OVERVIEW

Catalyst

Datamonitor’s Product Insights: Dairy in China report provides an insight into the prevalent trends in product launches in the Chinese dairy market. It offers a detailed analysis of new product developments and trends by market and by player, supported by relevant examples of new launches in the market.

Summary

- In 2010, China ranked second globally in terms of the number of new product launches in the dairy market, next only to the US.
- Milk represented the top category in new product launches in the Chinese dairy market in 2010, offering considerable scope for experimentation in terms of flavors and functional ingredients.
- Strawberry was the top flavor in all new product launches in the Chinese dairy market, followed by chocolate and peach.
- Plastic was the most popular packaging material, being used in 63.1% of new product launches.
- In 2010, the new product launches in the Chinese dairy market were spread across various price points. However, most launches were in the CNY0–19 ($0–2.80) price range.
- The top claim was “no preservatives,” reflecting Chinese consumers’ food safety concerns. Other top claims such as “no sugar” and “high calcium” reflect the growing health consciousness among consumers in China.
- Although rising prices were a cause for concern for the Chinese consumer, increasing disposable income and health consciousness helped the dairy market in the country to grow.
EXECUTIVE SUMMARY

Product Insights: Dairy in China is structured into three chapters: New Product Launches: A Global Perspective; New Product Launches in China; and Product Launch Analysis. The key findings from each chapter are presented below:

New Product Launches: A Global Perspective

There were many developed nations, including the US, Spain, Germany, France, and the UK, among the top countries by new dairy product launches in 2010. A significant share of new product launch activity was also witnessed in emerging economies such as China, Russia, Mexico, and Brazil. In 2010, there was a slight dip in the number of new launches since the previous year, due to several factors including increased input costs and low consumer spending in several developed countries. In early 2010, however, commodity prices and consequently the dairy market witnessed a resurge in sales. Elsewhere in the world, new product launches in the dairy market were mainly driven by increasing demand in emerging economies, including the BRIC countries (Brazil, Russia, India, and China).

The rising incidence of obesity and related health risks is driving demand for more and more dairy products. Dairy products like skimmed milk and low-fat yogurt are fast emerging as affordable, nutritious food supplements that are recommended by dieticians all around the world. Manufacturers of dairy products are also targeting several untapped segments like women and people aged over 40 with several preventive health products. Furthermore, increasing urbanization across the world is resulting in lifestyle changes leading to increasingly busy and more mobile ways of working and living. This social trend is driving demand for more on-the-go products while delivering the same nutritional benefits as healthy and elaborate meals.

New Product Launches in China

In 2010, China ranked second in terms of new product launches and sixth in terms of retail sales value in the global dairy market. Close to 600 new products were launched in 2010, which was an increase of 14.2% over 2009.

New product launches increased in five out of the seven categories in the Chinese dairy market in 2010. Chilled desserts displayed the highest growth rate in new launches, followed by spreadable fats, while the cheese category saw a decline in the number of new products compared to 2009. The milk category accounted for 46.5% of new launches, followed by soy products, which accounted for a fifth of the new product launches, up 17.2% over 2009. Yogurt and cheese collectively accounted for more than 20% of new dairy launches in 2010. Domestic market participants accounted for the majority of new product launches in the Chinese dairy market in 2010. Yili Industrial Group was the leading company by new product launches, followed by Bongrain (Tianjin) Foods and Huhehaote Ruqingxiang Food.

Product Launch Analysis

In 2010 more than 100 unique flavors featured in new product launches in the Chinese dairy market. Strawberry was the top flavor, accounting for 13.2% of new launches, followed by chocolate and peach. Plastic was the key packaging material in the Chinese dairy market in 2010, being used in 63.1% of new product launches. Most new products were launched in the price range CNY0–19 ($0–2.80). The claims in the Chinese dairy market were driven by rising concerns about health: popular claims included "no preservatives," "no sugar," and "high calcium."
Popular claims during the period also reflect increasing concerns regarding food safety, as well as a preference for imported products and the emergence of kids as a significant consumer segment. Overall, increasing disposable incomes and growing urbanization augur well for the dairy market in China.
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NEW PRODUCT LAUNCHES: A GLOBAL PERSPECTIVE

Overview

The global dairy market, which includes major categories such as milk, yogurt, cheese, and spreadable fats, saw a large number of yogurt launches in 2010. Nearly one in three of all the new launches were yogurts, followed by launches in the cheese category, which made up nearly one quarter of all new dairy products. Product formulation was the most popular type of innovation, with a share of almost 75% of all dairy product innovations in that year. Innovations in packaging and product positioning also appeared among the launches during the year.

The global new product launch activity in the dairy market was significantly affected by several factors, including the global financial crisis, which reduced demand for packaged dairy products. In several developed countries, milk and dairy products are a staple diet, and demand is relatively price-inelastic. However, a shift in consumers' preference towards less expensive dairy products and generic/non-branded products was observed during 2009.

The global dairy industry's rapid growth can be attributed primarily to the emergence of functional products, with claims such as "low-sugar," "low-fat," "cholesterol-reducing," and "improves digestive health." Additionally, the impact of the economic crisis in 2008–09, which was felt across several developed markets, led to increased demand for lower-priced food and beverage products. This demand boosted the presence of private labels across the spectrum of all food and drink markets including the dairy market, which accounted for nearly 20% of the private label launches in 2010.

As was the case in most other food and beverage markets, new product launches in the global dairy market were dominated by the US, which contributed roughly 12% of all of the new products launched in 2010. Besides the US, other major developed countries like the UK, Germany, France, and Japan had a large number of new product launches in the year. However, emerging economies including China, Russia, and Mexico also made it to the top 10 countries list in terms of new dairy product launches in 2010. New product launches in the dairy market were mainly driven by the increasing demand in emerging economies, including the BRIC countries.
Figure 1 depicts contribution by countries to global dairy market product launch activity in 2010.

Countries like the US, China, France, Germany, and Russia, which had significantly large numbers of new launches in 2010, are also among the largest milk- and dairy-producing nations. Existing strong domestic demand and growing demand from the emerging market export destinations are boosting new product launch activity in these countries. Rising disposable incomes in emerging economies like China are creating a strong market and attracting a large number of new product launches.

**Key trends driving new product launches globally**

The following are the key trends driving new dairy product launches globally.

**Increasing health consciousness is driving innovative functional formulations that address nutritional and other health requirements**

As the global population is growing more concerned about the rising incidence of obesity and related health risks, many dairy products like skimmed milk and low-fat yogurts are emerging as affordable, nutritious food supplements that are recommended by dieticians all around the world. Contradicting many fad diets, most nutritionists recommend a healthy intake of essential nutrients into the body. Consequently, consumers’ eating behaviors are shifting from principles associated with "avoidance of high-calorie and fattening foods" to "inclusion of nutrient-rich foods," which means that consumers want to continue consuming unhealthy yet tasty foods while making up for this with nutritional supplements.
Figure 2 shows consumer responses to questions focusing on their attempts at making healthier food choices.

According to Datamonitor’s consumer survey, around 60% of consumers globally were making more of a conscious effort to eat healthily in 2010 than they had before, and nearly half were buying more functional foods with added health benefits. At the same time, almost 40% of the respondents indicated that they were eating fewer processed foods. The results indicate the shifting of consumer’s food preferences towards healthier options. This shift was aptly addressed by global dairy manufacturers in 2010 in the form of new product launches.

**Preventive health products targeting the nutritional demands of various consumer segments are on the rise**

Across the world, manufacturers have been focusing on the aging population with health products that aid immunity and provide more energy during old age. However, the incidence of lifestyle-related diseases like diabetes and high blood pressure has been increasing as a result of sedentary lifestyles. In recent times, media attention and governmental efforts on these issues have led to increased awareness about taking preventative measures to avoid serious medical conditions at a later stage in life. Dairy manufacturers are responding to this trend by offering products with specific nutritional benefits for children, middle- and old-aged adults (those aged 35 or more), and women, who are key markets for preventive health claims.
The rising incidence of childhood obesity in developed and developing nations alike is leading to various attempts by both governments and industry to restrict access to high-calorie food and beverage products for children in school canteens. Various laws that have been implemented across the world in the recent past particularly encourage the consumption of dairy products like low-fat milk by children.

- The state of California, US, banned soda in high schools with effect from July 1, 2009.
- In May 2010, the Toronto Government Management Committee voted to phase in a ban on pop and energy drinks in vending machines within 34 arenas and 134 community centers and recommended replacing these drinks with low-fat milk, soy milk, and 100% fruit and vegetable juices.
- Mexico also issued new anti-obesity guidelines in May 2010 that stipulate that only pure water, unsweetened flavored water, low-fat milk, and pure fruit juices should be sold in schools.
- Malaysia's Department of Nutrition and Dietetics carried out a study in 2005 and found that most foods served in school canteens were less than nutritious. In 2011, the government released the latest guidelines, according to which – along with cereals and fresh fruits – dairy products like soy drinks, yogurts, tofu, and fresh and flavored milk are recommended in school canteens.
- Since 1997, China has been organizing and implementing nutrition programs for school children that aim to ensure that dairy products are served with school meals.

In 2010, dairy manufacturers across the globe also focused on the specific nutritional needs of school-going children and launched products accordingly. For instance, SM Mlekovita introduced new flavored milk under the Mlekovita Vita brand name in Latvia, Lithuania, and Russia. Available in three flavors, this milk product is said to be a rich source of vitamins A, B1, B2, and D, as well as mineral salts, and is claimed to exercise regulatory functions in the transport of oxygen and enzymes in children. Another new range of milk products launched in 2010, Korea Zhenmei's Baobaohedoudou Kid Soybean Milk, is exclusively targeted at children. The new milk product is said to have an anti-aging effect and to protect and repair cells in children.
Figure 3 illustrates some examples of new dairy product launches in 2010 that target the specific nutritional needs of children.

**Figure 3:** Newly launched dairy products targeting the nutritional needs of children, 2010

**Product name:** Yili QQ Star - Kid Cheese  
**Description:** Inner Mongolia Yili Industrial Group has launched Yili QQ Star Kid Cheese of chocolate flavor in China. Targeted at kids, the package contains an image of Doraemon, a popular cartoon character. The products is claimed to contain plentiful calcium, iron, proteins, and vitamins to promote healthy growth in children.

**Product name:** La Serenisima Danonino - Dairy Drink  
**Description:** In Argentina recently, a new Frutilla (strawberry) variety of dairy drink was launched by Danone Argentina S.A. Targeted towards children, the drink is said to be developed in association with pediatricians and is claimed to be fortified with essential nutrients like iron, zinc, vitamins, proteins, and calcium.

Source: Datamonitor’s Product Launch Analytics

Many adults, especially those of middle-age, prioritize their careers and family life over their health. Adults also require more nutrients and fewer calories than children. The need for nutrients like calcium and protein increases due to a decline in physical activity and loss of muscle. CalciPlus, a product of FrieslandCampina Hellas in Greece, is aimed at those who are concerned about bone density loss in adulthood, which is more likely to impact people aged 35 or more. In Australia, Indonesia, and Southeast Asia, the Australian dairy company Fonterra is offering Anlene, a range of products that are especially formulated to help adults maintain optimal bone strength. These products are claimed to provide the recommended daily intake of calcium, vitamin D, and other nutrients for adults. In yet another example, Mexican dairy manufacturer Alpura is offering 40ytantos, a fortified milk product positioned as a preventative health product for people aged 40 or more.

Responding to the specific nutritional requirements of middle- and old-aged consumers, a significant number of dairy products were launched in 2010 targeting these consumer segments. In Japan, for instance, Monteur launched a range of mousse and gelée desserts in adult variants like Otona no Espresso (“adult’s espresso”), Otona no Caramel (“adult’s caramel”), and Otona no Chocolat (“adult’s chocolate”). These chilled desserts are claimed to be high in collagen, which helps to build strong muscles. Another new launch in Japan was Zeittaku Otona Sweets (“luxury adult sweets”) under the Meito brand name, launched by Kyodo Milk Industry. This new line of adult desserts includes: Otona no Custard Purin (“custard pudding for adults”) and Zeittaku Tiramisu Purin (“luxury tiramisu pudding”). Each product was created from a recipe developed by a famous chef, and contains ingredients that have adult associations such as brandy and red wine.

Japan, which has the world’s largest proportion of old-aged people, is rapidly opening up avenues for such targeted products. Another age-specific product was launched in China: Firmus Milk Powder, a new dairy product by Feihe Dairy...
Co., offers seven variants of dairy products for different age groups including middle- and old-aged adults. The new line of products are said to be rich in vitamins, folacin, and minerals.

Figure 4 illustrates some examples of new dairy product launches in 2010 that target the various segments of the adult population.

**Figure 4: New dairy products launched for various adult segments, 2010**

**Product name:** Kirin Plus-i Koiwai - Otona no Yogurt  
**Manufacturer:** In Japan, Asa no Mezameru Banana (Awaken Yogurt in the Morning) and Yoru no Kutsurogu Vanilla (Relaxing Yogurt in the Night) are new additions to the Otona no Yogurt (Yogurt for Adults) series under the co-branded Kirin Plus-i Koiwai brand. Said to contain 400mg Ornithine (a type of amino acids that helps in regulating the urea cycle), the yogurt is targeted at adults.

**Product name:** Monteur - Mousse & Gelee Dessert  
**Description:** Monteur Co. in Japan has launched a range of mousse and gelee desserts for adults under the Monteur brand. Said to be free from artificial color or additives, the desserts are fortified with collagen, an essential protein that helps strengthen muscles and body tissues.

Source: Datamonitor’s Product Launch Analytics

Women are another key focus segment for dairy manufacturers due to their specific nutritional needs. Women are at a greater risk than men of developing osteoporosis as they age. While dairy products are high in calcium, a nutrient needed to build bone density, fat from animal-based dairy and protein can accelerate bone loss. Therefore, manufacturers are targeting women with various fortified dairy products. In 2010, Fonterra launched a "high-calcium, low-fat" milk beverage in Hong Kong in a black sesame variant. Targeted at women, this long-life dairy beverage contains high amounts of calcium to fight osteoporosis. In Japan, Kyodo Milk Industry recently launched a new yogurt under the Meito Bihaku Plus ("skin beauty plus") brand name. According to the product literature, the yogurt contains live bifidus bacteria (LKM512 strain), and is fortified with collagen, hyaluronic acid, and elastin, which it claims are skin proteins needed by women, especially those of menopausal age.
Figure 5 illustrates some examples of new dairy product launches in 2010 that target various adult segments.

<table>
<thead>
<tr>
<th>Product name: So Natural Calci-Rich Soy Milk</th>
<th>Product name: Athena - Powdered Milk Drink For Women</th>
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<tr>
<td>Description: Freedom Foods of Australia launched this new soy drink in 2010. The product is said to be high in calcium and vitamin D for enhanced bone strength. Additionally it is free from lactose, cholesterol, preservatives, artificial colors, and artificial flavors. The product is also claimed to offer the natural benefits of protein, omega 3 fatty acids, and Phytoestrogens – exclusively from whole Australian soy beans.</td>
<td>Description: A new flavored powdered milk marketed under the Athena brand name is available to consumers in the Philippines. The powdered milk drink from Health Food Mfr is said to be formulated to meet the nutritional needs of women. The product is said to be low in fat, and is a good source of calcium and antioxidants.</td>
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Source: Datamonitor's Product Launch Analytics

According to UN estimates, populations in developing countries are aging faster than those in developed countries. This implies that the emerging economies have a shorter time to adapt to the changes associated with population aging. One of the ways to help address this issue is through preventive healthcare solutions like the recent dairy launches in various countries.

**Consumers' interest in weight control is driving launches with functional claims**

In 2010, more than a quarter (26%) of all the new dairy products claimed to have nutritional benefits like "high in calcium," "high in vitamins," "high in amino acids," or "low-fat." Specific products have claims that are aimed at consumers who have weight control on their agenda. Such products have innovative formulations that boast of nutritional benefits like "low-glycemic-index (GI)" or "high in conjugated linoleic acid (CLA)." Low-GI foods, by virtue of their slow digestion and absorption properties, produce gradual rises in blood sugar and insulin levels. These foods also have the proven benefit of weight control because they help to control the appetite and delay hunger. Meanwhile, foods that are high in CLA are beneficial in regulating fat and protein metabolism in humans. In 2010, Astro BioBest Plant Sterols Probiotic Yogurt was made available in Canada in eight-count single-serving cups from Parmalat Canada. The probiotic yogurt is claimed to be enriched with plant sterols, which help in lowering cholesterol levels. Another new launch in the US – Old Home Safflower
Power Yogurt – is a new product launched by Old Home Foods, and is claimed to have high levels of CLA. The product literature states that the amount of CLA in each serving increases muscle tone and reduces body fat.

**Digestive health is gaining prominence due to an increase in lifestyle- and stress-related health issues**

Increasingly busy and stressful lifestyles are leading to rising obesity levels across the world and in all age segments, including children. One of the most common consequences of stress and obesity is the development of digestive health issues, including conditions like hyperacidity, indigestion, and gastric ulcers. Furthermore, people with lactose intolerance are also prone to digestive problems as they lack the enzymes that can digest lactose contained in milk. As more and more consumers are becoming aware of the importance of digestive health and the causes and consequences of digestive diseases, there is increased demand for products that aid digestion.

Manufacturers of dairy products are responding to this demand by offering products with high in fiber and probiotic ingredients that aid in digestion. In 2010, over 200 newly launched dairy products carried a digestive health claim. For instance, Colanta Funciona Fibra Digesty is a new yogurt product launched in the Columbian market in 2010. The yogurt drink is said to contain probiotic and prebiotic fiber, which help to normalize digestive functions, regenerate intestinal flora, and reduce the growth of bacteria that cause infections of the colon. Agno Dairy in Greece also launched a low-lactose milk in the same year. Marketed under the Agno Lact label, the milk is touted to be 100% Greek milk with 75% less lactose, which is easy to digest.
Figure 6 illustrates some of the dairy products launched across the world in 2010 that are positioned as having nutritional benefits.

<table>
<thead>
<tr>
<th>Product name</th>
<th>Country of distribution</th>
<th>Health claims</th>
<th>Manufacturer</th>
<th>Distributor</th>
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<tbody>
<tr>
<td>Yoplait Forme Satisfy - No Fat Yogurt</td>
<td>Australia</td>
<td>high calcium, high fiber, high protein, low calories, low glycemic, low sugar, no artificial color, no artificial flavor, no fat, no preservatives, and single serving</td>
<td>National Foods</td>
<td></td>
</tr>
<tr>
<td>Old Home - Safflower Power Yogurt</td>
<td>US</td>
<td>low calories, no gluten, no high fructose corn syrup, and single serving</td>
<td>Old Home Foods</td>
<td>General Mills Sales</td>
</tr>
<tr>
<td>Fiber One - Low Fat Cottage Cheese - with Fiber</td>
<td>US</td>
<td>high fiber, high protein, low calories, and low fat</td>
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Source: Datamonitor’s Product Launch Analytics

**Portion control is driving product development**

As consumer awareness is increasing about the mythical nature of many fad diets and quick-fix solutions for wellbeing, portion control is gaining importance. Consumers are increasingly realizing that restricting portion sizes, rather than controlling cravings, is the key to better health. Dieticians have been promoting portion-controlled diets that allow people to eat what they want, but in reduced servings. As a result, consumers are choosing their food portions carefully.

Dairy products manufacturers recently began responding to this with products that cater to the needs of such consumers. Single-serve packs are one way to offer portion-controlled meals, where the product size is defined by the calorie count. In 2010, “single-serve” was the most popular claim among all new dairy launches. More than one third of all newly launched products were tagged as supplying a single serving. Going a step further, dairy manufacturers are also coming up with convenient packaging designs like cups, bowls, tumblers, and drinks boxes, combining the portion-control concept. For instance, National Foods launched a new line of “no-fat” yogurt products in Australia in 2010. The range of products is marketed under the Yoplait formé Satisfy label and is said to help consumers feel fuller for longer. The yogurt is claimed to
be high in protein and fiber, and contains only 85–93 calories per serving. The product is presented in a convenient single-serve 170g cup.

Other than portion control, demand for convenient and on-the-go consumption is driving single-serve packaging

Aside from the latest trend of eating controlled portions, consumers are also demanding food packaged for on-the-go consumption. Increasing urbanization and the resulting lifestyle changes are leading to increasingly busy and more mobile ways of working and living. As a result, shoppers are demanding products that are easier to handle and store, and are ready to consume. Accordingly, people have become more willing to pay for goods and services that allow them to maximize the amount of time they have to themselves. At the same time, consumers do not want to compromise on the nutritional needs of their bodies and are increasingly avoiding highly processed foods. Among all these challenges, dairy producers are benefiting from consumers’ changing lifestyles, which drive demand for more convenient products that also deliver health and nutritional benefits.

Datamonitor’s consumer survey conducted in 2010 found that main meals are skipped more regularly in the Americas than the global average. Among all three main meals, breakfast is most commonly sacrificed, despite consumer awareness of the negative health connotations of this; in the survey, nearly 17% of Americans and Brazilians indicated that they skip breakfast every day, while only 20% of US respondents and 28% of Brazilian respondents claimed that they would never miss breakfast. According to another research done by the International Food Information Council, the most popular reason for not eating breakfast was that consumers did not feel hungry after waking up (59% of respondents say so), although 24% stated that it was "not convenient" for them to eat breakfast (due to inappropriate foods, packaging etc.). In a survey conducted by Datamonitor in 2010 across 12 countries, more than a quarter (26%) consumers indicated that they miss at least one of the main meals – breakfast, lunch, or dinner – every day. Additionally, nearly half (about 47%) of the respondents to the same survey also agreed that they snack on food at least once a day between meals.
Figure 7 illustrates the responses of consumers across various countries on their tendency to miss meals.

**Figure 7:** Percentage of consumers in various countries who skip at least one of the three main meals every day, global, 2010

- Global Average
- Australia
- France
- Canada
- UK
- US
- Germany
- China
- South Africa
- India
- Brazil
- UAE
- Saudi Arabia

Source: Datamonitor's consumer survey, 2010
Figure 8 illustrates responses of consumers across various countries on their tendency to snack on food between meals during the day.

![Figure 8: Percentage of consumers in various countries who snack at least once every day, global, 2010](chart)

Consumers in the emerging economies are more used to the habit of snacking between meals during the day, at least once.

On the other hand, the relatively tighter financial conditions, in addition to the rising health consciousness among consumers in developed countries is reflecting in lesser frequency of snacking in these countries.

Dairy products include vital proteins, vitamins, and minerals that the human body requires on a daily basis, so it is often only the packaging of these products that needs to be adapted to suit consumer needs. As such, the trend of convenience in packaging and product positioning is taking center stage in dairy markets across the world. Dairy manufacturers are increasingly focusing on packaging designs that cater to people who like their meals packaged for consumption on the go. The use of single-serve packs for consumption in between meals is also growing. Additionally, many dairy products such as cheese are being positioned as "quick to prepare" and come with product labeling containing relevant instructions.

In Germany, Käserei Champignon Hofmeister added a new variety to its range of Der Kleine Ofenkäse (small oven cheese) in 2010. Sold under the Rougette brand, this cheese is marketed as being quick and easy to prepare in the oven, and its "creamy light" variety is claimed to have 30% less fat than the standard oven cheese. The packaging also includes a wooden tray in which it is supposed to be prepared. In the US, a new range of shelf-stable, preservative-free low-fat milk four-packs was launched by Nestlé under the Nestlé Nesquik brand name. According to the company literature, the 236ml plastic bottles of milk are the perfect size for lunchboxes and are "great for kids on the go!" Each bottle contains 100 calories.
Figure 9 illustrates some examples of new dairy product launches in 2010 that were inspired by convenience trends.

**Figure 9: Examples of newly launched dairy products that are positioned as meal replacements or on-the-go snacking options (for convenience), 2010**

<table>
<thead>
<tr>
<th>Product name: Valio Vanilla - Kvarikki</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong> This newly launched chilled dessert in Finland is touted as being free from lactose and is suitable to enjoy as a dessert or as a between meal snack. Each product is presented in a convenient 150g plastic cup with a peel-off lid.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product name: Pure Protein - Protein Snack 100 Calorie Gelatin Snack Cups</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong> Worldwide Sport Nutritional Supplements, of the US has launched new Pure Protein Protein Snack 100 Calorie Gelatin Snack Cups that are packaged in 3 cup sleeves. The dairy product is claimed to supplement one's protein needs and to provide a healthy snack option. The new dairy snack contains 23g of protein, 1% daily value of carbohydrates for low carbohydrate lifestyles, no added sugar and no aspartame, and provides 100 calories. The product is said to satisfy appetite and is recommended to be taken with meals, before or after exercise, or as an in-between meal snack and to be taken with 8 fl. oz. of water or other liquid.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product name: Market Pantry - Ultra Weight Loss Shake</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong> Described as a balanced ready-to-go meal, Market Pantry Ultra Weight Loss Shake is on the market in the US in three flavors. Touted to contain 24 vitamins and minerals, this milk-based drink is said to be high in protein and fiber and to be low in calories and fat. The product is presented in a paperboard box that holds six 11 fl. oz. single-serving cans. This shake is positioned as a meal replacement drink for the consumers who have a weight loss agenda.</td>
</tr>
</tbody>
</table>

Source: Datamonitor’s Product Launch Analytics
Rising demand from emerging global middle classes

The emerging economies, which were insulated from the impact of the recession, have continued on a growth path. The expanding middle classes and increased disposable incomes in developing regions have convinced many consumer packaged goods manufacturers, including dairy firms, to launch their products in these countries. International dairy product manufacturers are focusing on the global middle class, which is projected to grow to 1.15 billion by 2030, and it is expected that a significant proportion of the population in emerging economies will become part of this demographic. While the global financial crisis in 2009 impacted product prices in the dairy market, market recovery was witnessed in the first half of 2010 due to strong growth in emerging economies that contributed to rising dairy commodity prices.

Dairy manufacturers are focusing on changing demographics of the world population that offer new opportunities, like the growing middle-class segment. Players expect these consumers to more easily be able to afford value-added products such as flavored and fortified milk. However, producers are cautious about abiding by specific consumer preferences based on where people live, their food preferences, the local climate, and other factors when marketing dairy products to these shoppers.

"Affordability will remain the common leveling factor, and dairy producers will need to choose the right price point to reach the middle class successfully."

*Michael Zacka, vice president of marketing and product management of Tetra Pak, quoted in the Tetra Pak Dairy Index, July 2010*

In countries like India and China, several European manufacturers have launched exotic cheese varieties targeting middle-class consumers, who are more willing to experiment and to experience exotic foods. Chenab Impex has recently introduced a new range of Italian Cheese in India under the brand name Medeghini. The range of exotic cheeses includes grana padano, parmigiano reggiano, provolone, and mascarpone. In China, Shanghai Gaofu Longhui Foods has recently launched a new range of suki cheese from Germany. The exclusive cheese variants include – brie, cream cheese, gouda, edam, mini-pat, borblue block, gruyere, montagnolo, cambozola, rougette, emmental, dorblue wheel, chambric, and feta.
Figure 10 illustrates some examples of new dairy product launches in the emerging economies in 2010.

<table>
<thead>
<tr>
<th>Product name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Suki Brie Cheese</strong></td>
<td>Shanghai Gaofu Longhui Foods Co. recently launched a new range of Suki cheese from Germany in China. The line of exotic cheeses from Germany include: brie cheese, cream cheese, gouda cheese, edam cheese, mini-pat cheese, dorblue block, gruyere cheese, montagnolo cheese, cambozola cheese, rougette cheese, emmentaler cheese, dorblue wheel, chambric cheese, and feta cheese.</td>
</tr>
<tr>
<td><strong>Beqa - Tasty Natural Cheddar Cheese</strong></td>
<td>Beqa Tasty Natural Cheddar Cheese is new on the market in China, launched by Sinodis Foods Shanghai Co. This natural cheese is rich in calcium and is said to be made from the milk produced by cows grown in Australia. The cheese is said to be free from artificial colors and preservatives.</td>
</tr>
<tr>
<td><strong>Waitrose Organic - Unsweetened Soya Milk</strong></td>
<td>Waitrose Organic Unsweetened Soya Milk, manufactured by Waitrose Ltd. in the UK is newly launched in India. This new Unsweetened Soya Milk is touted to be a blend of water and organically grown soya beans.</td>
</tr>
<tr>
<td><strong>Medeghini - Italian Cheese</strong></td>
<td>Chenab Impex has recently introduced a new range of Italian Cheese in India under the brand name Medeghini. The range includes four exotic variants - Grana Padano, Parmigiano Reggiano, Provolone, and Mascarpone.</td>
</tr>
</tbody>
</table>
In order to tap into the potential of these markets, dairy manufacturers are launching products that suit local trends. For example, most products launched in India are tagged as "suitable for vegetarians." Additionally, several products launched in Brazil are blended with tropical fruit flavors and those launched in China are flavored with local ingredients like jujube and red beans.

**Ethical food production is increasingly being sought by consumers in the dairy market**

Dairy, being animal-based produce, is prone to scrutiny from various animal welfare groups. There is a growing level of concern among consumers about the welfare standards of food-producing animals. These issues are typically centered on animals that are used for meat and dairy production. According to various research findings, consumers are concerned about animal welfare in terms of two broad categories: animal health and the environment. Most dairy producers inject cattle with bovine growth hormone (BGH) to increase their yield. As reported by People for the Ethical Treatment of Animals, BGH is used widely in the US but has been banned in Europe and Canada because of concerns over human health and animal welfare.

As more and more consumers try to avoid unethically produced dairy offerings, manufacturers are responding with special claims that assure ethical production. In 2010, nearly 100 products with claims like "no added hormones" and "no genetic modification" were launched in the global dairy market. For example, Bio-K Plus CL1285 Patented Probiotic Fermented Rice Drink is a new dairy drink produced that was launched in Canada and the US that year. The new dairy- and soy-free drink contains no added sugar and is touted as the only clinically proven formula of *Lactobacillus acidophilus* and *Lactobacillus casei* (a patented formula). It contains no gluten, genetically modified organisms, hormones, antibiotic residues, pesticides, or heavy metals, and is certified organic by Pro-Cert Organic Systems. Trader Joe’s Toscano Cheese Wedge with Black Pepper is claimed to be made from milk sourced from cows that have not been treated with recombinant BGH. The packaging labeling also informs consumers that no significant difference has been identified between milk derived from cows treated with artificial hormones and milk sourced from those not treated with artificial hormones. This trend of ethical consumerism is expected to lead to more organic dairy products in future. Additionally, as exemplified by a few of the recent launches, consumer education on ethical sourcing and ethical treatment of animals is going to be essential for attracting the more socially concerned consumers.

**Increasing demand for value for money is driving demand for private label brands**

In view of the rising financial challenges seen in the recent past, consumers have started opting for less expensive alternatives to several grocery products, including food and beverage products. Along with discounted and locally produced products, private label foods are fast emerging as products with a better value-for-money proposition, especially in categories where the scope for innovation is low. In various dairy markets across the world, loose-sold milk and locally/home-made cheese varieties are still the preferred options. While packaged dairy products are still farfetched choices for most people in emerging economies like India and China, the rise of private labels at comparatively lower price points is changing the scenario. According to Datamonitor’s estimates, China and India are expected to record growth rates of 15% and 10%, respectively, over 2009–14 in private label food penetration.

Dairy has one of the most pronounced levels of private label food penetration, underlined by the fact that commodity products such as milk and bread still account for a high share of private label sales. On a global basis, private label dairy –
with a share of 17.8% – accounted for one of the largest shares of the global private label food market. Furthermore, in terms of growth, the dairy market is expected to record 25.8% growth through 2014 in terms of private label penetration.

Figure 11 depicts consumer responses from various countries with regards to their tendency to buy private label food brands in 2010.

In a consumer survey conducted by Datamonitor in 2010, nearly 48% of consumers across 12 countries indicated that they were purchasing more private label food products compared to one year before. The same survey also revealed that more than half of the surveyed respondents indicated that they considered buying private label grocery products to save money to be more important than they did two years ago.
Figure 12 represents the percentage share of private labels among product launches in each year and the year-on-year growth of this percentage in the global dairy market between 2007 and 2010.

In order to access the opportunities in private labels, several retailers launched new dairy products under private label banners in 2010. During the year, nearly 12% of all new dairy launches were own-brands. The share of private labels launched in the year increased by 31% over 2009. In terms of categories, cheese and yogurt with respective shares of 28% and 18% had the largest share of private labels in the global dairy market that year.

The increased preference for private labels among consumers is a trend that is expected to gain more significance in future across all geographies even as the economic situation across the world improves. This is due to the better value for money offered by these products. Furthermore, consumers are increasingly embracing the offerings of their preferred retailers, which are launching more and more private label brands every year. For example, in 2010, brands owned by established retailers like Aldi, Carrefour, Walmart, Marks & Spencer, and Tesco appeared among the global new dairy launches. Therefore, the strengthening presence of retailers and other distribution channels, in addition to the increased value offered by private labels, is expected to gain prominence in low-involvement consumer packaged goods markets like dairy.
New product launches by dairy categories

In 2010, yogurt, cheese, and milk had a significant share of the new launches. Yogurt, with a share of 29%, dominated the new dairy launches in the year, followed by cheese, which accounted for a quarter of the launches. Milk, the largest category by value sales, had the third largest share of new launches in 2010. Cream, spreadable fats, and fromage frais had the lowest share of launches.

With the exception of soy drinks and fromage frais, all of the dairy categories witnessed a slight decline in the number of new launches over 2009–10. Soy drinks as a healthier option are gaining prominence over the other dairy categories. Soy products also had the highest category growth of 13% over 2009–10, according to Datamonitor’s Market Data Analytics (MDA). The promising growth in this category is attributable to the growing health consciousness among consumers, which is prompting them to replace conventional animal-based milk with soy milk. Soy milk is said to provide the same amount of protein as cow’s milk, but with no cholesterol content. Soy milk, being a plant-based dairy product, is more suitable for those with lactose intolerance. Soy milk and other soy-based offerings are also widely popular among vegan consumers, who do not consume any animal products. Datamonitor’s MDA also estimates that soy products will grow at a rapid rate of 12% between 2010 and 2015, compared to the moderate 7% growth expected in the overall dairy market.

Cheese and yogurt, the categories with the largest product launch shares after milk, grew in sales by 11% and 8%, respectively, over 2009–10. In the case of cheese, rising demand from the emerging economies is a key driver that supported the category’s healthy growth and large number of new launches in 2010. In particular, a growing population base, a larger proportion of young people, increased affordability, and the availability of local specialties are supporting the cheese category in the emerging markets like Brazil, South Africa, India, and China.
Figure 13 depicts the contribution of various dairy categories to the new product launch activity globally in 2010.

Riding on the health trend, yogurt sales have been growing immensely in recent years. As per Datamonitor’s MDA estimates, yogurt sales are expected to grow at a rate of nearly 5% over 2010–15, which is slightly higher than the growth rate of the overall dairy market. Reflecting the same sentiment, manufacturers focused heavily on the yogurt category for new product launches in 2010. With a new product launch share of 29% in 2010, yogurt was the largest category.

Despite a low share of new product launches, soy products are touted to be the fastest-growing category (with estimated growth rates of 10%) in the five years between 2010 and 2015. Therefore, manufacturers may focus their innovation efforts on this category in future. Datamonitor's MDA estimates sluggish growth (lower than market growth) for categories like cream, chilled desserts, and fromage frais, as more consumers are shifting towards healthy and low-fat options in dairy products.

Comparison of China with leading countries globally

Overview

In 2010, China was ranked second in the global dairy market by new products launched (behind only the US), accounting for nearly 7% of the dairy launches during the year. The number of new product launches is high in China chiefly because of the large and diverse consumer base.
In terms of market value, the Chinese dairy market was ranked sixth globally, growing at a compound annual growth rate (CAGR) of 4.0% during 2005–10 to reach a value of $17.7bn. This is almost four times that of India, whose dairy market was valued at $4.9bn in 2010.

Figure 14 depicts the top 10 countries based on the number of new products launched in the domestic dairy market for 2010.

**Figure 14: Top 10 countries based on number of new dairy product launches, 2010**
Comparison of consumers

In Datamonitor’s 2010 consumer survey, 65.7% of Chinese respondents said that they consider grocery shopping enjoyable. This is a far higher proportion of consumers than in the US, where 48.1% of respondents said that they consider grocery shopping enjoyable.

However, following years of rationing in China, it appears that many consumers feel overwhelmed by the vast amount of products on offer. Indeed, in Datamonitor’s survey, 77.2% agreed that there is too much product choice when grocery shopping, which is more than double the proportion of respondents in the mature economies of the US and the UK.

The implication of this revelation for dairy manufacturers is that product ranges need to be rationalized and that product communication needs to be clear and simple to facilitate the decision-making process. This also underscores the need for optimum product placement within grocery stores, as well as standout packaging and graphics to catch the attention of the consumer.

Chinese consumers also tend to be cautious about the use of chemical ingredients. According to Datamonitor’s 2010 consumer survey, nearly two in five respondents said that they feel poorly informed about the health impact of the chemicals used in everyday products, while only three out of 10 respondents in the US gave this answer.

Additionally, 80.9% of Chinese consumers pay a “high” or “very high” amount of attention to ingredient information when choosing grocery products. This is in stark contrast to the US and the UK, where 57.9% and 46.2%, respectively, pay a “high” or “very high” amount of attention. Chinese consumers are so aware of ingredient information due to widespread instances of food adulteration over the past few years.
Examples of innovative launches globally

In 2010, there were over 100 new dairy products that were classified as innovative. The majority of innovative products were launched in the most developed markets like Australia, the US, Germany, Italy, and Switzerland. A few of the latest innovative launches were launched in the emerging markets like Russia and Brazil.

About 65% of these innovative launches were in the yogurt category, reflecting the increased focus on this category by manufacturers. Furthermore, about 85% of all innovative launches had a new or unique formulation.
This section provides some examples of the launches in the dairy market globally with innovations in formulation, positioning, technology, and/or packaging.

**Figure 17: Some global examples of innovative product launches, 2010**

**Product name:** Galbani Santa Lucia - Orecchiette di Mozzarella  
**Country of distribution:** Italy  
**Innovation description:** This new cheese product is offered in a orecchiette shape, which is novel for a mozzarella cheese product.

**Product name:** So Delicious - All Natural Coconut Milk Kefir  
**Country of distribution:** US  
**Innovation description:** This new natural cultured coconut milk is claimed to be the world's first coconut milk kefir with pre and probiotics.

**Product name:** Shake It Easy Shakeria - Milk Shake Drink  
**Country of distribution:** Switzerland  
**Innovation description:** This new milk shake drink is presented in a resealable plastic bottle with a built-in straw. This packaging enables the product to be shaken at any time to restore froth.

**Product name:** Ehrmann Almighurt - Joghurt - Mais; Popcorn  
**Country of distribution:** Germany  
**Innovation description:** This new product is the first yogurt product with a corn (sweet corn) and plain popcorn flavor.

**Product name:** Breyers Fruit on the Bottom All Natural Lowfat Yogurt  
**Country of distribution:** US  
**Innovation description:** This new chilled yogurt is presented in a single serving, "fridge friendly" design. The pack allows for easy stacking and its spill proof brim makes it easier to stir up the real fruit present at the bottom.

**Product name:** Yunimilk Smeshariki - Tvorog S Yogurtom  
**Country of distribution:** Russia  
**Innovation description:** This new line of yogurt contains cottage cheese and is enriched with Lactobacillus Rhamnosus GG, which is an innovative formulation. The product positioning towards children is also new.

Source: Datamonitor's Product Launch Analytics
NEW PRODUCT LAUNCHES IN CHINA

Overview

According to Datamonitor’s Market Data Analytics, the dairy market in China was worth $17.7bn in 2010, up 9.7% over 2009. Milk was the largest category in the market, with total revenues of $8.9bn in 2010, which is equivalent to around 50% of the market's aggregate revenue. Yogurt, the second largest market in value terms, generated revenues of $6.9bn in 2010.

The Chinese dairy market has turned out to be an attractive territory for global players faced with squeezed margins in traditional markets like Europe. China offers immense growth opportunities for dairy manufacturers as its growing economy is increasing disposable incomes, while at the same time consumers are becoming more health conscious. Dairy products are equated with nutrition, and although the per capita consumption of dairy products remains low, their penetration in the Chinese market has accelerated in the last few years. Additionally, the sizable population ensures that even brands with a modest penetration enjoy a high turnover.

However, foreign companies wishing to enter the Chinese dairy market have to contend with the fact that the top three players, all of which are domestic companies, account for more than 40% of the market. There is also fierce competition, with a number of smaller players operating in the space. However, recent regulations have sidelined many small players and created opportunities for consolidation. Moreover, preference for imported products is growing, suggesting an opportunity for foreign manufacturers. Foreign players currently operating in the Chinese dairy market include Nestlé and Fonterra Co-operative Group. Mengniu Dairy is the market leader, followed by Yili Industrial Group.

The per capita consumption of dairy products in China is among the lowest globally. According to latest available estimates from Datamonitor’s Market Data Analytics, an average Chinese citizen consumes less than 0.2kg of cheese in a year, compared to 6.1kg in the UK and 4.5kg in the US. The consumption is quite low compared even to Asian countries such as Japan, where the average per capita consumption of cheese is 2.5kg per year.

A segment level analysis reveals that the per capita consumption of powdered milk (0.4 kg) and liquid milk (4.7 liters) is less than half of the global average. Moreover, the per capita global expenditure on dairy products in China is $12.60, which is less than one fifth of the global average of $64.60. This represents an opportunity for dairy manufacturers, as Chinese consumers are becoming increasingly affluent and are willing to spend on packaged food and drinks, including dairy products. Indeed, per capita consumption of cheese in China grew 100% from 2005–10.
Figure 18 depicts dairy market sales value for the period 2005–15f.

Factors affecting the Chinese dairy market

The Chinese dairy market is driven by factors such as increasing disposable incomes, rising urbanization, and an increase in the number of modern retail formats, while growing inflation is a cause for concern.

Growing urbanization is driving consumption

China’s urbanization ratio rose from less than 30% in 1991 to over 45% in 2007. The second national census on agriculture (which covered more than 650,000 villages and nearly 230 million households) reveals that the number of farmer-turned-migrant workers increased from 72.2 million in 1996 to 132 million in 2006, while the total rural labor force declined from 561 million to 531 million. Moreover, newly built urban areas in China have grown by 50% in the last decade, according to Yang Weimin, secretary general of the National Development and Reform Commission. Urbanization is driven by farmers moving from less profitable agricultural production to the more efficient industrial sector in urban areas, in order to increase their incomes. These migrant workers provide cheap labor to factories in urban areas, and thus increase consumption. They also help make China’s exports more competitive.
Urban consumers have significantly higher disposable incomes than rural consumers. According to the National Bureau of Statistics of China, the disposable income of urban consumers was more than three times that of rural consumers in 2008 and 2009, as well as in the first three quarters of 2010. Higher disposable incomes mean that Chinese consumers can increase their consumption of groceries, including dairy products, and upgrade to premium products. As such, urbanization is conducive to an aspirational lifestyle associated with consumerism, and represents an opportunity for manufacturers and marketers. It is also one of the major factors accounting for the strong preference for branded goods among consumers residing in large cities. Moreover, as dairy products are increasingly being retailed through modern retail formats which are predominantly present in urban areas, the consumption of dairy products is expected to rise with the increase in urbanization.

**Modern retail formats are playing a critical role in the development of the dairy market**

China has seen one of the biggest increases in the presence of modern retail formats in the last decade, as Chinese consumers have shown an increasing affinity towards formats that offer the convenience of purchasing different products all in one place. Alongside the growth of supermarkets and hypermarkets, specialist stores such as pharmaceutical, electrical, and furniture stores have also gained increasing popularity among Chinese consumers. In terms of share of trade, modern outlets currently account for more than half of all fast moving consumer goods sold in urban China. This is
the reason that dairy companies have aimed to establish strong relations with large retailers such as Walmart and RT-Mart. In addition, factors such as securing better shelf space and instore promotions have gained importance as various brands compete for consumers.

China has the lowest share of housewives who shop in the world, while India has one of the highest shares. This is one of the factors contributing to the increasing popularity of modern stores, as it is thought that men appreciate quick and convenient shopping.

The success and potential of modern retail formats in China can be gauged from the fact that both domestic and foreign retailers are looking to expand their reach within the nation. South Korean conglomerate Lotte Mart plans to open 300 hypermarkets in China over the next 10 years, buoyed by the success of its existing stores. Shanghai Bailian Group, China’s biggest retailer, plans to add 10 more shopping malls, each 100,000 sq m in size, in the next five years (source: Chinadaily.com.cn). The industry is also witnessing consolidation attempts, such as the proposed merger of Shanghai Friendship Group and Shanghai Bailian Group.

According to the National Bureau of Statistics of China, retail sales of consumer goods stood at $215.79bn in October 2010, up 18.6% year-on-year. Urban consumption was up 18.9% year-on-year, while rural consumption grew by 16.8%. Dairy products have benefited from the growth of modern retail stores as they are increasingly being retailed through them.

According to Datamonitor’s Market Data Analytics, supermarkets/hypermarkets account for the major portion of retail sales in the following categories: yogurt (78.5%), cheese (78.7%), soy products (74.4%), and chilled desserts (57.0%). This indicates that an increase in the number of modern retail formats in China will lead to an increase in consumption of dairy products.

Rising disposable incomes are driving consumption, while growing inflation is a cause for concern

China is the most populous country in the world, with a population of more than 1.3 billion. A total of 47% of the Chinese population (amounting to more than 600 million people) fall within the employment group aged 25–54 years old. This group continues to benefit from China’s robust economic growth, and drives up the overall disposable income of the nation. According to Credit Suisse, wealth per adult in China tripled from $6,000 in 2000 to $18,000 in 2010. Figures from the National Bureau of Statistics of China indicate that the per capita disposable income of the urban population grew by 10.5% year-on-year during the first three quarters of 2010, while that of the rural population grew by 13%.

Rising disposable incomes have led to an increase in consumer expenditure, with per capita private final consumption expenditure growing by 8.0% during 2008–09 and 13.5% during 2009–10 (source: Datamonitor’s Country Statistics Database). Increasing disposable incomes have raised the standard of living in China, with both the urban and rural populations improving their standards of living over the last few decades. This has spawned an era of consumerism, and the dairy market is likely to benefit from increased consumption expenditure. More specifically, rising ownership of refrigerators is likely to boost sales of dairy products that need to be refrigerated.
### Figure 20: Rising standard of living in rural and urban China

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<tbody>
<tr>
<td>Per capita rural net income (yuan)</td>
<td>133.6</td>
<td>4140.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita urban disposable income (yuan)</td>
<td></td>
<td></td>
<td>343.4</td>
<td>13785.8</td>
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<tr>
<td>Family’s Engel coefficient (%)</td>
<td>58.8</td>
<td>43.1</td>
<td>54.2</td>
<td>36.3</td>
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<tr>
<td>Clothing</td>
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<tr>
<td>Per capita purchased clothes (per piece of clothing)</td>
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<td>3.13</td>
<td>7.82</td>
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<tr>
<td>Food</td>
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</tr>
<tr>
<td>Per capita grain consumption (kg)</td>
<td>248</td>
<td>199</td>
<td>205.3</td>
<td>77.6</td>
</tr>
<tr>
<td>Per capita pork consumption (kg)</td>
<td>5.2</td>
<td>13.4</td>
<td>13.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Per capita poultry and egg consumption (kg)</td>
<td>0.8</td>
<td>4.7</td>
<td>1.97</td>
<td>10.3</td>
</tr>
<tr>
<td>Housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita housing space (square meters)</td>
<td>8.1</td>
<td>31.6</td>
<td>4.2</td>
<td>22.6</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car ownership per 100 families (no.)</td>
<td></td>
<td></td>
<td>0.5</td>
<td>6.06</td>
</tr>
<tr>
<td>Motorcycle ownership per 100 families (no.)</td>
<td>21.9</td>
<td>48.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer durables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Color TV ownership per 100 families (no.)</td>
<td>0.8</td>
<td>94.4</td>
<td>17.2</td>
<td>137.8</td>
</tr>
<tr>
<td>Refrigerator ownership per 100 families (no.)</td>
<td>0.1</td>
<td>26.1</td>
<td>6.6</td>
<td>95.0</td>
</tr>
<tr>
<td>Washing machine ownership per 100 families (no.)</td>
<td>1.9</td>
<td>45.9</td>
<td>48.3</td>
<td>96.8</td>
</tr>
</tbody>
</table>

N.B. figures not available for cars in rural areas and motorcycles in urban areas (motorcycles are the dominant mode of transport in rural areas, while urban transportation is chiefly by car).

Source: National Bureau of Statistics of China, China Statistical Yearbook

Consumer confidence in China grew consistently from Q2 2009, driven by the increasing confidence of rural consumers, who were buoyed by an increase in their purchasing power due to government policies such as a subsidy for the purchase of white goods, income subsidies for the poor, and an increased supply of affordable housing. However, rising consumer prices led to a fall in consumer confidence in the second half of 2010.

Surging food prices pushed up China’s consumer price index (CPI) to a high of 5.4% in March 2011, which is the highest in more than two years, according to the National Bureau of Statistics of China. The primary reason for the rise in inflation was food prices spiraling on account of shortages in domestic supply due to natural disasters, as well as high global commodity prices. According to Xinhua News Agency, natural disasters affected 20.29 million hectares of farmland in the first half of 2010, destroying about 3 million hectares of crops. According to the National Bureau of Statistics of China, food prices were up 11.7% from a year earlier in March 2011.
Growing inflationary pressure in the Chinese mainland is driving mainland buyers to Hong Kong. According to the website Chinadaily.com.cn, more and more residents in South China’s Guangdong province have been queuing to cross the border into Hong Kong since October 2010 to buy daily necessities such as sugar, salt, soybean sauce, and even tissue paper in bulk to avoid rising food prices at home. A recent survey by Oriental Morning Post and Fudan University’s School of Management in Shanghai revealed that the prices of personal care products were on average three times higher in Shanghai than in Hong Kong (source: Chinadaily.com.cn). This would limit consumers’ disposable income and slow down sales across categories. Moreover, Chinese consumers are particularly price and value conscious, with Datamonitor’s 2010 consumer survey revealing almost 95% of Chinese respondents consider whether the product is the cheapest option available while doing grocery shopping. Any increase in prices would almost certainly make them cut back their purchases.

In a recent survey conducted by the statistics bureau of Southwest China’s Sichuan province, 51% of respondents said that an increase in food prices exerts the heaviest pressure on their daily lives, and 20% of them have decided to tighten their purse strings (source: Chinadailyusa.com). According to another survey conducted by the Horizon Research and Consultancy Group in mid-October 2010, about half of Chinese families in urban areas plan to adopt austerity measures in 2011, amid mounting inflation and stagnant incomes, while 63% of rural families plan to cut their household consumption. This has also led to a drop in the consumer confidence index in Q3 and Q4 2010, after sustained growth for five consecutive quarters.

However, the government is trying to stem the rise in inflation through various measures. The central bank has raised interest rates and increased the capital adequacy ratio for banks. It has also implemented a series of measures to contain
property speculation. Additionally, representatives of the National Development and Reform Commission (NDRC) met more than a dozen industry associations across various sectors and pressed for a delay or cancellation of planned price increases. The planning agency also reportedly asked foreign companies, including those in the dairy sector, to delay price increases (source: Chinadaily.com.cn).

Going forward, a sustained increase in prices of consumer goods may lead to an overall decrease in consumption, thus affecting dairy products sales. However, if government efforts aimed at controlling growing inflation are successful, demand for dairy products may increase significantly, as consumers attempt to make up for the frugal consumption during the period of high prices.

**New product launch overview in China**

China has a large dairy market with extensive product offerings. In 2010, China ranked second in terms of new product launches and sixth in terms of market value in the global dairy market. In 2010, about 600 products were launched in the dairy market in China, up 14.2% from 2009, while the market value increased by roughly 10% over the same period. The high number of new launches and large dairy market value in China are primarily due to high consumption in specific regions such as industrialized urban areas.

Although there is low per capita consumption, the country's huge population and strong economic growth ensure that mass as well as premium products find a ready market. Firms are launching products aimed at the general population, as well as at specific segments including sub-cultural and economic groups. Moreover, they are adapting to local Chinese tastes and offering products in flavors that range from Red Jujube and Loquat, to Longan and Honeysuckle. The key to a successful product launch in China seems to be a marriage of modernity with tradition rather than pitting one against the other.

In 2010, new product launches in the Chinese dairy market were led by the milk category, which accounted for nearly half of the total launches, followed by soy products, which accounted for one in five launches. The yogurt category contributed the next highest share of launches, accounting for one in seven launches in the dairy market.
Figure 22 compares product launches in various categories of the dairy market in China, based on the number of products launched in 2010.

**Figure 22: New product launches in the Chinese dairy market, by category, 2010**

<table>
<thead>
<tr>
<th>Category</th>
<th>Product launches in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>50%</td>
</tr>
<tr>
<td>Soy Products</td>
<td>35%</td>
</tr>
<tr>
<td>Yogurt</td>
<td>20%</td>
</tr>
<tr>
<td>Cheese</td>
<td>15%</td>
</tr>
<tr>
<td>Cream</td>
<td>5%</td>
</tr>
<tr>
<td>Chilled Desserts</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Datamonitor's Product Launch Analytics

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**Key trends driving new product launches in China**

The following section details trends prevalent in the dairy market in China that are driving product launches.

**Demand for imported dairy products continues to grow, despite safety concerns**

Chinese consumers are highly concerned about the quality of food products available in the country. These concerns emanate from reports of illegal practices in the food sector, such as excessive pesticide residue in vegetables, toxic clenbuterol (a banned synthetic steroid which can affect lung and heart functions) in pig feed, banned additives in aquatic products, and fake agricultural materials (source: Chinadaily.com.cn). Datamonitor's 2010 consumer survey in China showed just how prevalent these concerns are: more than half of respondents do not trust "efforts made to ensure safe provision of food and beverage products at the grocery store."

"Pesticide and antibiotic residues, intensive use of growth hormones, heavy metals pollutions, air and water pollutions, carcinogenic dyes, and adulterated foods have resulted in a generally heightened level of concern about food safety."

*Wang et al. 2008, cited by Xu, Zheng, and Motamed, 2010*
A number of poison and toxin scandals have shaken consumer confidence, and the dairy market has been at the center of these concerns. Frequent use of illegal additives has led to a number of health problems, even resulting in death in some cases. In April 2011, three children died and 36 others fell sick in northwest China’s Gansu province after drinking milk reportedly contaminated with nitrite (source: Chinadaily.com.cn). In another incident in the same month, 251 children at Yuhe Town Central Primary School in Yulin, Shaanxi province, fell ill after drinking school milk produced by the Mengniu Dairy Group (source: Chinadaily.com.cn). Subsequent tests cleared the company, but doubts persist about the safety of milk products in the country. In another incident in the same month, improper sealing of milk packages by Shaanxi Renrengao Dairy's filling machines caused the milk to get spoiled (source: China Beverage News).

In May 2011, southwest China’s Chongqing municipality reportedly seized more than 26,000kg of melamine-contaminated milk powder (source: Chinadaily.com.cn). Melamine is a toxic industrial chemical that registers high protein level test readings in milk, and high levels of the chemical in milk products was ascertained as the cause of death of at least six babies and sickness in another 300,000 across China in 2008.

In another incident, milk supplied under the national school milk program was found to be adulterated in many cases. The reason is thought to have been a lax approach towards regulatory measures after the administration of the program was transferred from a central authority to local departments.

A study titled *Perceived risks and safety concerns about fluid milk among Chinese college students* (Xu, Zheng, and Motamed, 2010) revealed that 86% of the college students surveyed were "highly" worried about the use of the harmful materials in packaged milk, while a similar proportion were "highly" or "extremely" worried about bacteria contaminations caused by low sanitary standards in milk production and processing. Perceived contamination of milk due to the application of antibiotics on cows, exposure of cow feed to environmental pollutants and pesticides, and the use of growth hormones on cows were among the major concerns revealed in the study. Additionally, more than three quarters of the respondents were disturbed by the high usage of food coloring and preservatives.

The lack of consumer confidence in dairy products on account of product safety scandals has prompted the Chinese government to take preventive and punitive actions. According to a Xinhua News Agency report published in May 2011, out of 53 officials who were found guilty of abetting recent scandals involving the sale of melamine-tainted milk products, 17 were dismissed and others faced various penalties, ranging from demotions to demerits and warnings.

**The government has responded to food safety concerns by introducing tougher regulations**

The recent spate of safety scandals in the Chinese dairy market has prompted the government to undertake various measures to ensure that dairy products sold in the country meet quality and safety standards. This includes setting tougher standards for dairy products.

China's top quality supervisor, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), ordered dairy producers that had already obtained production licenses to reapply for them by March 31, 2011. The order meant that dairy companies must be equipped with appropriate detection equipment that can test for 64 food additives, including melamine. Companies that failed to re-obtain the licenses had to stop the production of dairy products.

According to the latest available estimates, 553 Chinese dairy producers out of the total current 1,176 failed to re-obtain production licenses by March 31, 2011. Small dairy companies needed to purchase appropriate detection equipment in
order to reapply for the licenses, at significant cost. According to dairy industry expert Wang Dingmian, this expenditure is likely to be to the tune of CNY2–3m ($0.3–0.4m) (source: Xinhua News Agency).

The new regulations are also likely to lead to retailers being increasingly vigilant when choosing suppliers.

"The new regulations, if successfully put into effect, will push retailers to become more prudent in choosing dairy suppliers because their licenses may be revoked if they sell counterfeit or toxic dairy products."

Dong Jinshi, executive vice president of the International Food Packaging Association, a Hong Kong-based NGO, cited in People’s Daily Online

The Chinese government has also ordered the establishment of a unified national database of dairy product manufacturers and a system to verify relevant certificates. The plan also entails the establishment of a registration system to record all purchases of melamine, a toxic food additive which is banned in China (source: Gov.cn). These measures are likely to weed out unscrupulous manufacturers from the Chinese dairy products market and restore consumer confidence in domestic brands. However, there is likely to be a time delay between the implementation of these regulations and the restoration of consumer confidence to previous high levels. As such, consumers may have resorted to other ways to ensure the safety of the dairy products they consume, such as shifting to imported products. This is already happening on a major scale and is likely to continue in the near future.

Consumer preference for imported products is rising

In a market survey by China Central Television (CCTV), the state broadcaster in China, nearly 70% of respondents preferred imported milk powder and had little confidence in domestic brands. This finding was confirmed by a statement from a salesman in a Beijing-based dairy store, who told CCTV that overseas products make up more than 70% of sales, with domestic brands accounting for the remaining 30%. Although the sales figure was for a Beijing store, it reflects the state of affairs for many Chinese cities, as the questionable quality of many domestic products causes consumers to shift to imported products, which are perceived as safer. Several milk scandals, most notably the 2008 melamine-tainted milk products scandal, served a big blow to domestic brands in the Chinese dairy industry.

"The incident tarnished the image of China's dairy producers, and a big share of the Chinese market was taken by foreign competitors."

Liu Peizhi, vice director of the office of the State Council Food Safety Commission

Consumer concern about the quality of domestic brands has led to a surge in Chinese imports of dairy products in recent years. According to the Chinese government's Official Web Portal, imports of dairy products increased from 120,600 tonnes in 2008 to 597,000 tonnes in 2009. Imports of milk products from New Zealand jumped fivefold during 2008–10, from 69 million kg to 353 million kg (Source: Bloomberg). A recent report released by Shanghai’s customs office revealed that the city’s food imports were worth $1.82bn in the first four months of 2011, a year-on-year increase of 46.2%, and dairy products were among the top import items (source: Xinhua). According to the United States Department of Agriculture, Chinese imports of whole milk powder are expected to reach 400,000 metric tonnes in 2011, up from 177,000 tonnes in 2009. Imports of skimmed milk powder are expected to reach 100,000 tonnes in 2011.
In 2010, many imported products were introduced into China’s dairy market. These products were sourced from countries as diverse as France, Germany, Spain, Switzerland, Malaysia, New Zealand, Australia, and Taiwan.

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Country of manufacture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oldenburger - Long Life Milk</td>
<td>Germany</td>
</tr>
<tr>
<td>Westgold - Unsalted Butter</td>
<td>New Zealand</td>
</tr>
<tr>
<td>President - Whole Milk</td>
<td>France</td>
</tr>
</tbody>
</table>

Source: Datamonitor’s Product Launch Analytics

**Kids have emerged as significant consumers of dairy products**

Due to the Chinese government’s single child policy, children in China are often overindulged, not just by their parents but by both sets of grandparents as well. As a result, children have a lot of say in purchase decisions, and the dairy market is no exception. According to Datamonitor’s Market Data Analytics, children in the age bracket of 0–14 years account for almost a fifth of the retail sales volume in the Chinese dairy market.

The Chinese government has actively promoted milk to Chinese children through measures such as school milk programs: the government provides subsidized milk to urban elementary schools in order to stimulate the daily consumption of milk among urban children. Additionally, the 1st Hope Project and 2nd Hope Project have supplied milk to children in China’s poor rural regions. These measures have turned children into an attractive consumer segment for dairy product manufacturers. Moreover, with an estimated population of 240 million, the 0–14 age group presents great market potential.

As such, manufacturers are tapping this segment with new product launches and are targeting packaging and product promotion activities at this consumer segment. Additionally, product communications are increasingly directed at children in recognition of their power. For instance, Mengniu Dairy has implemented the Love Gifts program to help underprivileged school children to realize their dreams. In April 2011, Yili Industrial Group invited primary school students to its industrial park, to show them the milk manufacturing process. Moreover, there is a growing concern over obesity in Chinese children,
so there may be an opportunity to launch healthier products with intuitive packaging that appeals to children and their parents.

Lactose intolerance has encouraged consumption of alternative dairy products

The majority of the Chinese adult population is thought to be lactose intolerant to varying degrees (source: China.org.cn). This has spawned an industry that offers alternatives to cow’s milk, with low or no lactose. These alternatives include soy products and goat’s milk. In fact, the soy drinks segment accounts for more than one fifth of the new launches in the Chinese dairy market in 2010.
Goat’s milk is also gaining popularity in the Chinese dairy market as it is more easily digestible than cow’s milk due to its smaller fat globules. Yayi International, a leading producer and distributor of premium goat’s milk products in China, is bullish about its prospects. The company recently started construction of a new production facility in Shaanxi province with a $15m cash infusion from SAIF Partners, a China-focused private equity firm. The facility is set to become the largest goat’s milk production base in China and will increase the company’s existing production capacity in Shaanxi province by 400%.

“We are delighted to take this significant step for expanding our production capacity which we expect will strengthen our leadership position in China’s goat milk industry. We are optimistic about the demand for our goat milk products as lactose intolerance and dairy allergies are common in China and goat milk may be more easily digested by many Chinese who suffer from lactose intolerance as well as those who are sensitive to cow milk products. Moreover, the general interest for goat milk has increased following the 2008 milk scandal, when melamine was found in various cow milk-based infant formula products in China.”

*Li Liu, chief executive officer of Yayi International, cited in Bloomberg, November 2009*
Consumer concern about health has prompted manufacturers to launch healthy and functional products

Chinese consumers are highly health conscious and have become more so over 2009–10. Datamonitor’s 2010 consumer survey in China reveals some noteworthy points:

- The proportion of respondents who make conscious attempts to eat healthily all or most of the time has grown from 48% in 2009 to 82% in 2010.
- The majority of the respondents are either trying to lose or maintain their current weight levels.
- 56% of respondents use nutritional information on product packaging to help make food and drink choices.
Manufacturers have responded to the growth of the health trend by focusing their launches around this area. Two out of three products launched in the Chinese dairy market in 2010 were positioned around health. In 2010, the top 10 claims made on new product launches included those that advertised their health benefits as being "free from" ("no sugar," "no artificial color," "no cholesterol," and "no artificial flavor") as well as those that claimed to be high in something that is perceived to be healthy ("high vitamins" and "high calcium").

China is aging at a fast pace. The average birthrate has plummeted to 1.8 children per couple, compared to six before the one-child policy went into effect. The percentage of the population aged 60 and older is predicted to rise from 16.7% in 2020 to 31.1% by 2050, almost doubling. The imbalance is worse in wealthy cities such as Shanghai, where the 60+ age group accounted for almost 22% of the population in 2008, while the birthrate was less than one child per couple (source: The Washington Post).

This has led to a rise in demand for functional products, such as those with blood sugar controlling properties. Qimei Milk Powder, launched by Heilongjiang Qimei Biotechnology, is available in "blood sugar control" and "low sugar" varieties. It is said to be made of fresh milk, chromium, and calcium lactate, which help to control blood sugar. Similarly, Dragon Enterprise has recently released a range of LW soy milk powder in China that includes a sucrose free variant and claims to have high protein, low fat, and no cholesterol.
Genetically modified cows to offer "humanized" milk

Scientists at StateKey Laboratories for Agro Biotechnology at China Agricultural University have successfully introduced human genes into 300 dairy cows to produce milk with properties similar to human breast milk. According to Li Ning, a leading researcher at StateKey Laboratories Agro Biotechnology, the Chinese Ministry of Agriculture has approved test production of the human-like milk, which will be available on the Chinese market in two years.

The "humanized" milk is rich in the lactalbumin, lactoferrin, and lysozume proteins that are found in human breast milk. These proteins are easily absorbed by the human body and help in boosting immunity. The modified milk has reportedly passed the safety tests of the Chinese Center for Disease Prevention and Control, which said the milk "proved more healthy than the conventional one" (source: Chinadaily.com.cn).

"The milk pumped out by our cattle will be a cheap source for rare proteins."

Li Ning, a leading researcher at StateKey Laboratories for Agro Biotechnology at China Agricultural University

The "humanized" milk is likely to be in demand with industrial customers looking to extract rare proteins from it. However, the modified milk is likely to be expensive, and may only find patrons among affluent sections of Chinese consumers.

Manufacturers seek to expand consumption occasions for dairy products

Traditionally, Chinese consumers have not been associated with the consumption of dairy products. Indeed, the daily per capita consumption of dairy products in China is among the lowest globally. This has prompted manufacturers operating in the Chinese dairy market to try to grow the sales of their products by increasing consumption occasions and tempting consumers away from other markets such as soft drinks and ice cream. Strategies for achieving this have included the
launch of new products in the chilled desserts category, as well as the introduction of dessert flavors in other dairy categories.

Moreover, certain products, specifically in the milk category, have been tagged as being for a certain consumption occasion such as breakfast. This helps to establish the product as an essential part of a consumption occasion, and in turn leads to an increase in sales. For instance, Shenzhen Yafu Food launched Soybean Milk Powder for Breakfast in 2010, while Shandong Weihai Jiasheng Dairy launched Breakfast Milk and Nutritional Breakfast Milk under the Jiasheng brand. These claims are aimed at making the respective products an indispensable part of the breakfast occasion by encouraging habitual consumption.

Additionally, dessert flavors such as strawberry, blackcurrant, banana, and walnut have been introduced in products ranging from yogurt to cheese. For instance, Ningxia Xiajin Dairy Group has launched Xiajin Fruit Yogurt Drink in vanilla and strawberry flavors, while Shenyang Milk Industry has launched a yogurt drink in raspberry and blackcurrant flavors. An example of a product with a dessert positioning is Creamy Fruit Yogurt Dessert from Ehrmann, in flavors including peach and pineapple, cherry, and apricot flesh, among others. The product is imported from Switzerland by New Baili International Industry & Trade. The launch of such products in the Chinese dairy market indicates an effort to cannibalize sales in other markets, as well as to increase consumption occasions for dairy products. This is also borne out by an increase in new launches in the chilled desserts category, which saw growth of more than 200% in 2010.

Going forward, this trend is likely to intensify as manufacturers and distributors cater to China’s constantly evolving customer base, with many customers having greater disposable incomes and being keen to experiment with new products. Customers are also increasingly health conscious, with many looking to shift away from comparatively unhealthy products such as carbonates and ice cream to dairy products that can offer them equivalent taste with a promise of health.
Category growth versus launch analysis

The Chinese dairy market was led by milk in 2010, which accounted for 46.5% of new product launches, an increase of 17.6% over 2009. Furthermore, the category value for milk grew by 10.8%.

In 2010, milk also accounted for the majority (66.7%) of new launches by the leading companies (leaders in terms of market value). This is due to the fact that increasing health awareness, along with rising disposable incomes, has fueled the demand for milk. Many people have started consuming packaged milk at breakfast as it is considered nourishing. The assimilation of Western tastes into native diets is another factor driving this category.

During 2005–10, per capita consumption of concentrated milk and powdered milk grew at a CAGR of 4.1% and 1.7%, respectively. This figure would have been much higher, but milk adulteration scandals dented consumer confidence and led to a fall in consumption during 2008–09. However, due to government and manufacturer efforts to rebuild consumer trust in product quality, the per capita consumption of milk is expected to be strong in the future, with concentrated milk and powdered milk expected to see per capita consumption grow at a CAGR of 8.1% and 6.5%, respectively, during 2010–15. In fact, all segments in the milk category are expected to grow at a CAGR ranging from 5.1% to 9.4% during 2010–15.

The second highest number of new product launches (21.5%) occurred in soy products, which registered growth of 17.2% in 2010, while the category value grew by 20.5%, which was the highest growth rate among all dairy categories. This category is witnessing booming sales and new launches as an affluent and educated segment of the Chinese population realizes the health benefits of soy. An even more important factor weighing in its favor is that lactose intolerance is high in China, which makes soy products an attractive alternative for consumers and manufacturers. Indeed, during 2005–10, per capita consumption of soy desserts and soy milk grew at a CAGR of 19.0% and 15.5%, respectively.

The yogurt category accounted for 15% of new launches in 2010, representing an increase of 2.6% over 2009. Meanwhile, retail sales in this category grew by 8.9%. Consumer interest in this category is driven by factors such as yogurt's beneficial bacteria and high protein content. Flavored yogurts are preferred over plain yogurt, as consumers look for tasty and healthy products. During 2005–10, per capita consumption of standard yogurt and yogurt drinks grew at a CAGR of 10.0% and 8.5%, respectively.

Cheese accounted for 7.1% of new product launches, although this category witnessed a decline in new product launches as manufacturers focused on strengthening established brands. However, the category value grew by 14.5% on the back of strong growth in consumption. During 2005–10, per capita consumption of cheese grew at a CAGR of 11.5%.

Cream accounted for 3.3% of new product launches, followed by chilled desserts, spreadable fats, and fromage frais. Overall, new product launches increased in all categories except cream and cheese, where new launches either declined or remained unchanged.
Leading players and their new product launch trends

New product launches in the Chinese dairy market are almost exclusively from domestic market participants. These players offer tailor-made products to meet the local market needs in terms of packaging, marketing, and low cost. The top five companies by new product launches accounted for roughly a fifth of the new launches in 2010, which is comparable to previous years: the corresponding figures for 2008 and 2007 were 27.0% and 21.6%, respectively. However, in 2009, the top five players by new launches accounted for just 15.6% of total launches due to the impact of food safety scandals in 2008 and 2009, which dented consumer confidence in dairy products and prompted leading manufacturers to shelve or postpone new launches. Launches by top players regained their momentum in 2010, however, as manufacturers sought to boost sales and tempt customers with new products.

Yili Industrial Group was the top company by new product launches in the Chinese dairy market, and ranked second in terms of market share. In 2010, the company continued its focus on milk, which accounted for more than three-quarters of its new launches. The remaining launches were in the yogurt and cheese categories. In 2010, Yili Industrial Group launched products such as Yili QQ Star Kid Cheese in banana, chocolate, "original," and strawberry variants, and Children Milk Drink in "primary," strawberry, pineapple, and ice cream variants.

Bongrain (Tianjin) Foods contributed the second highest number of new product launches in 2010, with four out of five of its launches occurring in the cheese category. Some of its launches include Milkana Cheese for Kids in strawberry, plain, banana, blueberry, and chocolate variants, and Milkana Yogurt Pudding in strawberry and lemon variants.

Huhehaote Ruqingxiang Food recorded the next highest number of product launches in the Chinese dairy market in 2010. The company launched products primarily in the cream category, such as Ruqingxiang Grassland Milk Tablets in wheat, original, yogurt, strawberry, and coffee variants, and Csq Mongolia Cheese in original and yogurt variants.

Other top companies by new product launches included Neimenggu Mengguchun Food, Shanghai Jijia Trade, and Guangdong Yashili Milk.

Mengniu Dairy was among the top players by market share, and launched products in the cheese, milk, and yogurt categories. Examples of its product launches include Mengniu Fruit Fiber Milk Drink in original and pineapple variants. The company was recently embroiled in controversies regarding milk adulteration in China. In April 2011, 251 children at Yuhe Town Central Primary School in Yulin, Shaanxi province fell ill after drinking milk produced by the Mengniu Dairy Group. Subsequent tests cleared the company, but it suffered a blow to its reputation. As a result of the scandal, Mengniu Dairy ranked just 19th in the global dairy company list compiled by ABN Amro in 2009.

Bright Food Group, the third largest company by market share, launched products in the yogurt and milk categories in 2010. Examples of its product launches include Momchilovtsi Yogurt in original and strawberry variants.

In 2010, the top five players by new launches focused on the milk category, launching 41.2% of the new products in this category, followed by cheese (22.8%) and soy products (21.9%). In 2009, however, cheese saw the highest proportion of launches from the top five players (40.8%), followed by yogurt (18.4%) and milk (17.3%). In 2008, milk and yoghurt accounted for all of the new product launches by the top five companies by new launches, with the former accounting for 59.6% and the latter accounting for the remaining launches.
Table 1 lists the top 10 players in the dairy market based on their market shares and the top 10 players based on number of products launched in 2010.

<table>
<thead>
<tr>
<th>Top 10 players by company share</th>
<th>Rank</th>
<th>Top 10 players by product launches</th>
<th>New product launch share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mengniu Dairy</td>
<td>1</td>
<td>Yili Industrial Group</td>
<td>4.6%</td>
</tr>
<tr>
<td>Yili Industrial Group</td>
<td>2</td>
<td>Bongrain (Tianjin) Foods</td>
<td>3.2%</td>
</tr>
<tr>
<td>Bright Food Group</td>
<td>3</td>
<td>Huhehaote Ruqingxiang Food</td>
<td>2.8%</td>
</tr>
<tr>
<td>Nestlé</td>
<td>4</td>
<td>Neimenggu Mengguchun Food</td>
<td>2.5%</td>
</tr>
<tr>
<td>Sanyuan Dairy Corp</td>
<td>5</td>
<td>Guangdong Yashili Milk</td>
<td>2.5%</td>
</tr>
<tr>
<td>Fonterra Co-operative Group</td>
<td>6</td>
<td>Heilongjiang Yaolan Dairy</td>
<td>2.3%</td>
</tr>
<tr>
<td>Goodman Fielder</td>
<td>7</td>
<td>Beijing Doudouchu Food</td>
<td>2.1%</td>
</tr>
<tr>
<td>Junlebao Dairy</td>
<td>8</td>
<td>Hebei Xiaoyangren Biological Dairy</td>
<td>1.8%</td>
</tr>
<tr>
<td>VV Food &amp; Beverage</td>
<td>9</td>
<td>Mengniu Arla Dairy</td>
<td>1.8%</td>
</tr>
<tr>
<td>Hangzhou Beingmate Group</td>
<td>10</td>
<td>Shanghai Hongqi Yon Ho Foodstuff Development Co.</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Source: Datamonitor’s Market Data Analytics and Product Launch Analytics
Figure 30 depicts the top five Chinese dairy players by market share and the share of their new product launches held by the cheese, yogurt, and milk categories in 2010.

New product launches in the dairy market are spread relatively evenly across manufacturers, as evidenced by the fact that the top five companies (by market share) account for a mere 10% of total launches. Mengniu Dairy, which is the market leader, launched products in the cheese, milk, and yogurt categories, but focused on milk and cheese. However, Yili Industrial Group, which is the second largest player by market share, primarily focused on launching products in the milk category. Bright Food Group retained its focus on the yogurt category, being the only one among the top five players with launches almost exclusively in this category. Nestlé and Sanyuan Dairy only launched products in the milk category, and these launches were only in the powdered milk segment.

Overall, milk accounted for the majority (66.7%) of new launches from the top five manufacturers in terms of market value, indicating the attractiveness of this category. Meanwhile, top players by new product launches sought to focus on their strength in specific dairy categories. Bongrain (Tianjin) Foods focused on the cheese category, while Huhehaote Ruqingshiang focused on the cream category.
Smaller players sought to increase their product portfolio and market penetration. For example, Bongrain (Tianjin) Foods, which accounted for a negligible share of the Chinese dairy market, contributed the second highest number of new product launches. Similarly, Want-Want Group, with an equally small market share in the Chinese dairy market, plans to expand its customer base through its "delivering Want-Want to villages" strategy, whereby it plans to deliver its products to every village across China via more than 3,000 dedicated Want-Want sales representatives and delivery trucks.

Fierce competition in the Chinese dairy market has led some companies to resort to unethical measures, such as the adulteration of products and maligning competitors. Recently, Mengniu Dairy, the top player by market share, was accused of hatching a conspiracy to defame Yili Industrial Group through online libel. Eventually, Mengniu Dairy issued an apology to Yili Industrial Group and consumers. Also, there have been numerous cases of adulteration in dairy products, which has led to tougher regulatory measures.
PRODUCT LAUNCH ANALYSIS

By flavor and fragrances

Overview

In 2010, seven of the top 10 flavors of new product launches in the Chinese dairy market were fruit-based. This is due to the fact that fruit has traditionally been associated with health and taste. Moreover, the climate in China is conducive to the production of a variety of fruits, most of which are consumed seasonally based on availability. This familiarity with fruit has translated into an acceptance of fruit-flavored dairy products.

In 2010, strawberry was the top flavor of new launches in the Chinese dairy market. It is a highly popular flavor which is used in products ranging from confectionery to personal care. Chocolate was the next most popular flavor, primarily due to the universal appeal of the flavor. Also, dark chocolate, which contains high levels of cocoa solids, is increasingly viewed as a health food because of the antioxidants it contains. It also helps to decrease blood pressure and lower cholesterol.

An interesting flavor that featured among the top 10 flavors of new product launches in the Chinese dairy market in 2010 is blueberry. It is an exotic flavor and is considered a superfruit as it is a rich source of antioxidants and vitamins. A recent study by the Division of Applied Nutrition and Food Chemistry, Lund University Faculty of Engineering, Sweden, has revealed that the fiber in blueberries can help prevent intestinal diseases. The study also found that the health benefits offered by blueberries are enhanced if they are eaten with probiotics, which are present in yogurt. As a result, blueberry is likely to be used increasingly in flavored yogurts. Indeed, in 2010, three out of four products launched with the blueberry flavor were in the yogurt category. Examples include Emmi Swiss Premium Yogurt and Bright Prebiotics Yogurt.

Other top 10 flavors include peach, coconut, pineapple, and mango. The heavy adoption of fruit and nut based flavors like strawberry, orange, peach, and walnut indicates rising consumer preference for health-oriented dairy products. Additionally, flavors like walnut and banana, which featured among new launches in 2010, add dessert-like qualities to dairy products such as milk, cheese, and yogurts, and serve to increase consumption occasions for dairy products. These may range from all-day snacking occasions to post-meal dessert occasions.
Figure 31 illustrates the top 10 flavors used in new product launches in the dairy market in China in 2009 and 2010 and the percentage of launches on which they appeared.

**Top flavor: strawberry**

Strawberry was the top flavor among new product launches in the Chinese dairy market in 2010, being particularly popular in the cream and yogurt categories. China is a major producer and consumer of strawberries. China's fresh strawberry production is forecast at 1.8 million metric tonnes between January and December 2010, a 20% increase over the previous year (source: berriestrade.com). About 85% of China's fresh strawberries are consumed locally, while the rest are processed (source: frozentrade.com).

Strawberry tourism is popular among the Chinese, with springtime visits to strawberry farms a regular feature in many areas. A strawberry base in Donghai County of Lianyungang, Jiangsu province reportedly receives more than 1,000 visitors per day (source: People's Daily Online). China will also host the VII International Strawberry Symposium in 2012.

Strawberries are a rich source of nutrients such as vitamin C, folate, and potassium, and are high in antioxidants. They are also fat free and low in calories, and help fight cancer (source: United States Department of Agriculture).
Figure 32 depicts the top dairy categories in which the strawberry flavor featured in new products launched in 2010.

Source: Datamonitor’s Product Launch Analytics
Product examples: strawberry flavor

Figure 33 contains some examples of products launched in the dairy market in China in 2010 with a strawberry flavor.

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Product Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shengxue - Yogurt - Fruit Pulp</td>
<td>The Shengxue Yogurt range is new in China from Beijing Keerqin Dairy Co., Ltd. It is available in two flavors - Fruit Pulp Strawberry &amp; Mulberry and Fruit Pulp Peach &amp; Mango. Each variant is presented in a 350g plastic cup.</td>
</tr>
<tr>
<td>Fruit Pulp &amp; Mulberry</td>
<td></td>
</tr>
<tr>
<td>Emmi - Swiss Premium Yogurt -</td>
<td>The product range includes a variety of flavors - Strawberry Yogurt, Apricot Yogurt, Pink Grapefruit Yogurt, Blueberry Yogurt, Yogurt - Original. Sinodis (Shanghai) Co., Ltd. is the distributor. It is available in single count and four count packs.</td>
</tr>
<tr>
<td>Strawberry</td>
<td></td>
</tr>
<tr>
<td>Yogurt - Fruit Pulp Strawberry &amp;</td>
<td></td>
</tr>
<tr>
<td>Mulberry</td>
<td></td>
</tr>
<tr>
<td>Yinqiao - Big Fruit Yogurt - Strawberry &amp; Mango</td>
<td>The range includes four flavors - Strawberry &amp; Mango, Strawberry &amp; Morula, Papaya &amp; Mango, and Pineapple &amp; Coconut. Xi'an Yingqiao Biotechnology Co., Ltd. is the manufacturer and each variety is presented in a 280g plastic cup.</td>
</tr>
<tr>
<td>Mango</td>
<td></td>
</tr>
<tr>
<td>Milkana - Yogurt Pudding -</td>
<td>The product is sold in a 80g plastic tub. It is available in strawberry and lemon flavors. Thje product claims to be rich and smooth. The manufacturer is Bongrain (Tianjin) Foods Co. Ltd.</td>
</tr>
<tr>
<td>Strawberry</td>
<td></td>
</tr>
<tr>
<td>Elle &amp; Vire - Dairy Dessert -</td>
<td>Elle &amp; Vire Dairy Dessert is new in China. It is made in France and distributed by Milkana Beijing Co., Ltd. It is available in five flavors - Cherry, Peach, Strawberry, Mango, and Wild Fruit. It is sold in a 125g cup.</td>
</tr>
<tr>
<td>Strawberry</td>
<td></td>
</tr>
<tr>
<td>Bright - Guomi Fruit Pulp Yogurt -</td>
<td>The product is manufactured by Beijing Bright Jianeng Dairy Co., Ltd. It is available in two flavors - Strawberry and Peach. It is sold in a 100g plastic cup and contains more than 80% milk.</td>
</tr>
<tr>
<td>Peach</td>
<td></td>
</tr>
</tbody>
</table>

Source: Datamonitor’s Product Launch Analytics
By packaging material

Overview

Packaging forms a critical selling point for dairy products, and Chinese companies are making efforts to package their products to attract consumers’ attention. Attractive product packaging encourages consumers to buy products on impulse. For example, manufacturers targeting children with their products are using bright colors and graphics on their packaging. Furthermore, due to increasing input costs, it has become important for manufacturers to come up with low-cost product packaging in order to cut down costs.

As in previous years, plastic continues to be the preferred packaging material in the dairy market, featuring in 63.1% of all new products launched in 2010. Plastic is closely followed by paperboard, featuring in 20.8% of all new products launched. Paperboard is widely used due to its ability to retain freshness. It is conducive to a sterile packaging process as both formation and closing can be done at the time of filling. It also has a flexible size and volume and helps portray an environmentally friendly image as it is 100% recyclable. The remaining share of packaging materials is attributable to paper, metal, aluminum, foil, and glass.

The dairy market is also home to a variety of packaging types. Analysis of the new product launches in 2010 reveals that milk is primarily packaged in bags, while yogurt is predominantly offered in a cup format. The bag format is also popular with soy product launches, while cheese is mostly offered in boxes.
Figure 34 lists the leading packaging materials in the dairy market in China based on their contribution to the total number of newly launched products in 2010. The figure also provides growth trends (2009–10) in new product launches in each of these packaging materials.

**Figure 34: Contribution to and growth in total new dairy product launches in China, by top packaging materials, 2009–10**

<table>
<thead>
<tr>
<th>Packaging Material</th>
<th>% with Packaging Material - 2010</th>
<th>% Change in Packaging Material - 2009–10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic</td>
<td>60%</td>
<td>+50%</td>
</tr>
<tr>
<td>Paperboard</td>
<td>20%</td>
<td>-30%</td>
</tr>
<tr>
<td>Paper</td>
<td>10%</td>
<td>-50%</td>
</tr>
<tr>
<td>Metal</td>
<td>0%</td>
<td>-200%</td>
</tr>
<tr>
<td>Glass</td>
<td>0%</td>
<td>-150%</td>
</tr>
</tbody>
</table>

Source: Datamonitor’s Product Launch Analytics

**Top packaging material: plastic**

Plastic packaging is convenient to handle, lightweight, and versatile. The material is also easy to seal in high speed production lines, and once sealed, it keeps the content airtight while retaining the product’s color, flavor, and nutritional value for long periods.

In 2010, plastic was used extensively as a packaging material across all categories in the Chinese dairy market. Plastic packaging is cost-effective, convenient, and meets quality standards. In addition, plastic packaging is easy to characterize with bright colors, which can encourage impulse purchases.

Plastic packaging material is slowly being developed to make it more eco-friendly, easy to recycle, and decomposable. This has occurred in tandem with the Chinese government’s limitations on the use of plastic bags due to environmental and energy concerns. This has resulted in launches using PET packaging, which is comparatively more environmentally friendly than regular plastics.
Figure 35 depicts the top dairy categories in which plastic was used as a packaging material in new products launched in 2010.
Figure 36 lists some examples of products launched in the dairy market in China in 2010 with plastic packaging.

**Product Name:** Hua Hua Niu - Yogurt  
**Product Description:** Hua Hua Niu Solidifying Yogurt is new to consumers in China from Henan Huahuaniu Dairy Co., Ltd. The product is presented in a 180g plastic bowl. It claims to be made of fresh milk.

**Product Name:** Sanhuan - Yogurt Drink  
**Product Description:** Sanhuan Yogurt Drink is new in China. It is manufactured by Dalian Sanhuan Milk Co., Ltd. The product is available in a 150g cup pack. It is tagged as having no thickener and no artificial flavor.

**Product Name:** Benlu - Qinghai Yogurt  
**Product Description:** Xining Benlu Dairy Industrial Co., Ltd. has launched three variants of yoghurt - Qinghai Traditional Yogurt, Qinghai Yogurt, and Yogurt - Sugar Free. Each variety is presented in a 180g cup pack.

**Product Name:** JBL - Yogurt With Multiple Fruits - Peach and Cherry  
**Product Description:** The product claims to contain multiple pieces of peaches and cherries. Its composition is more than 80% fresh milk. It is manufactured by Dalian Xinle Dairy Co., Ltd., and is available in a 150g plastic pack.

**Product Name:** Jiankangduodu - Five Grains Soybean Milk - Almond; Bean  
**Product Description:** Jiankangduodu Five Grains Soybean Milk range is new in China. It is available in Almond and Bean variants. Each variety is presented in a 55g plastic cup pack. Suide Jiankangduodu Farm Products Process Co., Ltd. is the manufacturer.

**Product Name:** Mengniu Distingue - Fresh Yogurt  
**Product Description:** Mengniu Distingue Fresh Yogurt is new in China by Inner Mongolia Mengniu Dairy (Group) Co., Ltd. This comes in an 85g cup pack. The yogurt is said to consist of fresh milk, sugar, full cream milk powder, cream, and food additives.

Source: Datamonitor’s Product Launch Analytics
By price point

Overview

Chinese consumers are price-sensitive and do not mind switching their brand preferences for a cheaper product of similar quality. The recent economic turmoil has shaken consumer confidence considerably and, despite overall impressive economic growth in the country of late, a large number of Chinese consumers are averse to extravagant spending. With rising incomes among the middle class, manufacturers have been trying to tap into the segment by offering products that are appealing to these consumers.

In Datamonitor’s 2010 consumer survey, two in every five respondents said that buying private label products to save money had become more important to them over the previous two years, and a similar proportion of respondents admitted purchasing more private label products compared to one year ago. The survey reiterates the fact that Chinese consumers have shifted towards lower-cost products.

Figure 37 depicts the price points at which dairy products were launched in various categories of the Chinese dairy market in 2010, as reported by Datamonitor’s Product Launch Analytics.
In 2010, almost 30% of new dairy products launched fell in the price range of CNY0–4. The next highest price range of CNY5–9 accounted for almost one in five new product launches.

The majority (70%) of new product launches in the Chinese dairy market in 2010 occurred in the largely affordable price range of CNY0–19. Milk accounted for almost 30% of the launches within this price range, followed by yogurt, which accounted for roughly a quarter of these launches. This price range accounted for more than half of the product launches across each category except spreadable fats and chilled deserts. Also, this price range included both mass brands as well as smaller versions of premium products. For instance, Mate Best Kids Milk Powder is available for CNY9.80 in a 160g pack, while the 800g pack of the same product retails at CNY85.80.

The price range of CNY20–29 accounts for 13.7% of the new product launches. Within this range, cream contributed a quarter of the launches, while milk and soy products each accounted for roughly 20% of the launches.

The price range of CNY30 and above accounted for one in six product launches in the Chinese dairy market in 2010. Milk accounted for nearly half of the launches in this range. Most of these products were targeted at the health conscious premium consumer segment, and contained added nutrients. For instance, Mead Johnson Enfakid A+ Children Formula Milk Powder, available at price points of CNY59.50 and CNY169, contains added DHA, ARA, prebiotics, and choline. Similarly, Morinaga Student Skimmed Milk Powder, available in a 400g pack for CNY38.60, contains calcium, iron, zinc, and vitamins.
By claims and tags

Overview

Datamonitor’s 2010 consumer survey in China revealed that health consciousness had grown compared to the previous year. The proportion of respondents making conscious attempts to eat healthily all the time or most of the time grew from 48% in 2009 to 82% in 2010. Also, the majority of respondents were trying to lose weight or to maintain it. In response to this, dairy product manufacturers launched products with "free from" claims such as "no sugar," "no artificial color," "no cholesterol," and "no artificial flavor." They also launched products carrying claims to be high in something perceived to be healthy, such as "high vitamins" and "high calcium. Each of these claims feature among the top 10 claims on new product launches in 2010.

"Kids" was another claim that featured among the top 10, reflecting the importance of kids as a consumer group in the Chinese dairy market. Indeed, kids account for almost a fifth of the market's total retail sales volume.

Figure 38 illustrates the top 10 claims made on new product launches in the dairy market in China in 2010 and their contribution to the total products launched in the market. The figure also depicts the percentage change in these claims in 2010 compared to 2009.

![Figure 38: New product launches in the Chinese dairy market, by claim, 2010](image)

Note: The ‘kids’ claim observed highest growth of 200% during 2009–10

Source: Datamonitor’s Product Launch Analytics
Top claim: "no preservatives"

The top claim made on new product launches in the Chinese dairy market was "no preservatives." The high incidence of this claim among new launches indicates Chinese consumers' growing awareness of quality. Repeated instances of events such as carcinogenic traces being found in dairy products have made Chinese consumers conscious of the ingredients present in food and beverage products. As a result, manufacturers have to reassure the consumer about the safety of the ingredients used or avoid the use of potentially harmful chemicals, and communicate this through claims such as "no preservatives."

Figure 39 depicts the top dairy categories that claimed to have "no preservatives" in new products launched in 2010.

![Figure 39: New product launches in the Chinese dairy market that featured "no preservatives" as a claim, by category, 2010](image-url)
Product examples: "no preservatives"

Figure 40 shows some examples of products launched in the dairy market in China in 2010 that carried the "no preservatives" claim.

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Product Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coconut Palm - Milk Drink - Coconut Palm; Cool; Peanut</td>
<td>Coconut Palm Foods International Ltd. has introduced six varieties of milk drink in China, under the brand name 'Coconut Palm'. The flavors available are - Coconut Palm, Walnut Seed Peanut, Cool, Peanut, Peanut Vegetable Protein and Soy. It is presented in a paperboard carton pack.</td>
</tr>
<tr>
<td>Kara - Santan Kelapa-Murni</td>
<td>Kara Santan Kelapa-Murni is distributed in China by Shangahi Jiawei Import &amp; Export Trade Co., Ltd. It is presented in a one liter drink box. The product claims to be made of coconut from Indonesia and processed using a high temperature bacterium killing technology.</td>
</tr>
<tr>
<td>Xixi Wang - Espresso Milk</td>
<td>Xinxiwang Espresso Milk is newly launched in China. It is manufactured by Sicuan Xinxiwang Dairy Co., Ltd. The product is presented in a 250ml paperboard drink box. Packaging literature states that the product contains protein, mineral, vitamins and no preservatives.</td>
</tr>
<tr>
<td>Ovaltine - Milk Drink - Milk &amp; Malt; Soybean Milk Drink – Cereal</td>
<td>Ovaltine Milk Drink is manufactured by Shanghai Bomy Foodstuff Co., Ltd. It is sold in a 250ml paperboard drink box. It claims to contain rich natural nutrition (vitamins, plant protein, and animal protein) and no artificial flavor or preservatives.</td>
</tr>
<tr>
<td>Famous House - Papaya Milk</td>
<td>Famous House Papaya Milk is manufactured by Famous House Food Industrial Corp. It claims to be made of papaya juice with added milk powder, emulsifier, and carotene and processed using a modern technology. It is presented in 340ml cans.</td>
</tr>
<tr>
<td>Sanyuan - Milk - Jujube; Malt; Pure</td>
<td>The product has been launched by Hebei Sanyuan Dairy Co., Ltd. Sanyuan Milk is offered in three different varieties: Malt, Pure and Jujube. It is said to be made of natural milk, with a wheat taste. It is available in 250 ml packs.</td>
</tr>
</tbody>
</table>

Source: Datamonitor’s Product Launch Analytics
CONCLUSION

Conclusions for product launch trends in the Chinese dairy market

**Figure 41: Conclusion**

- **Flavors/Fragrances**
  - Strawberry, chocolate and peach were the most popular flavors in 2010
  - Other popular flavors included soybean, coconut and pineapple.

- **Claims/Tags**
  - 'No preservatives' was the top claim, reflecting consumer concern for food safety.
  - Nine out of the top 10 claims were related to health in view of consumers' enhanced health consciousness.

- **New product launches in the Chinese dairy food market**
  - In 2010, China ranked second globally with roughly 600 new product launches.
  - Milk accounted for 46.5% of all new products launched.

- **Price points**
  - Seven in every 10 new products launched in 2010 were priced in the range of CNY0–19.
  - Product launches priced at CNY30 or more primarily occurred in the milk category.

- **Packaging material**
  - Plastic remains the most widely used packaging material.
  - Paperboard was also popular in the Chinese dairy food market.

**Key trends driving product launches in China**

- **Food safety**: Chinese consumers' concern for food safety is high due to recent food contamination scandals.
- **Rising Imports**: Consumers have started perceiving imported products as safer alternatives to domestic brands.
- **Focus on health**: Health and fitness conscious consumers drive demand for healthy products.
- **Little consumers**: Kids have emerged as significant consumers of dairy products.
- **Growing urbanization**: Increase in urbanization has led to an increase in consumption of dairy products.
- **Regulatory environment**: The Chinese government has set tougher regulations for dairy products.
- **Modern retail formats**: Increasing penetration of supermarkets has benefited dairy products' sales.

Source: Datamonitor Analysis
APPENDIX

Definitions

In this report, products launched in the dairy market either globally or in China are referred to in terms of the total number of stock-keeping units launched. For specific analysis on flavors, packaging material, price points, and claims and tags, the number of products launched refers to the number of products launched within each specific parameter.

The dairy market consists of eight individual categories. The following table contains a detailed definition of each of these categories.

<table>
<thead>
<tr>
<th>Category</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>Includes natural and processed cheese.</td>
</tr>
<tr>
<td>Chilled desserts</td>
<td>Includes cheesecakes, flans, and mousses. Does not include fromage frais or frozen desserts.</td>
</tr>
<tr>
<td>Cream</td>
<td>Includes sour cream and long-life cream.</td>
</tr>
<tr>
<td>Fromage frais</td>
<td>Consists of all cheese-based, semi-set products with added sugar.</td>
</tr>
<tr>
<td>Milk</td>
<td>Includes all fresh liquid milk (both flavored and unflavored), long-life liquid milk (both flavored and unflavored), concentrated milk, and powdered milk.</td>
</tr>
<tr>
<td>Spreadable fats</td>
<td>Includes butter, margarine, and both regular and functional dairy spreads.</td>
</tr>
<tr>
<td>Yogurt</td>
<td>Includes standard yogurts and yogurt drinks.</td>
</tr>
<tr>
<td>Soy products</td>
<td>Includes soy milk, soy drinks, and soy desserts.</td>
</tr>
</tbody>
</table>

Source: Datamonitor

Methodology

- Product Launch Analytics' (PLA's) new product information is captured using a variety of sources and methods. The sources are broken down into two categories: primary and secondary sources of data.

- Primary sources of data: the major primary source of new product information for PLA is actual new product samples. Those samples are obtained from the following sources:
  - Shopping trips by PLA staff in three office locations in North America, Europe, and Asia.
  - Trade show visits by PLA staff. PLA editors attended over 30 trade shows in 2008.
  - Shopping trips by PLA's international representative network of shoppers in the field. PLA currently has an extensive network of over 400 field agents based around the world, covering more than 90 countries.
  - Direct from new product manufacturers and distributors that send new product samples.
Appendix

- Secondary sources of data: secondary sources for PLA encompass everything except new product samples, and include:
  - company websites
  - trade websites
  - retail websites
  - manufacturer press releases
  - press releases from public relations firms
  - trade and consumer magazines and newspapers
  - news advertisements
  - broadcast advertising.

These sources of information complement PLA’s primary data sources.

Ask the analyst

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Datamonitor consulting

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