

Confectionery & Desserts

July 7, 2015

~MIDDLE AND HIGH-PRICED CONFECTIONARY EXPECTING TO ENJOY A "SMALL LUXURY" IS NOW GETTING ATTENTION AMONG THE ADULT CONSUMERS~

It is assumed that middle and high-price range products targeting adults will be the next trend of the imported confectionary market. Recently, premium beer is getting popular as it provides "small luxury of the weekend" to consumers and the same is happening with imported confectionary. Due to the long-term depreciation of the yen and increasing ingredients / logistics costs, companies are aiming for higher profitability by introducing highly value-added products of middle and high-price range.

In 2013, the customs statistics of major imported confectionary dropped 6.8% in volume and rose 14.4% in value. In response to this, the import volume from January to July in 2014 of major imported confectionary fell 6.3% from the previous year in volume, and rose 2.9% from the previous year in value.

By items, biscuits (sugar added) were down 15% in volume and up 4.2% in value, gums were up 1.6% in volume and up 19.3% in value, and waffles / wafers were up 3.1% in volume and up 14.6% in value. Chocolate, which occupies a large import volume, dropped 8.1% in volume and rose 6.3% in value, and this affected the overall drop in volume and rise in value.

Import Volume and Value of Confectionaries for 2014 January-July (Unit: tons, million yen)

Type	Volume	Year on year	Value	Year on year
Chewing gum	115.3	101.6%	84	119.3%
Candy	6738.3	95.8%	3855	103.2%
Caramel	19.3	35.8%	35.9	68.1%
Chocolate	10725.8	91.9%	10295.2	106.3%
Sweet biscuit	9.5	161.0%	26.2	167.9%
Waffle, wafers	1252.3	103.1%	772.6	114.6%
Biscuit (sugar added)	7687.8	85.0%	3943.1	95.8%
Biscuit (sugar free)	1266.8	101.7%	538.3	112.0%
Other baked confectionary (sugar added)	14362	99.2%	6012.2	105.0%
Other baked confectionary (sugar free)	14997.1	92.7%	4776.5	97.1%
Total	57174.2	93.7%	30339.0	102.9%

Source: Ministry of Finance "Import Customs Statistics"

European chocolates from France or Belgium of the high-price range are recently on the rise. On the other hand, low-price range chocolates from Malaysia or South East Asia are decreasing. It is clear that consumption is beginning to polarize. Due to the increase in the "small luxury demand" and the highest chocolate demand of the valentine season, middle and high-price range products are the mainstream. In the recent valentine sales strategies, needs for high-class brands and high-price range products from special origins are growing in addition to chocolate droplets and chocolates with liqueur.

Since the summer of 2013, health effects of cacao beans became a hot topic in Japan and pure chocolate or dark (bitter) chocolate grew significantly. Consumers that are age 50-60 or higher have high dispensable income and are active in consuming. They are the ones boosting this chocolate boom and it is said that this boom is spreading to the increasing



demand for imported chocolate. This is one of the reasons why functional pure chocolate or bitter chocolate with high cacao rate of the middle and high-price range is growing.

Besides chocolate, Japanese companies want to handle more highly value-added products such as crackers or biscuits that goes well with wine and natural brands using special ingredients.

〈 The screening standard of imported confectionary 〉

Below is a questionnaire survey result about imported confectionary, which was done against major import specialty stores by Food Industry Newspaper (September 18, 2014 issue).

The following standards were set to the question, "what is the screening standard of imported confectionary that you sell": taste, country / region, package design, branding, originality, new product, and others. The answers to these questions by each of the specialty store is as follows.

Q1: Which standard do you value most?

- Meidi-ya, Kitano Ace: taste.
- Kinokuniya: branding.
- Plaza Style: The affinity with their own MD. "It is not whether it sells or not, but the value that we can propose through the product. It is important for the

customers to discover something new."

- Lawson: "Whether the additive standards, etc. match with the store concept."

Reference

- [Meidi-ya](#) : Established in 1911. JPY26.3 billion turnover with 26 stores.
- [Kitano Ace](#) : Established in 1962. JPY22.3 billion turnover with 70 stores.
- [Plaza Style](#): Established in 1966. JPY45 billion turnover with 79 stores.
- [Kinokuniya](#): Established in 1910. JPY12.4 billion turnover with 16 stores.
- [Lawson](#): Established in 1975. JPY1.95 trillion with 11,606 stores.

Q2: Which standard do you value second?

- Meidi-ya: price, next is country / region.
- Kinokuniya: taste, next is design.
- Kitano Ace: design, next is value.
- Lawson: originality, next is branding.
- Plaza Style: also originality, next is design.

Q3: What is the estimated average spending from each customer between October 2014 and February 2015?

3 out of 5 companies answered 301-500 yen. Kinokuniya answered, "customers are buying less items but more in value compared to last year." Lawson answered, "customers are buying more items and more in value compared to last year."

As this survey shows, the screening standard varies greatly depending on each company's concept and policy.

Below are each company's plans for store events. During the Halloween, Christmas, and Valentine seasons, each company strengthens assortments and individually-packaged products for gift and party purposes .

Store Event Plans for Each Company

Company	Halloween	Christmas	Valentines
Meidi-ya	Main lineups are toy candy and chocolate. Using fun decorations such as pumpkins at stores that target younger generation and housewives.	Main products are directly imported chocolate (Venchi) or cake. The stores are decorated with a foreign theme. Christmas products lined up on shelves	High quality products such as Venchi and chocolates with reasonable price ranges are available. Holding Valentine fairs. Proposing chocolates using liqueur for adults.
Styling Life Holdings Inc., PLAZASTYLE COMPANY	Since Halloween happens to be on Friday this year, Plaza Style tries to increase party demand by using the phrase "TGIF (THANKS GOD IT'S FRDAY!) Individually-packaged products for handing out.	Introduces party / gift products besides seasonal products. Prepares best sellers of previous years.	Pending
Kinokuniya	Mainly imported products. Strengthens a wide variety of goods as many as possible.	Mainly handles imported items. Many items for gift demand.	Reinforcing high-brand import goods, responding to demand for gifts and rewards. Strengthening character products for gift giving between friends.
Kitano Ace	Mainly handling imported confectionary.		Mainly sells original truffle chocolates. Kitano Ace will not handle products of
			major domestic makers and only have imported products.
Lawson	Reinforce products that can sell after Halloween period.	Reinforce products that can sell before and after Christmas. Plans to sell products for party demand.	Pending.