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Sauces, Dressings, and Condiments in China

2020 Impact

Shift to Retail, Not Enough to Offset Decline in Foodservice

The COVID-19 outbreak coincided with the Chinese New Year. As a result, measures implemented to contain the disease were in place during what is traditionally the peak season for foodservice outlets, with people gathering together and dining out during the season's festivities. This had a marked negative impact on sales of sauces, dressings, and condiments through foodservice channels. However, retail saw a positive effect, as demand shifted towards sauces, dressings, and condiments required for home cooking. Nonetheless, overall retail sales were not sufficient to offset the decline seen in foodservice, which makes more use of sauces in elaborate dishes that consumers do not have the time and skills to replicate at home. Moreover, chefs are often very generous with sauces, causing more wastage than usually seen in home cooking. Furthermore, many time-pressed consumers opt for convenience foods such as ready meals, which do not require the addition of sauces, dressings, or condiments, when eating at home.

Soy Sauces See Shift in Character

Soy sauces are seeing a notable shift in character, with national standards coming into force in December 2019 that revised the definition of soy sauce so that it now excludes blended soy sauces and only applies to brewed products. Furthermore, manufacturers are actively upgrading their offers, with high-end soy sauce that is high in amino acid nitrogen, indicating a high degree of umami, increasingly penetrating the market. The upmarket move in the character of soy sauces has also involved increasing demand for products that are

Highlights

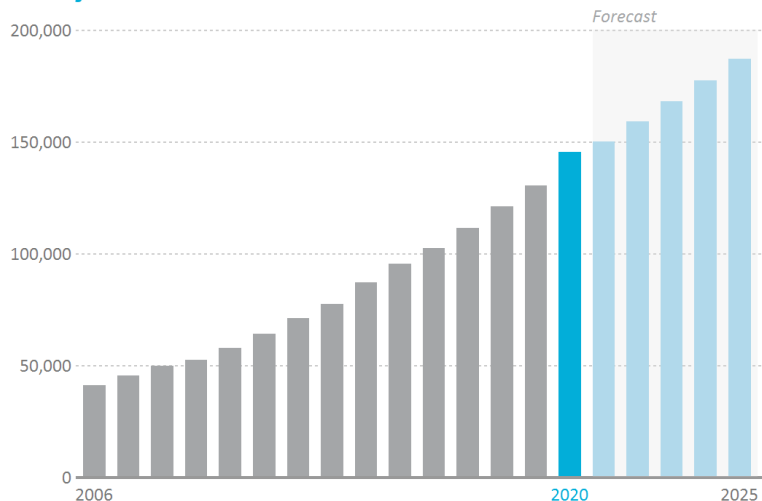
- This issue provides insights and analysis on sauces, dressings, and condiments in China which also gives a highlight to the COVID-19's impact on the industry.
- This report also discusses the soy sauces' shift in character and the potential of cooking sauces in the post-lockdown conditions, among others.

free from preservatives. According to a lifestyle survey in 2020, 51% of Chinese consumers seek "free from preservatives" on food labels. As a result, Qianhe's free from preservatives soy sauce has achieved strong growth in recent years. Also, Foshan Haitian Flavoring & Food Ltd's Haday brand and Lee Kum Kee's eponymous brand have launched high-end soy sauces without coloring or monosodium glutamate, which has helped to drive up the unit price in the category.

Foodservice outlets have historically dominated the consumption of oyster sauces, as consumers have not known how to use these products in home cooking. However, manufacturers' efforts to promote oyster sauces are helping to raise consumer awareness. Haday's advertising states that its products contain "more oyster sauce, less monosodium glutamate, and less salt," encouraging consumers to see its oyster sauces as a healthy product that can enhance umami. Moreover, to encourage new consumers to try its products,

Sales of Sauces, Dressings and Condiments in China
Retail Value RSP - CNY million - Current - 2006-2025

144,987



Haday offers its oyster sauce at a lower price than Lee Kum Kee. For its part, Lee Kum Kee has introduced new, squeezable packaging, which is easier to use and provides greater portion control than regular glass bottles. Oyster sauce originated in Cantonese regions and is now achieving nationwide penetration.

Leader Working to Diversify its Offer

Foshan Haitian Flavoring & Food Ltd remains the leading player in sauces, dressings, and condiments, ahead of Lee Kum Kee (Guangzhou) Food Co Ltd. Haitian has worked to consolidate its leading position in soy sauces while also expanding its oyster oil business by targeting the middle-to-low-end market and increasing its influence with younger consumers through the sponsorship of trendy talk show, Roast, and live show, Super Brain. As the opportunities for growth in soy sauces become more limited, Haitian are working to diversify its offer through moves such as the acquisition of Danhe, a top-five player in vinegar, entering the sesame oil category through acquisition in January 2020, and launching a hotpot condiment in August 2020. Second-placed, Lee Kum Kee, which established its reputation in oyster oil, though it also offers soy sauce products, has suffered from management issues towards the end of the review period, which have undermined its performance and contributed to declining value share.

Recovery and Opportunities

Post-lockdown Conditions Provide Potential for Products Such as Cooking Sauces

The return to normal social and economic activity following the lifting of the strict restrictions imposed to contain COVID-19 will generate notable opportunities for the development of sauces, dressings, and condiments during the forecast period. Products such as cooking sauces are becoming increasingly popular in foodservice channels because they improve efficiency and help to control costs, which has become more important than ever due to the impact of lockdown on the foodservice industry. Moreover, the use of cooking sauces helps to ensure consistency in the flavor of dishes. Retail is also seeing favorable conditions for the rising demand for convenient products such as cooking sauces, as consumers return to hectic modern lifestyles and have little time for preparing and cooking meals from scratch. Moreover, such products appeal to many younger consumers

leading busy urban lifestyles who, unlike their parents, have not learned basic cooking skills. Haidilao targets such consumers with its selection of hotpot condiments, which makes it easier for consumers to enjoy hotpot at home. Similarly, Totole has launched cooking sauces of popular Chinese dishes such as Mapo tofu and sweet and sour ribs. The platform for the growth of such products has been enhanced by the experiences of lockdown, during which many consumers became familiar with cooking sauces as they were forced to cook at home.

Continued Development of the Health and Wellness Trend

As in other packaged food categories, the prominent health and wellness trend will play an important role in the development of sauces, dressings, and condiments during the forecast period. COVID-19 has increased consumer health-consciousness through direct concerns about contracting the disease and greater awareness of issues such as the role of diet in a healthy immune system, as well as encouraging a stronger emphasis on health in general. The aging of the Chinese population is set to provide a further stimulus to the health and wellness trend during the forecast period, as consumers increasingly look to dietary adjustments to address potential age-related health issues. Reduced salt sauces, dressings, and condiments products are set to become increasingly popular among middle-aged and older consumers concerned about high blood pressure, for example.

New Labeling Regulations Could Influence Health-orientated Demand

The influence of the health and wellness trend may be affected by new regulations relating to product labeling, with the State Administration for Market Regulation issuing the Measures for the Supervision and Administration of Food Labelling (Draft for Comment) on 27 July 2020. The draft was notified to the World Trade Organization on 23 September, though China had not proposed a date for when the measures would come into force. The document encourages food manufacturers to mark reduced oil, reduced salt, and reduced sugar on food labels. Many soy sauce brands already offer reduced salt options, with Lee Kum Kee's product portfolio including soy sauce with 25% less salt than its regular offering, but with the same umami, for example. However, the new labeling regulations will also restrict the use of "free-from" claims on food labels, which will require products such as "free from preservatives" sauces to find a new way to communicate their selling point. ■

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