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Hong Kong

Market Development Reports

Hong Kong Microwavable Food Market Brief

1999

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Report Highlights:

Overall, U.S. microwavable food products require extensive effects in terms of marketing and promotion in order to attain a higher market share. Promotional costs are relatively high and therefore joint-sponsored programs are desirable. Increases in product variety and selection are crucial to further market development.

Includes PSD changes: No
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MICROWAVABLE FOOD MARKET BRIEF**INTRODUCTION**

Methodology

The goal of this report is to provide a brief on the microwavable food market in Hong Kong as well as future developments.

For Hong Kong dollar currency figures, the exchange rate used is US\$ 1 = HK\$ 7.78

Main Findings

Overall U.S. microwavable food products require extensive efforts in terms of marketing and promotion in order to attain higher market share. Specific promotion packages and programs should be carefully evaluated in order to effectively reach the general public on the advantages of microwave food preparation. Meanwhile, an increase in product variety and selection is also crucial to further market development.

As Hong Kong people habitually do not prepare food using Western type ovens, the promotion programs should not be expected to yield desirable results in a short time-frame (i.e. 2-3 months). It should instead be viewed as a long term investment.

However, being highly Westernized, Hong Kong does have the capacity to accept more microwavable food. Promotional costs are relatively high and therefore joint-sponsored programs are desirable.

MICROWAVABLE FOOD MARKET BRIEF**INTRODUCTION****# Market Access Statement****LABELING REQUIREMENTS**

The Food and Drugs (Composition and Labeling) Regulations require food manufacturers and packers to label products in a prescribed, uniform and legible manner. The following information is required to be marked on of all prepackaged food except for ‘exempted items’ as provided in the Regulations. Prepackaged food means food packaged in such a way that the contents cannot be altered without opening or changing packaging and the ready for presentation to the ultimate consumer or a catering establishment as a single food item.

1 Name of the Food

- a) Prepackaged food shall be legibly marked or labeled with its name or designation.
- b) The food name should not be false, misleading or deceptive but should serve to make the nature and type of food known to the purchasers.

2 List of Ingredients

- a) Preceded by an appropriate heading consisting of the words “ ingredients”,“composition” “contents” or words of similar meaning, the ingredients should be listed in descending order of weight or volume determined when the food was packaged.
- b) If an additive constitutes one of the ingredients of a food, it should be listed by its specific name or by the appropriate category (e.g. Preservative, artificial sweetener, etc.) Or by both name and category.

3) Indication of “best before” or “use by” date

Prepackaged food shall be legibly marked or labeled with the appropriate durability indication as follows:

- a) a “best before” (in Chinese characters as well) date; and
- b) in the case of a prepackaged food which, from the microbiological point of view, is highly perishable and is likely, after a short period, to constitute an immediate danger to human health, a “ use by” (in Chinese characters as well) date.

The words “use by” and “best before” in English lettering and Chinese characters followed by the date up to which specific properties of the food can be retained, to indicate the shelf life of the food. The “use by” or “best before” date should be shown either in Arabic numerals in the order of day, month and year (or month and year in certain circumstances) or in both the English

and Chinese languages. For specific details refer to the Regulation.
Website: <http://www.info.gov.hk/justice>

MICROWAVABLE FOOD MARKET BRIEF

INTRODUCTION

4) Statement of Special Conditions for Storage or Instruction for Use

If special conditions are required for storage to retain the quality or special instructions are needed for prepackaged food use, a statement should be legibly marked on the label.

5) Name and Address of Manufacturer or Packer

Prepackaged food shall be legibly marked or labeled with the full name and address of the manufacturer or packer, except under the following situations:

- a) The package is marked with an indication of the country of origin, and the name and address of the distributor or brand owner in Hong Kong, and the address of the manufacturer or packer in its country of origin has been submitted in writing to the Director of Health.
- b) The package is marked or labeled with an indication of its country of origin and with a code identifying the manufacturer or packer in that country, and particulars of the code and of the manufacturer have been submitted in writing to the Director of Health.

6) Count, Weight or Volume

The food label should include the numerical count or net weight or net volume of the food.

7) Appropriate Language

The marking or labeling of prepackaged food can be in either the English or the Chinese language or in both languages. If both the English and Chinese languages are used in the labeling or marking of prepackaged food, the name of the food and the list of ingredients shall appear in both languages.

Exempt from labeling regulations: Individually wrapped confectionery products and preserved fruits intended for sale as a single item; Prepackaged foods for sale to catering establishment for immediate consumption; those containing more than 1.2 percent alcohol by volume.

Under the amended Food and Drugs (Composition and Labeling) Regulations, it is illegal to sell any food after its “use by” date. Furthermore, any person who, other than the food manufacturer or packer or without their written authorization, removes or obliterates any information on the label required under these regulations is liable to a fine of up to \$50,000 and imprisonment for up to 2 years.

also commits an illegal act.

MICROWAVABLE FOOD MARKET BRIEF

INTRODUCTION

IMPORT DUTIES

Hong Kong is a free port which does not impose any import tariffs on products with the exception of four dutiable products: liquor, tobacco products, hydrocarbon oils and methyl alcohol. Local importers have to apply for a licence from the Hong Kong Customs and Excise Department for the importation of dutiable commodities. In addition, a licenced importer has to apply for a permit for each and every consignment.

The current duties are as follows:

Cigarettes per 1000 sticks	US\$98.45
Cigars per kg	US\$126.74
Beer & liquor with less than 30% alcohol	: 30%
Liquor with more than 30% alcohol	: 100%
All wines	: 60%

MICROWAVABLE FOOD MARKET BRIEF**OVERVIEW**

- # The market for microwavable food in Hong Kong is presently small. The products have not acquired a defined market position as consumer perceptions are not yet favorable.
 - C The microwave food preparation concept has not gained acceptance in the market. The lack of acceptance is due primarily to very limited promotion and education programs in Hong Kong.
 - C As a consequence, microwave ovens are, although a rather popular item in the kitchen, much underutilized.

(Microwaves are used mostly for simple applications like defrosting and heating, and rarely for meal preparation)
 - C Also the fear of microwavable food in terms of health hazards has hindered growth.

- # Microwavable foods are available in Hong Kong through supermarkets and convenience stores.
 - C Items displayed in the supermarkets are mostly imports(~90%), with US products dominating.
 - C Convenience stores like Seven Eleven and Circle K are supplying microwavable food prepared in-house.

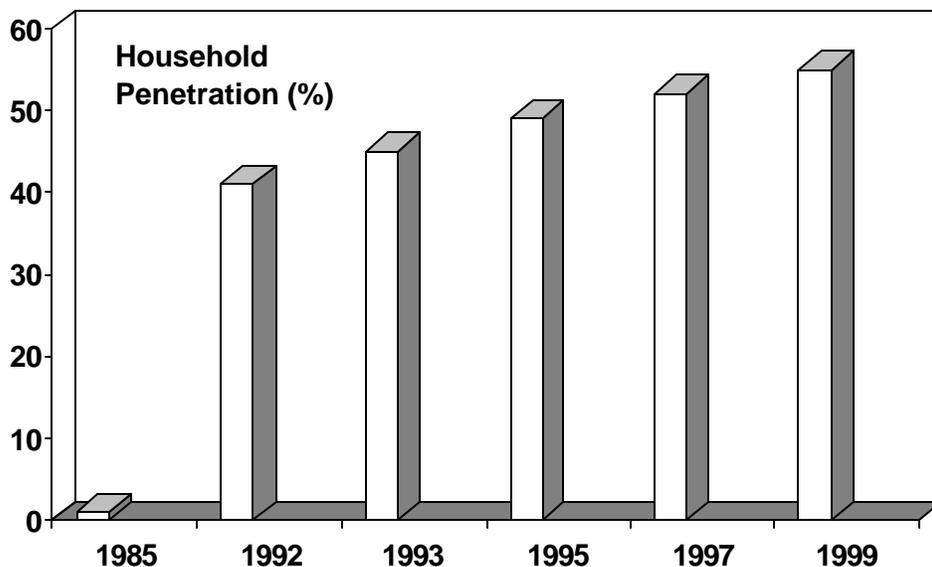
- # There are two market segments: impulse(convenience stores) versus take-home(supermarkets) purchases.
 - C Impulse purchases have gained popularity in recent years and are expected to grow in the future.
 - C Take-home products have not grown substantially due to lack of promotion/consumer awareness.

- # Microwave preparation is often an optional preparation method for microwavable food in Hong Kong. The instructions usually contain other methods of preparation i.e. stove heating.
 - C Food designed exclusively for microwave applications is rare in supermarkets (take-home purchases)
 - C However, the in-house prepared snack products in convenience stores are designed specifically for microwaving (impulse purchases) for immediate consumption.

MICROWAVABLE FOOD MARKET BRIEF
MICROWAVE OVEN OWNERSHIP

- # The use of the microwave has been increasingly popular in Hong Kong households in the 1990s.
 - C It is estimated that in 1997 more than 900,000 microwaves are owned by some 1.8 million households, with a penetration rate of over 50%.
 - C The penetration rate has been steadily increasing with a 6-8% annual average growth rate.
 - C Bearing in mind that more than 10% of microwave ownership is in foreign expatriate households in Hong Kong, leaving the penetration rate of the local household at less than 50%.
- # Future growth of microwaves is expected to increase, but at a slower rate, of 5-6% annual average growth rate.
 - C As the market gradually becomes saturated, with a portion of households having no intention of microwave ownership.
 - C Replacement purchases will increase as compared to new purchases.

Microwave Ownership in Hong Kong



Source: Eastern Strategic Consulting Limited

MICROWAVABLE FOOD MARKET BRIEF
APPLICATION CONCEPTS

- # In Hong Kong, there is an overall lack of knowledge in the use of microwave ovens:
 - C Although microwaves have been well accepted in the West as an effective tool for making delicious gourmet dishes, they are not perceived positively in Hong Kong as most Chinese dishes are prepared typically by frying and steaming.
 - C A large portion of the older generation, especially woman, are housewives. These people are not familiar with microwave food preparation.
 - C There are little or no promotional activities on microwavable food and it's preparation, showing the nutritional and economic value, and most importantly, the advantages and disadvantages of microwavable food preparation versus traditional methods.

- # A critical consideration is perhaps that microwavable food products available in Hong Kong are mostly snacks and quick serve foods, which are not locally considered as a full meal, therefore limiting the use of microwave ovens in meal preparation.
 - C Microwaves offer convenience, but when a meal is prepared, especially for a party of more than one, the microwave is seldom used.

- # The dilemma, however, is that most younger generation housewives work full-time (and overtime) and they often cannot spare the time for gourmet food preparation, especially the traditional way as it is usually time consuming and more cleaning up is necessary (a nuisance that is disliked by the HK people).
 - C Microwave food preparation is usually clean and less time consuming.

- # Ready-to-eat foods are conveniently available all over Hong Kong, as fast food and convenience store food locations are abundant and conveniently located near every housing estate.

- # As a consequence, the kitchen is less of an important location in a household.

MICROWAVABLE FOOD MARKET BRIEF

APPLICATION CONCEPTS

- # As for owning a microwave, it has become a trend instead of a convenient necessity, as microwaves are usually under-utilized.
 - C The important functions of a microwave have been heating and defrosting instead of meal preparation.
- # In addition, the fear of microwavable food in terms of nutrition and health hazards has been a real concern, which further hinders the market growth for microwavable food.
- # It should be noted that Hong Kong people are avid restaurant eaters, and dining out as a convenience over meal preparation is common.

MICROWAVABLE FOOD MARKET BRIEF

SCOPE & DEFINITION

- # 'Microwavable food' is defined as all food products, packaged or freshly made, and provided with microwave heating or preparation instructions. As for whether the food is exclusively prepared for the microwave there is a small market supply of such items.
 - C Rarely are there food products in the Hong Kong market prepared only for microwave use.
 - C Instead most products come with microwave as well as conventional preparation instructions.

- # For the purpose of the study, Eastern Strategic Consulting separated 'microwavable food' by type of packaging:
 - C Canned food - (Cans cannot be put in a microwave, but the majority of food in the Hong Kong market that is canned can be prepared in a microwave.)
 - C Plastic/soft packed food
 - C Paper boxed food
 - C Freshly prepared food (separated from the above categories)

- # Classification is also made by Western, Chinese and Japanese food types, and the product offerings within each category.

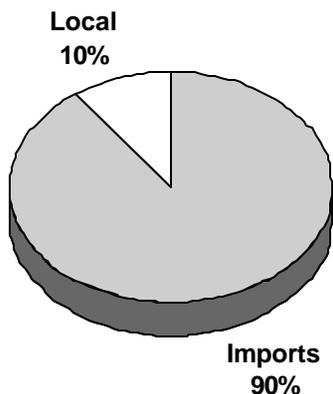
- # There is no statistical information as a reference on microwavable foods, therefore the information provided herein is based upon infield market research and observation.

MICROWAVABLE FOOD MARKET BRIEF

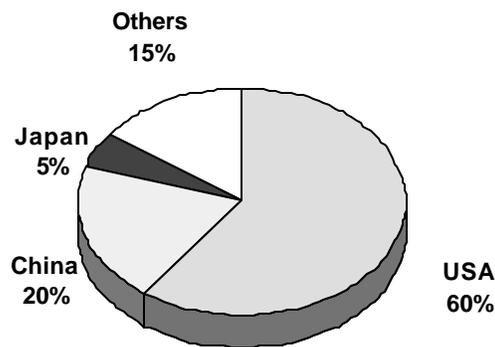
PACKAGING TYPE

- # Few microwavable foods are locally produced. They are mostly imported.
 - C The ratio of imports to local production is 90%:10% (approximately, by weight)
 - C Wintai Food is the dominant local supplier (Doll brand Dim Sum products)
 - C There are other local brands available (like Amoy, Dragon brand), but the products are mostly produced in China

- # Of the imports, the U.S. is the major supplier, accounting for more than 60% of total imports (approx. by weight).
 - C US imports also offer the greatest variety of packaged food products.
 - C China is also a significant supplier, supplying mostly HK brands, with an approximate market share of 20%.
 - C Other sources include Japan(~5%), and some by other Western countries like UK, Australia, the Netherlands (~15%).
 - C There is a small portion of microwavable canned food from Malaysia and Singapore, but the volumes are insignificant.



Local versus Imported Microwavable Food



Imported Microwavable Food by Country

Source: Eastern Strategic Consulting Limited

MICROWAVABLE FOOD MARKET BRIEF

PACKAGING TYPE

- # Currently, most microwavable foods are canned (~50%)
 - C They are mostly liquid or contain liquid, such as soup, stew, chilli, beans with gravy, etc.
 - C The USA is dominating the supply of microwavable canned foods (~80%)

- # Plastic/soft packaging has become a popular selection for microwavable food in Hong Kong ~30%
 - C Mostly from local production, Chinese, and Japanese.
 - C Most Japanese and Chinese microwavable foods are packed in plastic packaging(soft pack).
 - C The USA also offers soft packaging like bacon and sausage, cold cuts, beans, etc.

- # Paper box packaging is also popular, but with less variety (~20%).
 - C They are mostly Western products such as pizza and snacks.

As impulse purchases of food products became more popular in Hong Kong, chain convenience stores like Seven Eleven and Circle K, began offering food and snack items to be consumed immediately after purchase.

- C They include cakes, pastries, sandwiches, meat burgers, and other snacks of the like for quick consumption.
- C Chinese food offerings include dumplings, other sorts of dim sum, noodles, rice, chicken wings, etc.
- C These foods are usually packed in soft packaging and labelled with a letter corresponding to a letter on the microwave oven provided within the store premises, indicating microwaving time. Consumers make impulse purchases, place the food packages into the provided microwave oven, press the corresponding letter on the microwave oven, and the item is ready to be served.

Packaging Type	Percentage
Canned	50%
Plastic/Soft	30%
Paper Box	20%

Although impulse purchases have gained in popularity, the overall market share as compared to take-home purchases of microwavable food, is still relatively small at present.

Source: Eastern Strategic Consulting Limited

- C Eastern Strategic estimates that less than 5% of the market is for impulse buying of microwavable food.
- C However, impulse buying is expected to grow faster as convenience stores increase in number.



Source: Eastern Strategic Consulting Limited

MICROWAVABLE FOOD MARKET BRIEF

PRICING & PACKAGING

Product offerings of packaged microwavable food in the Hong Kong retail market are as follows:

(The list is not intended to be complete, but it is a fair representation of microwavable food in the Hong Kong market)

Canned Food

Brand	Product	Country of Origin	Price Range (HK\$)
Campbells	Various soup bases	USA	8-12
Baxter's	Various flavored soups	UK	15-18
Progresso	Various flavored soups	USA	16-18
Heinz	Various flavored soups	Australia	16-18
	Spaghetti products	UK	12
	Beans and others	UK and USA	8-15
Hormel	Spam Lite ham	USA	--
	Special microwave soups	USA	15-18
Del Monte	All canned products except fruits	USA	--
S&W	Most canned products	USA	15-22
Ayam Brand	Curry products	Malaysia	10-12
Mei Ling	Processed meat products	China	7-10

MICROWAVABLE FOOD MARKET BRIEF

PRICING & PACKAGING

Plastic Packed/Soft Packed Food

Brand	Product	Country of Origin	Price Range (HK\$)
Oscar Meyer	Ham and bacon(1 lb)	USA	37-45
Johnsonville	Sausages(x6)	USA	45
Louis Rich	Ham and cold cuts	USA	--
Unox	Large Sausages	The Netherlands	--
Green Giant	Frozen vegetables	USA	18-21
Hyde Park	Frozen vegetables	USA	13-16
Bird's Eye	Frozen vegetables	USA	15-18
Value Fresh	Ham and cold cuts	HK (Wellcome)	
Doll Brand	Dim Sum	HK (Wintai)	10.9 for 8pcs(180g)
Amoy	Dim Sum and other snacks	China (HK company)	12.9 for 8pcs(184g)
Katokichi Food	Selected snack products	Japan	20-30
Yukijirushi (Snow Brand)	Selected snack products	Japan	
Akebono	Selected Japanese snacks	Japan	
Ajinimoto	Few products	Japan	

MICROWAVABLE FOOD MARKET BRIEF

PRICING & PACKAGING

Paper Box Packed Food

Brand	Product	Country of Origin	Price Range (HK\$)
Chef America	Various typed pie-like snacks	USA	25 for 255g
Lacasina	Pizza and French loaf	Singapore	31.2 for 2x130g
Dragon Brand	Pizza	China(HK brand)	31.5 for 320g
Various	Microwave popcorn	Mostly USA	15-30

Freshly Made Snack Products at Convenience Stores

(Note that all products are made on location, and usually with plastic(pp) wrapping)

Product	Price (HK\$)
Cake	3.5-5
Roll	5-6
Bun	3.5-8
Tart	3.5-5
Sandwich	8-12
Hot Dog	10
Meat Burger	13

MICROWAVABLE FOOD MARKET BRIEF**DISTRIBUTION**

- # More than 95% of microwavable foods are distributed through the supermarket retail sector.
- C The other 5% is through convenience stores such as Seven Eleven and Circle K.
- # The retail sector includes large-scale department stores, chain supermarkets, and other small-scale outlets.

Segment	Key Players	Market Positioning and Comments
Department Stores	C Hong Kong Seibu	- Important segment in this channel
	C Jusco	- Market share remains consistent
	C Sogo	- Focus on take-home purchases
Chain Supermarkets	C Wellcome	- Most important segment in retailing
	C Park N Shop	- Wellcome and Park N Shop are serious competitors, and have similar market shares. Together they constitute the majority in this sector
	C Dai Cheong Hong	- General strategy is to expand market reach by increased number of outlets
	C CRC Supermarkets	- Dah Cheong Hong is a chain retailer, but the company also has close connections in the food service sector. - Focus on take-home purchases
Convenience Stores	C Seven Eleven	- Most important for impulse purchases
	C Circle K	- Expected to increase in popularity for impulse purchases
Smaller-Scale Outlets	Various	- Usually independent shops are scattered across Hong Kong - No particular market emphasis - Relatively low market share

MICROWAVABLE FOOD MARKET BRIEF PRODUCTS EXCLUSIVELY FOR MICROWAVE

- # There are very few “microwave only” products available in the Hong Kong supermarkets sector.
 - C Eastern Strategic identified only Hormel’s special microwave soup, and other items such as microwavable popcorn are exclusively designed for microwave applications.
 - C Other microwavable food comes with preparation instructions indicating that microwaving is optional to conventional ovens(for Western selections), or other preparation methods like frying and steaming (for Chinese selections).
 - C These products are marketed toward take-home purchases.

- # Conversely, most foods designed for the “microwave only” preparation are snack products found in convenience stores.
 - C Heating on the spot for immediate serving.
 - C Mainly impulse purchases.

- # Therefore, there is a close correlation between the distribution channel and consumer behavior.
 - C Eastern Strategic estimates that for food designed specifically for microwave only preparation, over 90% is impulse purchase driven.

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MICROWAVABLE FOOD MARKET BRIEF MARKETING & PROMOTION

- # There has been minimal marketing and promotion activities specifically for microwavable food.

- # Marketing and promotion programs are for individual brands like Campbells, Amoy products, etc.
 - C These companies advertise through television and various food and entertainment magazines to promote their products.

 - C As the cost of running TV ads is high in Hong Kong, advertisements on TV are not common.

- # Promotion programs for supermarket chains like Park N Shop and Wellcome (e.g. coupons discount) indirectly promote the sale of microwavable products.

- # The US Agricultural Trade Office in Hong Kong has helped American Food companies and their local distributors and retailers to more effectively promote their products by facilitating and organizing seminars, conferences, and also introducing potential business alliances.

Agricultural Trade Office
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18th Floor, St. John's Building
33 Garden Road
Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-Mail: ATOHongKong@fas.usda.gov
Internet Homepage: <http://www.usconsulate.org.hk>

MICROWAVABLE FOOD MARKET BRIEF RULES & REGULATIONS

- # As Hong Kong is a free port, there are no import duties on food products, including microwavable food.

- # However, other regulations apply, as follows:
 - C A health certificate from the country of origin must be obtained to certify that:
 - The products were manufactured and packed under proper hygienic condition as approved by the origin country, and samples inspected by a method approved by that country;
 - Sample inspection report by chemical analysis and bacteriological examination, showing contents of fats, sugar, milk-solids, and bacteria count.

- # The local health department will conduct sampling and analysis upon arrival of food shipments. Therefore, appropriate correspondence between the importer and the health ministry is necessary.

- # Packaging requirements must comply with the Hong Kong Food and Drug Regulations, which include proper labelling of items, ingredients, shelf-life, storage and handling instructions, and other product specifications including volume and weight, and the manufacturer's/packer's name and address.

- # Details of import regulations can be obtained from the Hong Kong government, Department of Health at Wu Chung House, 18th Floor, 213 Queen's Road East, Wanchai, Hong Kong.
 - C Also, the Health Department provides a telephone hotline service for import regulations at (852) 2380-2580 and direct facsimile at (852) 2845-0943.

MICROWAVABLE FOOD MARKET BRIEF RECOMMENDATIONS

- # Microwavable food has the potential of attaining a more significant market position. The critical consideration is overcoming the current perceptions that the microwave oven can not be used for gourmet preparation; and health concerns.

- # However, to attain success on changing market perceptions will require extensive efforts over the long term.
 - C Specially arranged food preparation courses and microwave application seminars should be sponsored and conducted on regular intervals, or offered with each microwave oven purchase.

 - C Microwave cook books and simple recipe leaflets should be distributed with each microwave oven purchase. This is also recommended with selected supermarket purchases.

- # Increased product selection is also critical in improving market share, as Hong Kong consumers welcome a wide range of retail selection.
 - C U.S. companies could promote their products as 'recommended' or 'highly recommended' for microwave preparation in supermarkets.

 - C Selected kiosks and counters could be set up at supermarket outlets providing free tasting and demonstration.

- # As poor economic conditions are expected to remain through 1998, retail prices should further decline for a great many products. Caution should therefore be exercised in terms of promotion cost and expectations on potential returns should be moderated.

- # Overall the microwavable food market remains untapped and should be viewed as having long term market potential.

MICROWAVABLE FOOD MARKET BRIEF

CONTACTS

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Fax:(852) 2691-7199

MICROWAVABLE FOOD MARKET BRIEF**CONTACTS****List of Important Government Web Sites and E-Mail Addresses**

Department	Web Site	E-Mail Address
Census and Statistics Department	http://www.info.gov.hk/censtatd/	genenq@censtatd.gcn.gov.hk
Company Registry	http://www.info.gov.hk/cr/	crenq@cr.gcn.gov.hk
Consumer Council	http://www.consumer.org.hk	cc@consumer.org.hk
Financial Secretary's Office Business and Services Promotion Unit	http://www.info.gov.hk/bspu/	bspuenq@bspu.gcn.gov.hk
Economic Services Bureau	http://www.info.gov.hk/esb	esbuser@esb.gov.hk
Trade and Industry Bureau	http://www.info.gov.hk/tib/	--
Department of Health Headquarters	http://www.info.gov.hk/gsd/index.htm	dhenq@dh.gcn.gov.hk
Industry Department	http://www.info.gov.hk/id	industry@id.gcn.gov.hk
Trade Department	http://www/info.gov.hk/trade	dcsn@trade.gcn.gov.hk
Hong Kong Trade Development Council	http://www.tdc.org.hk	hktdc@tdc.org.hk