

Market Intelligence Digest

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The EMB or the Department of Trade and Industry (DTI) is mandated to oversee the development, promotion and monitoring of Philippine exports. The EMB provides the exporters the enabling environment to make them globally competitive.

Export Marketing Bureau

G/F and 2/F DTI International Bldg.

375 Sen. Gil Puyat Avenue

Makati City 1200, Philippines

Tel. No.: (632) 465 3300

Fax No.: (632) 899 0111

<http://www.dti.gov.ph/exports/>

<http://tradelinephilippines.dti.gov.ph/>

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What's Trending in Chinese Milk and Yogurt (Part 1)

China's growing milk and yogurt markets mean there are plenty of opportunities for brands to introduce new products and experiment through new channels.

The highlights

✓ Local consumer trends

There are opportunities to go beyond mass market to target seniors and children. Social media may become a new retail channel, while sustainability is getting more attention and consumers may be willing to pay more for green packaging.

✓ The market

China's milk and yogurt markets are both growing. Milk's retail market value is projected to reach US\$50.1B by 2022, and that of yogurt is projected to more than double from 2017 to reach US\$28.6B by 2022.

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✓ Key innovation trends

Taste and texture innovation will continue, with brands racing to one-up each other through additional beneficial ingredients or using pedigree cultures. Sustainable and responsible products are also gaining traction.

Local consumer trends impacting China's milk and yogurt markets

Social media, the newest retail channel

Social media (predominantly WeChat) has gone beyond being a communication channel to become a retail channel as well. Dairy market leaders Mengniu and Yili are leading the way through efforts to experiment with the channel via social media-exclusive products.

Targeting younger and older customers

Even though the milk and yogurt markets continue to grow, there have not been a lot of new products targeting seniors and children. With an ageing population and parents preferring child-targeted products for their children, there is untapped potential with these two segments.

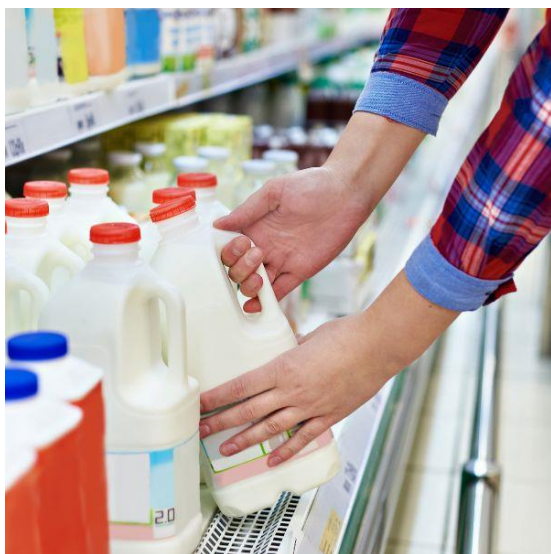
Good for the planet, animals, and profit

Chinese consumers increasingly want to buy from brands that do the right thing. Mintel found that 41% of Chinese consumers felt it is very important for ethical brands to have environmentally friendly packaging, while 26% indicated the same with animal welfare.

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The Chinese milk and yogurt market landscape



China is the world's largest yogurt market and also the fastest growing. In 2018, retail volume sales was estimated at 6.6 million tonnes, four times larger than that of the US (second largest market). In terms of retail market size, China's yogurt market was US\$13.5B in 2017 and is projected to more than double to US\$28.6B by 2022, with a CAGR of 16.6% from 2018-22.

China's milk market is at a more mature stage of growth and is over three times larger than yogurt at US\$44.6B in 2017, though it is projected to grow more slowly at a 3.6% CAGR over the next four years to reach US\$50.1B in 2022.

The dairy incumbents, Yili and Mengniu, dominate both milk and yogurt markets, with Bright as a distant third in both markets.

Market challenge: potential threat from plant-based alternatives

While the association between protein and milk is strong, plant-based alternatives like soy milk can deliver similar benefits and these products are beginning to communicate such in their claims.

For example, Shudi's [Yuan Wei Dou Nai \(Original Flavoured Soy Milk\)](#) claims to contain 38% complete protein, which has all the essential amino acids most often obtained from meat. It also contains 18% oil, which is high in poly-unsaturated fats.

Today, soy milk may not be seen as the better source of protein; however, it can grow to be a credible threat to milk, especially given its potential added benefit of having a lower environmental toll.

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Key innovation trends impacting China's dairy and yogurt markets

Flavour and texture innovation

Given their size and projected growth, the Chinese milk and yogurt markets are expected to be hotbeds for innovation, ranging from interesting combinations (eg. osmanthus rice wine yogurt) to different textures (with added grains) and new taste profiles (eg. brown yogurt).

The next generation of milk and yogurt

Even though milk and yogurt are already known for a slew of benefits, brands can look to make them even better with different preparation methods (eg. slow fermentation), proprietary beneficial bacteria cultures and increased vitamins, minerals and protein content.

Sustainable products and packaging

Mintel GNPD's [two most popular claims in 2018](#) were environmentally friendly packaging (~15%) and sustainable habitat/resources (~14%). Brands that get the good-for-the-planet-and-you proposition right can potentially reap the benefits from the market.