

Issue 6

# The RED Edition



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the **silk**initiative





# Message From the CEO

## How has the Digital Landscape in China Changed in 2022?

### Dear Readers,

Welcome to the 6th issue of The Red Edition. A lot has happened since our last issue back at the end of 2021 and after a rather quiet 618. Most brands are now knee-deep in media plans as the pre-heat for Double 11 draws nearer, including planning with Key Opinion Consumers (KOCs) and Key Opinion Leaders (KOLs). With the cost of customer acquisition remaining relatively high, it is important that brands push themselves to find more innovative ways to drive sales and reach new consumers.

Advertising costs are remaining stable but struggling to be as effective, and KOC and KOL marketing in particular continues to dominate investment in the Chinese market. After years of growth, consolidation of the media market has led to some troubling outcomes. The main one being that the vast majority of KOLs are signed by MCN (Multi-Channel Network) agencies rather than being independent, which has led to price inflation and an increase of fake data purchases. In order to circumnavigate this issue, brands need to choose partners that meticulously cherry-pick KOLs who not only have brand fit, good content and a solid follower base, but also have strong follower loyalty and are independent of MCN agencies. An innovative way to reduce the financial burden of KOL and KOC marketing is to offer gift-only incentives to KOLs, but it must be noted that this takes time, resilience, and effort, and may depend on the value of the products.

In 2022, many brands turned to Douyin for help in propping up their market share. In fact, some of our brands have forecasted that this year they will have 40-50% of their annual sales coming solely through this channel. This change was also seen during the past 6.18 Shopping Festival, where GMV from traditional E-commerce platforms only grew 0.7% compared to the previous year, while GMV from livestreaming E-commerce platforms grew by over 124.1%, with Douyin earning the top spot.

However, brands need to tread carefully. Although Douyin has become an important channel for first time customer acquisition, repeat purchase rates through this channel tend to be below 4%. The majority of consumers, if they decide to purchase again, will look to one of the major e-commerce platforms such as Tmall.

Platforms aside, if we look to the major changes in China since our last issue, many consumer trends have continued to persist. The 'she' economy has continued to be a target for most brands, as women continue to increase their purchasing power and social media presence. Sustainability, as pointed out by our partners at The Silk Initiative (TSI), continues to take the backseat of purchasing intent in a market fueled by a lack of understanding around its definition. Finally, we are in full agreement with TSI that clean, green, foreign, and high-quality can no longer be the sole propositions of foreign brands. The rise of Gen Z and the increasing complexity of Chinese consumers has led to brands needing to create emotional resonance in the market to succeed. Moreover, brands are needing to develop an increasing amounts of product functions and launch more product lines than ever before.

Another change we have witnessed here at RedFern is of production budgets increasing at 3 times the rate of media budgets. This highlights a shift, with brands beginning to invest longer term, focusing on defining who they are and bringing their brand to life in video and photo format. The need to build creative campaigns that consumers can relate to and will bring about an emotional response has never been so important.

Being headquartered in Shanghai, the last six months has been difficult to say the least with continued lockdowns and dampened consumer sentiment. Although reading some of the above changes may make China seem more difficult than ever, the reality is that China is a market that cannot be ignored. Despite two months of severe lockdowns in China's financial center of Shanghai, along with numerous other cities, online sales in June still reached a 14% YoY growth.

The resilience and bounce back that the market is experiencing is a precursor of what is to come. By 2028, China is forecasted to become the largest economy in the world. It has become clear to us at RedFern that despite its demands and difficulties, if brands do not take the China market seriously, they risk being left further and further behind.

- **Ryan Molloy, CEO**

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# The Top Trends & Categories in the Food & Beverage Market in China

A close-up photograph of a hand pouring white milk from a white pitcher into a tall glass filled with ice cubes and a green matcha-based beverage. The glass is sitting on a dark wooden table. In the background, a light green plate with a fork and some food is visible, and a patterned rug is partially seen on the right.



# The Top Trends & Categories in the Food & Beverage Market in China

By Sandra Weiss, RedFern Digital

Since the COVID-19 outbreak, there have been several shifts in consumer behavior and preference when it comes to China's Food & Beverage market. In this article, we'll be going through some of these trends, providing examples and predictions for the future.

It is important to realize that Chinese customers generally conduct much more research into products prior to purchase. Brands need to ensure that detailed product information is readily available online and in Chinese, such as ingredients and the types of certifications that either the brand or product has received.

## The Health Revolution

Although Chinese consumers have long been on the trajectory towards healthier diets, COVID-19 caused the focus on health to skyrocket. Especially among the Chinese youth, healthier and trendier food and beverage offerings are becoming a core driver, with many looking for "low fat" and "low sugar" keywords for their snacks, and "0 fat", "0 sugar", "0 calories" keywords for their drinks. Many consumers are now showing an increased willingness to pay premium prices for products that are considered 'healthy'.

The push for healthy products is not just among snacks and beverages, but also for instant or ready-to-eat meals, or meal replacement products. More than ever, Chinese consumers are looking at food and ingredient labels prior to purchase and conducting research on each of the ingredients.



0% is clearly displayed on the packaging of yogurt from the brand Simplelove, to show that the product has 0% sugar.

Source: Simplelove's Official Weibo Account

## The 'She' Economy

Over the past several years, China has seen the emergence of the 'she' economy. With a higher level of education and income, the more than 400 million Chinese women aged 20-60 years old are increasing their consumption power within the Food & Beverage market.

Previously, women were often in charge of purchases for the entire family, however, now they are shifting towards becoming more willing to make purchases for themselves. Therefore, many brands have begun developing products aimed at female consumption, including meal replacement products, no fat and no sugar beverages, as well as protein bars and milkshakes among many other offerings.

## Milk Alternatives

Plant-milk alternatives have stepped into the spotlight, as more Chinese consumers become familiar with products such as oat milk, almond milk, rice milk, cashew milk, etc. This is in addition to Chinese consumers expanding their view on soy milk, which is a traditionally popular beverage in China. In fact, the plant-based protein beverages market in China saw an 800% surge in YOY growth in 2020.

As cafes have also risen in prominence in China, particularly in tier 1 cities, most locations offer milk-alternatives as well, further popularizing plant-based milk options. Part of the reason for this surge may be due to increased market education and exposure to Western drinking habits, in addition to the high percentage of Chinese consumers who are lactose-intolerant and would prefer to avoid traditional milk.





### Meat Alternatives

Over the past decade, China has emerged as a heavy consumer of meat, with Chinese consumers eating 28% of the world's meat supply and half of its pork. However, plant-based meat alternatives are beginning to make an appearance, slowly growing from a niche phenomenon to a more widely accepted lifestyle decision among Chinese consumers.

The outbreak of diseases including COVID-19 and swine flu, an increased awareness of the environmental impact of consuming meat, and the belief that plant-based alternatives are healthier, are all factors contributing to the growth of this market.

In 2021, the plant-based meat market in the Asia Pacific region was valued at RMB 1.1 billion, of which China contributed RMB 780 million, which is more than 70%. When looking at the rest of the world, China already accounts for 53% of the global meat substitute industry, compared to the 5.5% contributed by the US.

With that said, although the market in China is large, new brands need to face the challenges that come with China's history of eating soy alternatives to meat. Therefore, new brands need to continue to conduct market education to differentiate themselves, whilst also understanding under which circumstances plant-based meat alternatives are most likely to be consumed. Some of the top identified consumption scenarios include in hot pot, during Chinese-style barbecue, as snacks, and in prepared foods (ready-to-eat and ready-to-cook offerings).

### The Coffee & Tea Obsession

Tea has always been a staple among Chinese consumers; however, coffee is rapidly becoming more widespread, growing at a rate of 15% annually, compared to the global growth rate of 2.2%.

Coffee drinkers tend to be white collar workers aged 20 to 40 years old, living in higher tiered cities. They are more educated and have higher disposable income. Especially among Gen-Z and Millennial drinkers, who are interested in novelty experiences, which means they will seek out new cafes and new methods of drinking coffee. Depending on the region in China, consumers can differ in terms of which factors they place more emphasis on, e.g., new concepts or pricing and quality.

The expansion of the coffee market is not limited to cafes, but also includes at-home drip coffees and ready-to-drink (RTD) canned options. In fact, China's RTD tea and coffee market is estimated to reach a market size of RMB 182 billion by 2023.

Even as coffee consumption rises, tea consumption has not been left behind. The demand for tea has continued to rise, with new flavors and ways of drinking tea becoming popularized through the expansion of tea and beverage chains in China. In 2021, the sales value of domestic tea consumption reached RMB 300 billion.

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Chinese consumers are increasingly looking for new experiences and flavors when it comes to the Food & Beverage market. As a result, brand loyalty to food brands has dropped, and new product development has become essential for staying ahead of the competition. This is especially true as the Food & Beverage market in China becomes increasingly saturated, with both foreign and domestic brands vying for consumer attention. Prior to market entry into China's Food & Beverage industry, brands need to ensure that they understand the Chinese consumers that they want to engage and know the trends that they can take advantage of to capture attention and interest.



The background of the slide is a soft-focus image of numerous pink rose petals scattered across a light-colored surface. In the center, slightly below the text, is a small, plain, light-pink rectangular box. The overall aesthetic is clean, elegant, and romantic.

# **Create a Lasting First Impression: Packaging & Design for Food & Beverage Brands in China**



# Create a Lasting First Impression: Packaging & Design for Food & Beverage Brands in China

By Sandra Weiss, RedFern Digital

Packaging and design in China are incredibly important and a critical factor that will determine success for food and beverage (F&B) products. It is the first impression that consumers have of the product, and needs to clearly convey the product's value, unique selling points, and differentiating factors from similar products by competitor brands. Therefore, to design successful F&B packaging in China, an in-depth understanding of consumer behavior, preferences, and current trends is required.

## Packaging Size – Which Size Fits Best?

When determining product sizing for the China market, simply using the same sizing as your home market may not work, as varying Chinese consumption habits mean that different sizing of different products may be preferred. As an example, milk products in China are not often bought in bulk, so sizing tends to be smaller. Other products that often come in smaller sizes in China include cereals, peanut butter, jams, etc. Although Chinese customers are familiar with these products, they are still unlikely to bulk buy as they may not consume it at as fast a rate as abroad.

It is estimated that China will have a singles population of 92 million by the end of 2022. Therefore, with these smaller households, when it comes to food & beverages, smaller sized packaging across different product types may also be more appropriate.

Portability is another factor to consider, especially for snacking products. Single serving or individually packaged units allows for convenient transport and consumption on-the-go.

## Packaging Quality and Material

Chinese consumers are not only looking for aesthetically pleasing packaging designs, but also packaging material that is sturdy and feels high quality. In a survey conducted by HKTDC Research, about 78% of respondents stated that they believe packaging quality reflects the quality of the food product. Especially for food packaging, flimsy packaging may lead to questions about the packaging's ability to keep the products fresh and safe.

Therefore, brands should ensure that when developing packaging, the entire experience from the feel of the material to the quality of the print job and the colors used is up to standard.

## Limited Editions & Gift Packs

Oftentimes, brands will develop limited edition packaging or products that can include collaborations with famous influencers, celebrities, or other IP, such as cartoon and movie characters. These packaging designs are usually time-sensitive, and brands need to be quick to adapt to current trends, so that by release date, the packaging elements are still relevant. If the collaboration is more extensive, then multiple limited-edition products can be developed, such as extending to merchandise.

Gift packs can also be developed for specific holiday seasons, such as Chinese New Year or the Mid-Autumn Festival, or as a separate campaign. In fact, many brands across a range of different categories will develop gift packs that are designed for Chinese consumers to purchase and gift to family or friends during festive periods. As a result, packaging requirements include high-quality packaging materials, designs that include elements of the theme, and design choices that will stand out from the crowd.



Secret Coffee's Gift Box, developed in collaboration with the music company, Modern Sky, and its associated design label, MVM.

Source: Secret's Official Weibo Account





### Traditionally Chinese Elements

Particularly among younger Chinese consumers, there has been a resurgence in the popularity of traditional Chinese elements and content related to keywords such as 'ancient style', 'traditional culture', and 'folk music'. Designs inspired by traditional Chinese elements have been used for packaging designs ranging from snacks to teas and beverages. Although this trend is most prominent among local Chinese brands, foreign brands can also take advantage by incorporating these elements. To ensure that localization is done appropriately and with sensitivity, brands can consider collaborating with local designers and artists on the designs. This has the advantage of both localizing products to the Chinese market and appealing to the rising sentiment towards brands with a closer domestic connection.



KFC Collaboration with the National Museum of China.

Source: KFC's Official Weibo Account



CHALI's Limited Edition Gift Box to celebrate the Year of the Tiger and Chinese New Year.

Source: CHALI's Official Weibo Account

### Bright and Bold, but Simple

Over the past few years, there has been a drive towards minimal packaging design styles that make use of bright and bold colors. These designs usually have a few key illustrations that indicate the product features and brand image, while still presenting a less busy overall image of the product packaging.

As can be seen, several different elements need to be considered when it comes to packaging and design for products within the Food & Beverage category. There are many different methods of success and brands need to carefully consider which approach is best for their specific target demographic and product type for the current market landscape.



Oatly's simple yet distinctly recognizable packaging.

Source: Oatly's Official Weibo Account



HEYTEA collaborated with streetwear design label, FRAGMENT, to develop a collection.

Source: HEYTEA's Official Weibo Account





# Key Insights & Strategy for Food & Beverage Brands in China

Interview with Andrew Cameron,  
Head of Insights and Strategy at The Silk Initiative.

*The Silk Initiative (TSI) is an Asia-based brand consultancy working across insights, strategy, innovation, and design. With teams in Shanghai, Singapore, and Melbourne, and combining an in-house Insights and Strategy team along with an Innovation and Design team, TSI's approach of 'data in, assets out' means they can provide end-to-end solutions for clients and brands.*





# Key Insights & Strategy for Food & Beverage Brands in China

*Interview with Andrew Cameron,  
Head of Insights and Strategy at The Silk Initiative.*

## **Could you please provide some background into The Silk Initiative's experience within the China market?**

The Silk Initiative was founded in 2015 with the vision to help food and beverage brands in China, particularly when it comes to insights and strategy. Since then, we've expanded and grown, working in several categories beyond food and beverage and going into consumer-packaged goods. I'm based in Shanghai, but we work across Asia and have a presence in Singapore, with a lot of regional Asian projects that extend beyond just China. More importantly, we don't just have an Insights and Strategy team, which I head, but we also have an Innovation and Design team that works hand in hand with my team. Our approach is what we call 'data in, assets out'.

## **Are there any particular categories or developmental trends that you have seen increase in popularity over the past years?**

Over the past years, there have been a couple. A big one is pet food and pet products, which has been growing for a few reasons, including a rising need for companionship among young singles, those with no kids and the older population. Another reason for increased pet ownership is the willingness of consumers to demonstrate both personal and financial independence. The pet food space is growing, along with an interest in more premium pet foods and products.

Another category is premium fresh foods, such as red meat and fruits. Traditionally, there wasn't so much imported products in the realm of fresh food and beverages. However, now we're seeing more fresh fruits coming into the market, for example from New Zealand, and taking on the local players.

## **What are the general developmental trends/characteristics you are seeing in the food & beverage category in China?**

When conducting research and determining trends, we use our own data tracking tool called the Navigator, along with speaking to consumers across different categories in China and Asia.

One trend I'd like to discuss is the growth of functional foods and beverages, which has become increasingly popular over the last few years.

When we asked consumers the kind of functional benefits that they expected from food & beverage products, the responses ranged from 'boosting energy' and 'relieving tiredness', to 'increasing immunity' and 'boosting digestion'. These are the pressing needs that consumers are looking for products within the food and beverage category to address.

A unique characteristic about functional food and beverages that we hear from consumers has to do with beauty. As an example, years ago, we were working with a probiotic brand and spoke to a woman who had been having digestive and constipation issues for about five years. The only reason she finally acted on it was because it started to impact her beauty and her skin. This example highlights the importance of beauty for a subset of consumers, which means that these consumers expect or look for food and beverages that can add extra benefits addressing this point.

Another trend is the aging population and what we've called the silver economy in some of our publications. We're seeing more products catering to the older demographic in China. There's a lot more brands trying to understand what the older demographic is looking for and trying to understand how they can target them in terms of specific food and beverage products.

Sustainability is also a trend I want to mention. Although it's fair to say that sustainability is more of a developed trend in other parts of the world, in China, we are also seeing more brands starting to speak to it, with varied success. We've done studies on sustainability, speaking to consumers to understand what it means to them, how they view brands that act sustainably, and what brands they consider to have acted sustainably. Broadly, we see that there isn't much detailed knowledge on what really counts for sustainability, so we saw a lot of consumers talk about Starbucks, for instance, because they changed their straws from plastic to paper recently. That was a tangible initiative towards sustainability, so many consumers held Starbucks up as the gold standard for sustainability, leaving aside the fact that they use a lot of plastics for the cups.

All of this means that there is still a bit of learning and developing to go. To test the impact of calling out sustainability on purchasing desire, we presented Chinese consumers with products that have a sustainability call out and the same product without a sustainability call-out. What we found was that speaking to sustainability doesn't yet seem to change anything when it comes to purchase intent or product appeal. However, we did see some differences in the emotional perceptions that consumers had of the brand. Calling out sustainability will cause consumers to perceive the brand more positively. This may not be enough to directly convince someone to go out and spend money on the product, but it can help to build up the brand image and may be more of a long-term play.





The last trend I want to discuss is the rise of local brands. Since TSI was started in 2015, we've noticed a big shift in the way that Chinese consumers perceive foreign brands compared to domestic brands. Five to ten years ago, a foreign dairy brand could come into China and be able to rest on its laurels, just by the fact that it was foreign. This is no longer possible thanks to rising quality standards and local brands being more in tune with the market. Local brands are able to develop on local tastes more effectively and bring new innovations to market quicker, so what we're now seeing is that these local brands are not just competing with foreign brands but outperforming them in a lot of ways.

**Have there been any changes in consumer behaviour that have occurred and are likely here to stay post COVID-19?**

Firstly, purchase behaviors. Because of the lockdowns, I think all of us in China, and in Shanghai in particular, had to quickly learn how to do group buys, if we hadn't already experienced it previously. Although not everyone is going to continue to use group buying after the end of the lockdowns, there will be a large portion of people who, whether in more unofficial WeChat groups or via an app like Pinduoduo, will continue using group buys after having experienced it and realized some of the benefits provided.

Another one that I'm interested in, even though we haven't seen any data on it yet, is consumers cooking more at home. This was something that we obviously saw a lot of consumers do during lockdown. Consumers were introduced to this new behavior by force, but I'm still expecting to see a lot of them sticking with it, continuing to cook at home more often.

**Have there been any changes in how brands are choosing to approach and market in China over the past few years?**

Broadly speaking, the last two years or so with COVID-19 has meant that foreign brands are more willing to take their time with coming to China, spending more time and budget into getting to know the market and determining whether China will be a worthwhile investment. These brands are trying to do it right from the get-go.

For local brands, the past two years have provided opportunities to capitalize on growing interest in Guochao and national sentiment, along with broader trends of increased growing standards and better innovation by local brands. They've done a great job of capturing market share previously held by foreign brands, who are now struggling to compete.

**How would you review the market competitiveness in China, especially when comparing domestic and foreign brands?**

A lot of foreign brands, e.g., in the infant milk formula category, were able to charge a premium years ago because they could speak to compelling messages on product safety.

But now, we're seeing local brands like Feihe coming in and doing a great job. These local brands are not just competing with the foreign brands but outperforming them in terms of premium positioning and being able to justify super premium price points.

I think a lot of that is because of innovation. One of the issues that foreign brands struggle with is trying to compete with the speed of the market in China. Local brands are on the ground and their local teams are empowered to make product decisions and innovate quickly. This has meant that these local brands are able to do a good job of coming to market quickly and gaining market share. They can test and learn much easier, adapting to what works much faster compared to a foreign brand based overseas. This is especially true as among foreign brands, these decisions may be more centralized, rather than localized specifically to China.

**What are some of the key differences between the Food & Beverage industry in China compared to that of other countries?**

Pace is certainly one difference. There is so much new product development conducted in China compared to foreign markets. Within the food and beverage industry, this means new flavors or brand new products. Consumer appetite for novelty and trying new things remains strong, so brands looking to succeed need to have a local team that's empowered, or at least local partners on the ground that can help with decision making.

Channel is another big difference between China and other countries. Obviously, the offline channel is still important in China, but the online channel plays a much larger role across food and beverage compared to abroad. An example is Hema, who uses an O2O system to take what would normally be a grocery purchase and convert it into a digital experience.

Scope is another point of difference. China is a massive country and recently, foreign brands have been doing a better job of recognizing this. Brands need to consider products or tastes that are tailored to different regions much more so than they would in another country.

The final key difference for the food and beverage category in China, compared to other countries, is the Chinese consumers themselves. Chinese consumers are often very well researched. I've sat in focus groups and one-on-one interviews and heard Chinese mums explain the figures of how many grams of each different nutrients should be given to their babies. They often already know which brands meet their standards and which brands don't. I've learned so much just from speaking to these consumers, especially in understanding what it is they're looking for from products.





## What are the most important purchasing factors that consumers will consider prior to making a purchase?

I mentioned we have this tool, Navigator, where we track data for food and beverage categories across China and Asia. When I used it to look at the key purchase drivers of consumers across different categories with food and beverage, a few were repeatedly showing up at the top of the list: Safety, popularity, and taste.

Safety tends to be more of a hygiene factor versus something that brands can actually differentiate on. However, we do still see that safety tends to be one of the top three purchase drivers for consumers across the board in food and beverage. This is especially true among consumers aged 50 and above, who tend to find safety a little more important and are also more likely to trust brands from overseas.

An interesting one we see a lot of is buzz, which means a brand that is talked about a lot. Popularity and word of mouth are large purchase drivers for a lot of consumers across food and beverage categories. Word of mouth means recommendations from friends, family, and colleagues, or even buzz from online chatter. Chinese consumers place a lot of stock in online reviews and will often conduct research on both positive and negative ones to really understand how a brand is being received in market.

Finally, there is taste. When working with brands and, in particular, brands that can speak to health claims, it can be easy to lose sight of the fact that at the end of the day, we're in the food and beverage industry. The job of most food and beverage products is to taste good. We see that across the board, some product concepts that we test for might be great, but that taste factor still needs to always be kept in mind.

## Are there any attributes or product types that are becoming more popular, and are there regional differences across China in the products that consumers want?

What we see is that across regions in China, climate can have a big role in what consumers are looking for. We've done some work in breakfast foods, for instance, and we saw that in the south, where it's hot most of the year, there is a preference for a lighter and flakier kind of breakfast bar. Whereas, when we're speaking to consumers in the north of China, where it's a bit colder, there was much more emphasis on having something a bit heavier and more suited to that climate.

We often see these kinds of differences playing out when we speak to consumers across China in terms of both the climate differences and regional preferences of what their flavor expectations are.

I think the local competitors also tend to be quite strong, particularly as we get out of tier one cities and go down into lower tier cities and more regional areas.

## When entering the China market, what steps should brands take to localize?

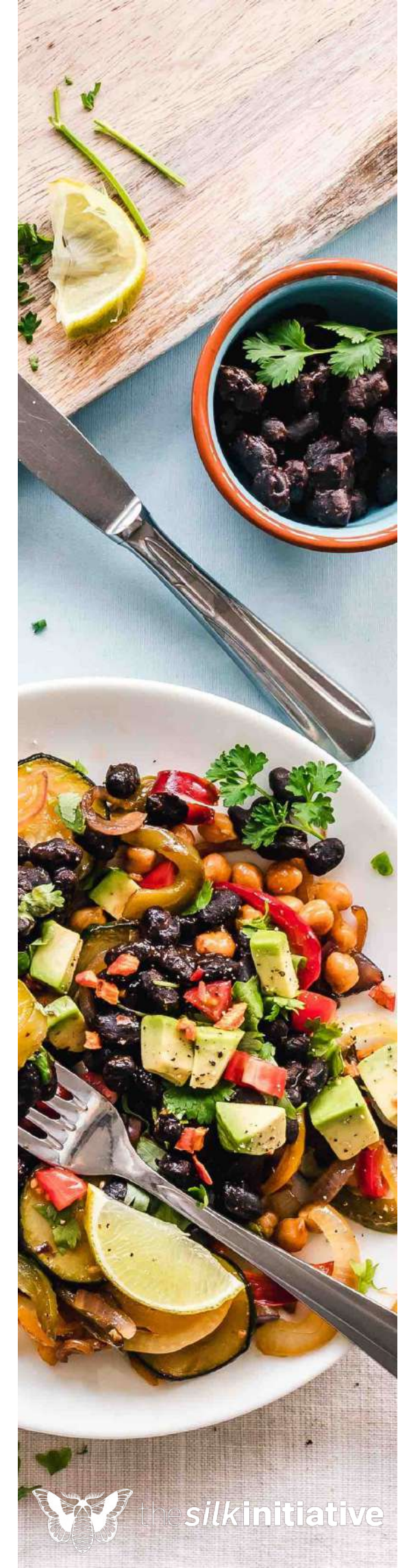
If a brand is coming into China for the first time, it's important to understand the market, understand the lay of the land, understand who the competitors are, both in terms of the immediate competitive set but also the broader competitive set. If you are bringing in a chip product, you're not just competing with other chip brands, you're also competing with the broader snacking category, which can include popcorn or fresh fruits.

One of the big questions we get asked at the start of China market entry is: "Do I need a local Chinese name?". Typically, we say that a local name is recommended. This is because it makes it easier to facilitate word-of-mouth recommendations among friends, which we know to be one of the top purchase drivers. A Chinese name also makes it easier for Chinese consumers to search for the brand online, an important channel when it comes to the food and beverage category in China. There is also the point that if you don't give yourself a Chinese brand name, the consumers or your distributors will.

China market entry includes doing the work up front to understand the market, localizing in terms of a Chinese name, and then everything else to do with localizing your brand and product. A big part of what will help to ensure success is having a team or partner on the ground that you trust and can be relied on to roll out these changes and inform you of what's happening in market. Innovation moves fast here, so for brands keen to enter China and keep up with that pace, they need to have a team or partner to act as their eyes and ears on the ground, noticing changes in trends and then being empowered enough to take steps to act on it. That's often where we see some brands fall. Either they don't have enough of an on the ground team, or the team was not empowered enough to act, localize, and develop in China.

## What are your insights on New Product Development specifically for the Chinese market?

It's one of the biggest things we've tried to solve at TSI. We set up the Navigator tool I discussed previously to track data across the food and beverage category, so we can understand trends and feed that into innovation and design. Broadly speaking, what we see is that foreign clients are at a huge disadvantage to local brands because those local brands can get a new product to market so much quicker. They can experiment and market, see what works and test and learn from there. I think China is a great place to try new products because there's a real appetite for novelty. We often see products come to market that might be a bit wacky to Western palettes, for example the Wasabi Oreos that came out a few years ago.







One of the big challenges is making sure that the NPD will have lasting success rather than just flaming out and being a short-term fad, unless the product was specifically intended for that purpose. That's why conducting the research up front will ensure that the consumer is at the forefront of any new product development processes, allowing the product to be grounded by consumer needs and increasing the chance of long-lasting success.

**Are there any benefits to having limited run editions of products, as opposed to long-term staple products?**

Definitely. These products go towards the element of Chinese consumers wanting novelty. There's a really big benefit of having new news and of being able to bring something new to market. That's why we see a lot of food and beverage brands doing interesting crossovers and collaboration in often unrelated categories.

Typically, as long as the brand has a strong set of core flavors that are in market all the time, having that flexibility and speed to bring in a new short-term limited range of flavors can be beneficial. These flavors are often quite seasonal as well. Sakura flavors always peak around spring, and coconut flavors in the summer, for instance.

**Are there any case studies of successful brands over the past few years that you could briefly discuss? What has given these brands an edge against the rest of the market?**

One interesting case study is Oatly, which has done a great job in China of opening up the territory of plant-based milk. The brand came into the market and were able to differentiate themselves from traditional unbranded soybean milk, while also riding on the coattails of growing coffee consumption.

It's quite a challenge to come in and try to grow a new category at the same time as growing your brand, but Oatly was still able to present a consistent and appealing brand image. The brand tapped into the consumer trend around coffee, really pushing the barista side of it. Often, consumers might use the same brands and products, in this case plant-based milk, as the baristas. This is not because the consumers think it makes better coffee than what they've been using in the past, but because of the perception that if it's the barista version, it's better.

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

I say this to a lot of clients, but there's so much opportunity for brands, particularly in the food and beverage category in China. Foreign brands can no longer rely on their country of origin to stand out, and market entrants need to be aware that there are so many other brands doing the same thing. As an example, if you're an Australian milk brand coming in, not only are there other Australian milk brands speaking to clean and green dairy, but there are also brands from New Zealand, Germany, the Netherlands, etc.

Therefore, success in China is really about making sure that you have a compelling point of difference as to why consumers might want to purchase your product over others. However, market entry will take time and more money than you would think. China is not really somewhere you can become successful overnight.

Brands need to understand branding and positioning, their target consumers and how to reach them, and channels that the brands may need. To succeed in China, brands need to be aware that it's going to take time, investment, and commitment.





Issue 6

# The **RED** Edition

**RedFern Digital** is a leading full-service Digital Marketing and E-commerce agency that helps brands navigate the digital ecosystem, increase their brand awareness and convert that awareness into sales. We are responsible for the strategic direction, growth, and performance of some of the largest and most successful brands across a dynamic range of categories in the China market.

Our teams specializes in

- Digital Marketing & Strategy
- Content Marketing & Paid Media
- Consumer Research & Data
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