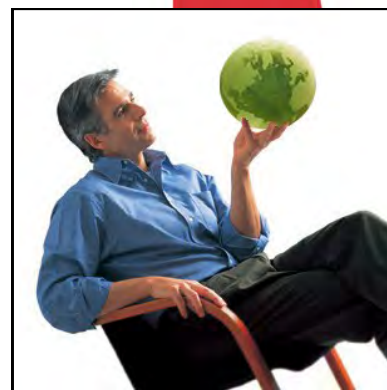




**International  
Markets  
Bureau**

**MARKET INDICATOR REPORT | MAY 2012**

## **Consumer Trends** Confectionery in Japan



## Consumer Trends Confectionery in Japan



### ▶ EXECUTIVE SUMMARY

Japan was the world's third-largest economy in 2011 with a gross domestic product (GDP) of US\$5.8 trillion. With such a large economy it is no surprise that Japan is also one of the top ten confectionery markets in the world, with retail sales of US\$9.8 billion.

However, the earthquake and tsunami that hit Japan in March 2011 had a significant impact on consumer spending related to confectionery goods. From 2010 to 2011, Japan's confectionery market experienced negative value growth of 2.4%, and volume sales decreased by 3.4%. Although the gum category remained unchanged, chocolate confectionery decreased by 4.3% in value, and sugar confectionery fell by 1.7%.

From December 2010 to December 2011, 211 of the 1219 confectionery products launched on the Japanese market were completely new introductions (17%). This demonstrates that despite the sector's decline, novelty goods are still in demand in the Japanese confectionery market.

### ▶ CONSUMER TRENDS

The recession in 2009, along with the earthquake and tsunami in March 2011, caused the Japanese economy to significantly retract, which negatively affected consumer spending. A trend observed in all three confectionery categories – sugar, chocolate and gum – is reduced consumption as consumers opt for smaller packages. Despite larger packs offering less expensive unit prices, consumers desire to spend less during each shopping trip. This is especially true for sugar confectionery, which is normally consumed individually instead of shared with the family.

Confectionery goods, especially chocolate, are popular in Japan during holiday celebrations. However, following the March 2011 disaster, Japanese consumers refrained from marking many holidays including the Blossom Festival and White Day. As a result, spending on confectionery goods declined.

Demographically, Japan has an aging society and a low birth rate which will have a negative effect on demand for confectionery products, mainly sugar confectionery goods. This decrease in demand is also influenced by increased health concerns related to calories and high blood sugar.

In relation to gum, there is an established trend where consumers either purchase gum for its function (such as fresh breath), or simply its taste. Consumers who purchase gum for functional purposes are likely to continue purchasing gum even in times of economic restraint. These consumers will generally remain loyal to the same brands and mint flavours with each purchase. However, other gum consumers have a tendency to switch brands, try new flavours and reduce consumption in favour of other confectionery goods, since gum is not perceived as a necessity.

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▶ **RETAIL TRENDS**



- ▶ The disaster that hit Japan on March 2011 had a significant impact on the production and packaging of confectionery goods, which affected new product launches by manufacturers and, in turn, sales of chocolate, gum and sugar confectionery products.
- ▶ In 2011, chocolate confectionery experienced negative growth, declining by 4% in both volume and current value terms. Overall, limited product launches during the holidays and increased consumer reluctance to participate in various holiday festivities caused all sub-categories within chocolate confectionery to decline. Standard boxed assortments fared the best with a decline of 2%, while seasonal chocolate was affected the most with a decline of 8% in value. The marginal decline of standard boxed assortments relative to other sub-categories demonstrates the popularity of this product amongst Japanese consumers.
- ▶ In 2011, the most popular type of chocolate in Japan was plain milk chocolate, with a value share of 60%. Plain dark chocolate, which holds 16% of the chocolate confectionery category in value terms, is expected to see a decline in sales.
- ▶ Chocolate confectionery products are mainly distributed through store-based retailing. More specifically, 35.5% of chocolate confectionery products were sold in supermarkets/hypermarkets, 27.1% in small grocery retailers and 20.6% in convenience stores.
- ▶ The retail value of the gum confectionery category remained largely unchanged in 2011, and volume sales declined by 0.7%. Sugar-free gum, however, achieved over 5% volume growth, attributed to sales of the Stride brand, which was introduced in 2010.
- ▶ In 2009 and 2010, companies in chocolate and sugar confectionery generally focused on promoting existing brands, by releasing variants of a product line instead of introducing completely new items. However, this was not the case for the gum category, which did see new product launches within the Japanese market. These new brands stimulated slight growth in the gum category, which was previously experiencing a decline in sales.
- ▶ Since the difference between standard brands and economy brands in terms of quality or price is minimal, private label is not popular for gum. Moreover, consumers consider gum to be an impulse purchase, making smaller individual packages more popular than large value packs.
- ▶ In 2011, the primary distribution channel for gum was grocery retailers with 85.8% of sales. Within grocery retail, small grocery retailers had the highest percent of sales at 43.7% followed by supermarkets/hypermarkets (38.5%). Convenience stores represented 37.2% of gum sales in 2011.
- ▶ Sugar confectionery experienced current value growth of just under 2% in 2011, but volume sales declined by 3.3% in the same year. More specifically, the boiled sweets category saw the largest volume decline at 6%.
- ▶ In the sugar confectionery category, international brands played an important role, introducing new variants and product renewals that increased the overall value share of international brands in 2010.
- ▶ Similar to gum, private label is not popular in sugar confectionery. It is difficult for private labels to keep up with the level of new product launches required in this category to achieve sales and keep consumers' attention. Moreover, sugar confectionery products are largely sold through convenience stores and kiosks, which lack the shelf space to offer less popular items, such as private label products.

**Confectionery Sales in Japan – Retail Value in US\$ millions  
(Fixed 2011 Exchange Rate)**

Categories	2006	2007	2008	2009	2010	2011
Confectionery	10,012.2	10,007.6	10,049.9	10,155.7	10,002.9	9,758.8
Chocolate Confectionery	4,269.6	4,252.1	4,305.8	4,298.6	4,175.2	3,994.8
Gum	2,124.3	2,062.6	2,009.7	2,085.7	2,103.1	2,103.4
Sugar Confectionery	3,618.3	3,693.0	3,734.3	3,771.4	3,724.6	3,660.6

Source: Euromonitor, 2012.



**Chocolate Sales in Japan by Sub-Sector**  
Retail Volume in '000 tonnes

Sub-Sector	2006	2007	2008	2009	2010	2011
Bagged Selflines/Softlines	28.83	28.25	26.13	24.96	24.21	23.00
Boxed Assortments	55.17	50.90	49.93	49.46	49.71	48.45
Standard Boxed Assortments	53.57	49.28	48.30	47.82	48.10	46.90
Twist Wrapped Miniatures	1.60	1.61	1.63	1.64	1.61	1.55
Chocolate with Toys	2.01	2.04	2.06	2.07	1.38	1.32
Countlines	12.89	13.02	12.50	11.98	11.56	10.99
Seasonal Chocolate	21.45	21.88	22.27	21.60	20.67	19.02
Tablets	29.55	29.46	28.55	27.98	27.09	26.00
Other Chocolate Confectionery	1.41	1.38	1.33	1.30	1.28	1.22
<b>Chocolate Confectionery</b>	<b>151.30</b>	<b>146.92</b>	<b>142.76</b>	<b>139.35</b>	<b>135.90</b>	<b>129.99</b>

- ▶ In 2010\*, Meiji Seika Kaisha Ltd. had the highest value share of the chocolate confectionery market at 18%. However, the largest growth in value share was recorded by Fujiya Co. Ltd. This growth is attributed to Fujiya's increased focus on its existing brand Look, and the introduction and success of Chocolate 18, a package that consists of three different types of chocolate, each with six pieces. In the chocolate confectionery category overall, companies largely refrained from introducing new products and focused instead on growing sales of their primary existing brands.

**Gum Sales in Japan by Sub-Sector – Retail Volume in '000 tonnes**

Sub-Sector	2006	2007	2008	2009	2010	2011
Bubble Gum	1.65	1.62	1.56	1.50	1.45	1.39
Chewing Gum	43.30	41.69	40.23	42.23	42.46	42.22
Functional Gum	32.28	31.31	30.05	29.30	28.42	27.86
Sugar Free Gum	5.13	5.06	5.03	7.87	9.15	9.64
Sugarized Gum	5.89	5.33	5.21	5.05	4.89	4.72
<b>Gum</b>	<b>44.95</b>	<b>43.31</b>	<b>41.85</b>	<b>43.73</b>	<b>43.91</b>	<b>43.61</b>

- ▶ In 2010, gum sales in Japan were dominated by Lotte Co. Ltd., with a market value share of 55%. Sales for the company's Fit brand, introduced in 2009, continued increasing but large packs of gum in hard plastic containers decreased in sales. In 2011, functional gum continued to dominate the gum category with retail volume sales of 27,860 tonnes.

**Sugar Confectionery Sales in Japan by Sub-Sector – Retail Volume in '000 tonnes**

Sub-Sector	2006	2007	2008	2009	2010	2011
Boiled Sweets	31.12	30.09	29.64	29.22	28.05	26.37
Liquorice	-	-	-	-	-	-
Lollipops	1.63	1.60	1.51	1.50	1.45	1.38
Medicated Confectionery	34.11	34.25	34.45	34.66	34.83	33.79
Mints	3.07	3.12	3.10	3.07	3.00	2.91
Power Mints	1.84	1.87	1.90	1.92	1.88	1.85
Standard Mints	1.23	1.25	1.20	1.15	1.11	1.07
Pastilles, Gums, Jellies and Chews	52.23	53.48	54.23	54.83	53.73	52.39
Toffees, Caramels and Nougat	25.31	25.59	25.85	26.08	25.69	25.17
Other Sugar Confectionery	6.33	6.39	6.36	6.30	6.11	5.84
<b>Sugar Confectionery</b>	<b>153.79</b>	<b>154.52</b>	<b>155.13</b>	<b>155.65</b>	<b>152.86</b>	<b>147.85</b>

- ▶ Despite a loss in value share from the previous year, Morinaga and Co. Ltd. dominated the sugar confectionery market in 2010, with 8% of the market. The loss of sales was attributed to a decline of Morinaga's main brand Hi-Chew and increased competition in caramel variants, which were previously dominated by the company.

Source for all on this page: Euromonitor, 2012. \*Note: 2010 is the latest data available for company shares by sub-sector.

▶ **FORECAST SALES**



**Forecast Sales of Chocolate in Japan  
by Sub-Sector: % Constant Value Growth**

Sub-Sector	CAGR* 2011-2016
Bagged Selflines/Softlines	-1.13
Boxed Assortments	-0.50
Standard Boxed Assortments	-0.51
Twist Wrapped Miniatures	-0.12
Chocolate with Toys	-0.80
Countlines	-0.45
Seasonal Chocolate	0.05
Tablets	-1.62
Other Chocolate Confectionery	-0.12
<b>Chocolate Confectionery</b>	<b>-0.70</b>

- ▶ Due to higher prices for ingredient commodities such as cocoa, retail chocolate prices are expected to increase between 2011 and 2016.
- ▶ Moreover, Japan's declining population and reduced per capita consumption caused by a growing elderly population will have a negative effect on the volume growth of chocolate confectionery.
- ▶ Seasonal chocolate is forecast to be the strongest sub-sector, posting the only value growth from 2011 to 2016. In non-crisis periods, the strength of this sub-sector is linked to the fact that seasonal chocolates are normally sold for holiday purposes. As a result, consumers are willing to spend on seasonal chocolates even if unit prices increase.

**Forecast Sales of Gum in Japan  
by Sub-Sector: % Constant Value Growth**

Sub-Sector	CAGR* 2011-2016
Bubble Gum	-0.59
Chewing Gum	-0.41
Functional Gum	0.24
Sugar Free Gum	1.74
Sugarized Gum	-1.20
<b>Gum</b>	<b>0.37</b>

- ▶ In the gum category, growth is likely to be affected by an increase in unit prices, due to the popularity of small packages.
- ▶ Volume sales are expected to decrease due to the country's declining population and the spending habits of Japanese consumers, who are unwilling to purchase items that are not deemed a necessity during times of economic uncertainty.
- ▶ Sugar-free gum is expected to perform the strongest over the forecast period. This may be attributed to not only its health properties, but the different variants being introduced with new flavours or textures that appeal to consumers.

**Forecast Sales of Sugar Confectionery in Japan  
by Sub-Sector: % Constant Value Growth**

Sub-Sector	CAGR* 2011-2016
Boiled Sweets	-0.83
Liquorice	-
Lollipops	-1.18
Medicated Confectionery	0.64
Mints	0.47
Power Mints	0.58
Standard Mints	-0.73
Pastilles, Gums, Jellies and Chews	-0.70
Toffees, Caramels and Nougat	-1.40
Other Sugar Confectionery	-0.30
<b>Sugar Confectionery</b>	<b>-0.30</b>

- ▶ Similar to chocolate and gum confectionery, prices for sugar confectionery are likely to increase due to the popularity of smaller pack sizes and rising commodity prices.
- ▶ Sugar confectionery is expected to decline in value terms over the 2011 to 2016 period. This decline is attributed to lower overall consumption and increased health awareness.
- ▶ However, mints are predicted to experience positive, albeit marginal, growth over the forecast period. Similar to sugar-free gum, this category appeals to consumers due to its functional purposes. New flavours were introduced into the mint sub-sector in 2010, and this trend is expected to continue into the future.

Source for all: Euromonitor, 2012. \*CAGR = compound annual growth rate.

► **COMPETITION**



**Company Shares of the Confectionery Market in Japan  
– US\$ Millions and % Retail Value**

Company	2009 (US\$ Millions)	2009 (%)	2010 (US\$ Millions)	2010 (%)
Lotte Group	2,138.4	21.1	2,108.2	21.1
Meiji Holdings Co. Ltd.	1,246.4	12.3	1,223.2	12.2
Morinaga & Co. Ltd.	880.9	8.7	832.8	8.3
Kraft Foods Inc.	-	-	578.1	5.8
Fujiya Co. Ltd.	422.1	4.2	440.6	4.4
Nestlé SA	315.9	3.1	309.9	3.1
Ezaki Glico Co Ltd.	289.2	2.8	276.8	2.8
Perfetti Van Melle Group	269.3	2.7	273.2	2.7
Kanro Co. Ltd.	261.1	2.6	253.7	2.5
Mikakuto Co. Ltd.	245.8	2.4	243.2	2.4
Kasugai Seika Co. Ltd.	224.1	2.2	219.3	2.2
Asahi Breweries Ltd.	183.1	1.8	187.6	1.9
Bourbon Corp.	104.4	1.0	104.1	1.0
Morozoff Ltd.	104.3	1.0	99.8	1.0
Tokiwa Chemical Industries Ltd.	94.9	0.9	96.6	1.0
Coris Co. Ltd.	82.5	0.8	79.8	0.8
Meito Sangyo Co. Ltd.	57.2	0.6	55.9	0.6
Mars Inc	51.9	0.5	51.2	0.5
Kabaya Shokuhin Co. Ltd.	51.6	0.5	50.3	0.5

Source: Euromonitor, 2012.

- ▶ Since 2001, the three leading companies in the Japanese confectionery market have been the Lotte Group, Meiji Holdings Co. Ltd., and Morinaga and Co. Ltd.
- ▶ Despite market dominance in 2010, these leaders all experienced negative growth. Lotte Group, Meiji Holdings and Morinaga saw declines of 1.4%, 1.9% and 5.5% respectively. Fujiya Co. Ltd. was the only company in the top five that recorded positive growth, with 4.4%.

**Brand Shares of the Confectionery Market in Japan – % Retail Value**

Brand	Company	2010 (%)
Meiji	Meiji Holdings Co Ltd	7.1
Xylitol	Lotte Group	5.1
Lotte	Lotte Group	3.0
KitKat	Nestlé SA	2.8
Xylish	Meiji Holdings Co Ltd	2.5

Source: Euromonitor, 2012.

▶ **NEW PRODUCTS AND TOP FEATURES**



Top Sub-Categories
1. Gum
2. Non-Individually Wrapped Chocolate Pieces
3. Individually Wrapped Chocolate Pieces
4. Pastilles, Gums, Jellies and Chews
5. Boiled Sweets

- ▶ The most popular sub-category for new confectionery products launched in the Japanese market between December 2010 and December 2011 was gum, with 116 new varieties or range extensions and 17 completely new products out of a total 1219. Of these new products, seven had a “low/no/reduced sugar” claim, followed by the claim of “breath freshening.” The preferred flavours for this sub-category were mint and grape.
- ▶ Non-individually wrapped chocolate pieces was also a popular sub-category with 33 completely new products out of a total 176 products introduced into the Japanese market. Primary claims were “limited edition” and “seasonal.” Popular flavours included unflavoured/plain, strawberry, almond, coffee, green tea and banana.

Strawberry Party Candy  
Seasonal/Limited Edition  
Boiled Sweets



Double Chocolate Cake Flavoured Chocolates  
Individually Wrapped  
Chocolate Pieces



Pop Joy Milk Chocolates  
Non-Individually  
Wrapped Chocolate



Double Berry Juicy Gum  
Gum



Rich Strawberry Milky Candies  
Pastilles, Gums,  
Jellies and Chews



Source for all: Mintel, 2012.

Top Claims
1. Limited Edition
2. Low/No/Reduced Sugar
3. Seasonal
4. Children (5-12)
5. Breath-Freshening

- ▶ Overall, “limited edition” was the most popular claim for the new confectionery products launched in Japan between December 2010 and December 2011, with 266 products out of a total 1219. Limited edition products were mainly launched in flavours such as unflavoured/plain, strawberry, almond, milk (white) and grape.
- ▶ The main products with the “low/no/reduced sugar” claim were gum, boiled sweets and standard/power mints. The most popular flavours under this claim were mint, grape and lemon.
- ▶ The “seasonal” claim was mostly associated with the sub-categories of seasonal chocolate, individually wrapped chocolate pieces, and non-individually wrapped chocolate pieces. The most popular flavours were unflavoured/plain with 32 products, strawberry (18) and white milk (8).

Popping Strawberry Chocolates with Condensed Milk  
Seasonal



Mix 7 Gum  
Low/No/Reduced Sugar



Condensed Milk and Strawberry Caramels  
Limited Edition



Mini Chitoseame Candy  
Children (5-12)



Source for all: Mintel, 2012.

▶ **NEW PRODUCTS AND TOP FEATURES (continued)**



Top Flavours (including blends)	
1.	Unflavoured/Plain
2.	Strawberry
3.	Grape
4.	Lemon
5.	Mint

- ▶ “Unflavoured” was the top flavour related category for new confectionery products in the Japanese market, and the majority fell under the individually wrapped chocolate pieces sub-category.
- ▶ Strawberry was the most popular flavour for individually wrapped chocolate pieces, followed by non-individually wrapped chocolate pieces, and boiled sweets. Strawberry flavour has a number of variants such as, strawberry and milk, strawberry and cheesecake, or strawberry and yogurt.
- ▶ Grape flavour was used mostly in pastilles, gums, jellies and chews, while lemon flavour was most popular in boiled sweets. Similar to the strawberry flavour, lemon has a number of variants such as lemon and ginger, lemon and mint, or lemon and soda.
- ▶ Mint flavour was used mostly in gum products, followed by standard and power mints.

Strawberry Flavoured  
Alphabet Chocolates  
Strawberry



White Marshmallows  
Unflavoured/Plain



Glucose Charge  
Tablets  
Lemon



Clorets Ice-693c  
Sugarless Gum  
Mint



Blueberry Flavoured  
Fizzy Gum  
Blueberry



Fruit Gummy Mix  
Peach, Orange, Grape,  
and Pineapple



Plum Gummy Candies  
Plum



Refreshing Grape Mints  
Mint and Grape



Source for all: Mintel, 2012.



▶ **NEW PRODUCTS AND TOP FEATURES (continued)**



Top Package Types	
1.	Flexible
2.	Flexible Sachet
3.	Case
4.	Flexible stand-up pouch
5.	Tray

- ▶ Between December 2010 and December 2011, 70% of the confectionery products launched on the Japanese market were sold in flexible packages.
- ▶ Flexible packages were launched in a variety of sizes, but 80g was the most popular, followed by 70g and 40g. Flexible packages were mainly used for individually wrapped chocolate pieces, boiled sweets and non-individually wrapped chocolate pieces.
- ▶ Flexible sachets were mainly used to package pastilles, gums, jellies and chews, while case packaging was most popular amongst standard and power mints. The flexible stand-up pouch was most commonly found with pastilles, gums, jellies and chews. Finally, tray packaging was mainly used for non-individually wrapped chocolate pieces.

Angel French Teatime  
Chocolate Sticks  
Flexible



Chocolate  
Tablet  
Flexible Sachet



Sparkle Berry  
Mints  
Case



Three Deep  
Berry Gummies  
Flexible stand-up pouch



Winter Café  
Chocolates  
Tray



Source for all: Mintel, 2012.

Top Pack Sizes	
1.	80g
2.	40g
3.	50g
4.	70g
5.	7g

- ▶ Between December 2010 and December 2011, the top package size for new confectionery products in Japan was 80g. The main sub-category found in this size was boiled sweets.
- ▶ Non-individually wrapped chocolate pieces, pastilles, gums, chocolate countlines, and jellies and chews constituted most of the confectionery products released between December 2010 and December 2011, in the 40g pack size. Of the 35 products released in this size, 21 were in flexible packages, 6 were in flexible sachets and another 6 were packaged in a flexible stand-up pouch.
- ▶ The main confectionery sub-categories sold in the 50g package size were pastilles, gums, jellies and chews, non-individually wrapped chocolate pieces and chocolate tablets. The 32 50g-size products released between December 2010 and December 2011 included: 11 packaged in a flexible stand-up pouch, 11 in a flexible sachet and 8 in flexible packages.

Lactic Acid Bacteria and Melted  
Peach Gummy  
40g flexible sachet



Cocoa Soft Chews  
70g Flexible Package



Honey Ginger Flavoured  
Sugarless Mints  
7g Case



Source for all: Mintel, 2012.

▶ **NEW INNOVATIVE PRODUCTS**



The following is a small sample of the innovative product introductions to the Japanese marketplace, from the Mintel Global New Products Database (2012). For the purposes of this report, “innovative products” are defined using the Mintel criteria of “convenient packaging,” “innovative ingredients,” “interesting packaging,” “novel,” and/or “portionability”



**Lime Chip and Apple Gum**

Fit's Magiq Lime Chip and Apple gum contains gum that changes flavour from lime to apple, and ends with mint. The gum is packaged in a flexible paper form and contains what are referred to as “magic chips,” which release an ingredient that pops when chewed.

Company: Lotte

**Oreo Chocolate Bar (with Uji Matcha Green Tea)**

This chocolate bar features Oreo biscuits and Uji matcha green tea. It is portionable and is described as an item to purchase for the summer. It is sold for US\$1.18 in a pack size of 34g.



Company: Yamazaki Nabisco



**Fruit-Rich Candy (Strawberry)**

This candy is made from 100% fruit juice and pulp. It is described as a hard candy that releases a strawberry flavour when chewed. It is sold for US\$1.25 in 25g resealable packages, making this product convenient for snacking on-the-go.

Company: Kracie Foods

**Bubblegum (Soda)**

Meiji Petit Gum is a repackaged product that contains a convenient opening on the side. This product is also available in a grape flavour. It is sold in a 40g pack size for US\$1.21.

Company: Meiji Seika Kaisha



**Excellent Milk Chocolate Pieces**

Lotte Ghana chocolates were re-launched in September 2011 with a new, easy-to-dispense package. The chocolates are described as creamy and rich. Ghana chocolates are sold in 134g packages for US\$3.43

Company: Lotte

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