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China's online supermarkets, a great entry-platform for internationals

By Kacey Culliney, 29-Nov-2011

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Chinese consumers are more willing to trial new grocery products online, offering huge opportunities for international brand owners looking to enter the market with new products, says new study.

Sam Mulligan, director of Data Driven Marketing Asia (DDMA), the firm who conducted the research, told FoodNavigator-Asia that China's online supermarkets are an ideal platform for new product development (NPD).

The DDMA study, *The development of online supermarkets in China*, found that 65% of online supermarket users are willing to buy new brands and 58% have done so.

"When in a group, Chinese consumers are shy to try new things...but online, people can shop anonymously and therefore try a new product out and see if they like it," Mulligan said.

The online platform allows 'discovery' to take place, he continued, and a consumer can research a product in depth and at leisure.

Targeting the consumer

The report identified a niche group of heavy online supermarket users, and pointed out that it is the key group to target.

It profiled the group as younger; aged between 25 and 35 years old. The consumers have a higher income and higher level of education, with most coming from middle management, white collar jobs.

"It's the higher end of the consumer groups. They are not price sensitive, it is more about convenience," Mulligan said.

He explained that they are more internationally minded, which is why international manufacturers have opportunities.

"Their tastes tend to be less traditional and a little more Western... they will buy products like soft drinks, instant coffee, tea, convenience foods, snacks, confectionary and instant noodles; mostly non-perishable products," he continued.

He noted that manufacturers and retailers need to familiarise themselves with this group and know what they are interested in buying and what drives them, to have any chance of engaging with them.

"Manufacturers need to make sure they are talking at the right level. They need to come with a pre-conceived idea of what they want to offer and to whom," Mulligan said.

Sophie Peng, business analyst at China Market Research Group (CMR), said that thorough details of the product need to be provided on the site.

There needs to be *"lots of detail about ingredients, nutritional information, origin and a clear description of flavour and texture along with plenty of detailed pictures and space for user comments,"* she said.

"Most consumers will be suspicious of a site that provides too little detail," Peng added.

She added that safety is an important factor for manufacturers to focus on when targeting the consumer.

Entry point for internationals

Mulligan said that working with online supermarkets is more complex than regular distribution channels.

"You need to calibrate your product... it's about getting space to make a compelling offering against others," he added.

It is expensive to enter China's grocery market via traditional channels, Mulligan said, but the online supermarket platform enables internationals to enter the mass market and get better returns due to better control and targeting.

"You can capture an awful lot of command for a higher price in a more sophisticated manner," he said.

Shanghai remains the strongest market, but Guangzhou and Chengdu offer opportunities.

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