

EMERGING CHINESE CONSUMER BRANDS

What is happening to China's domestic consumer brands?

The rapid development of Chinese domestic new consumer brands has become a conspicuous phenomenon for China's consumer market in recent two years. 2020 can be seen as the "breaking out" year for Chinese domestic brands when they started expanding rapidly by **differentiation, segmentation, and regionalization. Emerging domestic consumer brands show great competitiveness when facing traditional players.** Some of them even successfully beat traditional brands to become the sales champion on e-commerce platforms in their segment. For example, during the "618 shopping festival" in 2021, more than half of the emerging domestic brands on JD.com doubled their sales and >450 emerging Chinese consumer brands on Tmall were listed as No.1 in their segments.

Some Chinese brands have emerged as especially eye-catching success stories:

- **Genki Forest: sparkling beverage with "Zero Sugar"**
 - ✓ Founded in 2016, and achieved 40 billion CNY (6 billion USD) valuation within 5 years by 2021, with aim to provide "sparkling water with no sugar that young people like most"
- **Florasis: cosmetics with Chinese aesthetics**
 - ✓ Provides healthy and nourishing make-up products with Chinese traditional craftsmanship and emphasizes on "Orient Cosmetics"
 - ✓ Founded in 2018 and achieved over 3 billion CNY revenues in 2020
- **Chicecream: the "Hermes" in ice cream**
 - ✓ Dedicated to becoming the premium ice cream brand with strong Chinese characters: its name comes from traditional Chinese family names and shape of its products comes from China's classical architecture
 - ✓ Surpassed Haagen-Dazs and became No.1 frozen food brand on Tmall
 - ✓ Achieved 300% YoY growth in first 4 months in 2021
- **Saturn Bird: "Hand grinding coffee" drinkable within 3 seconds**
 - ✓ Develops the concept of "Boutique Instant Coffee"- pre-dissolved cold brew instant coffee with the same taste as hand grinding one
 - ✓ Overtook Nestlé to become the best-selling player in the coffee category on Tmall
 - ✓ Achieved 400 million CNY revenue H1 2021 and a 4.5 billion CNY valuation

Why do they succeed?

The core consumer group in China is changing. The main consumer forces in China are gradually shifting towards the post-90 and even post-00 generations. These show distinct differences on consuming habits and requirements with the previous generations -being more individualized, more diverse, and more fascinated by new and high-quality products. Thus, company's marketing and products offerings also need to be changed for these new consumer habits and requirements. **Almost all successful emerging brands successfully manage to occupy the minds of young customers in their own segments.**

- **Product:** Design products to better cater for needs of young customers: focusing more on health, social connection, culture recognition, high-quality lifestyles, etc.
- **Design:** Elaborated packaging design to stimulate young customer's curiosity, catch the latest trend among young customers, and promote self-spread on social medias
- **Channel:** Highly rely on online channels and ecommerce (including live-streaming ecommerce) to avoid direct competition with traditional players
- **Marketing:** Intensive marketing campaigns on emerging channels: Red, Douyin, live streaming, etc.; as well as actively collaborating with TV shows, KOLs, and cross-over branding with other brands