu

- Others
- Mentholatum
- ■麦芙迪
- UNO
- Nivea
- Kiehl's
- LAB SERIES
- 高夫
- Biotherm
- A.H.C
- L'OREAL





Sub-Category Deep Dive: Men's Facial Cream

Time Period: 2019-06 to 2020-05



15.80

The monthly sales values for men's facial cream shows seasonality, with sales increasing slightly when the weather is colder, and sales reaching a peak during the year-end shopping period.

Products priced between 60-90RMB generate the most sales value, whereas products between 30-60RMB generate the most sales volume.

Most of the top market players in the men's facial cream subcategory have prices clustered around 10-50 AUD. The lower-end market is highly competitive and packed with domestic brands. La Mer is one of the few players in the premium high-end market and dominates this end of the market.

Moisturizing and awakening are the two top features that men look for when making facial cream purchases.

Total Sales Value & YOY Growth of the Men's Facial Cream Products



Top 10 Players vs. the Rest of the Market



Pricing, Sales Volume and Market Share for the Top 20 Players



Price Distribution of Men's Facial Cream



Total Sales of Men's Facial Cream

Source: RedFern Digital Research Team

LAB SERIES ■ DOCTOR LI ■ Biotherm

from 2019-06 to 2020-05



Case Study: MARTIN

Originated from the concept of male cologne fragrance in Europe, MARTIN is a cologne fragrance skin care product specially designed for Chinese men.

MARTIN "seizes" the vounger generations' attention through IP. strong coverage, co-branded crossovers and precision communication.



MARTIN Male Celebrities, KOLs, Online & Offline Marketing

Image Source:

As a newer brand, MARTIN's marketing approach heavily utilizes celebrities and KOLs. In June 2019, actor Mingen Zhang was signed to be the brand spokesperson. For KOLs, MARTIN focuses on male fashion KOLs, which fits in with the brand tone.

Moreover, MARTIN is also strengthening interactions with voung consumers on social platforms such as Douvin and Kuaishou, as well as livestream platforms.

The brand applies an online-offline approach. After creating strong enough social buzz. Martin started to enter the offline market, and in only half a year, it has successfully listed in large supermarkets such as Rt-Mart and Yonghui.



Image Source: MARTIN

Case Study: BIOTHERM

As part of the L'Oréal group, Biotherm was founded in 1985 to break the prejudice against men using skin-care. The brand has been committed to high-end men's skin care for 35 years.

Biotherm works with celebrities from different age groups to approach different target audiences and bring out different USPs represented by their various product lines.

David Beckham represents their forces supreme product line. which is a premium line focused on anti-aging. Working with him helped the brand tap into a slightly older audience and to associate the product with an aspirational image.

Zhang Yixing and Deng Lun are two other celebrities the brand works with, and they are very popular among the younger demographics.

Different celebrities the brand has worked with







Image Source: BIOTHERM

Although outdoor sports in China are not as popular as in the West, it is still relevant to a niche market with high purchasing power. To tap into this niche market, Biotherm initiated a crossover with Discovery when Chinese climbers climbed Mount Everest for the first time in 60 years. Alongside the launch of special packaging, they also created the hashtags #DARE TO ADVANCE# #HOW HARD IT IS TO BE THE FIRST#. These helped to build a masculine and aspirational image for the brand.

While conducting Tmall Double-11 activation, Biotherm also promoted the same discounts through online channels and offline pop-ups, creating a strong awareness of the brand and delivering an O2O experience.

An Inside Look at the Men's Skincare and **Cosmetics Industry in China**

Shakeup Cosmetics is a new British brand that is changing the game of men's beauty. Founded in 2019 by British-Chinese twins, Shane and Jake, Shakeup quickly became one of the fastest growing men's grooming brands in the UK and is also selling into China.



Interview with Jake Xu, co-founder of Shakeup Cosmetics

SHAKEUP



An Inside Look at the Men's Skincare and Cosmetics Industry in China

Interview with Jake Xu, co-founder of Shakeup Cosmetics

Could you please provide some background into your experience with the cosmetics sector and how Shakeup cosmetics came about?

Our beauty background was first honed through our previous business. In 2006, I cofounded a creative agency with my twin brother, and we ran it for 12 years. Towards the latter part of the agency's life, we were predominantly working with cosmetic beauty brands, marketing their products, and taking new product launches into the market. As skincare junkies, we were very much passionate about beauty and skincare and oftentimes used cosmetic products to cover up for events or interviews. However, we struggled with finding products that we could relate to as guys, and only found suitable products through a lot of trial and error and asking shop assistants for help. A lot of guys don't feel comfortable doing that, because of the stigma against using cosmetic products as men. So, we wanted to create a brand of our own that addressed this.

In 2018, we started working on formulation with a UK based manufacturer and chemist team, setting up our brand later that year. We launched our products by the end of 2019 and have since been solely focused on building this new brand. We're not even in our second full trading year yet and our brand is growing extremely quickly, which is great validation that the Men's cosmetics and skincare category needs attention.

Shakeup's current range includes innovative and multifunctional skincare for men, as well as hybrid makeup skincare products designed for men's skin types and needs.

Do you feel that in the past few years the stigma around men's cosmetics and men's skincare has lessened?

Absolutely, the stigma is fading, although not as fast as we would like. In the past couple of years there has been a big shift among men when it comes to finding different ways to express themselves. One method is through using products that allow them to feel confident or good about themselves. A lot of this has to do with mental health, which is a big issue and topic in both the West and in China.

There has been a social shift in how masculinity is defined by individual men. The #metoo movement has shaken awake a lot of men, changing the way they think of masculinity, and encouraging guys to start living their own truth. Many men are no longer buying into the previous blueprint of what a man should be like or behave like. Of course, COVID-19 has also encouraged people to look after themselves a bit more. As people are at home, they have more time and privacy to try out products. They probably also look into the mirror more than before and have started noticing imperfections that they may want to cover up.

Another reason is the generational shift as well. Age groups such as the post-95s, post-2000s, and Gen-Zs are becoming major consumer groups and are driving demand. These new consumers want sustainable products, they want product variety, and they want inclusivity. Although some demand existed previously, its recent growth and popularity has caused brands and retailers to take notice. Additionally, among these newer generations, gender fluidity is more normalized, which is also driving consumer purchasing behavior.

How have these shifts in trends and attitudes among consumers and the growth in demand among the new generations affected competitiveness in the market?

A lot of these shifts have resulted in brands focusing more on inclusivity, for example releasing more skin color shades for products such as foundations and concealers. Brands have also started using male models for previously female focused cosmetics brands.

This touches on the different issue of gender neutrality versus gender specific, or men-specific, brands. Where we are today is still quite far off from gender neutrality, therefore, 'for men' is a necessary step in the beauty, cosmetics, and self-care categories.

Do you see there being a difference between Chinese customers and Western customers in terms of how much information they want about a product before they make a purchase?

Both Western and Chinese customers have become very savvy nowadays, with most customers concerned about or already aware of different ingredients that are used in skincare. No matter where the customers are from, they want to know that the products they use on their body is safe. We often aren't able to convert consumers until after they've been exposed to our brand quite a few times, so seeding and increasing brand awareness is very important both inside and outside of China.





Are there any key differences when comparing the Men's Cosmetics industry in China and outside of China?

There is definitely a huge difference when it comes to Men's Skincare within and outside of China. Countries such as China, Korea and Japan are light years ahead of the West in this category. I think this is because it has been driven by phenomena such as K-pop, Mando-pop and 'xiaoxianrou' (a term used to describe fresh faced or young male KOLs in China). In comparison, in the UK, it's still very much about the more aged up look, with David Beckham as an example.

When it comes to demographics, our customer base in China tends to be younger than in the West, where lot of our customers are in the 35 plus age range. In China, it is very much the young generation driving demand. Among the Gen-Z consumers, they purchase more cosmetics and are much more likely to make purchases as long as it is within their price range, they have seen it on TikTok or Douyin, or it has been recommended to them.

How has the new cosmetics law regarding animal testing no longer being required for imported regular cosmetics into China impacted the male cosmetics industry?

For ourselves, as a cruelty-free brand, previously we were only able to sell online through CBEC (cross-border e-commerce) channels. Now, this new regulation allows us to access new channels and to introduce our brand to a wider audience.

Among other foreign brands wanting to enter China, the new law is obviously also welcoming news, especially as they realize that China is a big market. However, what many brands don't realize is that there is still a lot of paperwork that needs to be prepared and requirements that need to be satisfied before entry is allowed, with the purpose of ensuring that the products are safe to use.

Outside of the paperwork still required, brands also need to actually sell the products. They need to be able to relate and market to Chinese consumers, which many brands underestimate the difficulty of doing so. It's an expensive market to develop and it takes time, tactics, and effort. Brands need to have a great marketing and launch strategy to succeed. Many brands make the mistake of thinking that Chinese consumers will buy their products as soon as they launch, but that's just not true. Chinese consumers are actually more savvy than any other consumers elsewhere.

How will the new regulations released in September restricting certain aesthetics from appearing on TV in China affect the Men's skincare or cosmetics industry?

I don't believe it will affect brands like us that focus on skincare and self-care.

As a brand, our mission is to promote inner confidence and self-care by focusing on one's skin and appearance. When we look good, we feel great. Our products are there to help our customers do that, so won't be impacted by this regulation.

What are trends in specific product types or functions within Men's Cosmetics or Men's Skincare that are seeing a rise in popularity?

Our brand focuses on providing products for men that are meant to be undetectable when used, so we are currently not looking into developing products such as blushes or eye shadows as we don't see a demand. The majority of our customers are not looking for that, instead, they want the more natural look. They want to look healthy, have good complexion and even skin.

For guys who want to have a made-up look, they tend to be a lot more savvy and are likely to already have a collection of products that they like, so they are unlikely to still require education on the category. In comparison, our customers still need education and assistance when it comes to choosing and understanding the purpose of our products.

For our new product development, we focus on ensuring that our products are multifunctional, innovative, and have a great skincare base that provides both long-lasting skincare benefits and the coverage of cosmetics products. Our best product is definitely the BB cream, which is a base product and has been our hero since we launched. Most of our male customers are looking to even out their skin tone and complexion, so products that help with that while remaining undetectable and having a natural finish remain the most popular. Anti-aging is also a huge concern among customers according to our survey, so it is a function that we are looking to explore.

Which are the most popular and important channels when it comes to cosmetics, and do you see this changing in the future?

COVID-19 has changed the answer to this question. Online is very important, both in the West and in China. China jumped from being a cash only society straight to mobile commerce. With this jump ahead, China has also digitized much quicker than other countries. Everybody in China shops online. Even more so since COVID-19 and the lockdown that occurred, which allowed online businesses to enjoy a huge boom in the last 18 months.

However, for the cosmetics industry, especially when it comes to skincare and color, there is still something about the experience of trying it out firsthand. The scent, the texture and the color matching can't be completely replaced with an online experience. Consumers want to make sure the product is suitable for them or matches their skin tone and are put off by the idea of buying products, having the color shade be unsuitable for them, then needing to worry about whether the product can be returned.





But once consumers have found their perfect product, then repurchasing online is very convenient, with the products delivered directly to the doorstep. So, I think the online and offline channels complement each other well, but the in-store experience can never be replaced entirely.

What should brands be aware of in terms of digital and e-commerce strategy for entering the China cosmetics industry?

A lot of brands do not realize that the Chinese social landscape is a completely different game compared to the West. For any Western brand that wants to go to China, my first advice is to forget about everything that they've learned in the West as very little of it is useful for Chinese consumers.

Brands that are already massive and have huge awareness and presence in China, with consumers buying the brands' products through Daigou and other channels, have a major advantage. Otherwise, it is very difficult and expensive to launch and requires a lot of energy and patience. In China, the market changes rapidly and brands need to be flexible and quick with their decision making. If brands need to wait longer periods of time for approval, then the opportunity may be gone already by the time they have permission to proceed.

Brands need to be aware that everything in China changes on a daily basis. Although a certain ad or marketing strategy may work one day, the next, the platform may be pulling everything related to a certain topic, forcing brands to rethink their entire approach. So, the Chinese market should never be underestimated, neither its challenges and difficulty, nor the potential and the volume that it can deliver.

What has been the impact of livestreaming on the Men's Cosmetics sector in China?

Livestreaming has always been quite popular among Chinese consumers. In China, customers enjoy livestreams as a form of entertainment and are more open to live streamers promoting products or services during livestreams, especially compared to customers in the West, who are more cynical and don't like advertisements. From that perspective, I don't think livestreams will ever be as successful in the West as they currently are in China, because of the differences in culture and preferences.

We actually just did our first live stream for China with the Chinese actor, model and singer, Hu Bing (胡兵). It was a great success commercially as we reached the n.3 best seller of the evening for a good part of the live stream, and we were able to learn a lot. Through this experience, it's clear that live streaming has huge potential, and we will definitely explore this channel more in the future.

Can you share your insights on brand collaborations and why or how brands should collaborate?

We believe strongly that collaborations can be very beneficial to brands, and we've collaborated before across categories, for example with other brands in categories such as men's watches, leather goods, fashion, hair care, or other categories that complement our brand and product range. Collaborations that we've done include joint giveaways, so that both brands benefit and we can grow our presence and social following.

We also believe in collaborating with 'competing brands' as one brand does not make a category, and brands can push each other on to generate innovation and expand the consumer base of the entire category.

We also work with influencers to promote our brand, focusing on ones that are not necessarily beauty bloggers. Instead, to target our male customer base, we work with influencers that focus on other topics such as lifestyle, food, street dance or sports, etc.

It's not about looking at the category that the brand is in but is instead about reaching a wider audience and finding out where that potential customer base lives and socializes. We want to gain access and exposure to these customers, and collaborations are a great way of doing that.

What are mistakes that you've seen other brands make when entering the China market?

One of the big mistakes that brands make has to do with finding the right partner for China market entry. A lot of brands choose to work with TPs or distributors, and since there are so many of them, it can be extremely difficult to choose the right one.

Brands can get very easily dazzled by partners, especially ones that are already working with several big brands. Sometimes, brands may choose to work with a TP that is also handling massive global brands in the belief that the TP can elevate their own brand, but then end up having to sever that relationship because their brand is too small for the TP to care about or focus on.

Moreover, the strategy between large established brands is very different to small brands, as these bigger brands already have huge demand from consumers, so it's an easy sell. However, new brands need to be more strategic and careful with their market entry and with choosing the right partner. They should assess every aspect of the partnership and obtain references from previous brands that the TP has worked with before committing. Relationships with TPs can be difficult to sever, and consequences of choosing the wrong one or of not carefully managing that relationship could include losing ownership of the brand's online flagship store, or even losing the registration of the products in the China market. So, brands should make sure they're very careful when selecting a partner.



Insights into the E-commerce Landscape in China 2021

Interview with Josh Gardner, CEO and Co-founder of Kung Fu Data

Josh is the CEO and Co-Founder of Kung Fu Data, an ecommerce partner whose sole mission is to help brands thrive in China's online marketplaces. A fluent Mandarin speaker and senior China strategist, Josh has helped hundreds of brand owners with China ecommerce launches and is a recognized expert in market entry, brand control and performance management.

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KUNG FU DATA



Insights into the E-commerce Landscape in China 2021

Interview with Josh Gardner, CEO and Co-founder of Kung Fu Data.

Could you please provide some background into your and Kung Fu Data's experience within China's digital and e-commerce landscape?

When we started our company, we were focused on building a data platform, but within one year, we ended up leaving our data model and becoming operators, registering as a TP with both JD and Tmall in early 2015. Currently, we're running about 27 stores across all platforms and managing some really great brands on top of that. Our main focus at the moment is marketing, launching and operating brands online in China, which includes a combination of commercial activation, brand building activity, investing in the right places at the right times, generating social credibility and good visibility, and using all of that to drive consumers to the commercial platform, where the customer transacts.

Over the past several years, have there been any developmental trends that you've seen when it comes to the China E-commerce ecosystem?

One of the biggest changes we see is in where brands should focus their energy in terms of marketing and operations. We call it screen real estate. The China market is extremely competitive and completely transparent, with anyone being able to see each store's performance data. In an environment like this, brands need to compete through brand traffic.

Previously, brands only needed to optimize traffic and conversion within the e-commerce platform and get into events, and this would be enough to drive visibility and brand strength up to a level where commerce happens guickly. Fast forward until the last few years and competitiveness has risen. but most importantly, Alibaba's ecosystems have become limited, with limited traffic, and control is moving away from ecommerce into a wider range of platforms. In response, Alibaba began to invest in the origin of demand, with the goal of owning the whole path to purchase, not just the end platform where people make the purchase. These places that generate initial interest and demand in products include platforms such as Xiaohongshu. The shift means that brands must do all the same activities on e-commerce platforms as they did before, in addition to integrating live stream commerce, working with KOLs at scale, conducting social seeding and affiliate marketing, generating word of mouth, and building up all this momentum outside of the e-commerce platforms, then driving it towards the e-commerce platforms.

Basically, China has pioneered a new form of social commerce that does not exist outside of the country. These developments have led to the integration of cross-platform traffic and the complication of the consumer journey, with consumers much more willing to go between channels at a faster rate.

What changes have there been to consumer behavior post-COVID-19?

This concept of pre and post COVID-19 is always talked about, but I think it is more important for people outside China, especially because the digital ecosystem in China was so far advanced anyway, with mobile payment, online ordering and fast delivery, and digital entertainment. In general, there's been an acceleration on how much dependence consumers and brands alike have on digital channels. The share of the business that is running through digital channels has increased from maybe 20% to 50%, which has caused companies to radically transform the way they engage with consumers.

When speaking about specific categories, there have been a couple of big trends. The first is a focus on technical improvements. Very technical or professional products for regular average people. Chinese consumers are showing a radical acceptance and desire for new technology applied to everyday products. This could include a performance component to a consumer product, or a professional or technical advantage that the product provides.

The second biggest trend is hobbies taken up by the passionate consumer. Some of these hobbies can be very expensive and require a lot of specialized equipment that passionate consumers are willing to buy. As an example, motorcycle racing would require the motorcycle, jackets, boots, helmets, etc. Other examples include glamping, surfing, cycling, skiing, snowboarding and so on, all of which are creating subcultures that are exploding in popularity. Brands within these subcategories are booming, especially if they have a technical performance component in their product.

A large part of this is because of youth culture, which is extremely malleable, adaptable, and fast changing and is the most powerful driving force in China right now. Youth culture is also extremely diverse because if you break it up, all sorts of subcultures are emerging. These consumers are willing to spend a fortune on adopting the latest and technologically most advanced products.





How has livestreaming impacted the e-commerce landscape in China over the past year?

Last year, brands didn't really need to live stream, but now, when you go into Tmall or Taobao and you search for any brand, there is a graphical icon on every single product listing or store listing that tells you whether the store is on air or off air. This creates huge pressure to be live and talking to people as it's built into the technology that ranks the products and it's so prominently displayed. Nowadays, gaining and maintaining traction is easier if the brand is going on air and the store is being entertaining.

Chinese consumers want to be entertained. It's the opposite of the west, which is about static commerce and making the purchase as easily and quickly as possible. In China, the whole concept is that brands want consumers to stay. Brands want consumer attention and will provide constant entertainment to keep it. So, brands and merchants are becoming entertainers themselves.

What factors do Chinese Consumers look for when purchasing products or choosing brands to purchase from?

Chinese consumers are niche focused, performance focused and interested in uniqueness. They look for the provenance in brands and products. This includes authenticity, originality, history, legacy, quality, and exclusivity. For anything that goes into or on the body, then safety is also an important aspect. The consumers are almost becoming professional shoppers, as they study and want to know every technical aspect about the industry, products, and brands before they make a purchase decision. They're knowledgeable and smart about what they buy, and they tend to purchase products that include the latest technology.

In terms of market competitiveness in China, are consumers more focused on domestic or foreign brands?

Chinese consumers look for different things in domestic and foreign brands. For a new Chinese brand, Chinese consumers want something fresh, entertaining or tech related. They are interested in local brands that are creating a new space or a new category. It's a different offering from a foreign brand, which is more about provenance and having a unique advantage. When looking at the market share of a category, depending on the category, domestic brands still only make up a small portion.

The biggest issue with foreign brands when it comes to competitiveness is that they don't take China seriously. Foreign brands need to be smarter and need to customize and localize specifically for the China market, and they need to do real-time retail. Instead, Chinese brands are much more willing to do this compared to foreign brands, who often just want to take something they've done overseas and reuse it into China. Competitiveness is about provenance and brand strength. The stronger you are, the less likely you're going to lose to local or foreign competitors. As a brand, you need to be present in the consumer's mind and invest heavily in that ownership of mind share.

When it comes to market entry, which e-commerce platforms should brands start with?

Brands shouldn't rush in and immediately launch their ecommerce stores because it is expensive to operate commercial infrastructure in China. One reason for this is because there is no automation and customer services are required 24/7, seven days a week. When going on Taobao, if the customer service team does not respond immediately, then the customer can easily go to the next store. E-commerce stores are constantly under that pressure, and foreign brands need to understand that a full-time customer service team is required. Running an e-commerce store also requires brands to have full-time design services to provide creative assets, including images and videos, because stores cannot have the same landing page for too long. Brands need to engage customers in real time, and redesign assets depending on the events that are happening.

Before launching into e-commerce, brands also need to be sure they are ready and can start competing right away. For our own clients, we have numbers to calculate this. We look at the brand's basket size, what the average basket is going to be and the number of units that can be sold against your brand search index, combined with other activity in the commercial marketplace and the growth rates, both category and otherwise. We talk to Tmall and JD category managers and ask them if they want the brand and whether they'll support it. On top of that, we look at the social ecosystem to see if the brand has been seeded into market properly and whether there is enough positive word of mouth.

It's not as much about which platform, as it is about status and whether the brand is in a strategic category and has status as a brand in that category. Each brand's goal should be to build up enough momentum and gain enough visible brand strength that the algorithms and category managers provide the preferential treatment that will get the brand ahead. Preferential treatment could include getting invited to events, which will lead to more traffic, impressions, and sales. Instead of focusing on platform, brands should focus on process and building traction so that when they launch, no matter which platform they're on, they can sell.

Sometimes, it's actually better to not sell directly into China at first. If brands work with Daigous and seed with them, while marketing in China and getting KOLs to sample and discuss the products, then the spillover effect can be more effective than coming in and launching a store with no traction.



With all this said, the two most serious e-commerce platforms are Tmall and JD, depending on the category. Our clients are more premium foreign brands so platforms such as Pinduoduo are not an option, as it is more for commoditized businesses and the type of community group purchasing offered is of no value to our brands from a brand building perspective. However, Douyin could be a potential choice that is quickly rising in prominence and Kuaishou also has potential in a lot of categories.

At what point should brands start to consider participating in shopping events?

Brands should always participate in whatever event they are able to. When brands participate in events, they gain more traffic, and if the traffic converts, the sales performance accumulates. The more positive reviews and transactions a product listing has, the faster it can sell, and the stronger the SKU is compared to competitors. If a competitor does not participate in an event and you do, then you gain an instant advantage. Thus, brands should participate in as many events or activations as possible since they want as much engagement and volume as possible.

All the algorithms are performance based, so the store's success depends on the rate at which it can convert interest into purchase, indexed against the store's popularity or social score and ability to serve consumers. It takes into account popularity, sales performance, and growth. There are a lot of different data points involved but if you had to boil it down, it's about how fast you're selling rather than how big you already are, which means any brand can launch and overtake the existing category leader. That's why during shopping festivals such as 11.11, thousands of brands can launch and immediately become category leaders.

When and how should brands begin to prepare for the large-scale shopping events, such as the Double 11 Shopping Festival that is coming up?

We generally start preparing immediately after the previous shopping event, 6.18, or in early July. If the brands do well during 6.18 and the influencers we're working with show good performance, then we pretty much commit the clients and influencers immediately in June. Sometimes brands can wait, but now it's really getting too late. Most of the slots for banners and ads have already been taken and most of the good KOLs and live streamers are already booked.

When it comes to inventory, the latest that brands can have their inventory show up in the system on Tmall is October 10th. With all the supply chain squeezes and issues with shipping right now, if you don't already have your products being shipped from abroad for 11.11, you may have supply issues. For inventory planning and other preparations, many brands underestimate the time needed, thinking they can jump in last minute and still succeed. That's not possible because the platforms will restrict access based on available inventory.

The platforms essentially create a game for Double 11, where they provide the terms and conditions to enter, and if they're met, brands receive offers. The offers brands receive are based on how much inventory they have for the event and on how much the brands are going to spend to promote themselves. As an example, brands can be offered prominent locations for displaying banners that cost hundreds of thousands of RMB, but with the guarantee of hundreds of thousands of unique visitors to their store. If a brand knows their conversion rate, then they can calculate whether the cost is worth it.

How important is the role of New Product Development when it comes to E-commerce in China?

It's not just New Product Development, it's localized New Product Development that is extremely important but is often underrated. Brands should be developing culturally sophisticated and relevant products specifically for the China market as it can be hugely advantageous.

Most larger brands tend to be risk averse, and tend to do the least product development, even though they have the most resources for it. Unfortunately, many brands aren't willing to take any sort of risk when it comes to the China market, so a mistake that brands make is not being flexible to market demands and not moving forward on new product development. One of our biggest frustrations is that some brands just will not localize to China. They want to sell exactly the same thing they sell outside of China inside China as well, and often it doesn't work or has limited appeal.

What are your top suggestions for new entrants to take into consideration when they launch into the China market?

New entrants need to be serious about entering the China market, part of which includes accepting that it's going to be different from the brand's home country. China is operationally very intense and the amount of resources, people, time, and money required to drive results is much more than is needed outside of China.

Before entry, brands need to ensure that they have their IP registration in place. The IP should be locally registered, in both English to Chinese, and should include the keywords associated with how Chinese consumers search for the brand.





Once the legal structure is in place, brands can then consider whether they are ready and whether the timing is right for market entry. This step can involve research, but essentially simplifies down to whether the brand is strong enough to enter right now. Part of this includes whether the brand has the algorithmic visibility that will translate into enough transactional volume to sustain a launch and allow the brand to be commercially successful. Examples include how much positive discussion is being shared online about the brand, across multiple channels.

However, if the brand is not ready, then they'll need to get ready by seeding the market and conducting pre-launch amplification. With the integration of cross-platform traffic, it's possible for the pre-launch process to happen much faster. With that said, it can still be hard to predict how long it will take before social seeding and influencer engagement leads to a spillover effect that indicates the brand is ready to launch. If a brand wants to seed directly into China, then it will need a budget and will need to be patient, waiting until the brand gains enough momentum before officially launching. For some brands, the building of the brand strength and the launch can occur close to simultaneously, whereas for others it may take years of pre-launch amplification before the brand is ready.

If brands have more limited budgets and are unable to seed directly into China, they can also focus on their home countries. One effective method is to use social community marketing and work with influencers in their home countries that are followed by influential people in China, which could create a spillover effect in China, increasing awareness of the brand among Chinese consumers as well.

Once IP protection is in place and the brand is ready, the next point to consider is whether you are ready. This asks whether the brand has the internal talent, knowledge, and skill to launch in China. If the answer is no, then brands should look for partners. However, choosing the wrong partner could lead to a failed market entry attempt, which is why it's so important to have good advisors or agencies that can help brands find a trusted and effective partner. Once a partner is found, the brand should be able to rely on the commercial partner to advise them on when, where, and how to launch. These partners will be able to tell the brand whether they think the brand is ready and has enough brand strength to succeed. Growth, accountability, trust, confidence, and controls, that's what a good partner or operator should be able to offer to brands.

What are some mistakes or pitfalls that new entrants to China should avoid?

For pitfalls, most of the major ones relate to the suggestions mentioned previously. A very common mistake that brands make is not registering their IP in China because they don't realize that the law is different. In China, IP and trademark registration is first-to-file, rather than right-to-file. This means that if a brand does not file, then others may do it first, leading to brand squatting, which is very difficult to deal with.

Another pitfall for brands is choosing the wrong partner and authorizing the wrong people. Brands may choose partners that aren't a good fit, that don't have the brand's best interest in mind, or can't speak the same language. This is a huge issue because if the brand doesn't trust, understand, or work well with the partner, then the brand won't give the partner the resources required to succeed. Some smaller brands may choose a partner because the partner is already working with huge global and successful brands, but the issue with this is that the partner may not treat the smaller brands as priority clients, since they already have their larger accounts. Choosing and authorizing the wrong partners or the wrong people, especially on an exclusive basis, could lead the brand to losing reputation or even losing control of the e-commerce stores. So, brands should pick partners that are a good fit for the brand's size and category, that communicate well, and that are trustworthy.

Quality control can also be a huge issue with foreign brands. When it comes to e-commerce, customers need to receive the products in the best possible conditions, and a lot of brands don't do this. With offline retail, the salespeople can control the quality and presentation, but with e-commerce, if there is no quality control in place, then consumers will receive poorly packaged products. As a result, consumers will then go online and complain about it, leaving negative reviews which could tank the reputation of the brand and E-commerce store. This is also a huge mistake made by brands and shows a lack of respect for customers.



Interview on Developments in the Snacking Sector in China

Interview with Poca Chen, previous Snack and Convenience Food director at Uni-President Group and current brand consultant for snack and convenience food brands in China.



Interview on Developments in the Snacking Sector in China

Interview with Poca Chen

Could you please provide some background into your experience within the Snacking sector in China?

I worked at a snacking related Research & Development job at Pepsi for 16 years from 1981, then as a Snack and Convenience Food director at Uni-President Group. After retiring in 2017, I have also worked as a brand consultant for snack and convenience food brands in China, consulting on topics that relate to Research & Development and marketing.

Who are some of the key players and the key product types in the Snack Market in China right now?

The key players in China can be split into three types, international brands, local production brands, and local channel brands. The international brands include Pepsi, Mars, Mondelez, Hershey's, Kraft Heinz, Calbee, Orion(好丽友) and Shanghaojia (上好佳). Local brands have their own production plants, and include Want Want (旺旺), Dali (达利), Little Prince(小王子), Qinqin (亲亲), Yanjinpuzi (盐津铺子), Qiaqia (恰恰), etc. Finally, local channel brands don't produce themselves, but go through OEMs. These brands include Lyfen (来伊份), Three Squirrels (三只松鼠), Bestore (良品铺子), Be & Cheery (百草味), etc.

The category of snacks can include a wide variety of different food products, such as baked goods, candy and chocolates, meat or fish related snacks, nuts, biscuits, puffed snacks, potato chips, corn chips, rice-based snacks, wheat snacks, and so on.

What are the general developmental trends you are seeing in the snacking market in China?

As the snack market in China continues to grow, one of the biggest trends that stood out is the increasing popularity of healthy snacks or snacks with health claims, such as "non-fried", "low-fat", "high-protein".

Another trend is the increase in popularity of snacks targeted at children. Last year, the first domestic "General Requirements for Children Snacks" was officially implemented by the Chinese authorities for children aged between 3-12.

One brand that is hugely successful in this category is Want Want ($\mathbb{H}\mathbb{H}$) with their rice crackers. In fact, this brand has already been in the market for 30 years and according to company financial reports, reached a sales value of RMB5.58 billion (55.8/ \mathbb{Z}) last year.

Some examples of different available Children's Snacks are shown below:

The product above is aimed at children and has the claims of being "Non-fried" and "No-Sugar". Cheese based snacks have become very popular among children in China in the past couple of years.





Image Source: *糖糖不吃糖* Weibo Official Account

Image Source: Milkana Weibo Official Account



Image Source: Hershey's

The product above is also designed for children, with its use of alphabet letters and animal visuals.

How would you review the differences in market competitiveness and market approach between foreign and domestic snack brands?

Both domestic and foreign brands have their own advantages. Large foreign brands tend to be innovative and have strong research & development and marketing capabilities. They focus on their core brand strategy, and on building up their brand strength and supply chain processes.







Domestic brands can be divided according to their size and the amount of time they've already existed in China. Larger domestic brands are usually ones that have been in China for over 10 years. They have an advantage when it comes to adaptability and ability to imitate snack products from other brands that are doing well, along with strong sales channels. Additionally, domestic strong brands usually focus on a multibrand, multi-product strategy.

Smaller domestic brands are usually newer and have only existed for 2-3 years. These brands have shown a surprising amount of creativity when it comes to products and promotions and tend to focus on online marketing, such as KOL collaborations, because they have smaller budgets, and online tends to be less expensive than traditional promotions. These brands generally don't have their own production plants and instead go through OEM.

When it comes to product approach, there is also a difference between established brands and new brands to market. The newer players focus on more niche products, such as healthy snacks with claims of "non-fried", "low-fat", "low-sugar", "highprotein", while larger players such as Pepsi and Orion are already huge in snack subcategories such as potato chips.

How are brands driving the consumption of snack products in China?

For driving consumption, brands focus on offering and launching a variety of new and innovate snack products, on conducting sales promotional activities, on purchasing advertisements, and on focusing on the health appeal of the snacks they launch.

Brands in China also make use of online platforms to promote and sell their products. Some of these platforms include Douyin, Pinduoduo, Xiaohongshu, Taobao Live (livestreaming on Taobao), etc.

One method that many brands use to drive consumption is by designing memorable Intellectual Property that makes the brand stand out, for example cartoon characters that are given a personality and that represent the brand. These unique IP are incorporated into the packaging design, promotions, and campaigns, as they tend to be appealing to both adult and child consumers.

What factors do consumers look for when purchasing snacking products?

Usually, consumers buy snacks according to typical factors such as brand, taste, innovation, and price, and have also begun to pay closer attention to the health claims of the snack products, such as "low-fat", "low-salt", "low-sugar", etc. The imagery used on the packaging can also encourage consumers to purchase, such as the IP discussed earlier. When discussing consumers, the increase in purchasing power among the Millennial and Generation Z demographics are becoming the driving force in the Snack sector. These newer generations are demanding more diversity, attributes, and personalization when it comes to snacks, which has promoted the growth of the entire snack food category.

Are there any attributes, ingredients or specific flavors that are becoming more popular, and are there regional differences in the products that consumers want?

For raw materials and ingredients, the main percentage of snacks are still made from potatoes, although consumers are showing an interest in multi-grain products. Other snack ingredients that have always been and continue to be popular among Chinese consumers include rice-based, and dried beef, pork, fish or other seafoods.

China continues to show a polarization in flavor preferences depending on the region. Some specific areas of China have their own local cuisines and flavors, such as spicy hot pot in Sichuan, and 螺丝粉, a type of rice noodles that is popular in Guangxi. There is a saying in Chinese, 东酸西辣北咸南甜, about the flavors that each region in China prefers. In the East, sour flavors are appreciated, the West likes spicy foods, the North likes salty products, and the South likes sweet flavors. Specific flavor examples depending on region include shrimp or salty egg yolk in the East, spicy hot pot and other spicy flavors in the West, pickled vegetables and beef steak in the North, and flavors such as cucumber or lemon and lime in the South.

Which are the most important channels when it comes to the snacking category, especially when comparing online and offline?

According to 2019 data, offline channels such as major supermarkets or convenience store chains were very important for the Snack sector in China, accounting for 52% of the market share. Local, smaller stores took up 23% of the market share, while other offline channels took up 12%.

Online channels accounted for the last 13% of the snacking market in 2019, but with the increased digitization in China caused by COVID-19, the market share of online channels is growing and will likely reach 20%. However, I believe it will be difficult for online channels to get a higher market share than 20% due to how important local stores or supermarkets are as sales channels in the snack category.

Of course, the newer and smaller players generally have smaller budgets, so they focus more on online promotions and online channels.



What are some new product developments or concepts that have become popular in recent years?

Many new product developments revolve around snacks that have specific health claims, such as high-protein, low-sugar, low-fat, low-salt, non-fried, high in dietary fibre, contains probiotics, etc.

Several specific examples of innovative brands and new products that have been launched in the past couple years are described below:

Xiaolingvou (小伶翩)

Xiaolingyou is a brand that focuses on guilt-free snacks with low-calories and low-fat. Instead of telling consumers what to eat to lose weight, the brand conveys the message that its snacks can be eaten without gaining weight. The brand has a product series that includes its CHICKENCRISP and BEEFCRISP products, where 90% of the raw materials used are meat, but the crisps have a similar texture and taste to potato chips, making the products a novelty in the market.

Since its launch, Xiaolingvou has seen huge success, with monthly sales of more than 25k for its CHICKENCRISP products. Eight months after the brand's launch, it's GMV growth exceeded 300%.



Image Source: Xiaolingyou (**小伶鼬**)

Taste_Lab(食验室)

Taste_Lab is a snack brand focusing on high-protein fish-based and other meat-based chips. The brand launched its first product in June 2020, and guickly reached 1.2 million in monthly sales. Since then, the brand has also released different varieties and flavors of fish-based and chicken-based chips, with some containing 0% oil, 0% fat and 0% sucrose.



mage Source: Taste Lab (食验室)

Cuicuimao (**脆脆猫**)

Cuicuimao recently launched a new healthy puffed snacks series that includes vegetable rice crackers, guinoa protein crisps, American corn crisps, and chicken crisps. The new products are puffed, contain less fat content than potato chips, and use high-quality raw materials, such as vegetables, grains, proteins, etc. The light, and crunchy taste and texture of the products is innovative and interesting to Chinese consumers.



Image Source: Cuicuimao (脆脆猫) Flagship Store

What should new entrants to the market be aware of or take into consideration when entering the China market?

Brands that decide to enter through domestic channels need to first consider whether they will enter with sole proprietorship or as a joint venture. The advantages of entering through sole proprietorship is that you own the business yourself, so it will be easy to execute the strategy of the parent company. However, a disadvantage is that the brand may not be very familiar with the China market, and not understand the specific needs and demands of the market. Entering as a joint venture could allow the brand to work with a local partner that will already know the market. However, if the brand and the partner have differing opinions on brand strategies, then this may cause disputes.

Brands that are entering the market can choose between a market share focused strategy or a profit focused strategy. Usually, foreign brands will focus on building up market share at the beginning, but that will mean large investments in promotions and advertising campaigns, which will lead to lower profit margins.

Depending on which city tier the brand chooses to approach first, the brand strategy may vary because consumer behavior and preferences are very different depending on city tier and region. Foreign brands tend to focus on first-tier cities, as consumers in these larger cities are usually more open and familiar with foreign products and have higher income levels.



The RED Edition

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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