Flanders
State of the Art

THE CHOCOLATE MARKET IN CHINA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

FLANDERS
INVESTMENT
& TRADE

Market Study

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Flanders Investment & Trade Beijing
T +86 10 65 32 49 64
beijing@fitagency.com

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CONTENT

1. CLASSIFICATION AND DEFINITION

According to the National Standard of the People's Republic of China GB/19343-2016, chocolate can be divided into two categories: chocolate and chocolate products. According to the content of cocoa (referring to the total ratio of cocoa liquor, cocoa butter, and cocoa powder), chocolate can be divided into four types: dark chocolate (also known as pure chocolate), milk chocolate, white chocolate and other chocolates. Chocolate products are made from chocolate and other foods in a certain proportion. According to the ingredients and forms of chocolate products. Chocolate products can be divided into mixed chocolate products, coated chocolate products, sugar coated chocolate products and other types of chocolate products. The definition for each type is as follows:

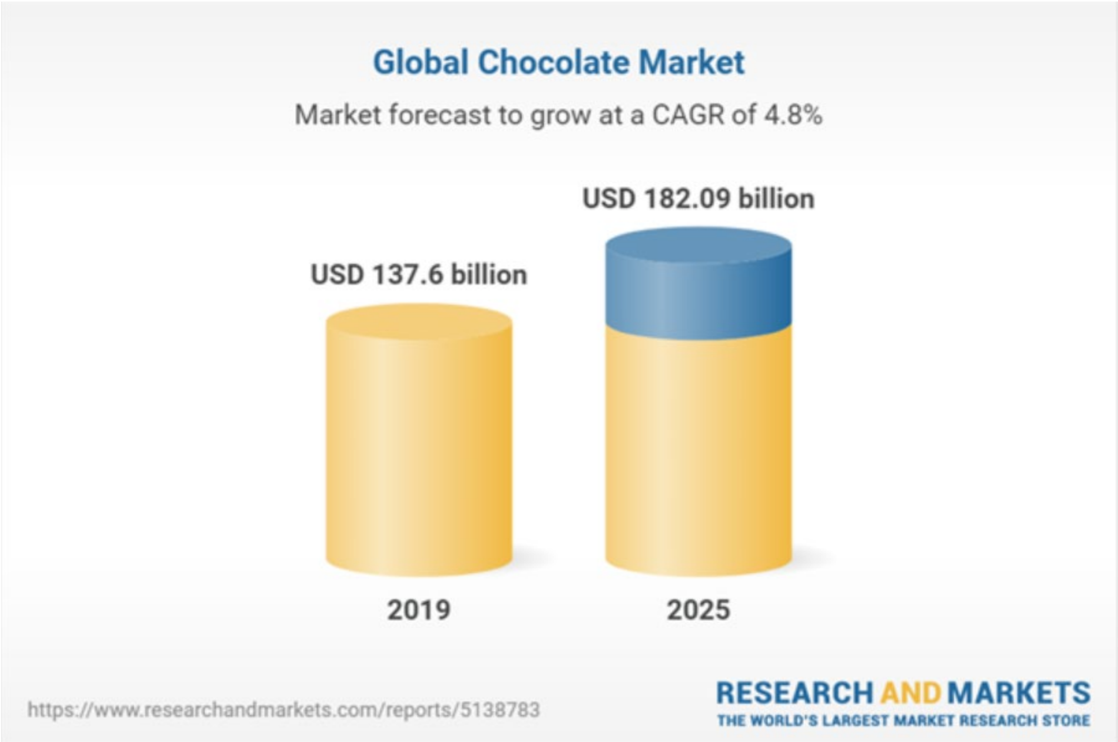
Category	Type	Definition
Chocolate	Dark chocolate	Dark brown or brownish black chocolate with cocoa bitterness. Cocoa content ≥ 35%
	Milk chocolate	Brown or light brown chocolate with cocoa and milk flavour by adding dairy products in the chocolate. Cocoa content ≥ 25%
	White chocolate	Chocolate without adding fat-free cocoa substance.
	Other chocolate	Chocolate not included in the above types
Chocolate Products	Mixed chocolate products	Products mixed by chocolate and foods, e.g., hazelnut chocolate and almond chocolate etc.
	Coated chocolate products	Products taking chocolate as coating, e.g., wafer chocolate and preserved fruit chocolate etc.
	Sugar-coated chocolate products	Chocolate products with sugar coating, e.g., marble chocolate etc.
	Other chocolate products	Chocolate products not included in the above types.

2. GLOBAL MARKET

2.1 GLOBAL CHOCOLATE MARKET

The global chocolate market has seen steady growth over the past decade, driven by rising demand in emerging economies, product innovation by top brands, and changing consumer preferences.

According to Research and Markets, the global chocolate market is expected to grow at a CAGR of 4.78% over the forecast period to reach a total market size of USD 182.090 billion by 2025, increasing from USD 137.599 billion in 2019.



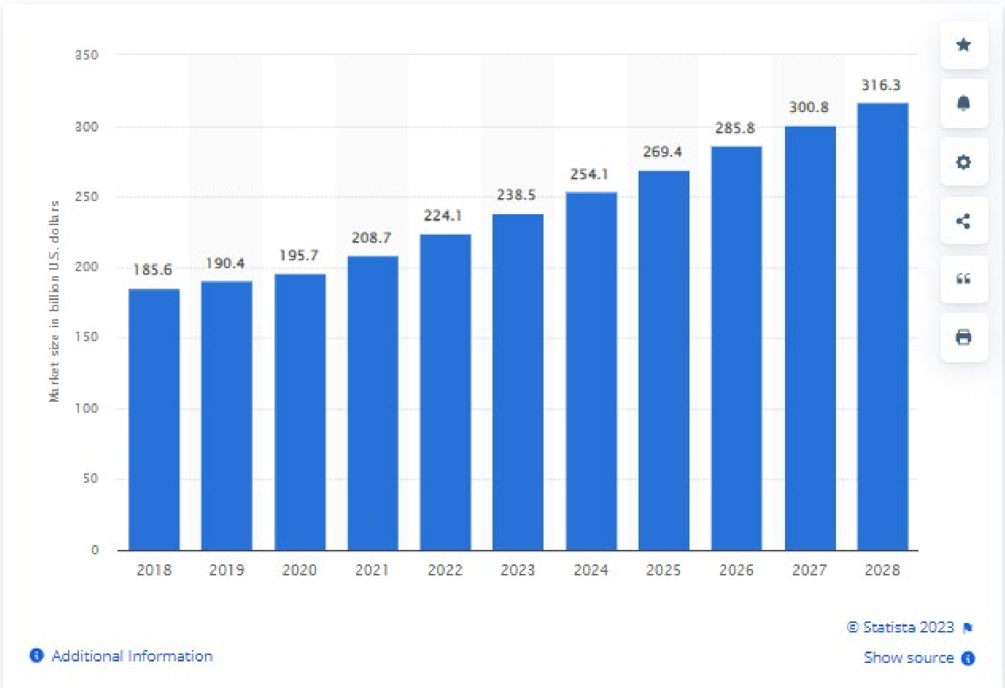
Highlights of the global chocolate market:

- Growing demand for organic, vegan, sugar-free, and gluten-free chocolates is driving growth of the global chocolate market
- Given the health benefits of dark chocolate, it is anticipated to witness significant growth over the forecast period
- Europe dominates the global chocolate market with a market share of 35%
- The Asia Pacific is expected to hold a significant share in the market owing to the presence of major players coupled with the growing number of product launches in the region
- In recent years, the e-retail business has witnessed a significant increase in sales

2.2 GLOBAL CHOCOLATE CONFECTIONERY MARKET

In 2023, the chocolate confectionery market generated a revenue of approximately USD 238.5 billion worldwide. According to estimates of the Statista Digital Market Outlook, the generated revenue in this market is expected to increase in the coming years, reaching a value of USD 316.3 billion in 2028.

SIZE OF THE CHOCOLATE CONFECTIONERY MARKET WORLDWIDE FROM 2018 TO 2028 (IN BILLION USD)



Source: Statista.com

Highlights of the global chocolate confectionery market:

- The market is expected to grow annually by 5.81% (CAGR 2023-2028).
- In global comparison, most revenue is generated in the United States (USD 53,580m in 2023).
- In relation to total population figures, per person revenues of USD 31.05 are generated in 2023.
- In the chocolate confectionery market, volume is expected to amount to 20.28bn kg by 2028. The chocolate confectionery market is expected to show a volume growth of 3.3% in 2024.
- The average volume per person in the chocolate confectionery market is expected to amount to 2.3kg in 2023.

3. CHINESE MARKET

3.1 SALES REVENUE

Due to the COVID-19 epidemic, the chocolate consumption in China was severely impacted. The size of the Chinese chocolate market declined in 2020 and had a rebound after that. The average Chinese person eats about 100 grams' of chocolate per year, while in Europe this number is nearly 100 times that of China. From the perspective of per capita consumption, the Chinese chocolate market has great potential.

Source: www.chyxx.com

3.2 SALES VOLUME

The overall sales of chocolates in China are in a downward trend. On the one hand, this is due to the constantly diversified snack brands partly diverting the chocolate market. On the other hand, this is because of the people's increasing attention to health. Chinese people think that most chocolate contains high sugar, calories, and fat, which creates bad health effects. In 2021, China's sales of chocolate were approximately 251,600 tons. This however declined to 251,100 tons in 2022.

Source: www.chyxx.com

3.3 CHINESE LOCAL CHOCOLATE BRANDS AND MARKET INFORMATION

Chocolate has a long history. Compared with the fiercely competitive chocolate markets in Europe and America, the development of China's chocolate industry has not been smooth. China's chocolate production only has a history of no more than 60 years, hindered by a lack of raw materials and technology. Large-scale production began in the early 1970s and began to develop rapidly in the 1990s. The Chinese chocolate industry stumbled from the 1950s to the 1990s.

3.3.1 History of China's Chocolate Development

The first stage lasted from the 1950s to the 1960s: During this period imported raw materials and equipment were used to produce chocolate. The representative brand for this era is the famous "Guangming" chocolate-brand which is produced by the Shanghai-based state owned Bright Food Group (www.brightfood.com/) and which is still popular until today.

The second stage lasted from the 1960s to the 1990s: During this stage we saw the use of domestic cocoa to produce chocolate.

Since 1991 we are now in the third and last stage during which the Chinese market opened up for foreign brands entering into fierce competition with local products..

A good example is the Chinese "Leconte" chocolate-brand which Beijing-based, state-owned food manufacturer China Oil and Foodstuff Corporation (www.cofco.com) launched in 1991. For a while "Leconte" was sold in all major Chinese cities, but not long after its launch its production was halted due to competition by foreign brands.

3.3.2 Domestic Chocolate Market

At present the domestic chocolate brands still maintain a certain market share, but their overall presence is relatively small compared to international brands. Domestic brands of course compete in price, but they still have a long way to go when it comes to brand awareness and product quality.

3.3.2.1 Weak brand culture

Chocolate is an old product that has been around for centuries, deeply rooted in a complex gastronomical history, that cannot be decoupled from western culture. In the West chocolate is traditionally known for its sentimental and/or courtesy value, as a suitable present given among lovers, friends or acquaintances. Chinese chocolate brands lack this cultural framework and are therefore generally weak in brand culture.

3.3.2.2 Domestic brands

Foreign chocolate brands dominate the Chinese chocolate market. However, in recent years, we observed domestic chocolate brands becoming more successful on the online market. Although they still cannot compete with the main international brands, we see that they slowly start to gain the favour of a younger generation of consumers.

The top three most popular domestic chocolate brands are:

1. **好利来/Holiland** www.holiland.com/

Founded in 1992, Holiland is a well-known pastry brand which is regarded as one of the most competitive brands in the domestic baking industry in China. Holiland has a large number of specialty food chain stores all over China.

(Picture originates from JD.com)

2. 每日黑巧/CHOCDAY www.chocday.com/

A second famous domestic chocolate brand, driven by innovation and fashion, is without a doubt CHOCDAY. CHOCDAY uses advanced technology for its production process. Its greatest appeal to the younger consumer crowd is the unique small square boxes in flashy colours..

(Picture originates from Taobao.com)

3. **诺梵 NOVOR**

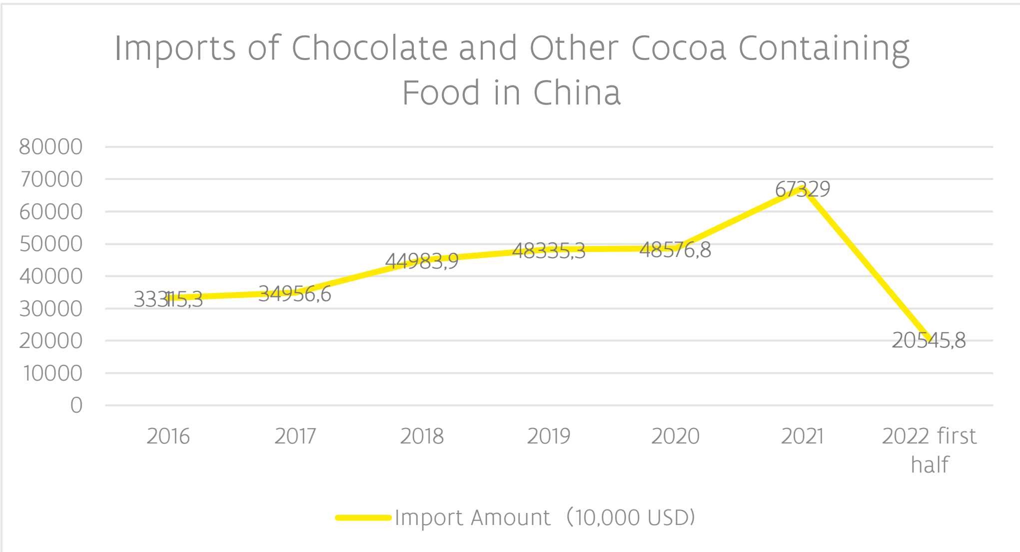
A third important domestic chocolate brand is NOVOR. This brand invests a lot in research and development as it aims to provide young chocolate consumers high-quality chocolate with low-sugar, low-fat, but still appealing to the local taste.

(Picture originates from Baidu)

3.4 CHOCOLATE IMPORT SITUATION

3.4.1 Import Value

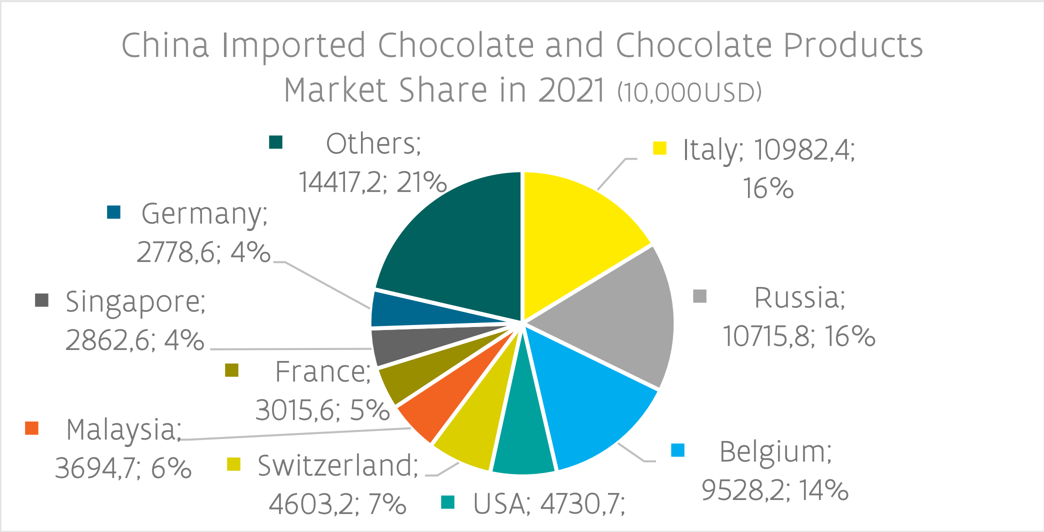
In recent years, the imports of chocolate and other cocoa containing food in China has increased significantly. In 2021, the import value of chocolate and other cocoa containing food in China reached USD 673.29 million, a new historical high in nearly a decade. In 2022, due to the impact of COVID-19, the import value of chocolate and other cocoa containing food in China has declined. In the first half of 2023, the import amounted to USD 211.235 million.



Source: www.chyxx.com

3.4.2 Market Share

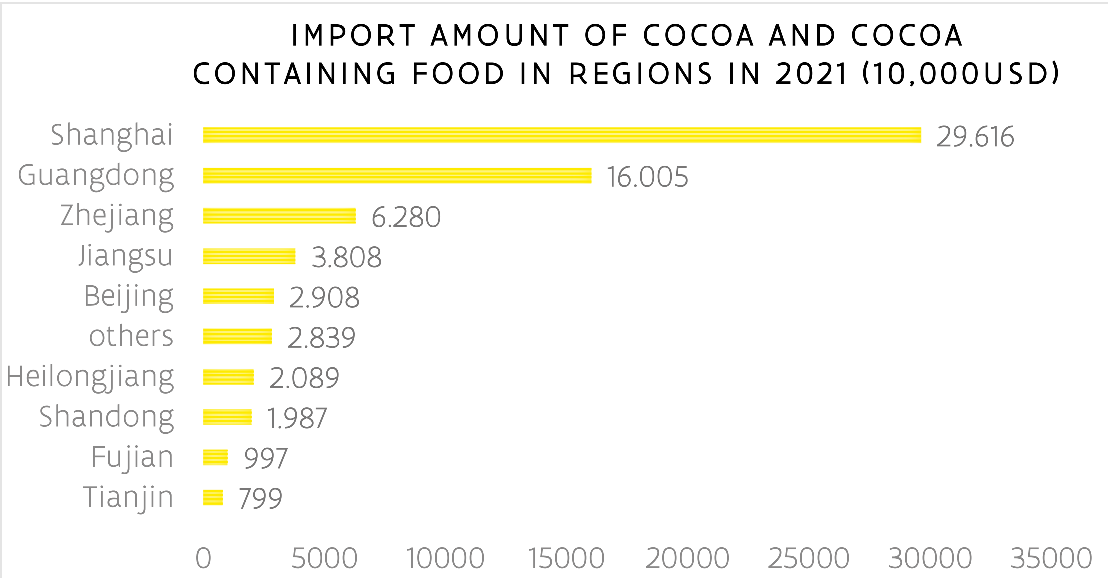
From the import statistics we observe that China mainly imports chocolate and other cocoa containing food from Belgium, Russia, Italy, the United States, Switzerland, Malaysia, France, Singapore, Germany, and other places. Among them, imports from Italy, Russia, and Belgium account for 46% of the total amount.



Source: www.chyxx.com

3.4.3 Import Regions

Shanghai is the region with the highest import of chocolate and other cocoa containing food in China, reaching USD 29.616 million in 2021. In terms of chocolate consumption, Shanghai can be regarded as the forefront of China as well, with its chocolate market accounting for about 15% of the national capacity. Next is Guangdong Province, with an import that is good for USD 160.05 million.



Source: www.chyxx.com

3.5 THE CHARACTERISTICS OF CHINESE CONSUMERS

3.5.1 Focuses of Chinese Consumer

- Quality

Chinese consumers increasingly value the quality of raw materials and the origin of products. Most of the time, international labels are considered a symbol of quality, Belgian chocolate enjoys a high reputation in the Chinese market, which brings great opportunities for Flemish enterprises to export to China.

- Health

With the increasing health awareness, Chinese consumers pay more attention to the nutritional value as well as the ingredients of chocolate. There is a growing interest for sugar free, low sugar and additive free products.

- Novelty

Chinese consumers are fond of novelty. Chocolate products with innovative flavours and personalized packaging will enjoy great acceptance.

3.5.2 Consumer’s characteristics

When it comes to consumption characteristics, we observe that the distribution of consumption demand in the chocolate market is relatively concentrated, mainly in first and second tier cities as well as the coastal urban centres.

The Chinese chocolate market is characterized by a diverse consumer demand. On the one hand, the younger generation of chocolate consumers pay more attention to quality, taste and packaging design. On the other hand, the chocolate demand of middle-aged and elderly consumers mainly focuses on health, nutrition and functionality.

Historically, in Chinese cuisine sweet tastes are usually combined with other tastes, like sour or spicy. However, globalization has changed the traditional culinary Chinese preferences. In modern China chocolate is now often integrated into cakes, candies, and beverages. We also see that health-conscious consumers are becoming the driving demand for cocoa and dark chocolate products.

Chocolate in China is mostly presented as a gift for special occasions, like Lunar New Year, Valentine’s Day and Qixi Festival (also known as the Double Seventh Festival, or Chinese Valentine’s Day – falls annually on the seventh day of the seventh month on the lunar calendar). This is why the most products in the chocolate market are sold in boxes.

3.5.3 Changes in Consumers' Choices

In the last couple of years, the general trend in consumers' choice of chocolate variety is facing a change. Although milk chocolate is still the most consumed kind, netizens – especially young people – are giving increasing importance to health and weight, thus choosing low-sugar options like dark chocolate over the traditional ones. This portion of the population represents almost one-third of chocolate consumers in China, leaving plenty of room for growth opportunities in this sector of the market.

3.6 KEY PLAYERS IN THE CHINESE MARKET

The world's top 20 chocolate companies have all entered the Chinese market. The following brands are dominating the mass distribution chocolate market in China:

3.6.1 Mars

40% of the market share

Virginia-based Mars (www.mars.com) is an American company known worldwide for their chocolate products. Mars is the biggest player on the chocolate market in China, with a lot of products being widely popular among Chinese netizens in recent decades, such as Snickers, Mars, and M&M's..

3.6.2 Ferrero

28% of the market share

Piedmont-based Ferrero (www.ferrero.com) is an Italian manufacturer known for products like Ferrero Rocher, Nutella, and Kinder, all of which have substantial presence in the Chinese market.

3.6.3 Mondelez International

Illinois-based Mondelez International (www.mondelezinternational.com) is an American multinational which owns the famous Cadbury, Milka, and Toblerone brands, which are popular in many international markets, including China.

3.6.4 Hershey's

The Pennsylvania-based Hershey Company (www.thehersheycompany.com) has been working vigorously to increase its presence in China and sells a variety of products there, including its classic Hershey's chocolate bars.

3.6.5 Nestlé

This Swiss company Nestlé (www.nestle.com), based in Vevey, Vaud, sells its famous KitKat and other products in China. Nestle is one of the world's largest food and beverage companies and has a significant presence in China.

It is important to know that foreign chocolate brands are taking up to 70% of the Chinese chocolate market. The Chinese chocolate market presents an enormous potential for international companies, as Western sweets and other products are increasingly popular among Chinese people, especially in 1st and 2nd tier cities of China.

The other 30% of China's chocolate market share is occupied by local brands such as the aforementioned Holiland, CHOCDAY, and NOVOR. Another somewhat lesser known brand is "Golden Monkey (Jinsihou)" produced by Shanghai Jinsihou Jituan Co., Ltd (www.jinsihou.com.cn).

(Jinsihou chocolate, picture originates from Baidu)

4. SALES CHANNELS

4.1 OFFLINE SALES

4.1.1 Supermarkets

Many supermarkets have dedicated shelfs and/or areas only for selling chocolate, which usually have many different brands of chocolate on display, including world-renowned brands as well as local brands. Consumers can thus find their favourite chocolate brands and flavours in supermarkets and make purchases conveniently.

"Yonghui Supermarket" (www.yonghui.com.cn) is a stock-listed supermarket chain which was founded in 1995 and which is headquartered in Fuzhou, Fujian. The number of Yonghui Supermarkets reached 1,057, covering 585 cities in 29 provinces and municipalities across the country.

(Pictures taken by author at Yonghui supermaket)

4.1.2 Flagship Stores

Many high-end chocolate brands are sold at flagship stores in high-end shopping malls or department stores. These chocolate brands boast traditional craftsmanship and the use high-end raw materials in their manufacturing process. Among these brands we find renowned names such Godiva, Venchi, Marcolini which all have dedicated shops in big cities like Beijing and Shanghai.

(Pictures originate from *www.Dianping.com*)

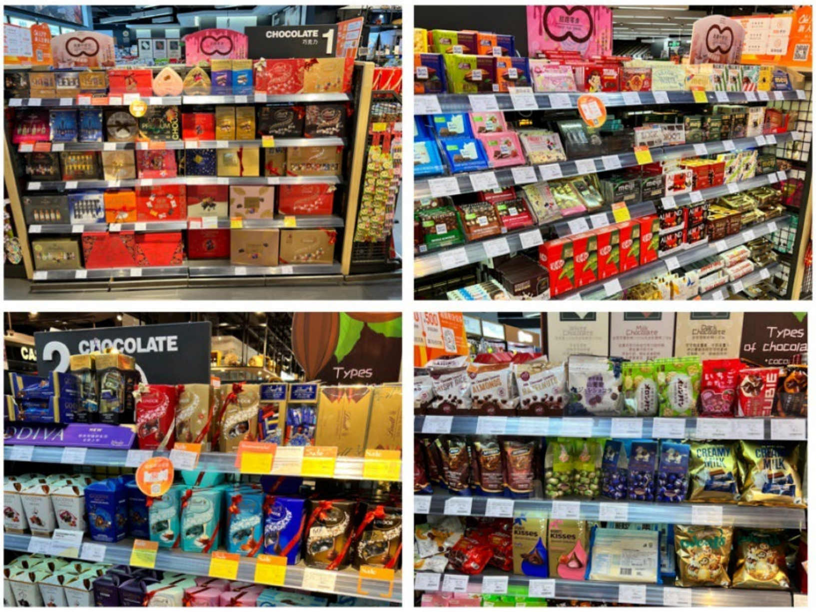
4.1.3 Premium Grocery Stores

Over the past decade, supermarket operators have been opening a large number of premium stores to cater the increasing number of wealthy consumers in China.

Premium grocery stores offer a wider range of imported goods and higher-priced products, targeting residents in urban areas with high income levels and greater spending power. These people are often willing to pay more for safer and higher-quality products.

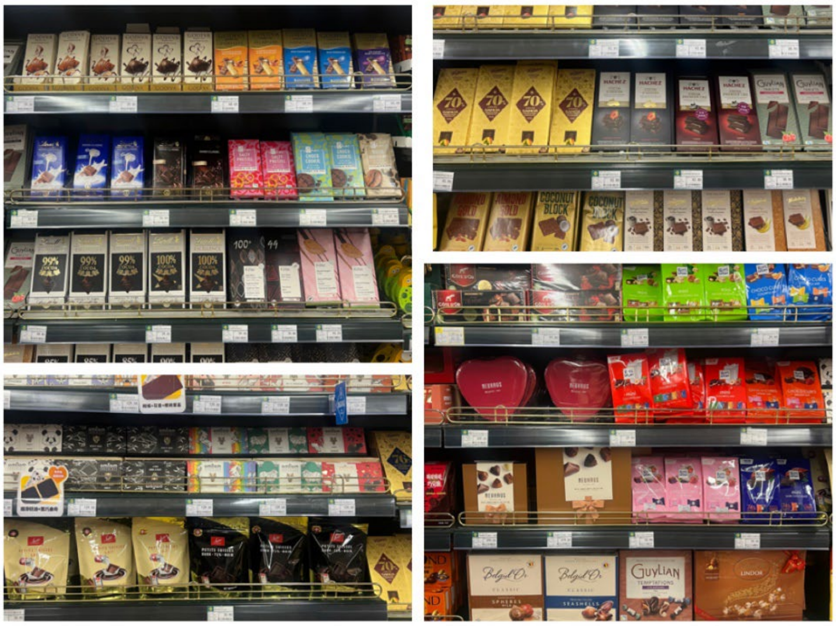
Premium grocery stores tend to be located near business centres and in the vicinity of hi-end shopping malls in the first and second-tier cities of China. Premium grocery stores include

"Ole'" (www.crvole.com.cn), which is operated by state-owned Shenzhen-based China Resources Vanguard (www.crv.com.cn) and which now has 35 supermarkets all over China.



(Pictures taken by author at Beijing Ole)

"BHG Market Place", which is operated by Beijing-based national retail enterprise Beijing Hualian Group (www.beijing-hualian.com) and which now has 200 supermarkets in more than 50 cities.



(Pictures taken by author at Beijing BHG)

"Hema Fresh" (www.freshippo.com), which is a new supermarket concept, operated by the Hangzhou-based Alibaba Group (www.alibabagroup.com) and which combines traditional shopping with a digital experience. There are now 260 Hema Fresh supermarkets all over China.

(Pictures taken by author at Beijing Hema Fresh)

“Jenny Lou’s” (www.weibo.com/525860678), which is a local Beijing grocery chain of 10 shops, since 1988 operated by Mrs. Lu Xudong and Mr. Wang Jianping, which specialize in imported products.

(Pictures taken by author at Beijing Jenny Lou’s)

4.2 ONLINE SALES

Over the past decade, China has experienced rapid digitalization, leading to the rise of several e-commerce platforms. These platforms have gained a massive user base of over 903 million users in the first quarter of 2022, contributing to the growth of China’s e-commerce sector.

As a result, it is now crucial for chocolate brands to sell their products online through these platforms. As such brands can reach a wide consumer audience.

According to our research, almost all imported chocolate brands sell online. The 2 main Chinese e-commerce platforms are JD and Taobao (under Alibaba Group)

4.2.1 JD.com

JD e-commerce platform

In 2004, JD.com launched its online retail platform, which soon became one of China’s leading B2C online retailers. With over 470 million active customers, JD.com is known for its wide range of products, including food items like sweets and chocolates.

JD.com has two operating models:

The first model is the pre-purchase of products from the supplier or so-called B2B2C model.

JD.com takes handles aspects such as transport, customs, warehousing, product page design, marketing, and after-sales. This mode is suitable for brands that are already quite well-known in China.

The second model is the opening a store for brands or so-called marketplace model.

In this case, it is the brand itself that directly opens its own online store on the platform. In return, JD.com handles customer service, marketing infrastructure, and other types of services. In exchange for this JD.com charges sellers a fee and in addition collects a commission on sales. The latter can range from 2% to 10% depending on the product category.

In both models, final payments from users are made through the JD Pay and WeChat Wallet electronic payment systems.

JD.com also has a cross-border platform, JD Worldwide (https://cooperation.jd.com/lang/en?showNav=1).

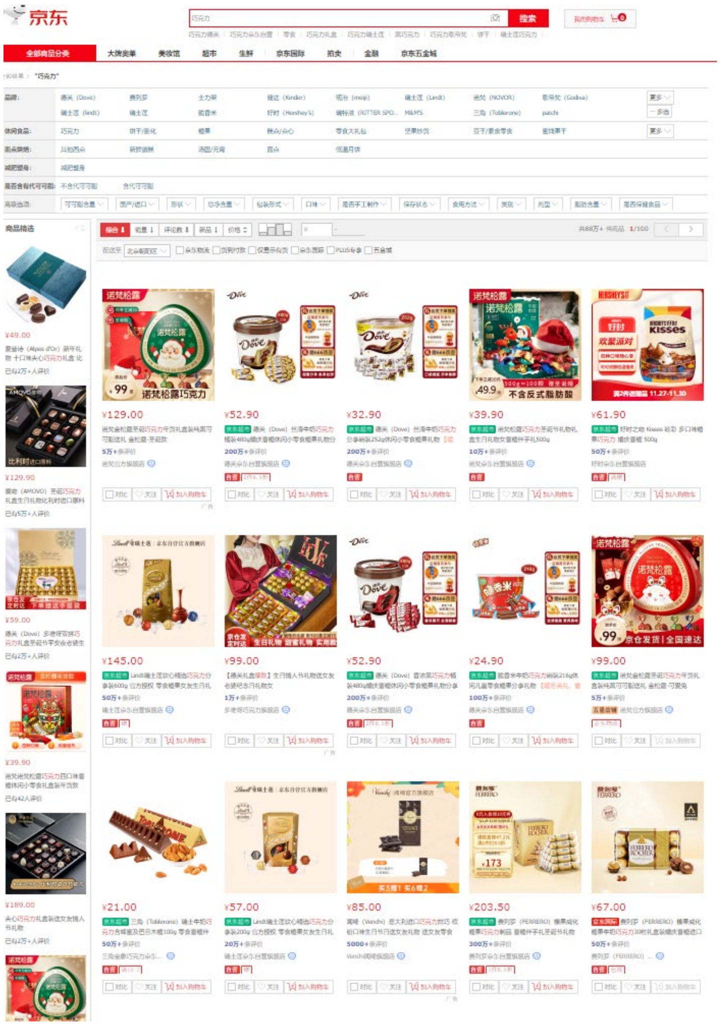
Through JD Worldwide, Chinese people can purchase products from international brands that are not physically present in China.

In fact, shipping is carried out directly from the foreign warehouse, thanks to the support of international shipping and logistics companies.

Brands using JD Worldwide can open online stores to showcase their products.

Four types of stores that can be opened: Flagship store, outlet store, franchised store and exclusive store.

For the time being, payments are only possible in USD.



(JD e-commerce platform screenshot)

4.2.2 Taobao

[Taobao e-commerce platform]

Launched in 2003 by Alibaba, Taobao is also a very popular online shopping platform in China. It offers a wide range of products and services. Taobao is well-known for its B2C and C2C transactions. As of 2022, Taobao has 483.4 million monthly active users and accounts for nearly 60% of e-commerce sales in China. Hence it has the largest Chinese consumers base of all e-commerce platforms in China. Selling products through a Taobao gives great visibility.

Anyone can sell on Taobao, as long as they have a local presence (which is often the reason why foreign companies chose Tmall (www.tmall.com) or Tmall Global instead).

Taobao Mall (Tmall) is a commercial B2C website based on the Taobao platform. This business model assumes that the seller must be a legal entity, that is an organization, an official manufacturer, or a trademark, supplying goods and services to a final individual customer.

Tmall was launched in 2008 to counter Taobao's persistent problem with fake goods and counterfeiting, offering the cheapest products with lower quality.

As of 2022, Tmall has more than 500 million active monthly users.

To open a Tmall store and sell products to Chinese consumers, the legal entity must provide all appropriate documentation to confirm the reliability, authenticity, and real fact of the existence of the organization, company, manufacturer, or brand.

The Tmall platform guarantees that all goods are authentic and on the page of each seller, the certificates of quality and compliance are displayed. Therefore, cosmetics, health supplements, food, mother and baby products are the most popular product categories on the platform, due to the fact that people want to be sure of the quality of those products.

At present there are over 70,000 official stores of national and international brands available on Tmall.

Selling products on Tmall comes with a price. Setting up a Tmall store is very expensive and it's not for everyone. Only well-known brands can set up flagship stores on the platform.

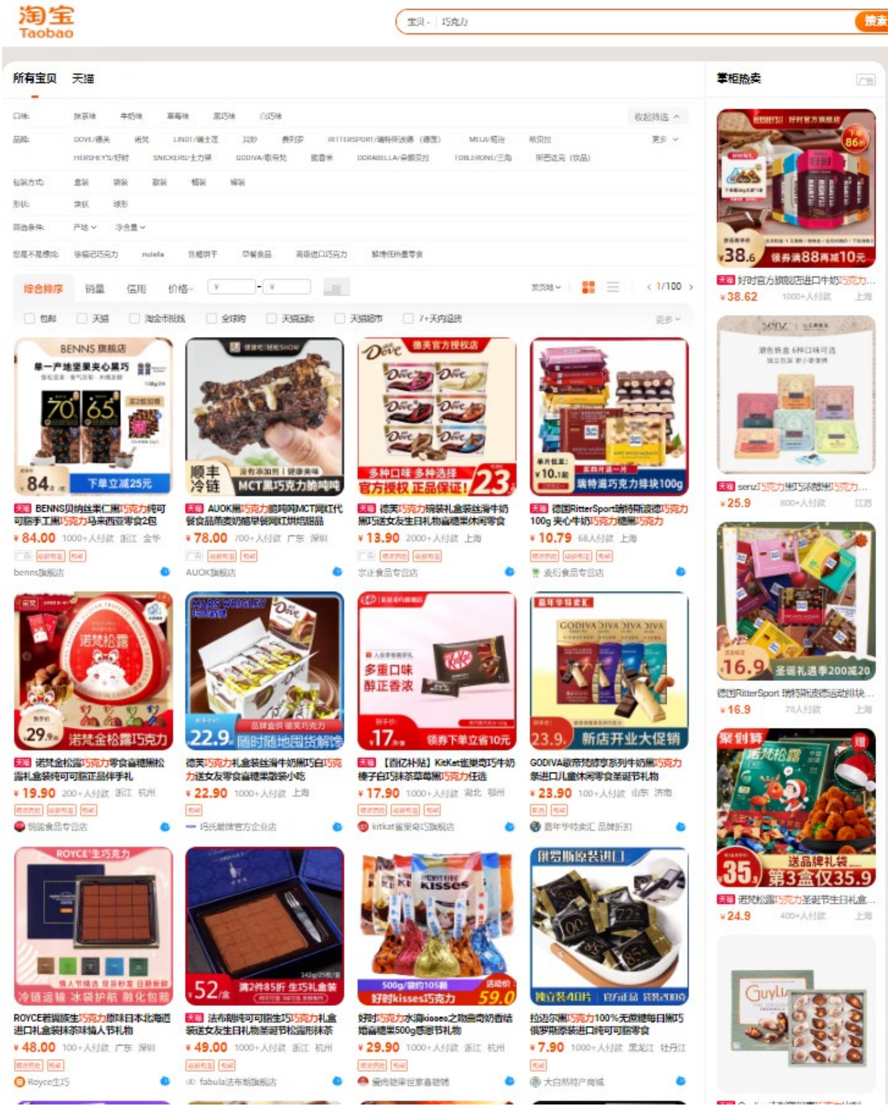
Sellers on Tmall have complete control over pricing and product descriptions.

Tmall.com is open to foreign sellers. However, they must first register a company in China and open a local bank account. This process can take from 4 to 8 months. The cost of such formalities is between $5,000 and $6,000. In addition, commissions, deposits, and annual technical fees must also be taken into account.

As an answer to a growing demand for overseas products, Alibaba Group launched in 2014 the Tmall sub-platform:

Tmall Global. (www.tmall.hk) is a cross-border e-commerce online marketplace, which is an international version of Tmall.

This platform enables foreign brands to sell directly without the need for a Chinese business license. Since 2014, Tmall Global grew to become the largest Chinese cross-border B2C platform.



(Taobao e-commerce platform screenshot)

Tmall Global does not require a company registration in China, a Chinese bank account, or storage in China. To enter Tmall Global, the company must have been operating for more than two years, and its sales exceed USD 10 million. When selling your products on this website, you need to be the owner of the brand, have a logistics plan to enter the market, and have the required documentation. You must prove that the goods comply with Chinese regulations. One such requirement is CCC certification.

4.2.3 Group Buying

In recent years, group buying in China has gradually changed the consumption behaviour of many Chinese consumers as it increases their bargaining power.

Actually, group buying was one of the success drivers of Pinduoduo (https://en.pinduoduo.com/), another important Chinese e-commerce giants, which has grown very fast in recent years.

Pinduoduo offers two buying buttons. One is individual and the other is group.

Prices for each of the buttons are different.

If one selects “group buy” option, one can form a new group or join an existing group.

Buyers have 24 hours to complete the group purchase, or the deal gets cancelled.

A short window to unlock the deal incentivizes buyers to quickly tap into their networks and recruit friends and family as quickly as possible. A buyer’s network invites their own networks, creating a chain reaction.

In case of Pinduoduo, buyers conduct group purchases to share discounts. But they can also carry out group purchases to share taste. Engaging in group purchases for taste is novel, and it opens up group buying from mass brands to mid-tier and luxury brands.

The group buying model adopted by Pinduoduo forced other e-commerce companies to invest heavily in the group-buying functions, as its potential is truly enormous.

For foreign brands group buying can be a platform for increasing awareness, encouraging trial and shifting stock, but at this stage, it mainly remains a pricing game and not very appropriate for imported brands whose strategies are less based on lowering prices.

4.3 METHODS OF APPROACHING RETAIL CHANNELS

To approach the aforementioned sales channels, Flemish SMEs could consider the following methods:

- Partnership with experienced importers/distributors can help Flemish SMEs understand and approach the channels.
- Participating or visiting relevant trade shows will help to understand recent consumption trends and to meet more potential retail partners.
- Working with business chambers/consultants in China to better approach retail channels.

5. KEY SUCCESS FACTORS

5.1 POSITIONING AND BRANDING

Flemish chocolate product exporters must make sure that they are really clear about how their brand will be positioned in relation to the key competitors and which motivators you will be addressing with your product.

For the size of the segment, the chocolate market in China is pretty saturated with foreign brands, so they must think really carefully what their brand can uniquely offer.

In China, a brand's image is an important key factor in its success among Chinese consumers. Since the chocolate market is quite competitive, consumers prefer to rely on brands that they already know or someone recommended to them.

5.2 ADAPT CHINESE MARKET WITH LOCALIZATION

With the increasing understanding of the health benefits of dark chocolate among Chinese consumers, people's preference for dark chocolate is gradually increasing. In China, too sweet products are not accepted by the majority of people. Consumers particularly prefer low sugar options.

Chinese consumers prefer new and innovative things, if the marketing is right, more exotic flavours such as fruits, green tea or chili peppers will be welcomed by consumers. Diabetes is also on the rise in China, so products with some additional health or functional benefits are a key part of the chocolate trend in China (e.g., sugar free chocolate, added probiotics, etc.)

5.3 ONLINE PRESENCE

5.3.1 Having a Chinese Website

It is crucial for brands to establish an online presence. Creating a Mandarin Chinese website is crucial for chocolate brands selling in China. Consumers often start their search by entering the brand's name on Baidu (www.baidu.com), which is the Chinese equivalent of google. So it's important to have a well-optimized website that appears in the search results.

Additionally, it's essential to adapt the website for smartphones, as many people in China use their smartphones for online searches.

5.3.2 Chinese Social Media

In China, having a strong presence on Chinese social media platforms is crucial for brands due to the large number of internet users in the country.

The Chinese population is highly connected, making it essential for brands to have an official account and actively engage in trending topics.

When Chinese internet users are searching online for chocolate brands, they will look at reviews, forums, pictures, and other sources of information to compare with other brands before making a decision to buy or not to buy.

Flemish chocolate product companies interested in the China market, are advised to use social media to promote brand awareness and e-reputation.

Below are the most popular social media platforms in China.

5.3.2.1 Wechat

WeChat (www.wechat.com), created by Tencent (www.tencent.com) in 2011, is the largest social media platform in China with more than 1.26 billion users as of 2022. It is an extremely powerful social media and has users of all ages and social strata.

Establishing an official account on WeChat is a must for all brands entering the Chinese market. Brands are able to use this account to publish product information, live streaming, content marketing, customer service, sales and after-sales services and everything else online.

(Wechat official account of GODIVA)

5.3.2.2 Baidu

Aforementioned Baidu (www.baidu.com) is the largest search engine in China. Chinese consumers use this Chinese equivalent of google to verify the history and authenticity of a brand first when they are exposed to it for a first time. Baidu has therefore become an important factor in making a first important impression of the brand towards the user. Optimizing the search results of your brand keywords in Baidu is also an important for brand building.

(Search "Belgian chocolate" on Baidu)

5.3.2.3 Douyin

Douyin (www.douyin.com), in the West better known as TikTok is a short-form video hosting service owned by ByteDance (www.bytedance.com). With its 743 million monthly active users, advertising on Douyin has become an essential strategy for foreign brands to gain a significant foothold within the Chinese market. Using Douyin influencers to promote brands, products, or services, and to drive traffic to websites or to generate direct sales is becoming a trend, albeit not a cheap one!

(Screenshot of Douyin)

5.3.2.4 Weibo

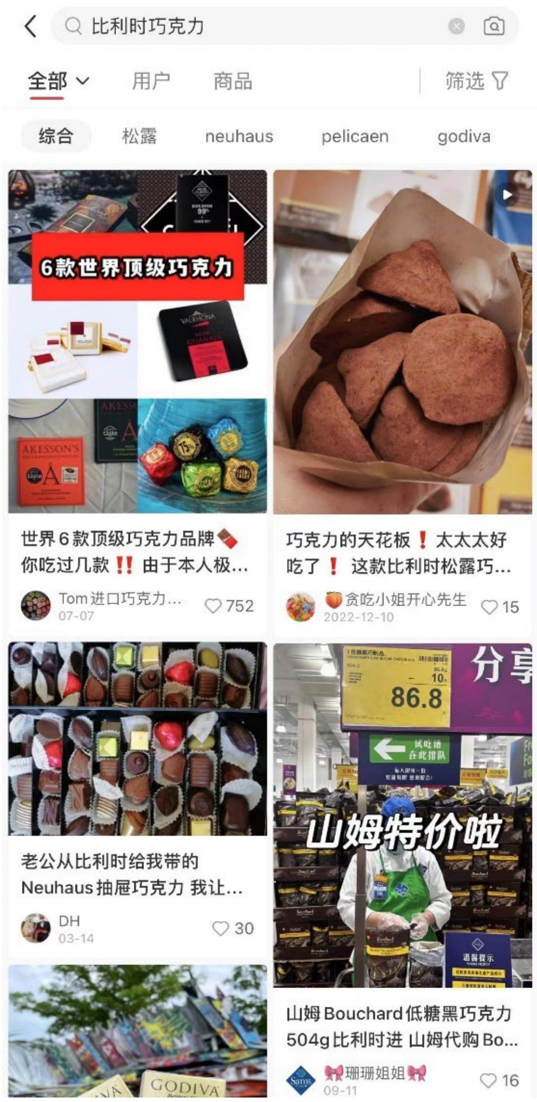
Weibo(www.weibo.com), launched in 2009 by Sina Corporation (www.sina.com.cn), is a popular social media platform in China. It offers micro-blogging services and is often compared to Twitter. Weibo currently holds a significant share of the Chinese microblogging market, with a large number of active users and daily posts.

(Guylian's official Weibo account)

5.3.2.5 Xiaohongshu (Little Red Book)

Little Red Book, also known as Xiaohongshu (www.xiaohongshu.com) or RED, is a popular social media and e-commerce platform in China. It has a user base of more than 300 million registered users, with a majority of them being women.

Users on this platform, often compared to Instagram, seek shopping recommendations, product opinions, travel tips, fashion advice, beauty tips, and more. Using Xiaohongshu for brand awareness and e-reputation can be a wise strategy for a new brand that wants to step into the Chinese market.



(Screenshot of Xiaohongshu)

5.4 PACKAGING

When it comes to chocolate, packaging is just as important as the actual taste in China. Packaging design is an essential component of brand image; and more often than not, it will be a decisive factor in buying or not buying. It is not an exaggeration to state that if your packaging is not attractive, consumers won't even get as far as just trying the product.

First of all, to create an aura of high-value and exclusivity, chocolates need to be sold in smaller unit sizes than would be the case in Europe. Just as in Europe, it's easier in China to lure consumers into purchasing expensive products in smaller packages.

Secondly, on many occasions, Chinese people will buy chocolate products to bestow upon people as gifts during special occasions (New Year, Valentines, birthdays…). This is an important argument for the Flemish chocolate producer to make sure that the packaging of their product is luxurious and worthy to be used as presents.

In summary, if Flemish chocolate companies want to export to China, they must attach importance to the packaging design of their products as it truly enhances their competitiveness in the market.

6. MARKET ENTRY MODES

6.1 EXPORT TO CHINA

Flemish companies must carefully consider their market entry route in view of both short and long-term growth, when deciding to enter the Chinese market. As a first step, most SMEs tend to work with a local partner(s) by finding a distributor or agent. As a rule the local partner(s) should be experienced in the chocolate market and be willing to assist the Flemish companies for branding. Working with a local partner has its advantages and disadvantages.

Advantages may include:

- Saving time and money;
- Faster obtaining knowledge of the local market;
- Efficiently taking advantage of the partners' existing network;

However, there are some disadvantages as well:

- Distribution through Chinese partners may result in additional costs and lower profit margins;
- The Flemish companies will not be the sole decision-maker when it comes to developing a sales and marketing strategy, as the Chinese partner will have an important say in it.

A formal cooperation agreement is important. Apart from the normal clauses, it is suggested that exit clauses and intellectual property protection be considered and added into the agreement. (For example: the ownership of the Chinese name of your brand in China)

Flemish companies must engage in discussion with their partner(s) on how to jointly develop the market, such as sales training, marketing assistance and clear key performance indicators.

In addition, Flemish companies will have to visit China on a regular basis to have physical meetings with their local partners and to attend relevant trade shows together with them.

As for the different models of exclusive and multiple distributorship, please refer to the advantages and disadvantages below:

Advantages and disadvantages of different distributorship models

Model	Advantages	Disadvantages
Exclusive Distributorship	• Exclusive distributorship can save time and effort in negotiating with more than one distributor in the same region. • Maximize control over the output of sales in the territory. • Make the distributor more motivated, ensuring more dedication and knowledgeable sales efforts from the partners.	• Considering China's size, a single distributor may not have the capability to cover the country; key players would need to establish their own sales outlets in all major cities. • An exclusive distributor acts as the only partner in the market, which can discourage a competitive mind-set.
Multiple Distributorship	• Multiple distributorships can give the brand the freedom to sell to and appoint other distributors. • This can generate better market coverage, wider customer recognition and result in increased sales.	• The brand will need to cooperate with more than one partner, so more conflict and control problems could arise. • With this type of sales channel it is difficult to build and maintain a high level of exclusive brand image, which may result in distributers competing against each other. • Such an arrangement may also bring about a price war among distributors. Due to price inconsistencies from different distributors, retailers could sell at varying prices to customers.

(Source: EU SME REPORT)

6.2 SETTING UP A BASE IN CHINA

If the Flemish exporter notices that the China business keeps growing, then establishing a physical presence in China can be considered as a next logical step for further development.

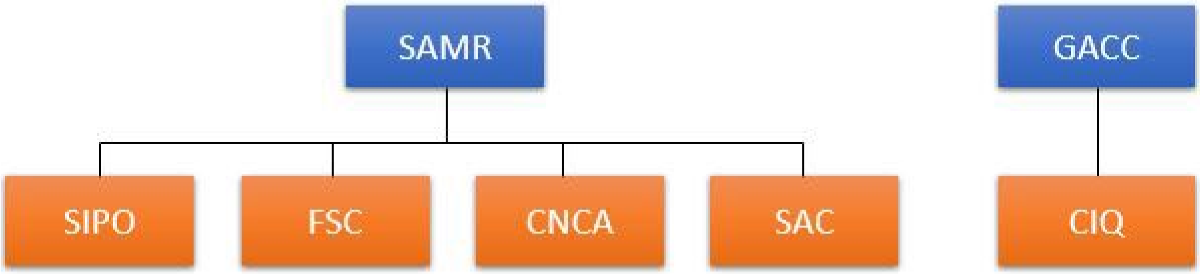
There are different types of physical presences in China. Flemish companies can for instance choose to set up a Wholly Foreign Owned Enterprise or a Representative Office.

The registered capital of a WFOE is contributed solely by foreign investor(s). A WFOE does not include branches established in China by foreign enterprises and other foreign economic organizations. The Chinese Laws on WFOE do not have a clear definition of the term of "branches". The term of "branches" should include both the branch companies engaged in operational activities and representative offices, which are generally not engaged in direct business activities. Therefore, branches and representative offices set up by foreign enterprises are not WFOE.

A Representative Office (RO) is a type of entity structure that enables a foreign company to enter the Chinese market without an on-the-ground presence through engaging in research, marketing, publicity, liaison and networking activities. An RO however cannot conduct business activities that directly generate revenue, such as entering into commercial contracts, concluding sales and issuing invoices. From the outset, An RO cannot stand on its own as an independent legal entity. Without a separate legal personality, it operates as an extension of the foreign parent company.

7. GOVERNMENT SUPERVISION & REGULATION

7.1 CHINA'S KEY AUTHORITIES' STRUCTURE



As we can see from the organogram above, we identify two Chinese key authorities when it comes to supervising and regulating the trade in foodstuffs: SAMR and GACC.

The abbreviation SAMR stands for State Administration of Market Regulation (www.samr.gov.cn), which controls four important organizations.

First of all there is the SIPO or State Intellectual Property Office, which recently changed its name to China National Intellectual Property Administration (CNIPA) (www.cnipa.gov.cn).

Secondly there is the FSC or Food Safety Commission (www.cfsn.cn).

Thirdly there is the CNCA or Certification and Accreditation Administration (www.cnca.gov.cn) which basically handles industry manufacturing licensing.

Fourthly there is the SAC or Standardization Administration of China (www.sac.gov.cn). The SAC is responsible for product standardization and quality inspection.

The second key authority is the GACC which stands for the General Administration of Customs of China (www.customs.gov.cn).

GACC is responsible for the so-called CIQ or China Inspection and Quarantine Office (www.aqsiq.net/ciq.htm). It also supervises so-called inbound and outbound trade activities, including customs control, revenue collection, anti-smuggling measures and the compilation of foreign trade statistics.

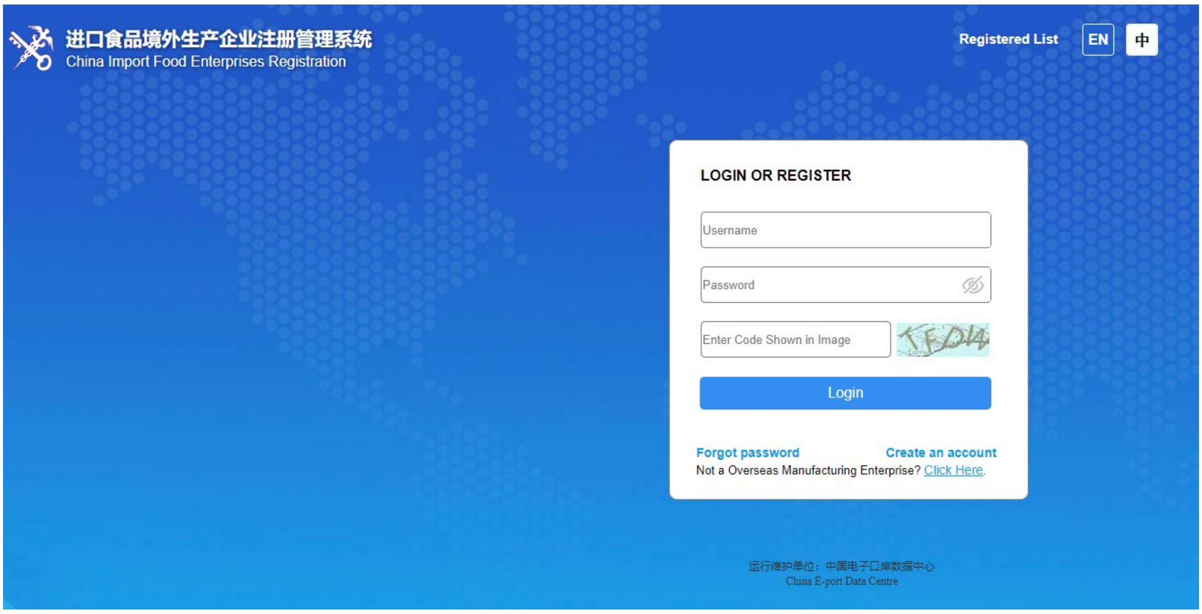
7.2 CUSTOMS IMPORT TARIFF OF CHOCOLATE AND CHOCOLATE PRODUCTS IN CHINA

HS Code	Product	Most Favourable Nation Rate	VAT Rate
18.06	Chocolate and other food preparations containing cocoa		
1806.1000	Cocoa powder, containing added sugar or other sweetening matter	10%	13%
1806.2000	Other preparations in blocks, slabs or bars weighing more than 2kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2kg	10%	13%
	Other, in blocks, slabs or bars		
1806.3100	Filled	8%	13%
1806.3200	Not filled	10%	13%
1806.9000	Other	8%	13%

7.3 REGISTRATION SYSTEMS

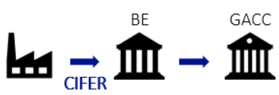
According to Regulations of the People's Republic of China on the Registration and Administration of Overseas Manufacturers of Imported Food (Decree No. 248) issued by aforementioned GACC on April 12, 2021, all overseas food manufacturers must register with the Chinese authorities, *in casu* the GACC in order to export products to China. Said decree 248 replaced the Administrative Measures for Registration of Overseas Producers of Imported Food (Decree 145).

Access the platform via: https://cifer.singlewindow.cn



Depending on the product category, food producers must register with the GACC either through the competent authority of the exporting country or directly and/or through a private agent. The procedure is shown on the website of the General Administration of the Chinese Customs (GACC), please see: http://jckspj.customs.gov.cn/spj/xxfw39/jkspjwscqyzcmd/5160505/index.html

Four possible situations depending on the product category

(1) No registration needed	(2) Registration via cifer.SINGLEWINDOW	(3) Registration via cifer.SINGLEWINDOW	(4) Modalities not clearly defined
Please continue as usual			Please take contact with your importer to know in which situation (1), (2) or (3) your product falls
	Without validation by Belgian competent authority	With validation by Belgian competent authority	

Recommended registration by the competent authority:

There are 18 food categories for which the registrations needs to be recommended by the competent authority, they are:

1. Meat and meat products,
2. casings, aquatic products,
3. dairy products,
4. bird's nests and bird's nest products,
5. bee products,
6. eggs and egg products,
7. edible oils and fats, oilseeds,
8. stuffed pastry products,
9. edible grains,
10. milled grain industry products
11. malt
12. fresh and dehydrated vegetables
13. dried beans,
14. condiments, nuts and seeds,
15. dried fruits,
16. unroasted coffee beans and cocoa beans,
17. foods for special dietary purposes
18. health foods.

Food other than the above 18 categories, overseas manufacturers can do registration by themselves or entrusted agents.

To know in which category your product falls, please consult the table (sorted by Chinese HS codes) on the Belgian Federaal Agentschap voor de Veiligheid van de Voedselketen (www.favv-afsca.be).

Registration Validity

Once the overseas manufacturer receives a Chinese registration number he/she will be able to see the exact validity period. The validity period of the registration is 5 years after validation by the Chinese authorities.

For registration renewal / extension a new registration request must be registered in China Import Food Enterprise Registration (CIFER) (See:

www.favv-afsca.be/professionelen/export/productendierlijkeoorsprong/china/cifer/) so that it arrives at the Chinese authorities within 3 to 6 months preceding the end of the registration validity.

7.4 PRE-PACKED FOOD LABELLING

In 2019, the General Administration of Customs updated the regulation on the labelling supervision of imported pre-packaged food.

It stipulates that if imported pre-packaged food is selected for on-site inspection or laboratory inspection, the importer shall submit to the customs personnel:

- the certification material related to the food label,
- the original as well as the translation of the label,
- the Chinese label sample and other certification

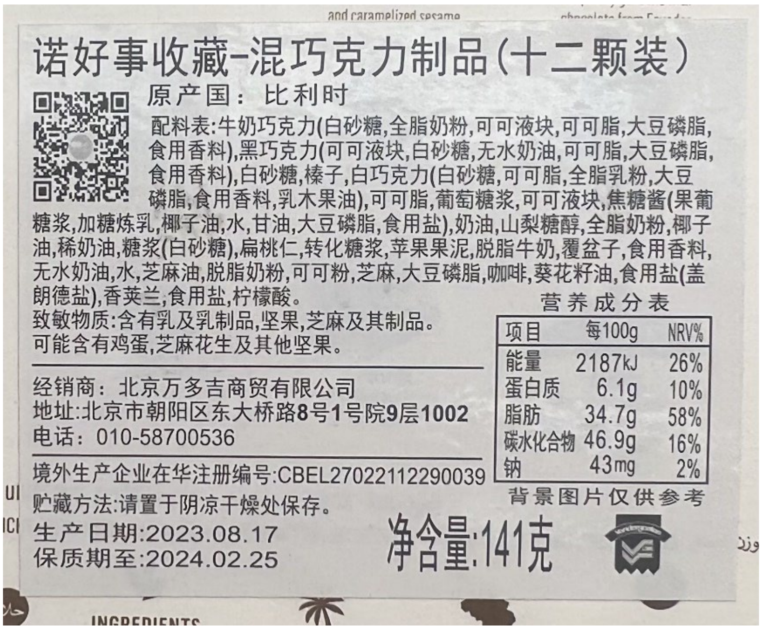
As one of the food inspection items, imported pre-packaged food labels are inspected by customs in accordance with the relevant laws and administrative regulations on food safety and inspection of imported and exported commodities.

Importers shall be responsible for reviewing whether the Chinese labels of imported pre-packaged foods comply with the relevant requirements and regulations.

Mandatory labelling requirements on imported pre-packaged food labels

Imported pre-packaged food labels must indicate:

- Food Name
- Ingredients list
- Specifications and net content
- Production date and shelf life
- Storage conditions
- Country (region) of origin
- Name, address, and contact of domestic agents
- Importers or distributors and label nutrients in some circumstances
- Registration number (new)



(Label sample picture)

The legal basis for customs inspection and supervision of imported pre-packaged food labels mainly includes:

Food and Agricultural Import Regulations and Standards

- **GB7718** General Rules for Labelling Pre-packaged Foods
- **GB2760** General Standards for Food Additives
- Food Safety Law of the People's Republic of China (2018)
  (Only Chinese version available, it can be provided to Flemish companies through FIT)
- Import and Export Commodity Inspection Law
  (Only Chinese version available, it can be provided to Flemish companies through FIT)

The relevant national standards on food products are:

- **GB13432** General Rules for Labelling Pre-packaged Foods for Special Dietary Uses
  (Only Chinese version available, it can be provided to Flemish companies through FIT)
- **GB14880** General Standards for Food Nutrition Enhancers and Other Product Standards
  (Only Chinese version available, it can be provided to Flemish companies through FIT)
- **GB 9678.2-2014** Hygiene Standards for Chocolate
  (Only Chinese version available, it can be provided to Flemish companies through FIT)
- **GB/T 19343-2016** Chocolate and chocolate products, cocoa butter alternatives chocolate and its products,
  (Only Chinese version available, it can be provided to Flemish companies through FIT)
- **GB 9678.2-2014** National Food Safety Standard on Chocolate and Its Products,
  (Only Chinese version available, it can be provided to Flemish companies through FIT)

Registration System Regulations:

- **Decree 248** Regulations of the People's Republic of China on the Registration and Administration of Overseas Manufacturers of imported Food
- **Decree 249** The Measures of the People's Republic of China for the Administration of Import and Export Food Safety

8. POTENTIAL DISTRIBUTORS/AGENTS

A list of potential distributors and/or agents can be provided to Flemish companies through FIT.

9. TRADE FAIRS

- China Food & Drink Fair

  Location: Chengdu

  Time: March

  The China Food & Drinks Fair (CFDF) is a true flagship event for China's food and beverage sector. It was initiated in 1955, and now it is regarded as one of the largest and most time-honoured exhibition events in China.

  Website: www.chinafoods-expo.com/

- FHC (Food & Hospitality China)

  Location: Shanghai

  Time: November

  FHC Shanghai Global Food Trade Show is the leading comprehensive exhibition platform in China. Its main exhibits including seafood, high-end dairy products & oils; tea & coffee, bakery & gelato; snacks, confectionary &chocolate; high-end food supply chain; and catering design & decoration.

  Website: www.fhcchina.com/en/

- SIAL China

  Location: Shanghai

  Time: November

  SIAL China is Asia's largest food innovation exhibition. This prestigious exhibition takes place in Shanghai, a gateway to Asia, and a global center of finance and innovation.

  Since 2000, SIAL China has served as a launchpad for food and beverage companies looking to expand into China.

  Website: www.sialchina.com/

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