

Confectionery & Desserts

July 11, 2012

MARKET TRENDS

The domestic demand for confectionery varies depends on the genre, but it has been stable for the past few years. Right after the earthquake that hit eastern Japan on 11 March 2011, the supply for confectionery became unstable. But many confectionery makers supplied their products to aid the people in the affected areas, which brought happiness to many people. This allowed us to realize the importance the greatness of confectionaries. The domestic production volume and retail sales volume of confectionaries on a genre basis are stated on the table below. The domestic confectionary market is mainly divided into so-called "distribution confectionary" (2.2906 trillion yen) which accounts for 70%, and Japanese cake & unbaked cake market (904.7 billion yen). "Distribution confectionary" is what it is sold through the retail distribution channel such as volume sellers, super markets, convenience stores, and stores at train stations. Taking a look at the retail price on an item basis for the distribution confectionary, the biggest item is chocolate (13.9%), and snacks (12.7%). These 2 items account for 26.6%. This is followed by rice snacks and biscuits, which are 10%.

Production Volume and Retail Sales Volume of Confectionaries in 2011

	2009		2010		2011	
	Production volume ton	Retail sales volume 1 billion yen	Production volume ton	Retail sales volume 1 billion yen	Production volume ton	Retail sales volume 1 billion yen
Candy	174,700	2,550	174,700	2,510	175,000	2,560
y/y	100.0	99.5	100.0	98.4	100.2	102.0
Component ratio	9.0	7.8	9.1	7.8	9.1	8.0
Chocolate	205,990	4,180	204,990	4,180	211,690	4,440
y/y	98.4	99.5	99.5	100.0	103.3	106.2
Component ratio	10.6	12.8	10.6	13.0	11.0	13.9
Chewing Gum	38,010	1,580	37,590	1,540	35,870	1,435
y/y	97.1	97.8	98.9	97.5	95.4	93.2
Component ratio	2.0	4.9	2.0	4.8	1.9	4.5
Rice Crackers	59,970	760	59,500	745	58,900	735
y/y	97.8	98.2	99.2	98.0	99.0	98.7
Component ratio	3.1	2.3	3.1	2.3	3.1	2.3
Biscuit	242,650	3,440	241,300	3,370	242,800	3,360
y/y	101.5	100.4	99.4	98.0	100.6	99.7
Component ratio	12.5	10.6	12.5	10.5	12.6	10.5
Rice biscuit	218,380	3,280	223,445	3,301	227,597	3,356
y/y	98.1	99.7	102.3	100.6	101.9	101.7
Component ratio	11.2	10.1	11.6	10.3	11.9	10.5
Japanese cake	323,920	5,040	311,610	4,820	302,262	4,652
y/y	99.1	97.0	96.2	95.6	97.0	96.5
Component ratio	16.6	15.5	16.2	15.0	15.7	14.6
Unbaked cake	209,890	4,610	207,570	4,530	201,340	4,395
y/y	101.0	100.2	98.9	98.3	97.0	97.0
Component ratio	10.8	14.2	10.8	14.1	10.5	13.8
Snack	222,430	4,030	223,087	4,049	224,669	4,066
y/y	100.9	101.7	100.3	100.5	100.7	100.4
Component ratio	11.4	12.4	11.6	12.6	11.7	12.7
Fried confectionary	6,240	540	59,780	520	60,377	525
y/y	101.0	105.3	95.8	96.3	101.0	101.0
Component ratio	3.2	1.7	3.1	1.6	3.1	1.6
Others	188,500	2,560	181,710	2,470	178,980	2,430
y/y	100.5	100.4	96.4	96.5	98.5	98.4
Component ratio	9.6	7.7	9.4	8.0	9.4	7.6
Total	1,946,830	32,570	1,925,292	32,085	1,919,475	31,953
y/y	99.8	99.6	98.9	98.4	99.7	99.7
Component ratio	100.0	100.0	100.0	100.0	100.0	100.0

Looking at the major domestic confectionary makers, Lotte, Meiji, Morinaga, and Glico lead the confectionary market with their wide range of products including chocolate, biscuits, gum and snacks. Calbee is showing its power in snacks, and Kameda is showing its strengths for rice snacks as a specialized maker. Also, Yamazaki, which is a bread maker, has pride in its 180 billion yen sales in the Japanese cake & unbaked cake sector. In addition to these national brands (NB), wholesalers' private brands (PB) and store brands (SB) which NBs and PBs make proposals to certain major volume sellers are increasing, multi-stratifying the confectionary market even further.

As for the market trends, biscuits are specially growing greatly since last year as an item category. Canned preserved foods that were sold after the earthquake as part of the Disaster Prevention Fairs etc. increased its sales and it even became a regular product. Chocolate snacks with a high content of chocolate are also increasing its sales. Chocolate snacks are expanding its sales volume this summer.



Chocolate that doesn't melt is especially anticipated to increase its demands. Morinaga's "Bake" became widespread ever since the fierce heat 2 years ago. This product increased its sales even further last year during the energy saving period. Just like last year, there are trends for volume sellers to sell chocolate snacks with a high content of chocolate that doesn't melt during the summer.

The major snack makers' strategies are to emphasize the strengths of already existing brands, and supply new products that are enjoyable and exciting. Morinaga started selling "Chiisana Biscuit Choco (Small Chocolate Biscuit)" last fall, and this product is a combination of a long seller, "Morinaga Biscuit" and chocolate. This product has also become a big hit. Glico has a new product where they added potatoes in their already existing "Prezz". They are not only selling new flavors, but they are also expanding their business by creating variations for their top sellers. This requires innovation for product development, as well as a type of product that creates new demands.

Lotte has started selling their new gum, "Zeus" this spring as a new major product. Since the number of people taking trips or enjoying leisure decreased after 3.11, the gum industry was not doing so well. For these reasons, Lotte has made a new approach towards the younger generation by having a sense of fashion and uniqueness, instead of improving on quality or functions of the product. We cannot keep our eyes off to see if this product will create a new wave of demand.

Noteworthy category

The snack market that attracts adult consumers with demands for "drinking at home" or "snack to have while drinking" should be noted. The snack market has been expanding since 2004 and adult consumers are supporting the snack market in recent years. While the number of people eating at their homes is increasing due to the consumer's recession, there are more chances to drink alcohol at home. Also, ever since 3.11, the introduction of summer-time, and increasing chances in decentralization of days off work are other reasons for the demands to expand further. Manufacturing companies are making proposals of snacks with a firm taste that goes well with alcohol, and this leads to the activation of the market.

Imported confectionary

In recent years, confectionary import is showing an increasing trend in both volume and value. Looking at the confectionary import customs clearance record for 2011, it was approximately 42.9 billion yen in value and 80,800 tons in volume, both 105.1%, 110.2% increase year on year. The share of imported products out of the overall confectionary market still remains small, but the stable items and high class items from the US, Europe, and Australia, as well as low price, developed import items from Asia and Latin America is answering the needs of many types of consumers. In the past, there were issues about quality for imported goods from Asia and Latin America despite its merit on low price. Now that multinational corporations such as Nestle and Cadbury expanded to these regions, it made the stable supply of qualified products possible. It is not only sold for its low prices, but also as PB products by major distribution groups.

Major Brands and Import Agencies of Imported Confectionaries

Item	Country	Brand name	Importers (selling agency)	Item	Country	Brand name	Importers (selling agency)
Chocolate	Belgium	GODIVA	GODIVA Japan	Biscuit	USA	SNY DEPS, Starffs	MULTIFOOD (株) Seikai
		coole d'or	Hart Japan (株) Seikai			PEPPERIDGE FARM	MEDHYA
		Guylin	MEDHYA		Denmark	Hekke Is	TakaraShoji
		Treth	Cadbury Japan			Peter Rabbit	Niss Tokin
	France	Leonidas	Stobbe Trading International		UK	RIPENSA	Mitsubishi Sidsuishi
		Poulain	Cadbury Japan			Wake's	Niss Tokin
		Marquee	TakaraShoji		France	Wedgwood	TakaraShoji
		Vanhona	Sun-Bright Trading			St. Michel	TakaraShoji
	USA	Maxim's de Paris	Mitsubishi Sidsuishi		Spain	Bonne Maman	Arcate
		HERSHEY	Suzuki			Hejema	Hibaya
		Hawatha Host	Hawatha Host Japan	Germany	Mentos, HALLS	Cadbury Japan	
		Amond Rocca	MEDHYA		FRECK	Hack Foods	
	Switzerland	Aides	Suzuki	Germany	Clupa Chips	Morioka	
		Lidit	Pokko Butler		Troll	Ankor Japan	
		Australia	TOBLERONE	Hart Japan (株) Seikai	Germany	Werthe's	Mitsubishi Sidsuishi
			Stickers, m&m's	Mars Japan		HARIBO	Niss Tokin
	Milly Way		Mars Japan	USA	Cave d'Or & Honey	Cadbury Japan	
	Time Out		Cadbury Japan		Wife's	Wing Ace	
	Italy	Tim Tam	Campbell Japan	USA	P&G Pringles	P&G	
		Rockler, Rockler	Nikon FERREPO				
Germany	Loacker	Hibaya					
	RHEI	Mitsubishi Sidsuishi					
Germany	Mika	Hart Japan (株) Seikai					
	Dröcke	TakaraShoji					

Source: MFRO

The main brands that export to Japan and importers (selling agencies) are as stated on the table. There are 3 ways which worldwide confectionary makers export their products to Japan. One is where a major confectionary maker in the world exports products that match the consumer demand of the Japanese with the help of a Japanese subsidiary. Another case is where a Japanese major confectionary maker sells one of their product lineups. Finally, the last is where a powerful specialty agency takes their position as an import sole agency.

For the background of the increasing imported confectionary, there are roughly 5 points.

1. It has a taste or texture that domestic confectionaries do not have. It gets the attention of young women and the middle-aged people who want high quality products that taste good.
2. American and European makers are willing to actively engage in market development by doing things like changing recipes and packages so that it would match the Japanese demands.
3. The number of confectionary specialty stores and high-grade food markets are increasing, and they are the main sales rout of high priced imported confectionary.
4. The number of domestic companies with factories located overseas is increasing, as well as the import volume of outsourcing.
5. Confectionary wholesalers' group and major volume sellers are putting an emphasis on development import from newly industrializing countries and they are increasing the repertoire of imported confectionary in the market.

Imported confectionary is used as a reference for domestic makers to develop new products. It will definitely have a strong presence in the Japanese confectionary market.

