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## **THE FEATURES OF MARKETING ACTIVITY OF THE CHINA'S SNACK FOOD COMPANIES**

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### **ОСОБЛИВОСТІ МАРКЕТИНГОВОЇ ДІЯЛЬНОСТІ ПІДПРИЄМСТВ ВИРОБНИКІВ СНЕКІВ КИТАЮ**

*As a result of the study, the authors analyzed the historical development and current trends in the activities of snack producers in China. The authors have identified four stages of development of the industry, which demonstrates the tendency to increase production in accordance with changes in food preferences of the population. The authors presented and analyzed in detail the main features of the marketing activities of Chinese companies, which produce snacks, such as the continued expansion of the market, strong competition from both domestic producers and foreign producers, significant differentiation tastes of consumers on a regional basis, the high level of diversification of retail formats and so on. The article notes that the Chinese company is constantly trying to expand its market share of snacks, as well as increased investment in innovative investment products, the management of marketing activities, supply chain management, creating effective marketing network, brand support and more. It was prove that the main consumers of snacks in the country are young people. Therefore, companies operating in this market are constantly working to ensure that their products are not only commercially successful, but also meet quality standards and food safety and do not worsen the health of the nation. It is determined that the production of snacks in China belongs to an industry whose turnover rate is very high. The effectiveness of logistics support to some extent determines the competitiveness of the snack market. As a result, China's logistics industry has grown rapidly over the past few years. The authors conducted a PEST analysis of the snack industry by Chinese enterprises. Among the main factors that positively affect this industry are significant political and economic support from the state, constantly growing market volumes, significant potential for product consumption, and the possibility of simultaneous use of online and offline trade and so on. The article*

*also contains SWOT analysis based on data from one of the largest Chinese companies producing snacks and substantiated opportunities and threats that must be taken into account during developing an effective marketing strategy for the future.*

*В результаті проведеного дослідження авторами проаналізовано історичний розвиток та сучасні тенденції діяльності підприємств-виробників снєків в Китаї. Авторами виділено чотири етапи розвитку галузі, яка демонструє тенденцію до нарощення обсягів виробництва у відповідності до зміни харчових вподобань населення. Авторами представлено та детально проаналізовано основні особливості діяльності китайських підприємств по виробництву снєків, серед яких постійне розширення ринку, високий рівень конкуренції як з боку національного виробника, так і іноземних виробників, суттєва диференціація смаків споживачів за регіональною ознакою, високий рівень диверсифікації формату роздрібної торгівлі тощо. В статті наголошується на тому, що китайські підприємства постійно намагаються розширити свою частку на ринку снєків, а тому збільшують інвестиційні вкладення в інноваційні продукти, в управління маркетинговою діяльністю, управління ланцюгами поставок, створення ефективної маркетингової мережі, підтримку бренду тощо. Доведено, що основними споживачами снєків в країні є молодь. А тому підприємства, що працюють на даному ринку, постійно працюють над тим, щоб їх продукція була не тільки комерційно успішна, а й відповідала стандартам якості та безпеки харчових продуктів та не погіршувала здоров'я нації. Визначено, що виробництво снєків в Китаї належить до галузі, швидкість обороту якої дуже велика. Ефективність логістичної підтримки певною мірою визначає конкурентоспроможність ринку снєків. Як наслідок цього в останні кілька років логістична галузь Китаю швидко зростала. Авторами проведено PEST-аналіз галузі виробництва снєків китайськими підприємствами. Серед основних факторів, що позитивно впливають на дану галузь є значна політична та економічна підтримка з боку держави, постійно зростаючі обсяги ринку, значний потенціал по споживанню продуктів, можливість одночасного використання онлайн та оффлайн торгівлі тощо. В статті також проведено SWOT аналіз на основі даних однієї з найбільших китайських компаній по виробництву снєків та обґрунтовані можливості та загрози, які необхідно враховувати при розробці ефективної маркетингової стратегії підприємства на перспективу.*

**Key words:** *marketing activity; strategic management; snack food industry; logistics; supply chain management.*

**Ключові слова:** *маркетингова діяльність; стратегічне управління; виробництво снєків; логістика; управління ланцюгами поставок.*

**Problem statement.** Modern enterprise management is a complex system engineering. With the increasingly complex and changeable macro environment and competition faced by enterprises, enterprise management itself is constantly adjusted and strengthened to meet the requirements of the environment. Enterprise management itself is constantly developing in the process of interacting with the environment. In essence, marketing is to realize the value of an enterprise by analyzing, identifying and grasping market opportunities, providing competitive products and services, and meeting the needs of target customers in a complex social and political economic environment. In many link in enterprise management, the role of marketing management increasingly strengthen, fundamental reason lies in the nature of the enterprise, also is for society and the target market can meet the demand of its products and services. Marketing management center is how to realize the fundamental mission, namely around the enterprise products and services, for effective product planning and market positioning, a clear target market through market segmentation, and through a series of market means such as advertising, publicity and marketing activities.

**Analysis of recent research and publications.** Many scientists paid attention to searching of marketing activity and its features in different spheres of economy: Jin Xiangrong, Chen Wenxuan [1], Michelle Caruso, Elizabeth Klein, Gail Kaye [2], Boothroyd Aoife [3], Scarpi D., Pizzi G., Visentin M. [4], Lei Lei [5] and others. However, despite a large number of contemporary publications on this subject, it is no sufficiently researched issues about national features of and its components, functioning principles, development factors, etc.

**Research objective.** The purpose of the article is furthering expand the studies through a detailed analysis of the marketing activities of China's food snack companies, coverage of current trends in the snack market, as well as the peculiarities of doing business.

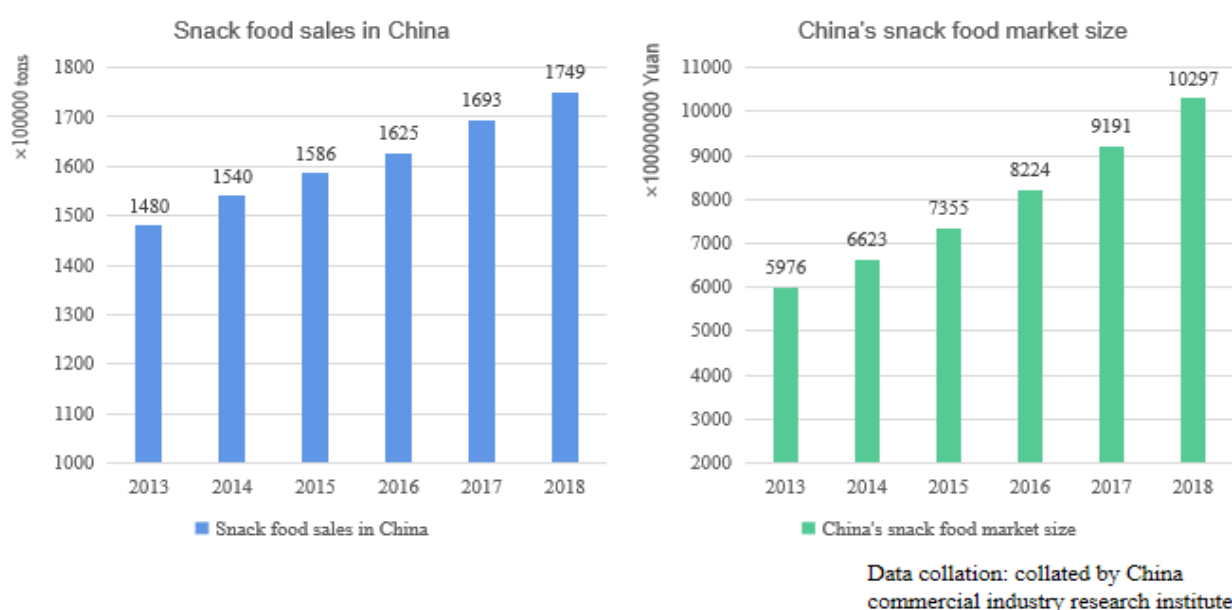
**Research results.** Snack food does not belong to the staple food, mainly with the grain, fruit and vegetable, meat and so on as raw materials, through a certain process of production, for people in snack time to eat food. In terms of category, it includes but is not limited to nuts and chips, candy and chocolate, baked goods, Fried goods, jelly fruit, puffed food, dried fruits and vegetables, and ready-to-eat meat. From the function, in addition to the most basic “food” function, snack food also gradually derived snack entertainment, friendship and other social functions, reflects the value orientation of people's pursuit of quality life. From the development trend, people pay more and more attention to freshness and health, the demand for fresh, low calorie, low fat, low sugar health food is higher. China's snack food industry has gone through four development stages (table 1).

**Table 1.**  
**Four stages in the development of China's snack food industry**

STAGES	PERIOD	CHARACTERISTIC
The first stage	The period 1955-1979	Known as the “restricted stage”, the main feature is that in addition to the daily oil, tobacco, alcohol, candy and other non-staple foods, and the variety and quantity is very limited.
The second stage	The period 1979-1990	Known as the “early period of opening up”, the main feature is that with the reform and opening up, western cakes, potato chips and other snack food began to be introduced into the Chinese market, but people's cognition is relatively vague.
The third stage	The period 1990-2001	Known as the “initial stage of marketization”, private enterprises began to set foot in the field of snack and entertainment, and a variety of snack and entertainment food emerged, gradually known and loved by people.
The fourth stage	After 2001	Known as the “high-speed development period”, the main body of the industry shows diversified development, all kinds of new products emerge in an endless stream, and the industry competition is getting on the right track.

*Source: systematized by the author*

According to the analysis of public data, there are eight main characteristics of China's snack food industry at present. First, the market is expanding. China's snack food sales rose from 14.8 million tons in 2013 to 17.19 million tons in 2018, according to data from the China commercial industry research institute. The size of China's snack food market also increased from 597.6 billion yuan in 2013 to 1029.7 billion yuan in 2018, with an average annual compound growth rate of 12.3% (Fig. 1).



**Figure 1. The development of China's snack food industry from 2013 to 2018 years**

Second, the category function continues to enrich. Early snack food is mainly limited to melon seeds, preserves, sweets, cakes and other relatively single category. At present, from the perspective of category, nuts Fried, candy chocolate, baked, Fried, jelly fruit, puffed food, dried vegetables and fruits, meat ready-to-eat. Baked goods accounted for the largest share of the market, accounting for 38.2%, followed by candies, cookies, puffed foods and nuts, accounting for

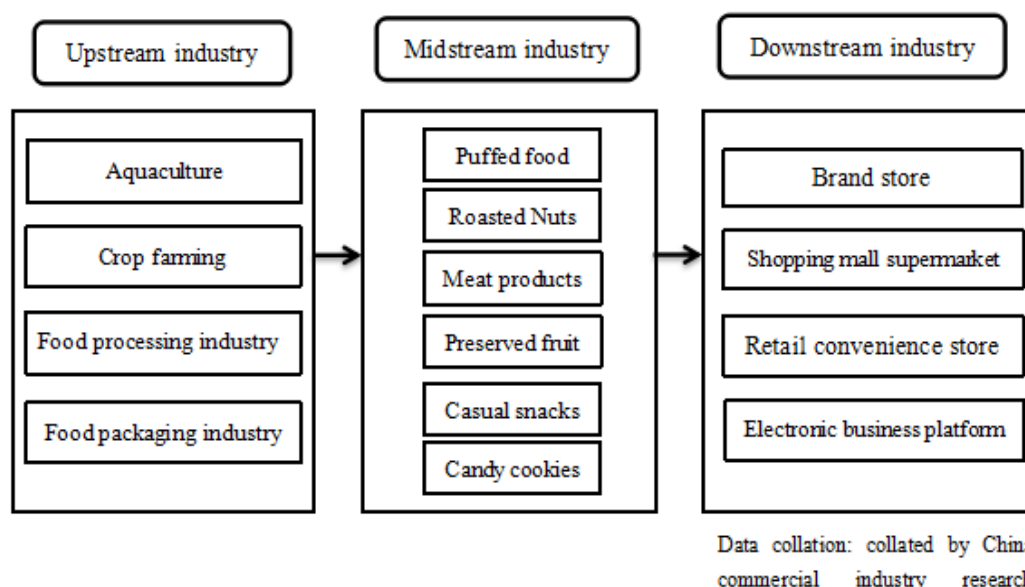
24.3%, 14.5%, 6.8% and 2.7%, respectively. From the functional point of view, in addition to the most basic “food” function, snack food also gradually derived social functions such as snack entertainment, friendship and fellowship, which reflects the value orientation of people's pursuit of quality life. From the development trend, people pay more and more attention to freshness and health, the demand for fresh, low calorie, low fat, low sugar health food is higher.

Third, there is sufficient market competition. At present, the number of snack food operators in China is huge and the development is uneven. There are large enterprises with billions of yuan in annual sales. There are also small scale such as roadside stalls, individual shops. In addition, imported food has entered the Chinese market in recent years. From this spring's sugar and wine fair, Canton fair exhibitors, many foreign companies have appeared in the Chinese market, overseas food enterprises and the original export business of food enterprises also began to participate in the Chinese food market competition.

Fourth, regional characteristics are relatively prominent. The production of snack food are closely connected with agricultural resources, and there are a large number of featured agricultural products in various regions, thus forming a large number of snack food categories with unique resource advantages and relying on the manufacturers and distributors, forming strong local characteristics. For example, Fujian province's candies and puffed food, Anhui province's stir-fried food, Hunan province's spicy food, Henan province's quick-frozen and convenient food, Sichuan province's soybean products, Xinjian province's grape dried fruit products, northeast China's nuts, soybeans and potato products, and so on.

Fifth, consumer groups gradually subdivide. The audience of snack food is very broad, almost covering the vast majority of the age group. Among them, teenagers and children are subjective willing consumer groups, whose consumption characteristics are impulse, the stability of the preference for things is poor, like to pursue new and strange products. Young and middle-aged consumers are brand-type consumer groups, characterized by not too much time to select carefully, so they pay more attention to brand, price sensitivity is not very high, but the pursuit of health, so the preference for high-calorie food is low. Old people are more traditional, single taste, more preference for crisp and soft products, products such as packaging is not sensitive, more attention to economic benefits.

Sixth, the industrial chain is clearer. The industrial chain of snack food mainly includes three major links: planting/breeding of main raw materials, production and processing of products and commodity sales and circulation. The upstream of the industrial chain covers breeding industry, planting industry, food raw material processing industry, food packaging industry, etc. The middle reaches are mainly the producers and processors of various kinds of snack food, and the downstream is mainly the distribution channels (Figure 2).The whole industrial chain is more complete, and the division of labor is clear and more refined and specialized, higher interdependence.



**Figure 2. Industrial chain of China's snack food industry**

Seventh, the retail format more diversified. Diversified business forms, mainly including national retail chain enterprises, regional retail chain enterprises, large supermarkets, convenience stores, specialty stores, cigarette shops, roadside stalls and so on, have gradually replaced the traditional wholesale and retail business. Among them, regional operation is more common. This kind of enterprises have more competitive advantages in commodity category management, marketing, logistics distribution and other aspects due to their better understanding of local consumers' taste preferences and high degree of local consumers' recognition, but the homogenization competition is more prominent. Scale and branding will become the inevitable trend of competition, and the industry concentration degree will be constantly improved. The chain operation mode is obviously more conducive to brand expansion, improve market share, and improve quality and efficiency through economies of scale.

Eighth, capital operation has become the norm. In pursuit of market expansion, snack food enterprises are bound to increase investment in product innovation, supply chain management, marketing network construction and brand

maintenance, etc. In addition, operating costs and labor costs are increasing year by year, which is not a small challenge to the profitability of enterprises. The trend of market share to a small number of brands is gradually emerging. A growing number of companies are turning to the capital markets, with some of the best taking to the Shanghai stock exchange, the Shenzhen stock exchange and the Hong Kong stock exchange. The participation of capital forces will also accelerate a new round of fierce competition in the snack food industry. The size of snack food market is growing rapidly. According to data from the China food industry association, the annual output value of China's snack food industry is 1029.7 billion yuan in 2018 and is expected to reach 1298.4 billion yuan by 2020, with an average annual compound growth rate of 12.29 percent. According to the data of Frost & Sullivan's report, the offline sales scale snack food in China increased year by year from 2013 to 2018, reaching 893.78 billion yuan in 2018, with a year-on-year growth of 9.26% (Fig. 3).

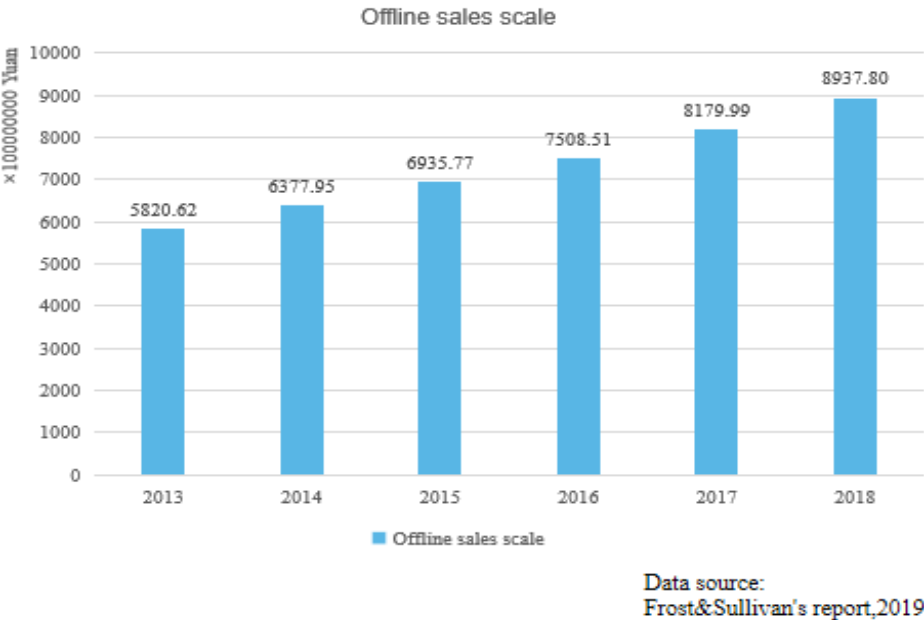


Figure 3. Offline sales scale of China’s snack food from 2013 to 2018 years

Third, there is considerable room for per capita consumption to improve. According to Euromonitor data, in 2018, the per capita consumption of snack food in China is still relatively low, far lower than that in Britain and the United States [6]. Even compared with Japan and South Korea, which have similar diet and consumption habits, the per capita consumption of snack food in these two countries is 6.9 times and 2.8 times of that in China respectively (Fig. 4). It shows that compared with developed countries, China's snack food consumption has a lot of room for improvement.

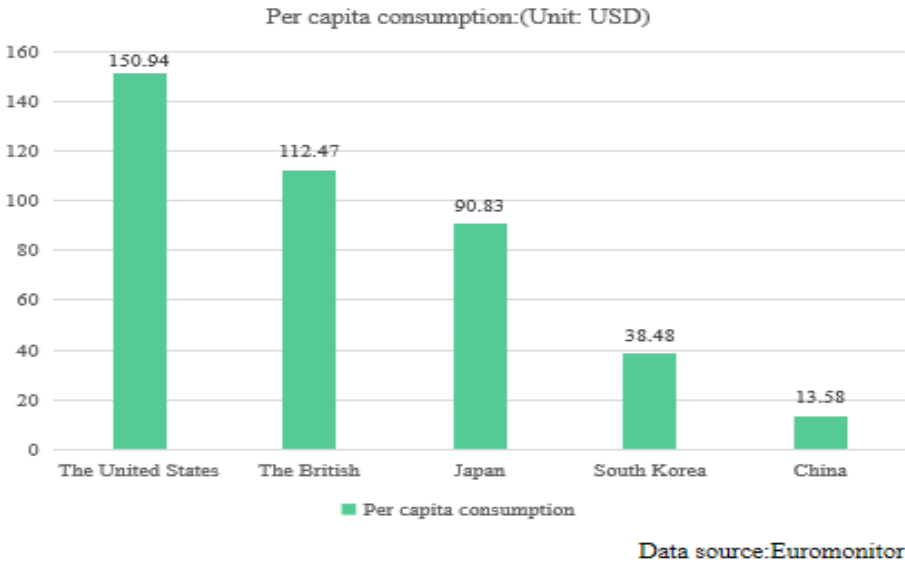


Figure 4. Comparison of snack food consumption per capita in other countries in 2018 year

Social and cultural environment covers a wide range of categories, mainly including population size, age structure, ethnic structure, income distribution, consumption structure and level, population mobility, etc., in which population size directly affects the market capacity, and age structure is related to the types of consumer goods and promotion methods. China has a large population. According to the 2018 statistical bulletin on national economic and social development released by the national bureau of statistics, the total population on the Chinese mainland was 1.395 billion at

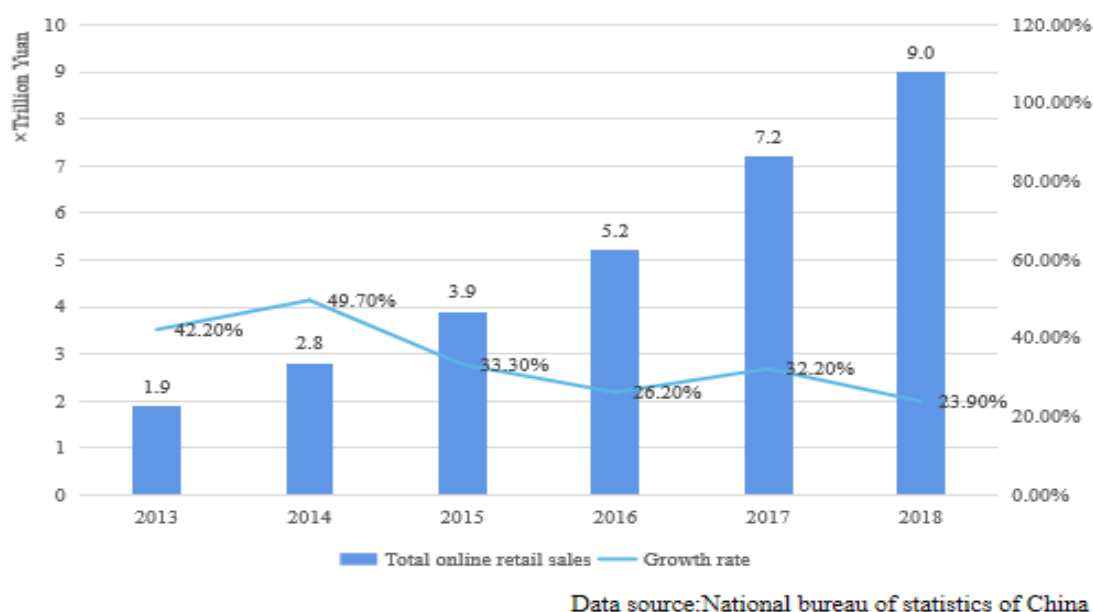
the end of 2018. Among them, there were 0.831 billion permanent urban residents, and the urbanization rate was 59.58%, 1.06 percentage points higher than that at the end of last year.

The main consumer group of snack food is young people. According to the "new trends in Chinese consumption" jointly released by BCG and Aliresearch, the consumption of young and middle-aged people aged 18-35 will grow from \$1.5 trillion to \$2.6 trillion, with an annual compound growth rate of 11%. The report describes this group as the "new generation", mainly those born after the 1980s, which makes up 40 percent of the urban population aged 15-70 years old and is expected to exceed 46 percent by 2021. This generation lives in the age of relative material abundance, and its consumption consciousness and desire are stronger than its parents' generation. According to BCG, consumption from the new generation will contribute 69% of the growth from 2016 to 2021, compared with 31% from the previous generation. The "new generation" will become a major consumer.

First, more diversified sales channels, snack food industry development to bring a broader space. For snack food, the channel is the "king", only to grasp the market access this lifeline, in the fierce competition to stand firm. According to Frost & Sullivan's research, most transnational snack food groups still adopt the mainstream distribution channels such as large supermarkets and chain convenience stores, while most local snack food operators rely on the traditional distribution channels (accounting for 70% or more of the total sales).

On the one hand, the current physical retail overall slowdown, and the performance of the convenience store format is very eye-catching. According to the research report of 'convenience store's next station' by Aliresearch and Deloitte [8], the sales volume of department stores even started to show a continuous negative growth in 2015, while the sales growth rate of convenience stores has been above 9% for the past seven years. Moreover, with the acceleration of the urbanization process, the channels of shopping malls and chain convenience stores are still penetrating into low-tier cities.

On the other hand, with the penetration of the Internet and the growing number of Internet users, the retail industry has a revolutionary impact. China's online retail market continued to expand in 2018. The National Bureau of Statistics data shows that the online retail sales reached 9 trillion yuan, up 23.9% from a year earlier (Fig. 5) including physical goods online retail sales amounted to 7 trillion yuan, up 25.4% year on year, growth is 16.4% higher than the total retail sales of social consumer goods, which accounts for 18.4% of total retail sales of social consumer goods, increased by 3.4% than the same period last year. Its contribution to the growth of retail sales reached 45.2%, up 7.3 percentage points from the previous year. Data from the ministry of commerce showed that the sales volume of typical retail enterprises increased by 32.1% year on year through e-commerce, 5.6 percentage points faster than that of the previous year.

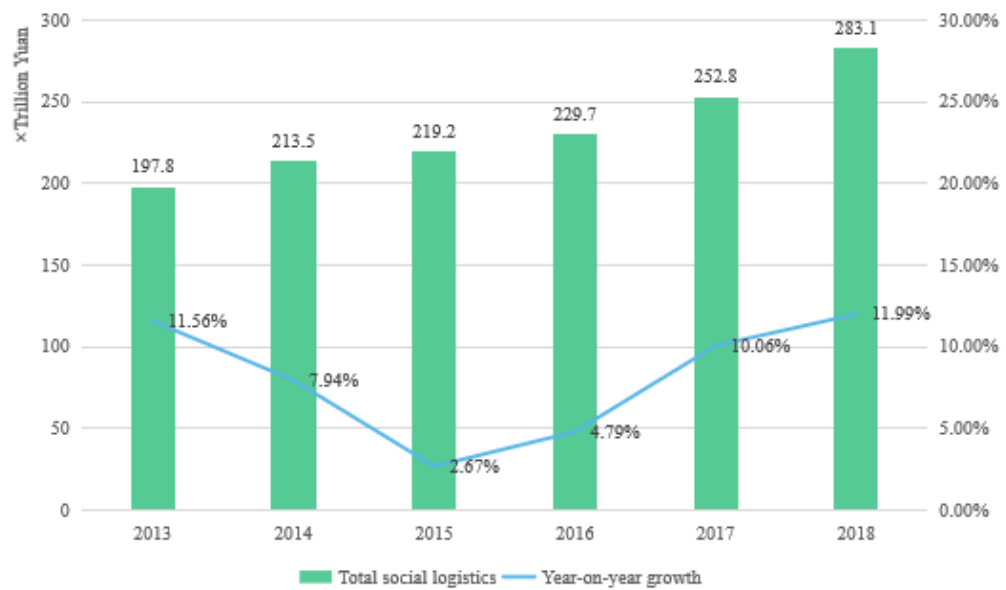


**Figure 5. Online retail scale and growth rate in China from 2013 to 2018 years**

Second, a more efficient logistics system to provide a more robust support for the development of snack food industry. Snack food belongs to FMCG, whose turnover speed is very fast. The efficiency of logistics support determines the market competitiveness of snack food operators to some extent. China's logistics industry has expanded rapidly in the past decade and more. In the past few years, China's logistics industry has expanded rapidly.

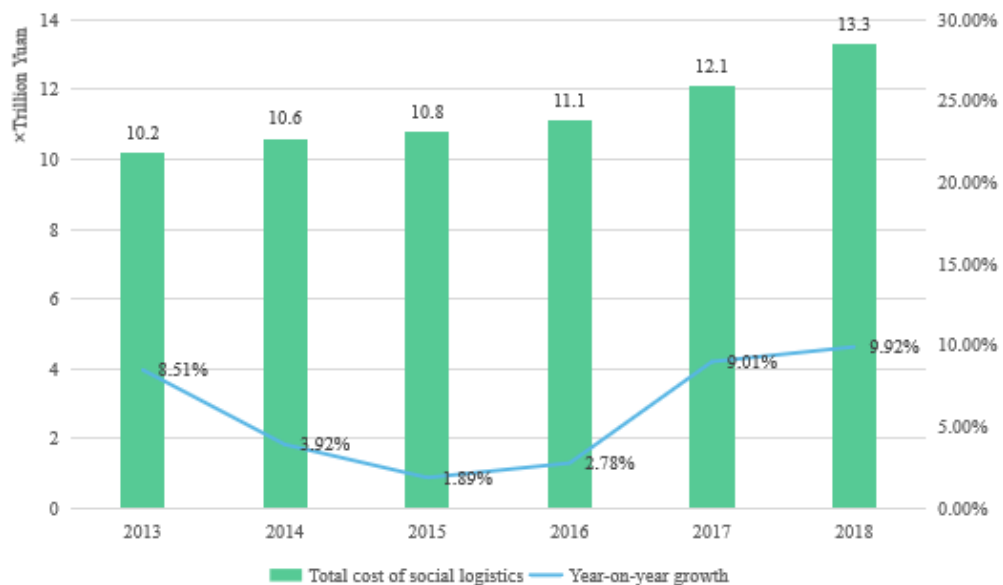
From 2013 to 2018 years, the total amount of social logistics in China rose from 197.8 trillion yuan to 28.31 billion yuan, with a year-on-year growth rate of 9.8% (Fig.6). The total cost of social logistics in China increased from 10.3 trillion yuan to 13.3 trillion yuan, with an annual compound growth rate of 7.91% (Fig. 7). As a percentage of GDP, a common industry indicator, the lower the proportion of total logistics expenses in the country, the higher the logistics efficiency of the economy. However, this figure in China dropped from 18% in 2013 to 14.8% in 2018, indicating that the efficiency of social logistics has also improved.





Data source: China federation of logistics and purchasing

Figure 6. The total amount and growth rate of social logistics in China from 2013 to 2018 years



Data source: China federation of logistics and purchasing

Figure 7. Total cost and growth rate of social logistics in China from 2013 to 2018 years

PEST analysis refers to the in-depth analysis of various elements in the macro environment. There are mainly four types of elements: political factors, economic factors, social factors, technological factors. This method provides a framework for enterprises to analyze external factors and better understand and master external situations. The following table shows the matrix of the snack food industry through PEST analysis (table 2).

Table 2.  
PEST-analysis of China's snack food industry

P – Political factors	E – Economic factors
1.China provides policy support to the food industry	1.Economic growth, higher incomes and stronger willingness to spend
2.Relevant laws are in the process of continuous improvement	2.The size of the snack food market is growing rapidly
3.Food industry supervision was strengthened	3.China's per capita consumption has much room for improvement
S – Social factors	T – Technological factors
1.China has a large population and great	1.More diversified sales channels—both offline

consumption potential 2.As the main force of snack food consumption, young people's consumption consciousness has been constantly enhanced	and online markets are expanding 2.A more efficient logistics system provides a stronger backing for the development of the snack food industry
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*Source: created by the author*

Through SWOT analysis, the purpose is to enable the enterprise to face the internal and external environment correctly and make better use of its own resources under the current space-time structure, and to consider how to build the future resources of the company to meet the needs of market competition and achieve the enterprise goals. We made SWOT-analysis based on the data of the one of the biggest company of snack food industry Shanghai LYFEN. Shanghai LYFEN co., LTD. (hereinafter referred to as LYFEN) is an independent brand of snack food chain enterprises, and was founded in 1999 in Shanghai, China. The company is mainly engaged in private brand snack food omni-channel sales and supply chain management business. The company's sales network covers 19 provinces, autonomous regions and municipalities in China, including Shanghai, Jiangsu, Zhejiang, Beijing, Tianjin, Anhui, Jiangxi, Chongqing and Guangdong. Among them, the offline channels are mainly direct-sale chain stores, supplemented by franchised stores, expanded by stores and supermarkets connecting goods at counters, and the online channels are used to log on to major well-known shopping e-commerce platforms and develop self-operated apps to provide customers with convenient and pleasant shopping experience. As of June 30, 2018, it has 2,352 direct chain stores (275 more than the same period in 2017) and 276 franchised stores (94 more than the same period in 2017). The following table 3 is the SWOT analysis matrix of LYFEN Company.

**Table 3.**  
**SWOT-analysis of LYFEN Company**

<div style="text-align: center;"> The internal environment (SW)           The external environment (OT) </div>	Strengths	Weaknesses
	1.Quality control in place, food safety is guaranteed, good brand reputation 2.Advantages of franchise 3.Product gross margin is high, revenue is stable 4.Its own logistics system is more developed and its technology application is more advanced 5.There is a large market space 6.Clear organizational structure, attractive salary and benefits package and corporate culture	1.Conflict with the idea of healthy eating 2.Limitations of direct marketing model 3.Online market starts late, have no advantage 4.The financing channel is single and the cash flow needed for expansion is insufficient
Opportunities	SO (Growth strategy)	WO (Torsional strategy)
1. China has a large population and great consumption potential 2.The product category is rich, the coverage is wide, the industrial chain is clear 3.The development of network marketing brings new opportunities	1.Use industrial chain and chain advantage, continue to expand the original sales scale 2.Give play to the brand and technical advantages, transformation to the whole industrial chain of open platform enterprises	1.Clarity the development orientation of online and offline channels, strengthen customer drainage and development to improve operating efficiency 2.Cut the cost of store upgrading and logistics center construction 3.Develop network marketing
Threats	ST (Diversified businesses strategies)	WT (Defensive strategy)
1.Regional tastes vary 2.Industry market competition and product competition is fierce 3.Food safety problems affect the development of enterprises	1.Strengthen brand building 2.Increase the integration and control of industrial chain resources 3.Expand new profitable business units and increase business model innovation	1.Strengthen the potential of internal staff, improve the construction of training system, pay attention to resource control and market 2.Use r & d advantages to develop more series of products 3.Highlight food safety and strengthen quality control management

*Source: created by the author*

Through the SWOT analysis, we can conclude that in the first place, in the face of external threats, in the fierce market competition environment, from the internal perspective, to invest more time and energy for product R&D and innovation, including product variety, product taste, product function strengthen innovation, to product quality and innovative products continue to lead LYFEN enterprise leading position in the market.



**Conclusion.** Thus, as a result of our researches, from the perspective of making up for internal disadvantages, it is necessary to strengthen the supervision of sales links while expanding product output and production scale, and pay attention to not only production efficiency and management efficiency, but also the embodiment of enterprise culture in products and services. In addition, to strengthen the staff training, improve staff sales, marketing and other skills. At the same time, to enhance the sense of responsibility. The enterprise should not only be responsible for employees, but also for consumers. It should adhere to the principle of “food quality first, food safety first”, and let the concept of customer first penetrate into every employee's mind.

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