



NielsenIQ

*Navigating China's Retail Market
Revolution: Emerging Trends in
Consumer Market*

By NIQ China

Main Speakers

Ryan Zhou
Managing Director, NielsenIQ China



NielsenIQ

Journey of Today



01/

What's the emerging unmet consumer needs in China market?



02/

How to enter or expand the market by leveraging online and offline omni channels?



03/

What's the winning innovation formula for China market?

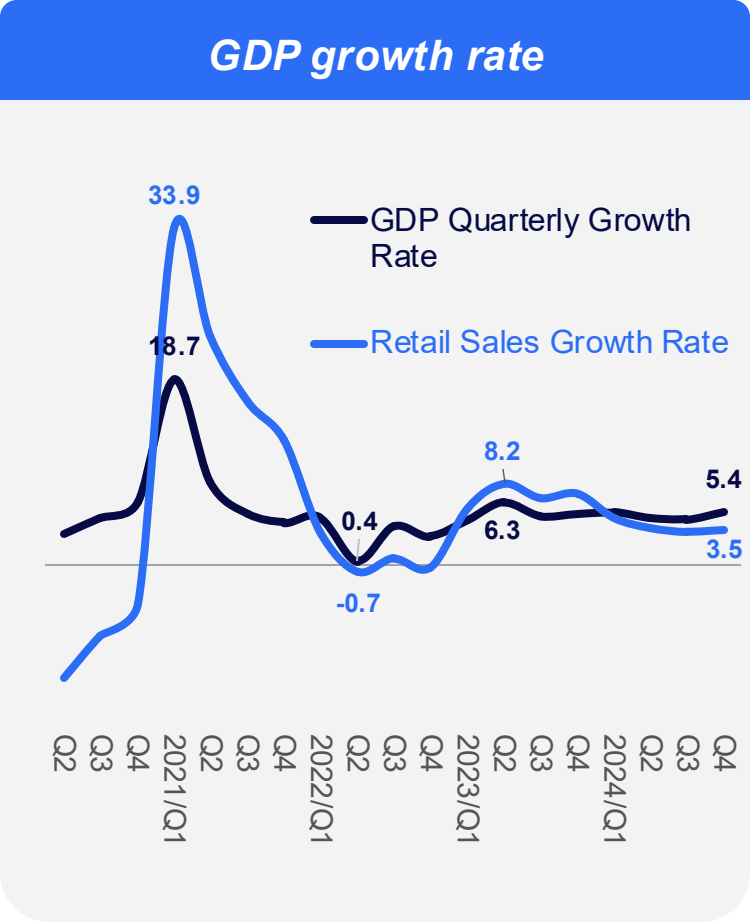
01/

What's the emerging unmet consumer needs in China market?



In the past two years, the macro economy has seen moderate growth

Government is keeping releasing policies to support consumption-related initiatives

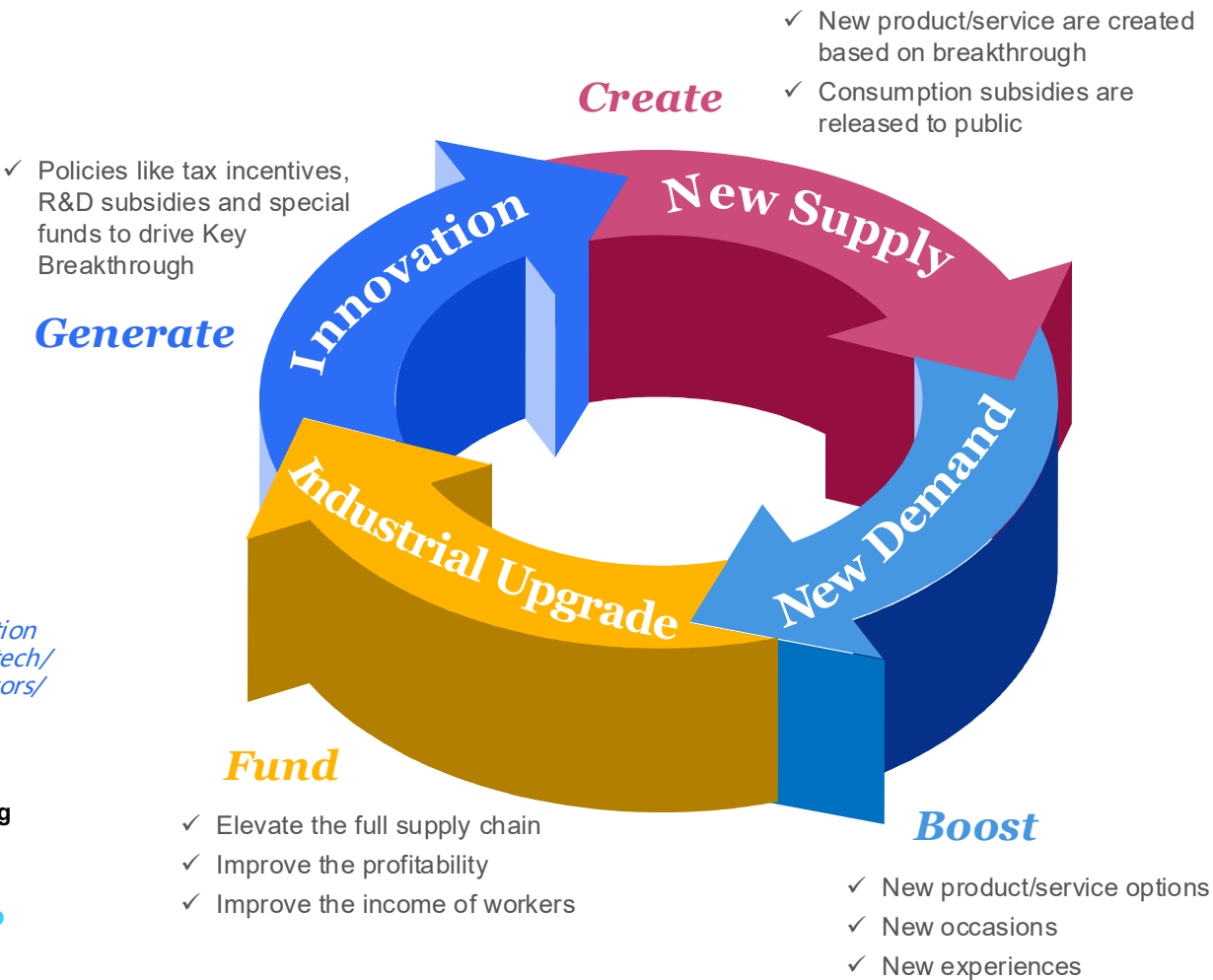
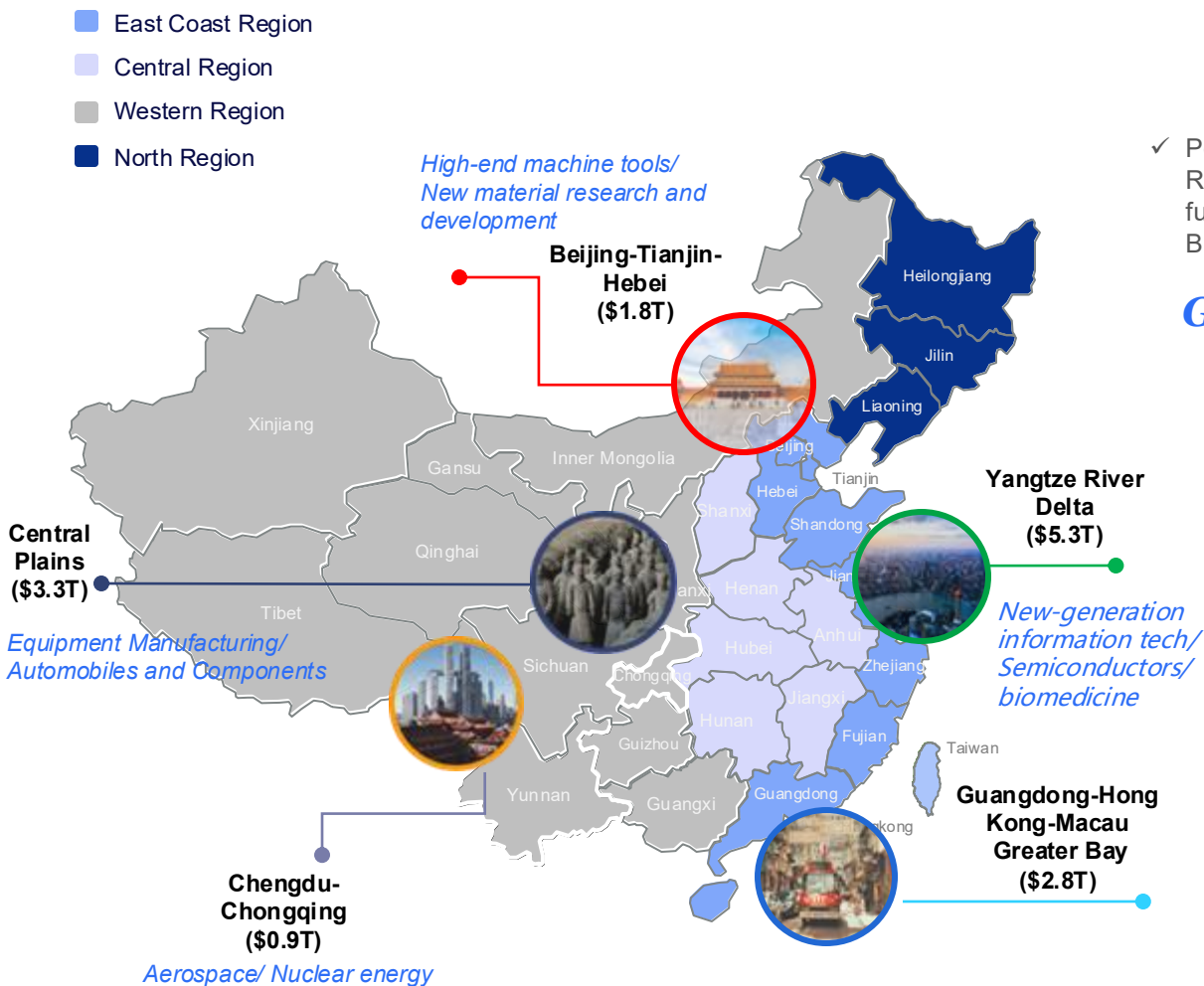


- ### Policy Measures for 2025
- 1 Stabilize the real estate and stock markets**
 - 2 Benefiting the People**
Measures to increase pensions, raise medical subsidies, and enhance student allowance standards.
 - 3 Supporting consumption**
Policies to support consumption-related initiatives, including intensifying efforts for consumer goods recycling and trade-ins.

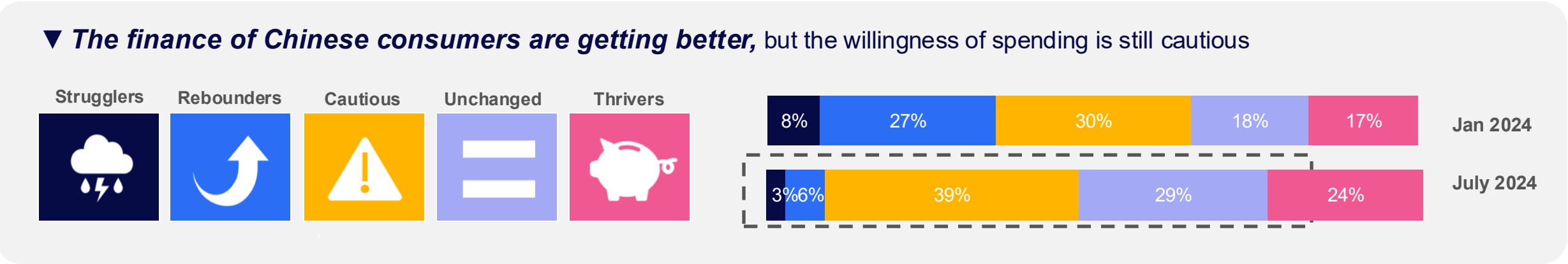
数据来源：国家统计局

From “Manufacturing driven” to “Innovation driven” Consumption

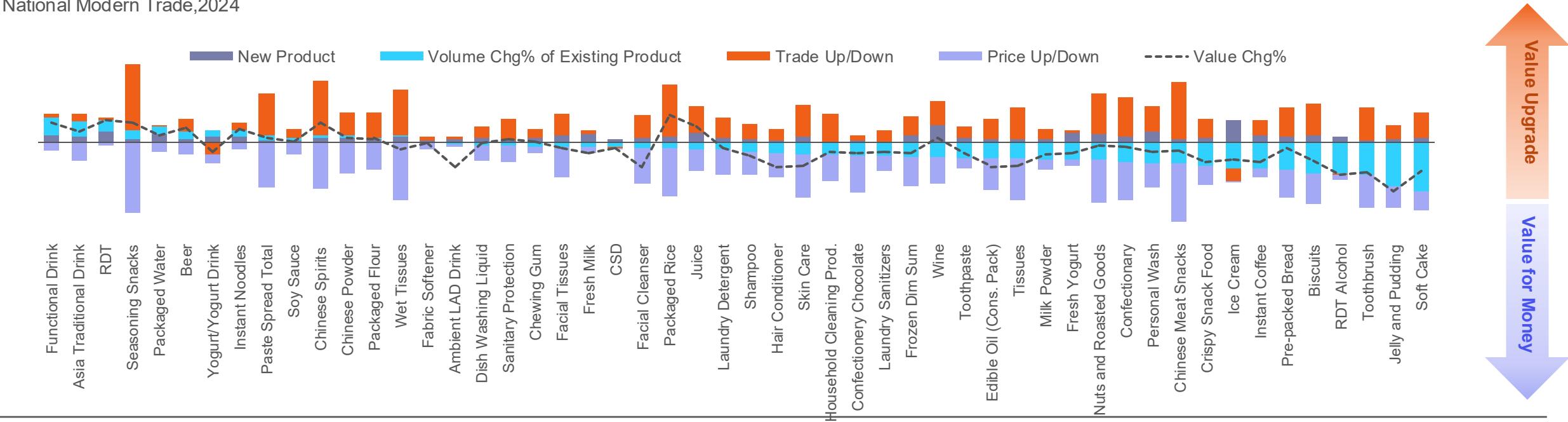
China Top big city Clusters'GDP
2022 FY capacity (in USD)



The new balance of “Value for money” and “Value upgrade” are the key to play in China market with more financially polarized China consumers



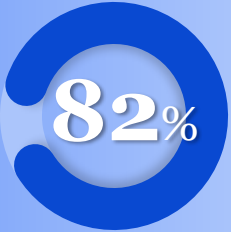
Growth Drivers for Key FMCG Categories, National Modern Trade,2024



Drive growth by addressing core consumer needs

Value Upgrade: Core China consumer needs of today

China’s consumers truly crave.....



82%

Health

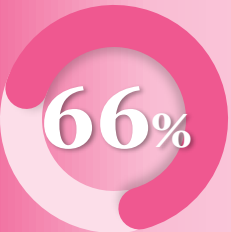
Wiling to select products more beneficial to health



66%

Convenience

willing to allocate more products that user-friendly



66%

Emotion

willing to spend a little extra to make one moment or day of the week more special or enjoyable

FMCG Omni Channel Market Size (USD) and GR% by Industry
FY2024 vsFY2023 & FY2024 CAGR vs. FY2019

Total FMCG: +4.8% vs. +3.2%

 <u>Liquor</u> \$15.5 b +6.4% vs. +2.2%	 <u>Staple Food</u> \$39.1 b +1.6% vs. +0.2%	 <u>Home Care</u> \$16.0 b +6.1% vs. +2.1%
 <u>Beverage</u> \$57.9 b +8.0% vs. +4.2%	 <u>Snack</u> \$38.1 b +14% vs. +11%	 <u>Personal Care</u> \$100.9 b +3.4% vs. +5.7%
 <u>Baby</u> \$30.7 b -1.6% vs. -3.3%	 <u>Dairy</u> \$39.3 b -2.7% vs. -0.9%	

*b stands for billion

What's the real products on the market to address the core needs?



Health

Ready-to-Drink Chinese Health Tonics Empowering China consumer's Preventive Wellness Needs

- ✓ 2024 Sales Growth of Traditional Chinese Herbal Tonic Drives **+1,353%**
- ✓ 2024 Number of Traditional Chinese Herbal Tonic Drinks reach **26**



Genki Forest
Serenity Water



Haowangshui



Yizhenggen
PureRoot Ginseng
Tonic



Convenience

User-friendly Layered Experience and Efficiency Upgrade

Easy-Open Coconut

Easy-Open Coconut YoY Growth
Rate reach **+38%**



Grain Bowl

YoY Growth Rate reach **+42%**

Ice Cup

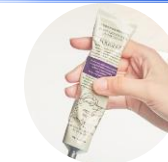
Ice cup takeaway sales up
+350% YoY



Emotion

Address emotional satisfaction from close-to-life goods consumption

▼ Nourished from Fragrance Hand Cream



Nearly **60%** consumers say
scented hand creams lift negative
moods.

Loopy Hand Cream **+38%**

▼ Healing and Stress Reduction from Skin-SPA



68% consumers prioritize
mood when choosing daily
products

Eleytele Massage Oil **+12%**

▼ IP Co-branding for Cultural Recognition

INTO YOU x Van Gogh



MGP x Forbidden City



Senior Care, Pet Ownership and Nutrition Food see big potential

Health Economy

- ✓ Professional formula for cardiovascular health



3-Yr **No.1**

in Tmall Global



- ✓ The pioneer in grape seed antioxidant
- ✓ A benchmark in oral beauty

CAUDALIE
PARIS

Top repurchase
rate in Tmall Global's
antioxidant category



Pet economy

- ✓ Customized nutrition for 12 diseases including diabetes and kidney disorders



Leading the cross-border
market with **60%+**
share, with 85% vet
recommendation rate



- ✓ Professional exotic pet brand with pioneering formula for small pets



No.1 in hamster food,
Top 3 in parrot food on Tmall
Global (50%+ repurchase rate)



Modern lifestyle

- ✓ 145-yr expertise, Durum wheat & bronze die tech for 30-min al dente firmness



Ranked **6th** in
Tmall Global's pasta
category in 2024



- ✓ 100% organic, anti-inflammatory formula

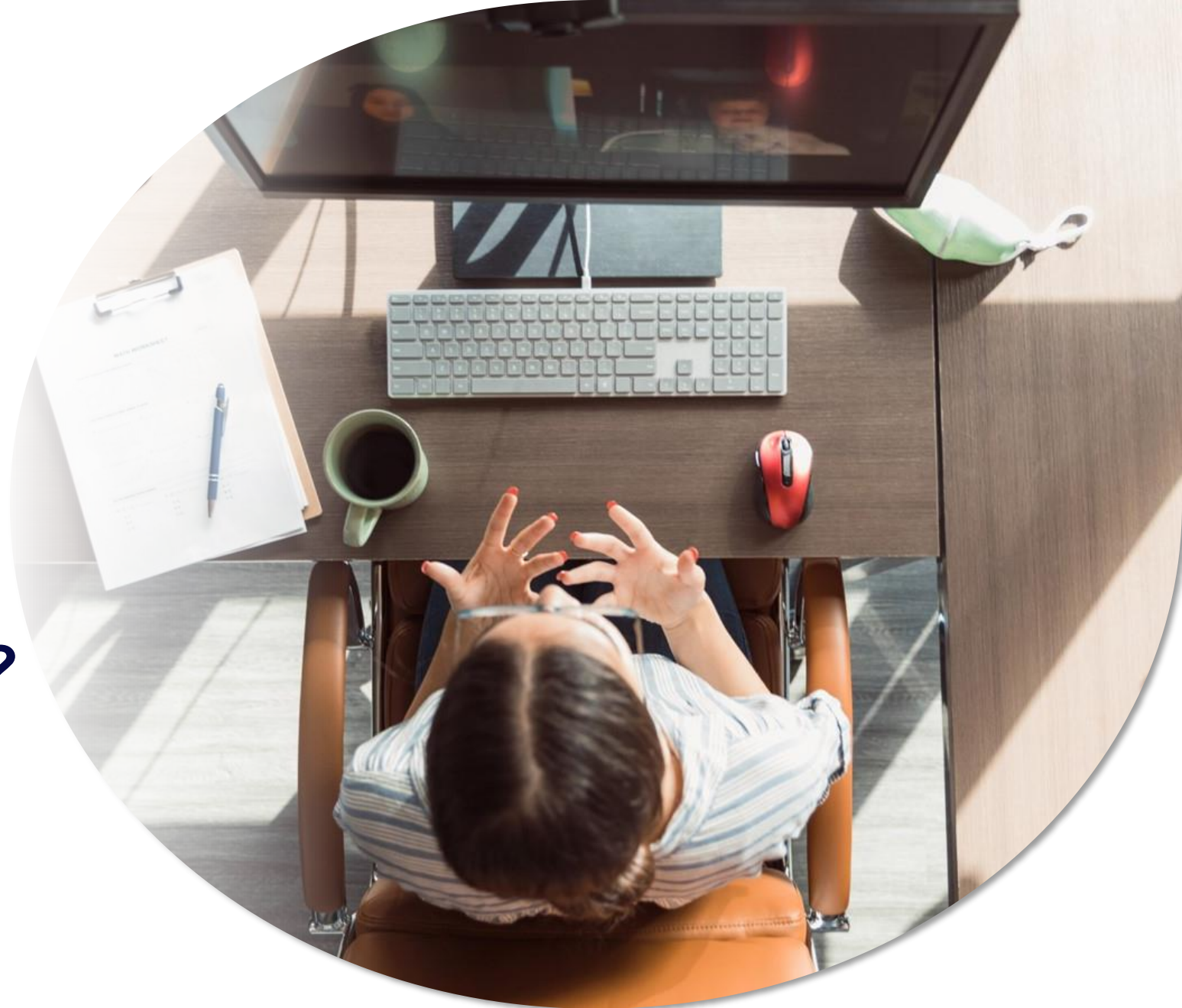
purašana®
your natural protection

570% 618 sales
growth! 40%+ repurchase
among fitness fans.



02/

***How to enter or
expand the market by
leveraging online and
offline omni channels?***



To adapt to the super fragmented and dynamic China FMCG channels

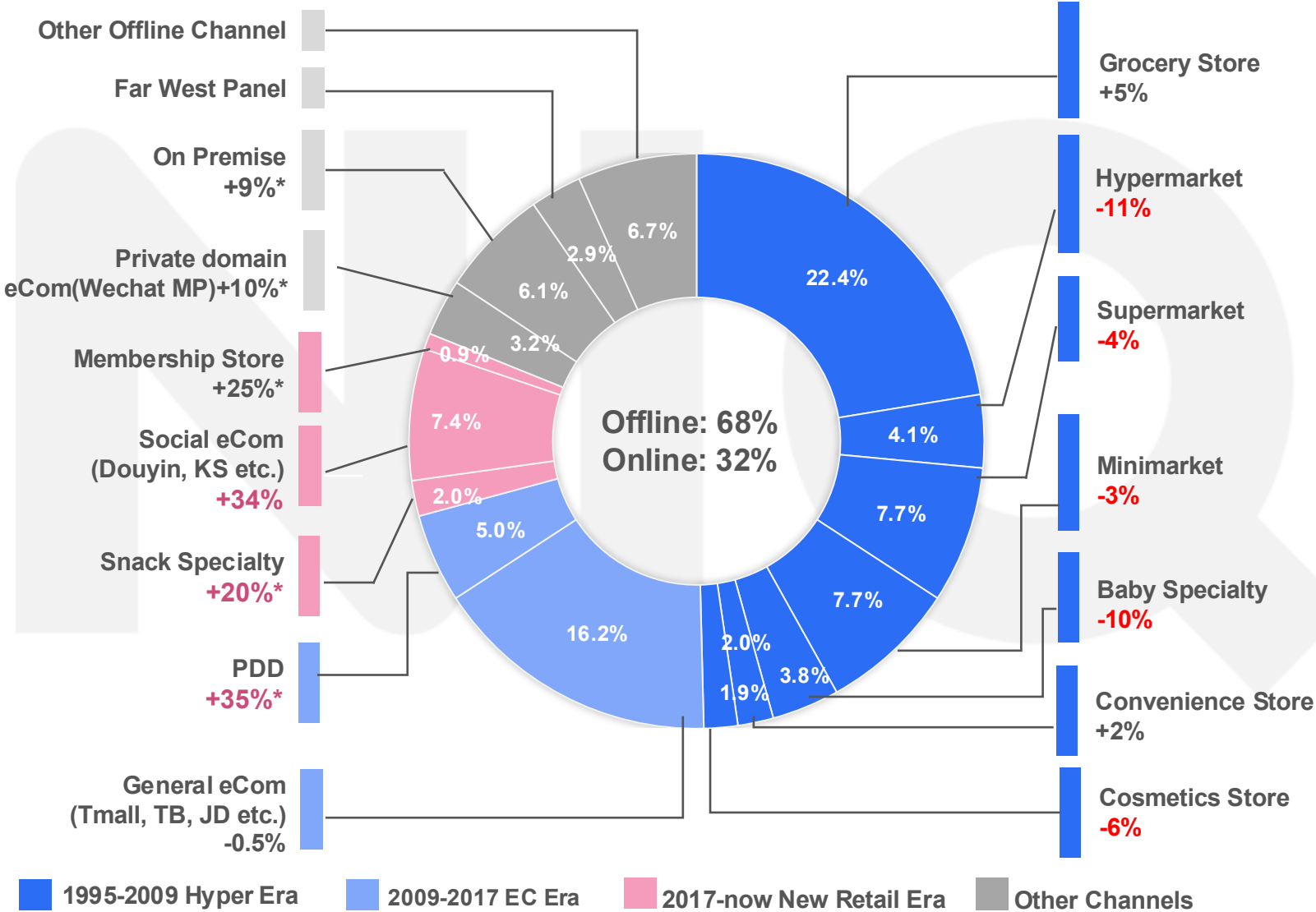


China FMCG Omni View

+4.8%

FY2024 China FMCG
Omni channel growth rate vs. YA

FMCG Omni Channel Value Imp% and Growth Rate | FY2024 vs. FY2023

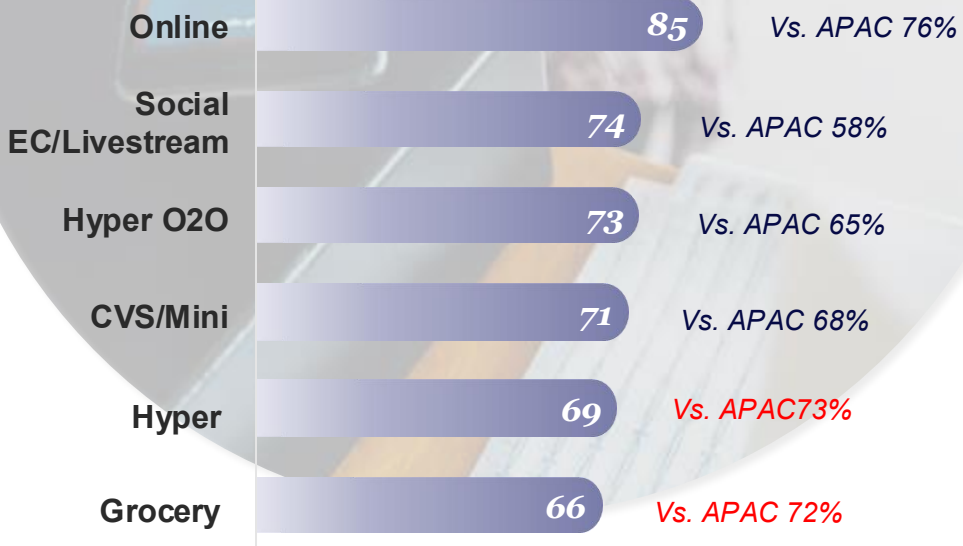


Chinese Consumers are embracing Cross-channel purchases, with higher incomes driving greater adoption of e-Commerce and O2O

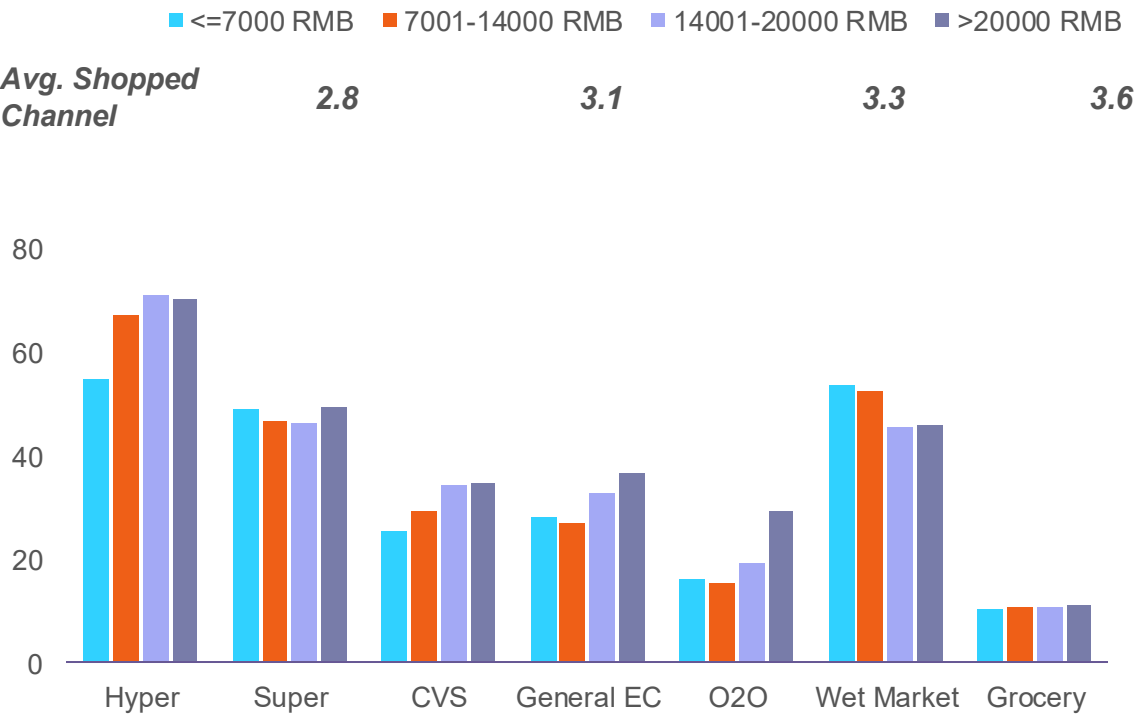
85% Consumers will continue to, or increasingly, shop through a combination of physical stores and online channels.

▲ vs. APAC 77% / Global 69%

■ will continue to, or increasingly, shop in this channel



Channel Penetration Rate across Channels in the Past 7 Days (%)
By household monthly income, 2023-2024



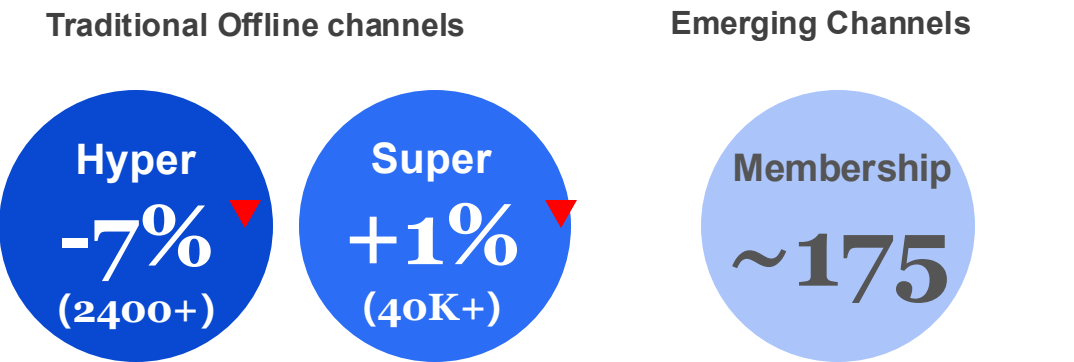
At the same time, different types of channels are seeking to break through boundaries and achieve growth

Traditional offline channels are looking for new brands/products to differentiate upgrade the shopper experience

Store change% and store amounts

▼ Sales decline ▲ Sales Increase

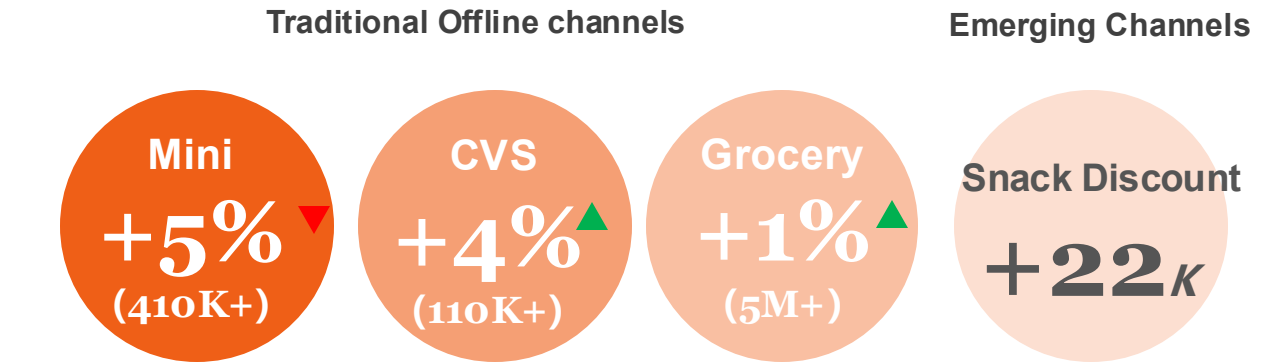
Large Format



Cost reduction and efficiency improvement, differentiated experiences

- ✓ **Hyper:** Upgrade in-store layout and prioritize merchandise selection assurance
- ✓ **Membership Store:** Target niche customer segments with high-quality SKU assurance

Small Format



Ensure competitiveness with daily supplies and convenient experience

- ✓ **Mini:** Located near homes, providing daily necessities restocking
- ✓ **Convenience Stores:** Long-hour operation, catering to emergency purchases
- ✓ **Grocery:** Local neighborhood shops enabling instant shopping

Sam's accelerated to build omni business utilizing exclusive offers to seize consumer mindset and loyalty

◆ Sam's continues its expansion, but others are small



◆ Deeper and more flexible store location selection

- Focus on **tier 1 & tier 2** cities at the early stage
 - Fast penetrated to **lower city tier** in recent 2 years
- Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu ...
- ▶ Fuzhou, Wuxi, Nanning, Shaoxing, Jinjiang, Dongguan, Yangzhou, Changzhou...

◆ Develop online and O2O

- Sam's APP, JD flagship store
 - Build up front warehouse in an all-round way to fulfil various needs: 1hr reach or 1-2 days delivery; fast speed/city delivery/national delivery service
- 25 cities, 500 front warehouse
10 front warehouse per store on average



◆ Private label: a name card for Membership stores



◆ Category width and customized products to gain higher recognition



◆ Implication for EU manufacturers:



China netizen's evolution keeps fueling the growth potential of E-Commerce



The number of internet users reached **1.1 billion**

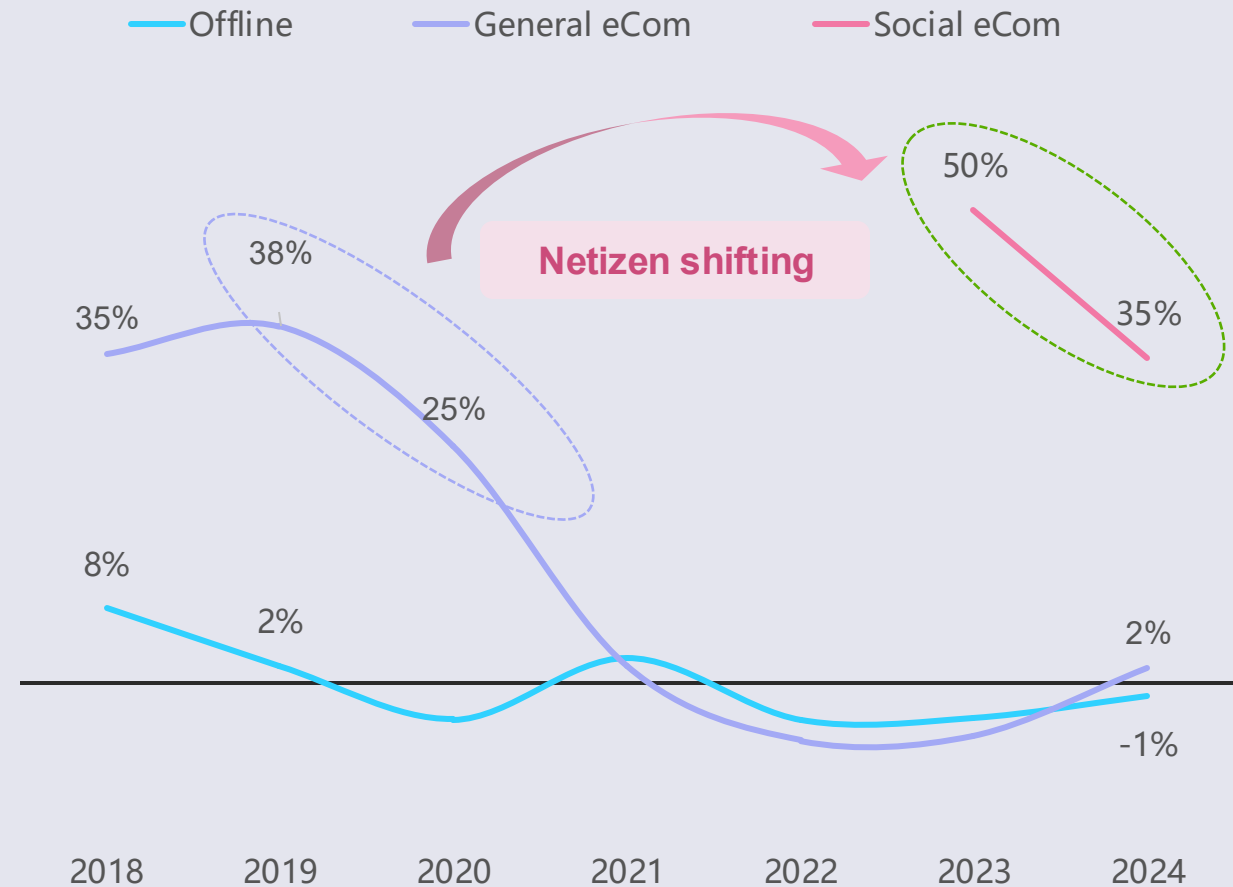


Internet users aged **50+** account for nearly **35%** of the total

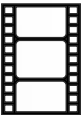


The number of online shoppers reached **0.97 billion**

FMCG GR% by Channel (2018-2024)



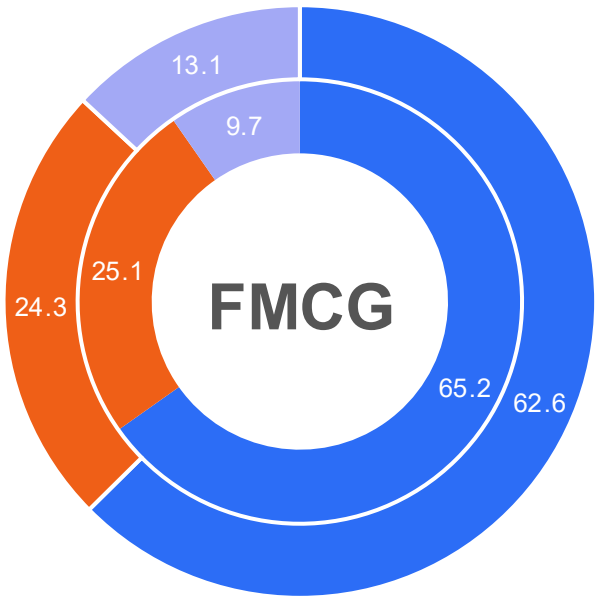
Properly use social EC platforms for different purposes

	Choose if	Positioning	Users	Coverage	Function	Promo	Popular
Douyin (TikTok) 	✓ New-entry breakthrough ✓ Increase penetration ✓ Focus on sales conversion	 Entertainment platform	 Young/elder generation	 All China	 Traffic pool for conversion	 KOL & brand Live streaming	▼ Unsatisfied Needs Hot Topics  Optrex eye drops 70k+ TikTok sales  Sotya carbo blocker 30k+ TikTok sales
RedNote 	✓ New concept cultivation ✓ Generate royalty groups ✓ Uplift brand image	 Social life sharing base	 Mid-tier, female centric	 Higher tier cities	 Brand image cultivation	 User notes and comments	▼ Mature Branding Solid Demand  Marvis toothpaste 49k+ brand fans  Oatly oat milk 32k+ brand fans

Offline Channel Remains as Foundation, while Penetration of eCom has been Steadily increasing

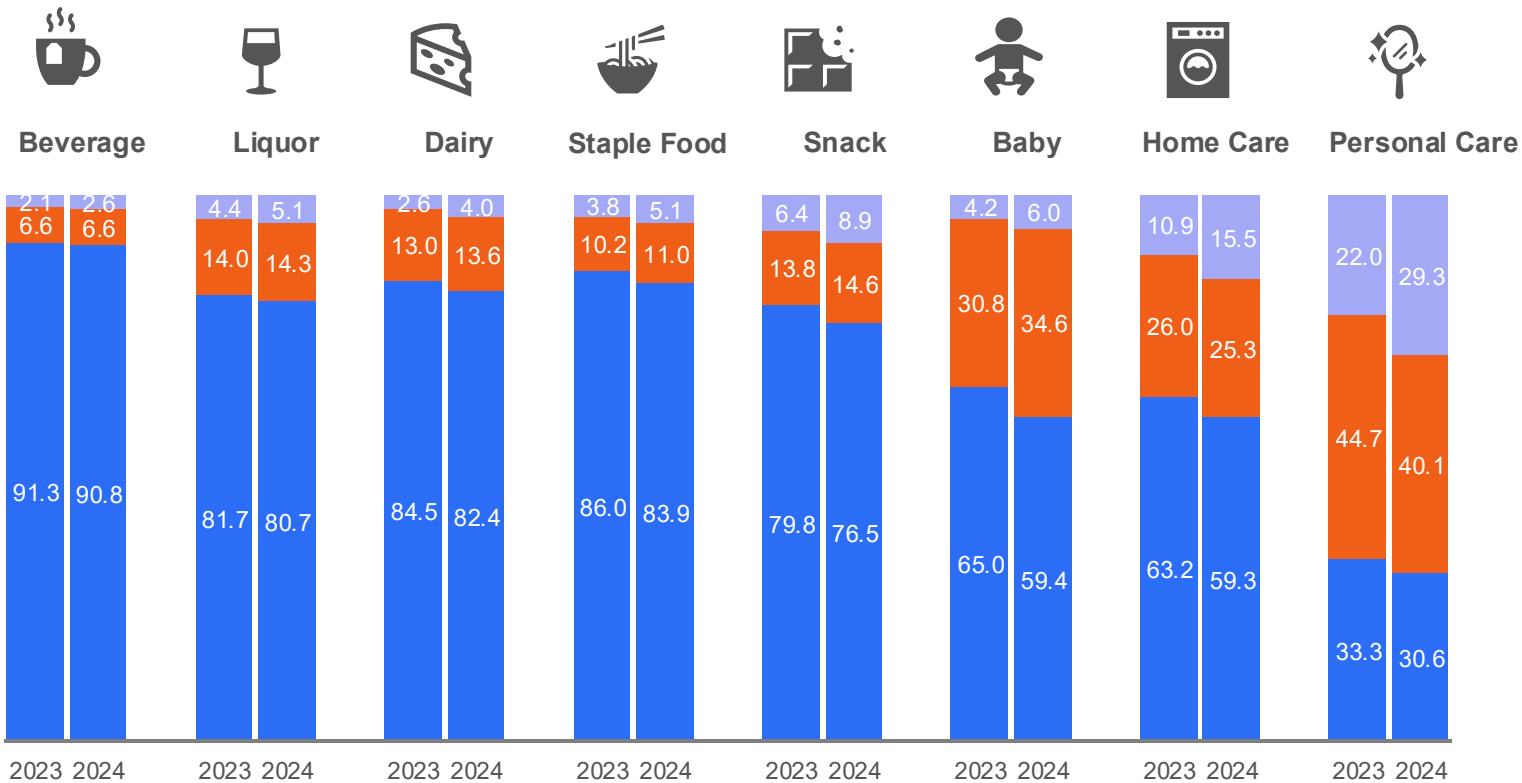
FMCG Channel Mix | FY2023 vs FY2024

Inner: 2023
Outside: 2024



Offline General eCom Social eCom

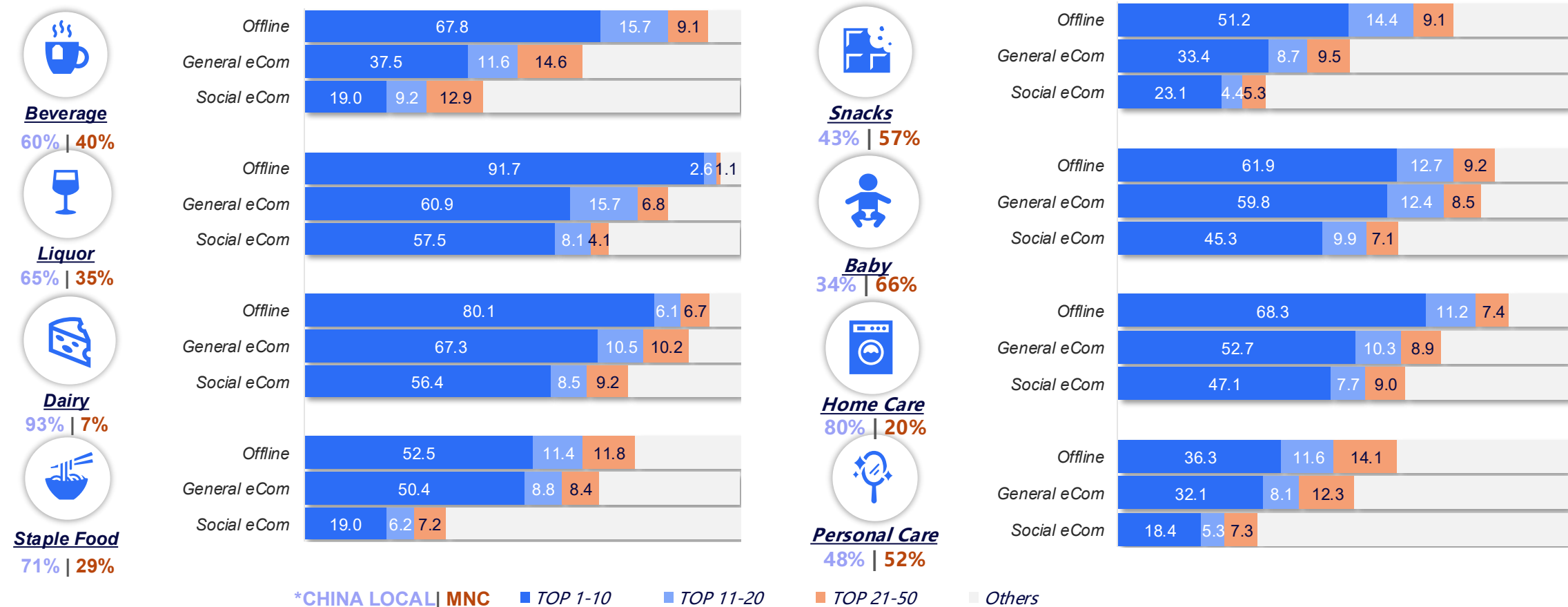
Channel Mix by Industry | FY2023 vs FY2024



Offline General eCom Social eCom

Seize growth room for new or small brands on Social eCom

Manufacturer Value Share by Channel Cross Industry



Formula for new player to enter China E-Commerce Ecosystem

01

Capture Demand Signals

Locate unmet needs, tackle market gaps

- ✓ Target 2 most unsatisfied needs: **anti-mold** and **water stain resist** on wooden floor/ceramic



Floor Cleaners



Bathroom Cleaners



02

Amplify Brand Voice

Set up online presence, create heat topics

- ✓ Generate accounts and articles: **2** main accounts with **10+** sub accounts, **10k+ articles** on RedNote



TikTok Account Matrix



RedNote Articles

店铺	用户	视频	AI搜	商品	宝
 官方旗舰店 粉丝: 191.5万 视频: 2710.7万			关注	 全屋智能旗舰店 粉丝: 2710.7万 店铺地址:	关注
 家居旗舰店 粉丝: 158.8万 视频: 150.4万			关注	 家具旗舰店 粉丝: 150.4万 店铺地址:	关注
 汽车用品旗舰店 粉丝: 60.7万 视频: 129.9万			关注	 家居日用旗舰店 粉丝: 129.9万 店铺地址:	关注
 家居用品旗舰店 粉丝: 45.1万 视频: 11.8万			关注	 建材旗舰店专业清洁 粉丝: 11.8万 店铺搜索词:	关注
 全屋智能旗舰店 粉丝: 127.0万 视频: 18.1万			关注	 文具旗舰店 粉丝: 18.1万 店铺地址:	关注

03

Realize Multi-Channel Conversion

Focus on conversion, maximize profit

- ✓ Leading category: **top 1** on TikTok sales in home cleaning product and **\$4m+** sales on Tmall in 2024

TikTok:



Focus on top sellers and hit products



Tmall:



Focus on new products and diverse usage items

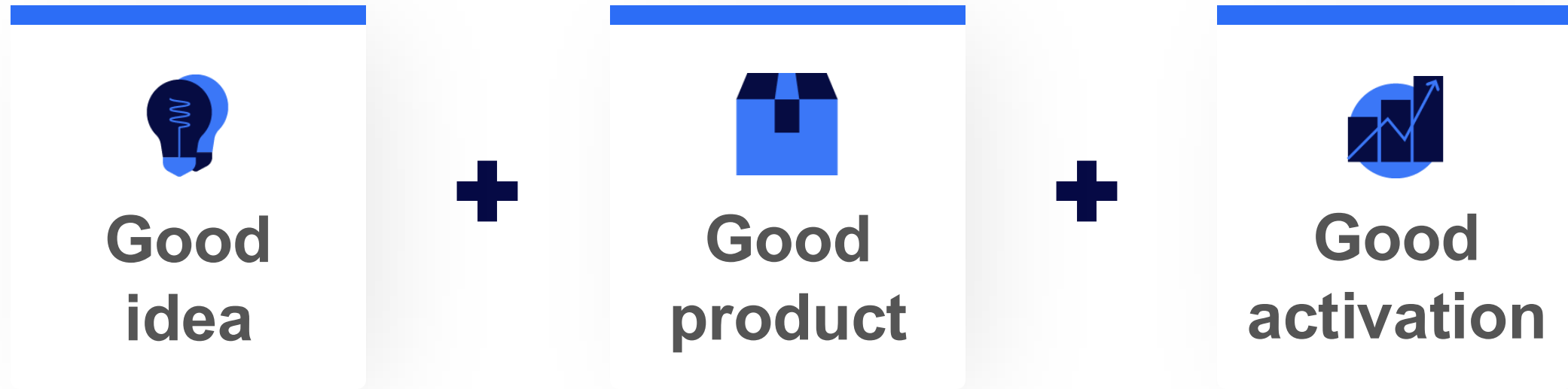


03/

***What's the winning
innovation formula
for China market?***



In-market Success relies on 3 key elements working together



Concept with branding, pack & price, assessed alongside proposed liquid, for Innovation and Renovation

BASES Database identified success measures, validated by in-market sales, updated continuously for respondent over-claim, against a database of 500,000+ initiatives and 65M sales datapoints collected every minute, every day

BASES will train your team on forecasting and realistic marketing plan building, from our database of marketing plans

Metrics grounded in market success

BASES Factors for Success evaluates initiatives on the 12 consumer-focused tasks that every new product must pass in order to be adopted by consumers.

Predictive

Propositions deemed launch-ready based on BASES Factors for Success model have a **5X** chance of success, versus the industry average.



Proven

Based on **6** years of R&D research studying **600** in-market launches.

Used on **180,000+** tested initiatives.

Expands into emerging markets: from diverse tastes to varied product formats

“Inspired by the headquarters of the PERFETTI van Melle Group, we successfully launched a series of extruded jelly products globally and aim to bring this inspiration to the China market.

The launch of the sour extruded jelly belts seeks to boost sales, increase brand awareness, and expand the emerging extruded jelly market.”

-- PVM cn CMI team



Diverse tastes and textures

- ✓ Features mixed fruit flavors and a sour sugar coating that stimulates taste buds and greatly satisfies consumers' cravings for delicious flavors



Diversified product formats

- ✓ First to introduce the “1 Meter” product concept, bringing multiple fun and playful experiences with its long belts, attracting social media traffic
- ✓ Sour Mini Bites, one bite at a time, offering multiple ways to enjoy, bringing consumers with both taste and visual satisfaction



Perfetti JELLY Products SOUR BELT continue to grow

Enhancing brand awareness

Chupa Chups SOUR BELET SKUs Launched

- Y2022 Apr
SOUR BELT 
- Y2023 Apr
MINI SOUR BELT 55G 
- Y2023 Nov
MINI SOUR BELT 32G
SOUR Sharing Pack 
- Y2024 May
1M SOUR BELT 

Overall Achievement



National TTL
MAT 2504 SKUs

1 → 5

National TTL
MAT 2504 Val

30M EURO +

National TTL
MAT 2504 Val GR%

+34.4%

National TTL
MAT 2504 Val Shr % +/-

+0.5pt

What are the Winning Themes in China?



Create new and unique sensory experiences to spark curiosity and exploration

- ❖ Exciting unique flavors & exceptional textures
- ❖ Transparent packaging & diverse packaging sizes
- ❖ Focus on emotional spending and cater to unique usage occasions



Broaden the scope of innovation to redefine Health & Wellness

- ❖ New Chinese-style wellness trend
- ❖ Meticulously selected ingredients & advanced technology
- ❖ Occasion-based and everyday communication strategies



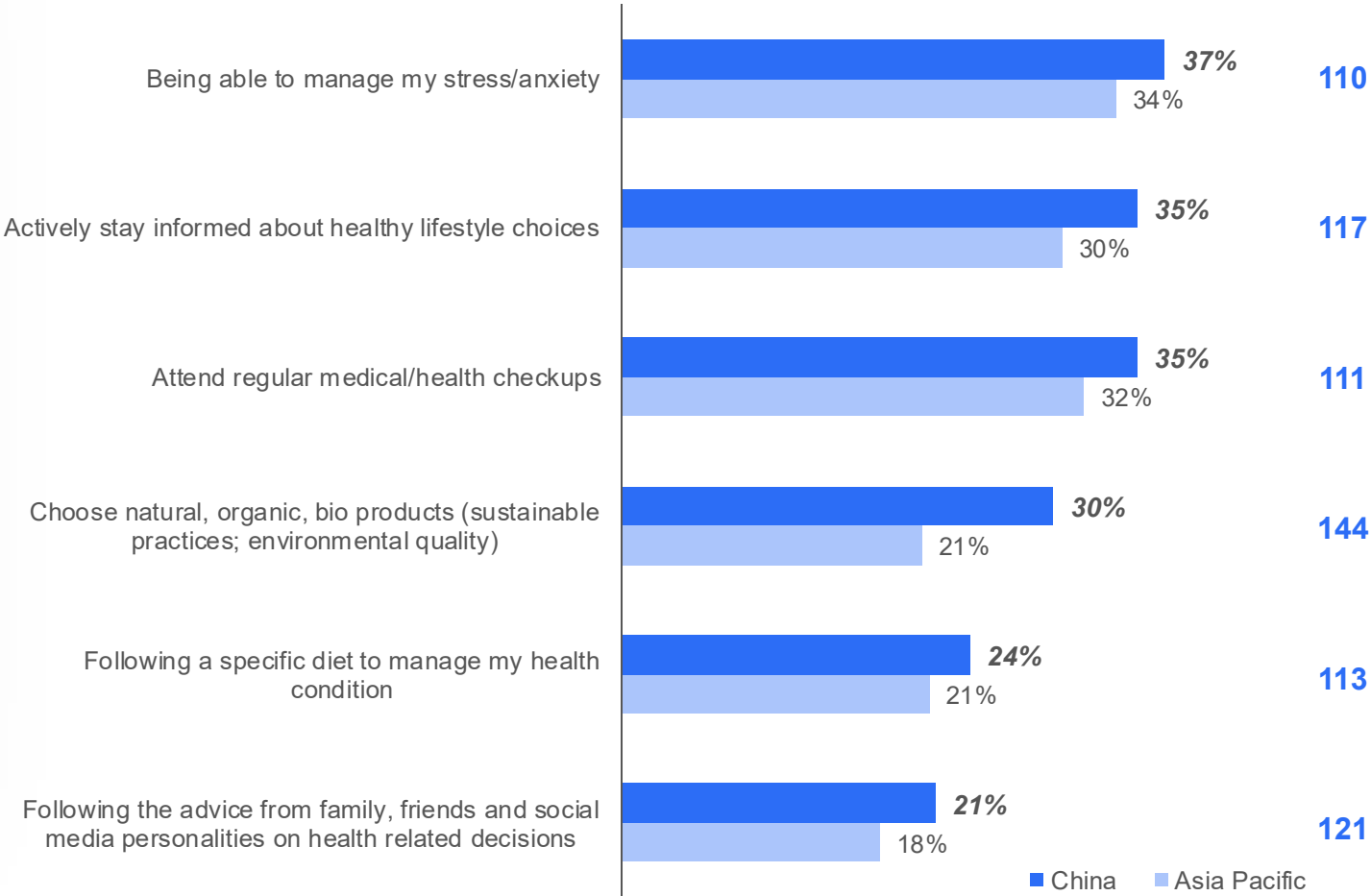
Leverage brand strength to explore cross-category growth opportunities

- ❖ Leverage brand halo
- ❖ Targeted channel strategy

Healthy habits leads to a better life

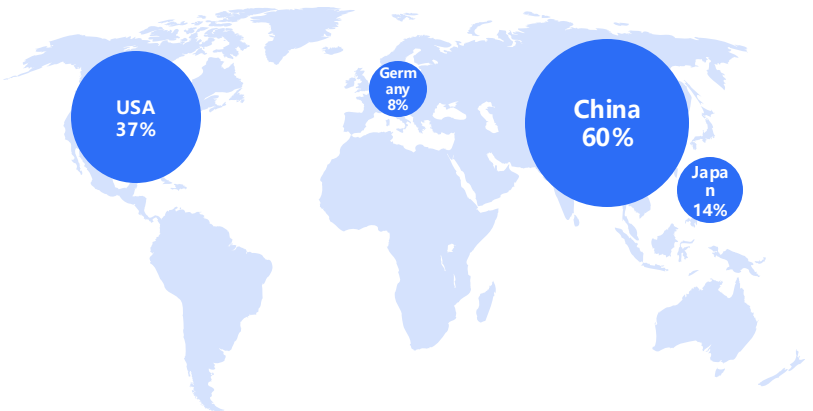
Commonly adopted healthy habits by Chinese consumers, 2024

Index
(China Mainland
vs. Asia-Pacific)



Percentage of people who agree that

“Health & Wellness is the most important thing in life”

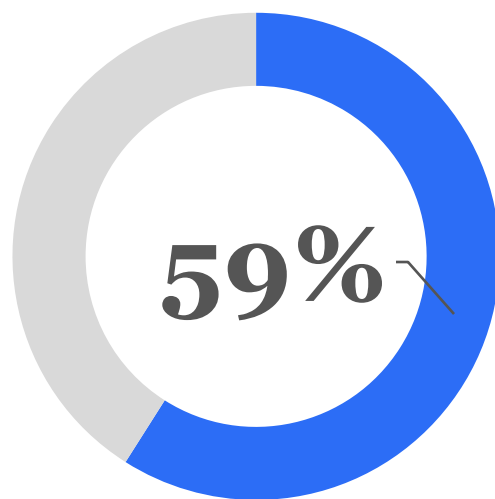


Chinese consumers are highly health-conscious

Chinese consumers are highly health-conscious

The new Chinese-style wellness trend, which emphasizes “food and medicine homology”, has its own marketing appeal, meeting Chinese consumers' health needs in food and beverage

Most important needs in food and beverage category – respondents %



Health & Wellness

is the **top consumer need** for Chinese consumers in the food and beverage category

Chinese-style wellness trend · food and medicine homology



NielsenIQ BASES Breakthrough Innovation Winners 2024



Dongpeng Big Coffee
Classic Latte Low Sugar



Yuanqi Zizai Water Red
Bean Barley Water



Cute Star A2β-Casein
Pure Milk



Want Want Daily
Modified Milk



Minute Maid Sparkling Drink



Lay's 2024 Fireworks Stalls
Series Potato Chips



OREO Cloud Cakes
with Filling



Chupa Chups
Sour Belts Series



Colgate Daily Shine
Dental Repair Toothpaste



Freemore
Probiotic Sanitary Pads



Anti-Dandruff Scalp Care Shampoo
Oil Control & Volume



Pantene 3-Minute Miracle Treatment
Total Damage Care Hair Mask

BASES Creative Product AI: Tailored to your unique needs

Create, optimize, improve or benchmark real product and prototypes in an AI environment

Use Cases

AI Line Extension

Identify Line Extension opportunities
Compute Synthetic Products

AI Synthetic Products

Compute Synthetic Products before any samples are made

AI Product Optimization

Identify new routes to optimize existing products or new prototypes

**BASES
AI Product
Developer**

AI Prototype Screening

Screen multiple Products/Prototypes to find lead candidate(s) for consumer validation

AI Benchmarking

A/B testing of new vs current formulation; Your brand vs Competitor

AI Lift & Shift

Predict performance of existing product or prototypes in a new country or demographic

BASES Product AI can provide

Reduce research costs by up to **50%**

Use **75%** less Prototypes, reducing client internal costs?

Reduce time to market by up to **65%**

Have a subscription panel that **eliminates logistical costs**

Rapidly benchmark reformulations in **a few days**

How it works

4 Products were profiled at the NIQ AI Tasting Panels at 4 Timepoints, then Globally translated to Predict Consumer Liking.

Pre-Built

Demographic Translation Model

Built using a base set of products profiled in every market to allow translation of results between countries.

AI Attribute Model

- 21,000 products
- 40 countries, 50+ regions
- 2,000,000+ distinct demographic datapoints
- 3,500+ reference attributes

AI Demographic Targets:

- Ages 20-60
- 50% Male / 50% Female
- 3 Countries: Singapore, Philippines, India
- Natural Income, Ethnicity, Smoking Preference
- Sans Rejector Applied

Project Actions

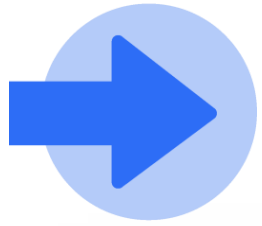
- 15-20 assessors from Standing Panel test the samples
- Products are profiled on 24 'Anchor' attributes
- Each product was profiled blind

Prior to Evaluation Day, panelists were notified of the study and given instructions regarding the use of scented products, smoking or eating prior to the study

AI Predictions & Improvement

- The AI model identified that in all countries the data was projected, Brilliant Original Mint (at the brushing stage) was the category winning product. Awesome Charcoal White (15-minute timepoint) ranked lowest among all reported products.
- The category winning product has winning attribute intensities globally such as:
 - Positive Drivers of Preference Herbaceous, Mouth Feel and Cold Finish.
 - Optimizing the winning profile could see even a higher liking score of 0.1-1 AI point.

NIQ encourages ABC to explore new prototype flavors and gain further likeability in the toothpaste category.



Key takeaway

NIQ china

China FMCG market is reshuffling against the background of “**Innovation driven**” economy transformation.

With new underlying growth logic, some of existing players will lose their ground and fade out, new opportunities is now open to anyone who can find its unique role in the new economy.



New Consumer Needs

3 key facts: Urbanization, Aging Population, Low marriage and birth rate sharp 3 new important needs

- ✓ Health and wellness
- ✓ Convenience
- ✓ Emotion



New Channel Dynamics

- ✓ Embrace Omni shopping to maximize the opportunity
- ✓ Fully leverage Social Commerce to capture traffic and attention
- ✓ Ride on the transformation of large format offline channels



Winning Innovation Formula

- ✓ Create relevant ideas that are based in deep consumer understanding
- ✓ Develop strong products that deliver on the promise
- ✓ Explore new technologies and emerging trends to optimize your go-to-market models

**Please scan the QR code to
download the report !**

