

Analysis of Actual Consumption Patterns of China's Infant Food Market for 6th Industrial Management System Export Activation

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Abstract

With the increased economic profit in China, people tend to give more attention to the nurturing of children. The change in the food markets directly connected to the infants' health seem to have brought various consumption patterns different than before. Based on the actual condition survey operated by this research, the expansion in the scale of consumption and preference to the imported food for infants appeared in the Chinese food markets for infants. The rapidly increased amount of the online purchases of the food for Chinese infants was checked through the condition survey. Based on the analysis results, with the purpose of increasing the purchase opportunities of the Korean food for infants to the Chinese consumers, it should not only perform the promotion activities such as the promotion for the product's superiority and various promotional event, but also establish the pricing strategy for each entry step to the Chinese market. Because the purchase experience of the Korean food for infant plays the important role for the additional payments decision, it is estimated that there is a need to expand the opportunities for the Chinese consumers to approach the Korean food for infants both directly and indirectly.

Key words: Nurturing of Children, Infants' Food, Food Markets, Infants' Health, Chinese Consumers

1. Introduction

China has the huge consumer market of the 1.4-billion population. The scale of the agricultural food market exceeded the Americans' and became the first in the world. With the economic development, the amount of imports for the agricultural food is increased about 20% a year [1], and there is a big change in the food consumption due to the increased income through the economic development. As the demand for high-quality agricultural food by the consumers of above middle-class increased, the imports of high-quality agricultural food rapidly increased. As the distrust for their food by the Chinese people due to the occurrence of food safety accidents grew, the demand for the imported food also increased a lot. As the Chinese imports market for agricultural food expands, the exports of our country's public agricultural food increase by the effect of the Korean Wave. The foreign oriented economic policy has brought the fast development of the Chinese

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economics since the Chinese economic reformation, however it caused many problems in the domestic development. According to the data, the consumption rate of the Chinese citizens has been falling since 1990. For 18 years from 1990 to 2007, the people's consumption rate has decreased by the average of 0.75% a year from 48.8% to 35.4 % [2].

While there are lots of debates about when the global financial crisis will end and when the global economics will have the recovery trend, the foreign oriented economic policy that the Chinese government has been used has now been facing some difficulties. Due to this, the Chinese government is trying to focus on transforming the extensional development into the implicit development, and the export expansion into the domestic expansion. However, even though the Chinese government has spent its budget to implement the policies for expanding its domestic consumption, the saving rate of the Chinese people is still high and the proportion of their consumption to their income seems diminishing. For this reason, China is expected to use their full ability for the investigation and research about the consumption of common people to find an effective economic policy to expand the domestic market. Therefore, it will be very meaningful to analyze about their consumption in different angles. However, because China is originally the multiracial nation and differentiation of hierarchy has developed since the Chinese economic reformation, the consumption structure seems very complicated by the regions and classes. The Chinese consumption market is currently developing in a rapid pace. The change in the consumption pattern due to the change in population and increase of the spending power as the results of the aging and 'one child per household' policy is the noticeable characteristic. The rapid development of the Chinese consumption market is the natural result of the increase in income and the change in national consciousness. As the consumers increase, the propensity to consume seems changing rapidly. The characteristic of the recent Chinese market is the advancement in consumption. Followed by the Chinese economic growth, the change in the social environment and the demographic environmental change as the results of the Chinese economic reformation, the life style of the Chinese consumers also changed [3]. Especially, China seems to give more attention to the nurturing of children as their economic profit increases. Among the pattern changes for the sociocultural nurturing of children, the change in consumers who now care about the children's health shows different aspects. The change in food markets directly related to the infants' health is in different from the previous consumption patterns. Also, the Chinese population policy makes it a rule for '1 child per household' and due to this, the attention for education and nurturing of the infants is increasing. Furthermore, the interest and enthusiasm for 1 child seem very passionate. As it regulates one child per household, the attention for the child's health is very high. The thing to be essentially run parallel for the nurturing of children is the food. The interest for the healthy food for infants is naturally increasing.

For the actual condition survey for the distribution structure followed by the consumption pattern in the Chinese food market, the investigation was run for the distribution structure of the Chinese infant from January 1st to September 1st of 2017.

2. Chinese consumption market and consumption pattern for infants

The characteristic of the Chinese market is 'Chinese distinct market economy socialism'. It is the definition made by Deng Xiaoping in China and it started developing from the center of the eastern coast since the Chinese economic reformation in 1978 by Deng Xiaoping [4-5]. As the Chinese consumption market changes quickly and is a large complicated market where different perspectives and life styles coexist, more fragmented and flexible strategy for each market needs to be made. Therefore, it is necessary to understand the Chinese market by its fragmented markets. Also, the Chinese market is mixed with the principle of the market economy and socialism. Also, it is the transitional market where the developing and developed markets' characteristics are mixed. Furthermore, the Chinese distribution market is rapidly increasing and developing in various forms. Different from ones in other countries, it is the market where the traditional market, hyper distribution market, entertainment market, and internet shopping mall coexist [6-7].

After the Chinese consistent and rapid economic growth, the notion of the Chinese consumers focuses more on the quality than quantity. The ownership and characteristic became more important than necessity. The economic growth and the change in the consumption environment has resulted a unique consumption value and culture in the Chinese society where the traditional cultural value are mixed with the new point of view [8].



Figure 1. Chinese infants' food (powdered formula) consumption scale (unit : ton, one million yuan)

In China, 17,000,000 infants are born every year. In 2016, '2 children per household' policy was implemented and with the rate of 17,000,000 new infants every year, in 2020, it is expected that there will be over 100 million children of the age of 0 to 6. With the population growth of infants, the food market for infants is rapidly developing as well. AS 76% of the infants are born near the city, the demand of the food market for infants in the city area is expected to rapidly increase.

According to Euromonitor, as shown on Figure 1, the consumption scale of the infants food in 2016 was 134,800 million yuan which is 60% higher than 83,700 million yuan in 2012. In 2020, it is expected to reach 175,300 million yuan [9].

As the result of the safety accident in the Chinese infant food, the phenomenon of the preference to the imported food for infants noticeably appears. Since 'Chinese melanin powdered formula in 20008' and recent 'substitution of the formula package', the Chinese consumers have had distrust for the Chinese powdered formula and infants' food. 58.6% of the Chinese consumers are found to prefer the imported food for infants to the domestically produced one. For the modified dry milk, the European products, for instance, from Holland, New Zealand, Singapore, France and Island are popular, but the recent idea that the Asian powdered formula is more fit for the Chinese infants is increasing demand for the Korean products. As shown on Figure 2, the export performance of the Korean modified dry milk in 2016 has exceed 100 million dollars which is about 35 times the performance in 2008 [10]



Figure 2. Export of Korean modified dry milk to China (unit : ton, 1000 dollars)

Table 1. Proportion of the Chinese infants' food distribution channel (unit : ton, 1000 dollars)

	2012	2013	2014	2015	2016
offline	92.8	90.01	84	77.8	77
online	7.8	9.9	16	22.2	23

The main reason for the rapidly increasing online purchase of the Chinese infants' food is that 85% of the current infants' parents are BaringHowu (generation after 1980) who are familiar with gathering information and purchasing using the internet or mobile. The Chinese parents gather information about the infants' goods through the online community and this kind of community often develops to the sales channel for infants' goods.

Recently, to satisfy the demand of the Chinese parents who prefer the imported food for infants, the overseas direct purchase online channel service is introduced as shown on the table 1. As all the procedures from the payment to the delivery are transparent, the consumer market environment of the safe transaction is constructed. Ministry of Maritime Affairs and Fisheries (Minister Youngseok Kim) and Korea Agro-Fisheries & Food Trade Corporation (aT, President Inhong Yeo) launched 'tuna sausage' newly developed in Korea in 4 online shopping malls such as Muing Jeuja which is the online shopping mall specialized for the Chinese infants and planned on performing the promotional events from 22nd to 28th of February. Meanwhile, in China, the Korean fish meat sausage (cheonhajangsa, bbukkamattor and etc.) which is made of the white fish is recognized for its soft texture and remarkable taste and became popular among people, especially for the infants' snacks. The fish meat sausages of 340,000 dollars were exported for the first time in 2012. 14,300,000 dollars in 2015 and 19,320,000 dollars in the last year were recorded and it was recognized as the sea food that contributed a lot to the export rate; 175% growth rate a year was recorded.

The tuna sausage first introduced to the Chinese market through the promotional events is the new product made of the tuna meat instead the white meat. It was introduced as the fish meat sausage products became popular and the market is at difficulty due to the intensified competition between the brands and increased amount of the OED products. The sausage product made of the tuna meat is the strategical product made by aT Shanghai branch (branch manager Sangji Lee) and is meant to be the second generation fish meat sausage product with the connection between Shanghai International Trading Corp. which is the importing company specialized for the Korean infants' food and Miju Corporation which is the primary manufacturing company of the tuna meat. It is the first successful product after a few failures by many manufacturing companies who tried to make the sausages using tuna meat. The Muing Jeuja which is the online shopping mall in which the promotional events are being progressed is the Chinese online shopping mall specialized for infants founded in 2003. It was ranked 1st in sales among other Chinese sale sites for infants in 2009 and has the distribution centers in Beijing, Shanghai, Gwangju and Seungdo. It is the online shopping mall specialized for the infants' products that has about 70,000,000 members. Also, duaduawin, tangtuanmama, and yuechu are the power seller stores for the infants' goods in the taobao which is the shopping mall under the Alibaba group. The person at aT Agro-Fisheries & Food Trade Corporation said "Despite many consecutive failures, the success in the development of the tuna sausage and creation of the second generation fish meat sausage in the Chinese infants' market are very meaningful". He also mentioned "Through the promotional events at the famous Chinese online shopping mall, we expect the tuna sausage will earn more awareness in China and we plan on funding actively to impress the Chinese consumers in the future. As the Chinese consumers prefer the imported food for infants and the purchases through the online channels increase, it is important to increase awareness and demand of the Korean infants' food through the marketing that emphasizes the product's safety and trustworthiness through SNS such as WeChat focusing on the premium products.

3. Conclusion

Depending on the actual survey and analysis in the research, it is expected to expand the consumption scale

in the Chinese food market for infants. Also, the trend of preference to the imported infants' food appeared noticeably after the safety accidents in the Chinese infants' food. Based on analysis of the actual condition survey, the online purchase of the Chinese infants' food is rapidly increasing.

We should not only proceed many promotional events to promote the superiority in quality, but also found a new price strategy for each entry step to the Chinese market using the method of increasing the purchase opportunities for the Korean infants' food for the Chinese consumers. Especially, it is necessary to increase the purchase opportunities for the Chinese consumers using the middle-law price strategy in the entry step to the market and to enhance the brand value for the Korean infants' food using the high price strategy in the market expansion step.

As Korea and China have geographic proximity and cultural similarity, the win-win partnership between the countries will be necessary. Korea is developed for the infants' food and has the modern management skill. It also has the capital strength so it can also be understood that Korea has good pioneering ability for the international market. Therefore, if Korea and China strategically cooperate recognizing each other's relative predominance, higher productivity and better use of resources of the infants' food are expected along with the stimulated production specialization, which ultimately contribute to the trade creation effect.

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