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# **Report Name:** China Snack Food Market Update

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**Report Highlights:**

China's consumption of snack food products has rebounded quickly post-pandemic. However, the COVID-19 pandemic has made consumers more aware of health issues. Consequently, products with functional health benefits, like high protein and/or low sugar snacks, have become increasingly popular. To provide more sustainable and competitive products, local retailers increasingly look to private-label product offerings, such as tree nuts, dried fruit, and cookies.

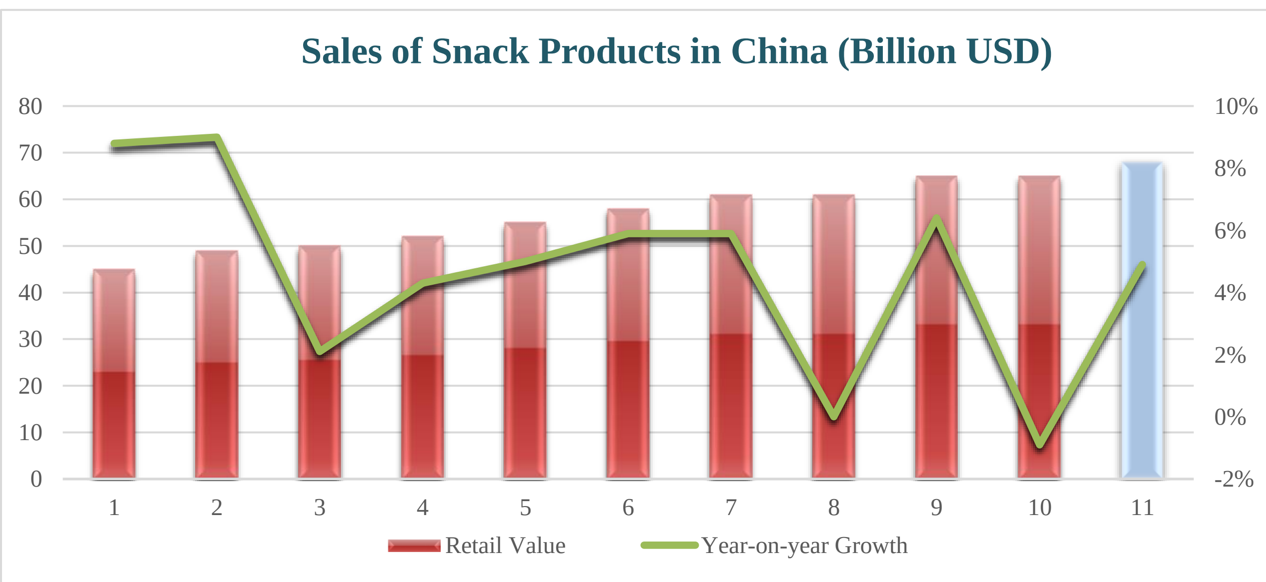
Despite the general economic downturn in the Chinese economy, sales of snack foods have achieved surprising growth. Total-year sales are expected to reach more than $66 billion. According to China stock market data, some large publicly traded snack food companies saw revenues from snack products increase 16.8 percent year-on-year in the first half of 2023. Unlike staple foods, which primarily meet consumers' caloric needs, recent online experts suggest that in China, snack foods also help meet consumers' psychological needs. In addition, increased social activities post-pandemics have helped to increase snack food sales.

Bakery and puffed products account for the most significant proportion of snack foods marketed in China, with more than 40 percent of the market share, with nuts, dried fruit, and confectionary products accounting for more than 13 percent and 10 percent, respectively.

**<u>China Snack Food Market Snapshot</u>**

- Total snack food sales are estimated to reach over $66 billion in 2023.
- Snack Foods are expected to grow 2.3 percent year-on-year.
- **Snack Food Areas for Growth**
    - Meat and Seafood Snacks
    - Cheese Sticks
    - Proten and health bars
    - Rice Snacks
    - Bold and Innovative flavors
    - Nuts, seeds, and trail mixes
- **Top 5 Snack Food Companies in China:**
    - PepsiCo China Ltd, Inner Mongolia Yili Industrial Group Co Ltd., Want Want Holdings Ltd., Mondelez China Inc., Mars Foods (China) Co Ltd.
- **Leading E-commerce Operators in China** are Alibaba and JD.com

**Source: Euromonitor and China Chain Store & Franchise Association**

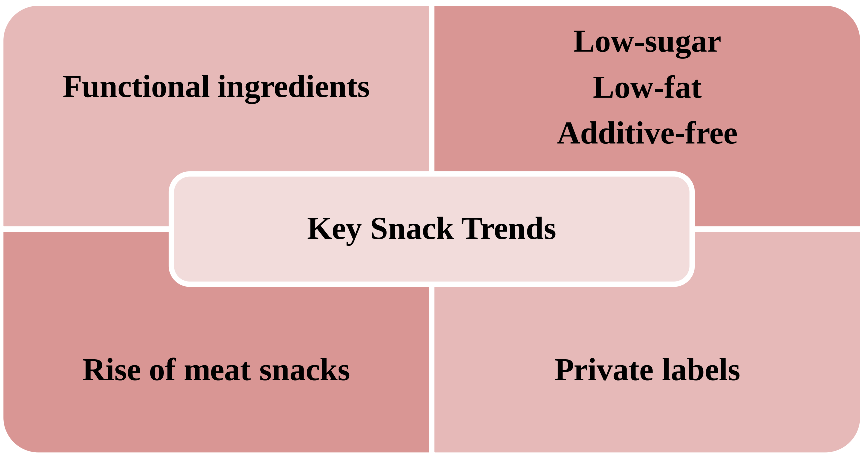



**Data Source: Euromonitor**

# Consumption

**TRENDS**

As a result of the economic downturn, consumers have become more cautious and seek price-competitive products. As a result, domestic snack food manufacturers decreased prices to attract consumers, resulting in the expansion of domestic snacks. Still, consumers purchased fewer domestic high-end products. Of those who purchased high-end snack products, many purchased domestic high-end products instead of imported products. In response to these shifts in consumer preference, some retailers and distributors have started offering smaller packages of imported products to attract consumers with a lower per-unit purchase price.




Consumer health consciousness has also expanded. Low-sugar, low-fat, less additives, and preservative-free snack foods are becoming more popular. Increasingly, better-informed Chinese consumers pay strict attention to product ingredient lists and are more inclined to choose foods with simple ingredients. Snack foods with health-promoting components, such as nuts fortified with probiotics or DHA-enriched pastries, are becoming more popular.

Overall, the most popular flavors of snack food in China are salty, followed by spicy. Most snacks consumed in China are considered savory. However, the preferred snack foods in China depend on regional preferences. For example, consumers in Guangdong rarely eat spicy food, while the food in Beijing and Chengdu combines both spicy and salty flavors. In the Shanghai area, consumers often prefer sweeter flavors.

In terms of target consumers, teenagers, and young women, who are more open-minded to new products, are the main consumers of imported snack food products. Consumers with experience overseas (via study, travel, living) are also a main consumer target for imported snack food.

| Trends in Consumption of Snack Foods by Age Group | | | |
|---|---|---|---|
| | **Teenagers (13 -18 years old)** | **Young and middle-aged (25-40 years old)** | **Seniors (60 years and over)** |
| **Consumption habits** | Impulsive consumption; strong interest in attractive packaging | Strong brand awareness; interest in exquisite packaging and portability; not sensitive to price; special attention to health- and nutrition-related products and marketing | Prefer relatively simple flavors, special nutritional needs, cost-effective products |
| **Purchasing power** | Pocket money from parents and "red envelopes" (holiday gifts) from relatives for Chinese Spring Festival | Women often have increased purchasing power, family responsibilities, and influence over family eating habits and product selection. | Relatively conservative spending |
| **Products of particular interest** | Confectionary and puffed foods | Nuts and cookies | Bakery products |

**Source: ATO Beijing**

## FUTURE OPPORTUNITIES

Looking forward, we have identified several categories of snack foods that may hold growth potential.

While protein bars represent a small amount of snack food purchases, they are forecast to grow in market share in the coming years as emphasis on health and exercise continues to dominate consumer preference. Similarly, snack bars, especially in smaller packaging, are expected to grow as consumers look for easy-to-transport products and ways to indulge, but in smaller quantities.

Meat snack products are trendy among young people, especially those with specific dietary preferences for high-protein and low-fat products. Meat snack sales have been growing over the past years and are expected to reach more than 14 percent of total product sales in 2023. In particular, consumers are seeking meat snacks with bold and spicy flavors or innovative taste profiles.

In addition, Mozzarella string cheese, referred to as “cheese sticks”, is promoted as a snack food, especially for children. Despite an overall decline in sales, several brands have seen profits for cheese sticks increase quite dramatically. Convenience store sales of string cheese have even increased by 50 percent compared with the same period in 2022. Also, rice snacks, a traditional snack in China, and nuts, seeds, and trail mixes are expected to maintain consistent product growth in the next few years.

As a result of market changes due to the pandemic, local retailers have gained a new and deeper appreciation for the importance of a stable supply chain. To provide product sustainability and more competitive products, local retailers increasingly look to private-label product offerings, especially tree nuts, dried fruit, and cookies.

## Distribution Channels

Although snack food channels have become more diversified, approximately 80 percent of snack foods are still sold offline, with retail chains accounting for more than 40 percent of the total. Nonetheless, the pandemic accelerated retail digitalization in China, and e-commerce snack food sales are growing. E-commerce platforms such as Tik Tok (Dou Yin抖音) are a new growth platform for snack foods. Snack specialty shops are also a fast-growing channel popular with young consumers.

Using popular social media platforms to raise product awareness and increase exposure is recommended for new-to-market brands. Social media promotions include short videos of the products playing on major social media platforms, creating a WeChat (微信) public account for the product, as well as customer experience blogs that are posted on lifestyle sharing platforms like Little Red Book (小红书).

## Competition

U.S. products continue to enjoy a good reputation in China regarding quality and food safety. However, rising exchange rates have increased costs for importing U.S. snack food products. A strong U.S. dollar makes U.S. snack food products less competitive than competitors like Europe and Japan. Compared to the large and more traditional packaging designs of many U.S. snack foods, Japanese and European products are more attractive to Chinese consumers and have better portability. China's domestic food processing industry is becoming more sophisticated, and domestic food manufacturers have begun to imitate products that taste and look like imported products. With a considerable price advantage, high-end domestic products further expanded their market share during the pandemic.

**Image of popular snack foods in a Chinese supermarket. Source: ATO Staff**

The snack food market in China is fragmented, with the top market share (Mars Inc.) representing only 4 percent of the total market. The market fragmentation may represent an opportunity for new companies.

## Considerations for U.S. Exporters

- It is vital to work closely with local importers and listen to their market ideas regarding packaging, ingredients, and labeling.
- Most leading importers are based in first-tier cities such as Beijing, Shanghai, Guangzhou, and Shenzhen.
- Social media is essential for promoting any product and increasing awareness of products in China.
- Exporters should consider participating in trade shows in China to showcase their products and potentially build connections with local buyers. Major snack food trade shows in China are as follows:
  - China Shop – Shanghai, March 2024
  - Food and Drinks Fair - Chengdu, Sichuan Province, March 2024
  - Salon International de Alimentation (SIAL) - Shanghai, May 2024
  - Food & Hospitality China (FHC)-Shanghai, November 2024

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**Attachments:**

No Attachments.