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Hong Kong

Market Development Reports

Hong Kong Soft Drink Market Brief

1999

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Report Highlights:

Competition is expected to be strong in the near term, particularly in carbonated and still drinks. Most suppliers are struggling to secure their current positions in a declining market. Health and sports drinks are a niche high growth market segment which should not be over looked.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Hong Kong [HK1], HK

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SOFT DRINKS MARKET BRIEF**INTRODUCTION**

Methodology

The goal of this report is to provide a brief on soft drinks 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

Hong Kong's soft drink market has been increasingly competitive. The competition is expected to become more severe in the near term, specifically in the carbonated and still drinks segments, where most suppliers are attempting to secure their current positions in a declining market. As a result, profit margins have reduced, and therefore any new potential entrants into Hong Kong market should expect to a difficult battle.

Health and sport drinks is a niche high growth market segment which should not be overlooked. Despite increased competition in recent years, supply has been primarily from only three manufacturers (Pokari, Lucozade, and Gatorade). As the market size increases and develops further, a fourth or even fifth potential major supplier could be comfortably accommodated. Also, as this segment is least affected by parallel imports, profit margins should remain healthy.

Market Access Statement**LABELING REQUIREMENTS**

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

SOFT DRINKS MARKET BRIEF**INTRODUCTION**

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>

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.

SOFT DRINKS MARKET BRIEF**INTRODUCTION**

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 of the food 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 and 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 also commits an illegal act.

SOFT DRINKS 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%

SOFT DRINKS MARKET BRIEF**OVERVIEW**

- # Despite the overall decline of soft drink imports in 1997, Western imports, led primarily by the USA, have consistently increased from 1992 to 1997.
 - C The market reflected an increase in product offerings in terms of variety in the past two years with increased supply from the West.

- # Local soft drink demand increased moderately (Average annual growth rate of 3-4%) in the past five years.

- # As consumers become more cautious and selective in their choice of beverage, health and sport drinks have become the largest growing product segment in recent years. Future growth is expected to remain significant.
 - C On the other hand, carbonated soft drinks demand is expected to remain flat or slightly decline.
 - C Coke and Coke products, despite being by far the market leader at present, have experienced significant reduction in market share.

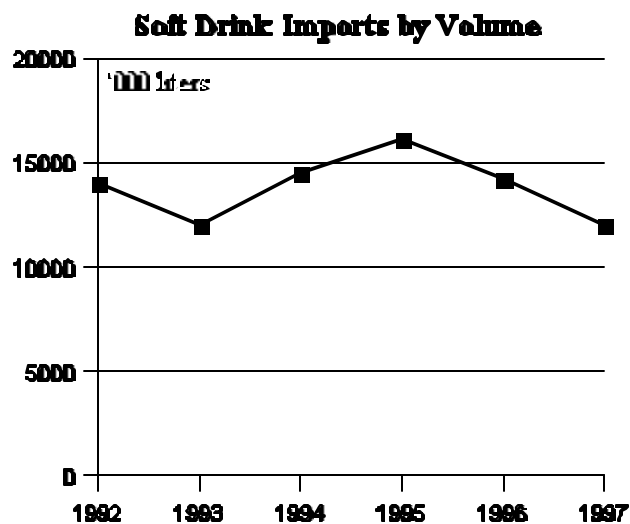
- # Soft drinks are being consumed significantly by impulse because significant portions of advertisements are directed at convenience stores and food service outlets.

- # As more brands and products enter the market, competition in the soft drink market is expected to further increase.
 - C New entrants after 1997 are not expected to create significant impact in the market unless they belong to the high growth product segment, i.e. health and sports drinks, and distilled/mineral/spring water.

- # Soft drinks parallel imports (primarily from China and Singapore) have been common in Hong Kong, which has driven prices down.
 - C Although parallel imports have declined, they are expected to remain popular in the soft drinks market.

SOFT DRINKS MARKET BRIEF**PRODUCT TRADE - IMPORTS**

- # Imports of soft drinks into Hong Kong have experienced two periods of decline: In 1993, and in 1996-97.
- C 1993 saw an overall decline of economic environment, and more importantly the taking-off of locally produced mineral and distilled water products, replacing a portion of the market for sweetened soft drinks.
- C In 1996 imports declined as domestic production and distribution increased, and also mineral and distilled water gained significant market share in Hong Kong at the expense of sweetened soft drinks, especially carbonated drinks.
- C 1997 saw an overall decline in economy, especially in the latter part of the year, overall consumption decreased by 3%, causing imports to further decline.
- C The overall decline in imports is partly attributed to the decline in re-exports, particularly to China.
- # Import value per liter decreased in 1994 from 1993, but steadily increased from 1994-97, with 1997 at HK\$6.0-7.0 per litre.

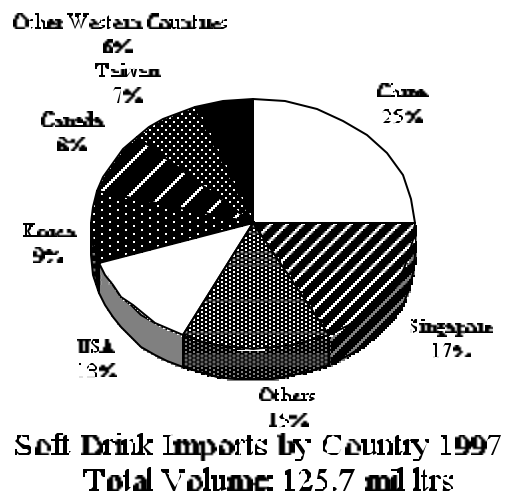
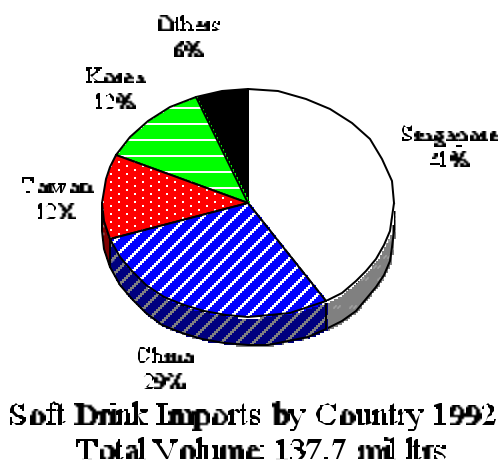


*Source: The Census and Statistics Department
(HKCSD)*

SOFT DRINKS MARKET BRIEF

PRODUCT TRADE - IMPORTS

- # Hong Kong soft drink imports have switched from primarily Asian supply(Western countries less than 5%) in 1992, to significant Western imports (over 25%) in 1997.
- # Singapore imports declined more than 50% from 1992 to 1997, positioned from the largest importer(more than 40% share in 1992) to the second largest(17% share in 1997), only 4% more than USA in 1997.
 - C The declining Singapore imports are due mainly to the strength of Singapore currency (from HK\$4.8 to 5.7 to S\$1 in the period).
 - C Parallel imports of Coke and Pepsi products from Singapore declined as China became more aggressive, and also as local coke producers improved distribution.
 - C More aggressive entrants by Western brands have adverse effects on Asian imports.
- # Singapore imports in 1998-2000 are expected to further reduce or maintain at the 1997 level.
 - C Lucozade closed their bottling facility in Singapore in late 1997, causing further reduction in Singapore imports.
 - C However, as the Singapore dollar exchange rate reduced by over 15%, parallel imports are expected to increase.
- # Of the Western imports, most are from USA(13%) and Canada(8%).
 - C Others of significance are UK and Australia.
- # China has become the largest importer of soft drinks into Hong Kong.



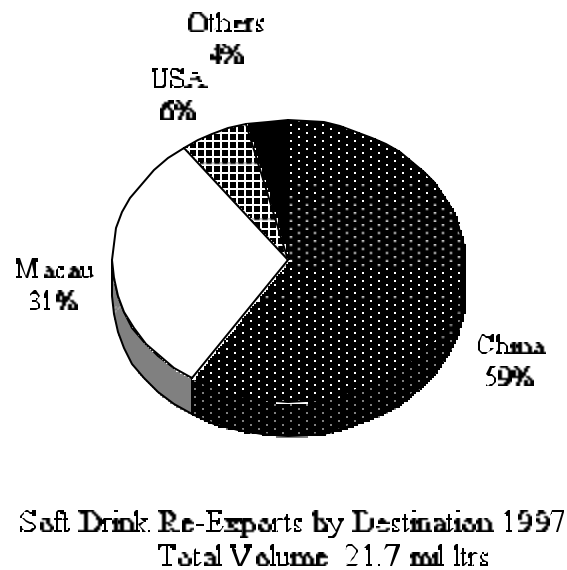
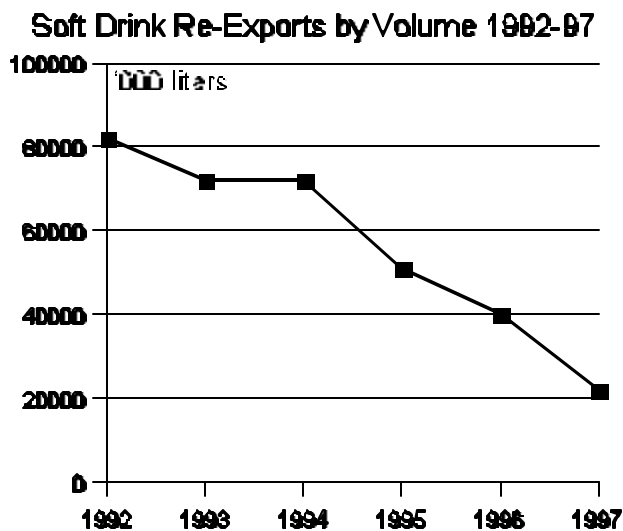
Source: HKCSD

SOFT DRINKS MARKET BRIEF

PRODUCT TRADE - RE EXPORTS

- # Overall re-exports of soft drinks have been declining from 83.2 mil liters in 1992 to 21.7 mil liters in 1997.
 - C The major reason is the decreasing role of Hong Kong as a transshipment point into mainland China, as China rapidly increased local production capacity in the past 3-4 years.
 - Coke and Pepsi have aggressively set up numerous bottling facilities in most major cities and provinces.
 - Yeo Hiap Seng closed down Hong Kong's bottling plant and moved to Guangzhou, shifting from re-exports into China to imports into Hong Kong.
 - C Hong Kong has re-exported significantly to Japan in 1992, but this role vastly reduced in 1993 and thereafter.

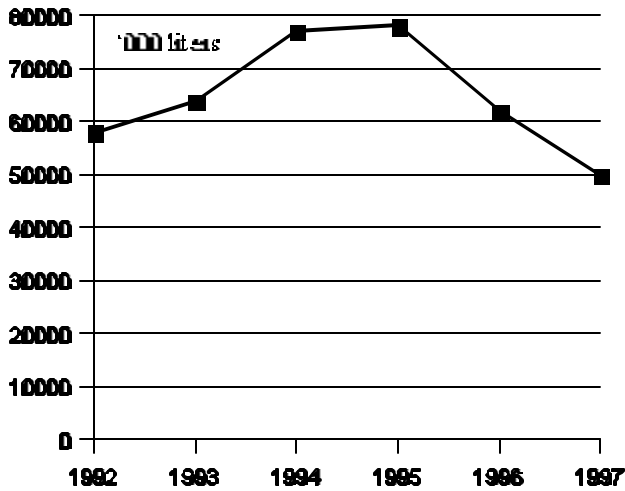
- # As regional distribution role declined, China and Macau have been the largest transshipment locations for Hong Kong's soft drink imports. More than 90% of re-exports in 1997 have been channelled to China and Macau.



Source: HKCSD

SOFT DRINKS MARKET BRIEF PRODUCT TRADE - DOMESTIC EXPORT

Soft Drink Domestic Exports by Volume 1992-97

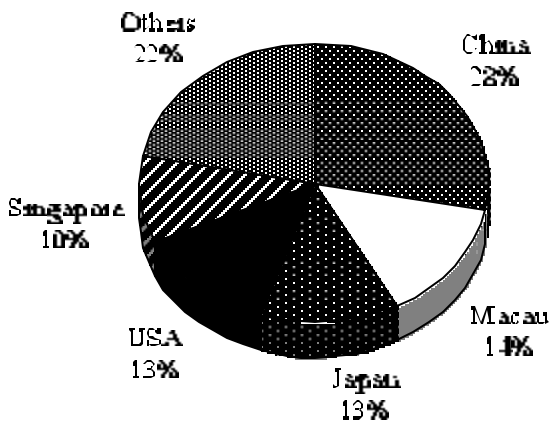


Domestic exports of soft drinks increased in early 1990s, peaked in 1994-95, and declined in 1996-97.

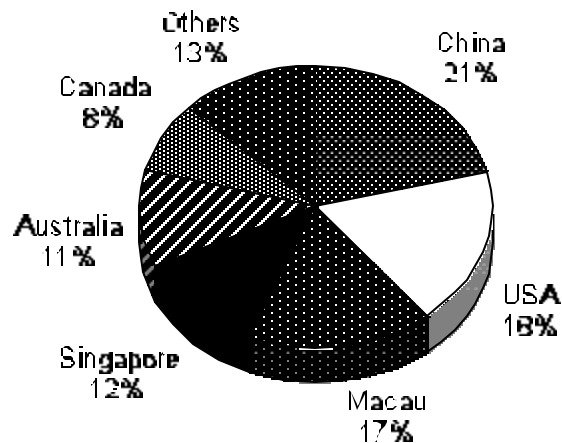
C As domestic consumption increased in 1994-95, local production increased, as well as regional distribution.

C 1996-97 saw a decrease in regional distribution, and also a decrease in re-exports to China (for the same reason as in re-exports).

Unlike re-exports, Hong Kong soft drink producers are active in regional distribution of



Soft Drink Domestic Exports by Destination 1992
Total Volume: 57.9 mil ltrs



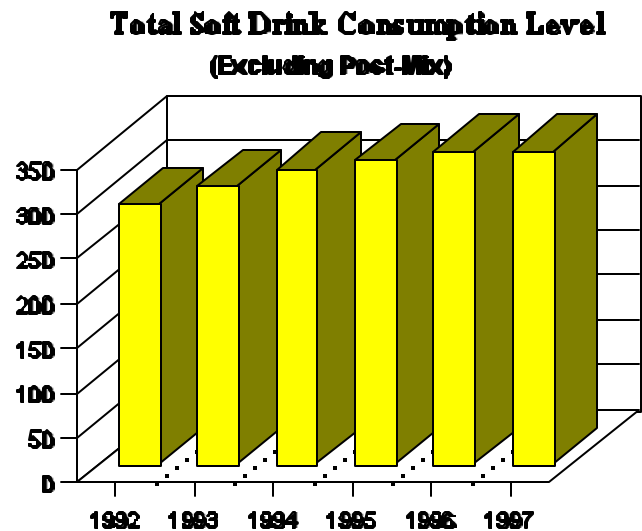
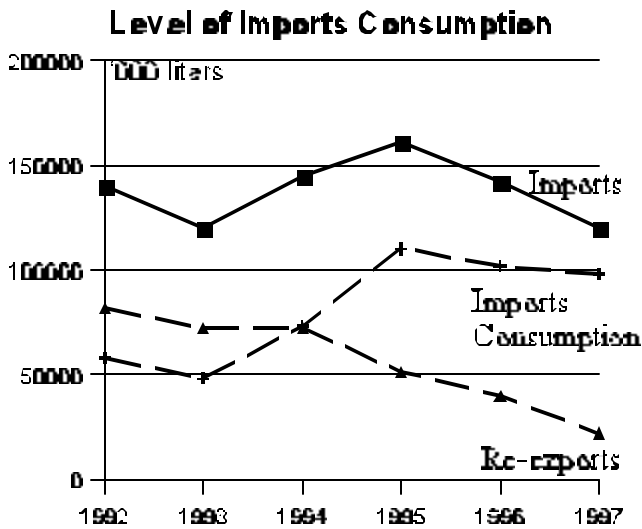
Soft Drink Domestic Exports by Destination 1997
Total Volume: 49.2 mil ltrs

Source: HKCSD

SOFT DRINKS MARKET BRIEF

LOCAL DEMAND - CONSUMPTION

- # Local consumption of soft drinks in Hong Kong dropped in 1993 from 1992. Demand increased steadily until 1996.
- C 1997 soft drink demand is expected to maintain at 1996 level with no growth or decline.
- C Soft drink demand in 1997 is about 350 million liters, or at 55-56 liters per capita (excluding post-mix soft drinks).
- C Total demand in 1997 will be over 450 millions liters if post-mix drinks are included.
- # Of the total consumption, import demand accounts for more than 100 million liters, or slightly less than 30%
- C Import consumption greatly increased from about 20% in 1992 to 30% in 1997.
- C This is because local production has not increased sufficiently to supply the increase in demand.



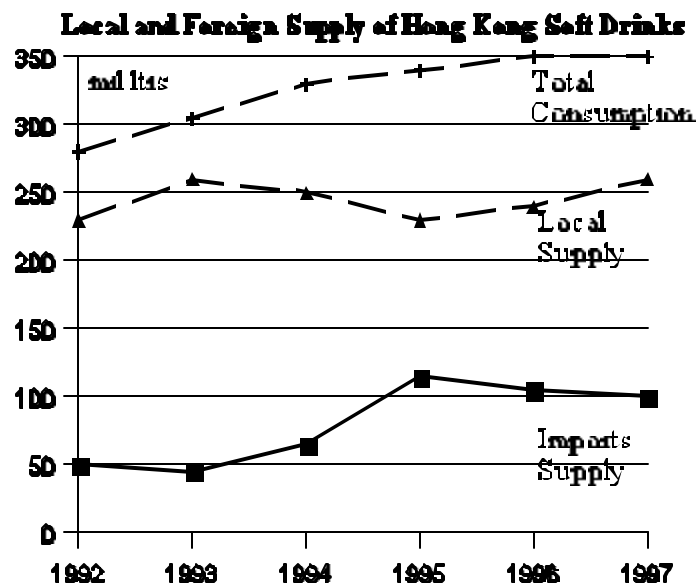
Source: HKCSD

SOFT DRINKS MARKET BRIEF

CONSUMPTION BY LOCAL & FOREIGN SUPPLY

Hong Kong Soft Drinks Production and Demand (Eastern Strategic Estimates)

(Vol mil liters)	1992	1993	1994	1995	1996	1997
Domestic Production	290	325	325	303	304	300
Domestic Exports	58	65	78	78	64	50
Retained Production	232	260	247	225	240	250
Imports Demand	55	47	80	115	110	100
Local Demand	287	307	327	340	350	350



Source: HKCSD

SOFT DRINKS MARKET BRIEF**MARKET SEGMENTATION**

In this report, soft drinks are being separated into three categories: carbonated, still or non-carbonated, and health & sport drinks.

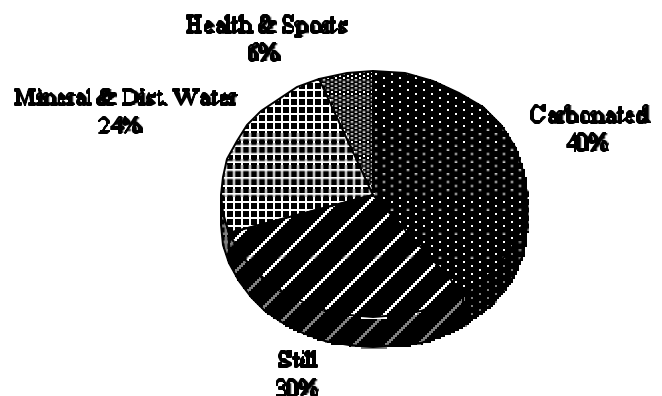
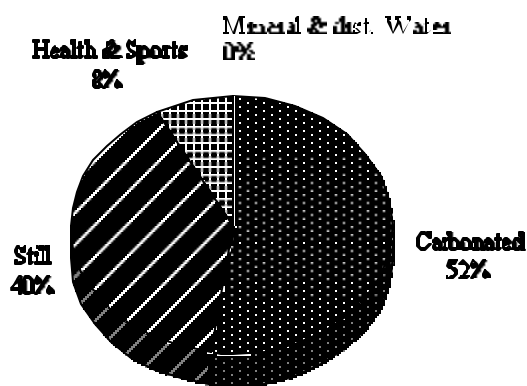
Mineral and distilled water are in direct competition in the soft drink market. Therefore, further discussions of soft drink market segmentation will include mineral and distilled water.

Product Category	Major Brands	Historical Growth (1992-97)	Outlook (1998-2000)	Comments
Carbonated	Coke products - Pepsi products - Schweppes	<ul style="list-style-type: none"> Near 70% share in 1992 to 52% at present 1997 slightly increased from 96 	Stagnant or slightly decline	<ul style="list-style-type: none"> Coke is by far the market leader At very distance second is Pepsi 1996-97 saw new brands like Tango(UK) & Demisoda(Korea) Schweppes introduced two new flavours
Still	<ul style="list-style-type: none"> Vitasoy Yeo Hiap Seng Pokka Nestea Vita Hi-C 	<ul style="list-style-type: none"> Stagnant 1997 from 96 97 share at 40% from 25% in 92 	Market share maintained but limited growth	<ul style="list-style-type: none"> Vitasoy and YHS have enjoyed stable and substantial growth Products like sweetened soya-products are expected to grow fastest
Health & Sports	<ul style="list-style-type: none"> Pocari Lucozade Gatorade 	<ul style="list-style-type: none"> 20-30% per year 	Maintained at 20%	<ul style="list-style-type: none"> Fastest and largest growing segment Expected to reach substantial market share
Mineral&Distilled water	<ul style="list-style-type: none"> Watsons Vittel Parrier 	<ul style="list-style-type: none"> Over 10% per year 	10% in volume but 6-7% in value	<ul style="list-style-type: none"> Increased competition in recent years Future growth expected constant

SOFT DRINKS MARKET BRIEF SEGMENTATION BY PRODUCT TYPE

Market share of soft drinks by product category (Eastern Strategic Estimates)

	Market Share (excl. Mineral & dist. water, %)	Market Share (incl. Mineral & dist. water, %)
Carbonated	52	40
Still	40	30
Health & Sports	8	6
Mineral&dist. Water	--	24
Total	100	100

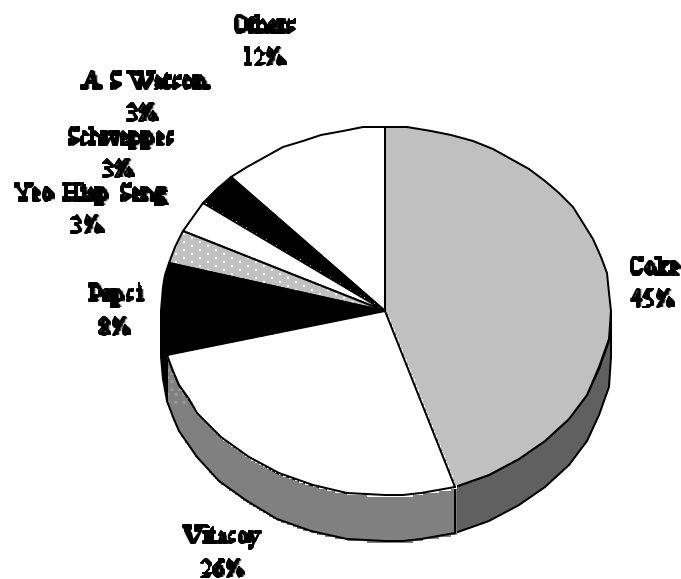


Source: Eastern Strategic Consulting Limited
(ESCL)

SOFT DRINKS MARKET BRIEF SEGMENTATION BY SUPPLIER

Soft drinks market segmentation by brands (Eastern Strategic Estimates)

Brands/Company	Local Market Share(%)
Coke	45
Vitasoy	26
Pepsi	8
Yeo Hiap Seng	3
Schweppes	3
A S Watson	3
Others	12
Total	100

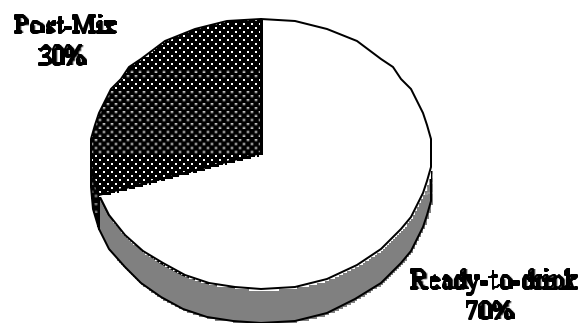


SOFT DRINKS MARKET BRIEF

SEGMENTATION BY PRODUCT CATEGORY

- # The Hong Kong market offers soft drinks in ready-to-drink packages, as well as post-mix soft drinks which is catered primarily to fountain drinks.
- # The volume for post-mix drinks is about 30% of total volume which is over 100 million liters in 1997.
 - Post mix soft drinks are catered primarily for impulse purchases. They are available in fast food outlets and specific corner stores.
- # Future expectation is that the ratio should remain consistent in the near term.

Product Category	Market Share (%)
Ready-to-drink	70
Post-mix	30
Total	100%



Source: ESCL

SOFT DRINKS MARKET BRIEF

PACKAGING

- # Packaging has been an important factor in setting the image of beverage to consumers.
 - C Recent promotional activities by Coke have placed emphasis on the latest packaging shape and style.
 - C Packaging however, has been limited to cans, Cartons, and bottles.

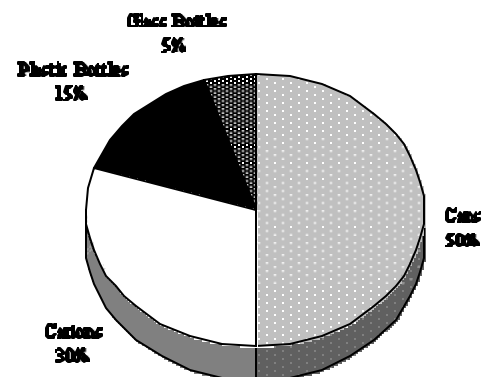
- # Aluminum can packaging has been the most popular overall.
 - C Majority of carbonated drinks like Coke, Pepsi, and Schweppes are sold in cans.

- # Cartons are popular among certain still brands like Vitasoy, Vita, and various brands of fruit juices.
 - C Over 70% of cartons are by Tetra-Pak, and others are mostly by Combibloc/Southern Packaging.

- # Bottles remain popular among Coke and Pepsi products.
 - C In recent years plastic bottles have been introduced for supermarket retail, thus the supply has largely increased.
 - C In certain food service outlets however, Coke and Pepsi products are still sold in glass bottles(thought glass bottles are rarely seen in supermarkets).

- # Other packaging types remain rare, and limited to only very selected brands like Capri-Sun.

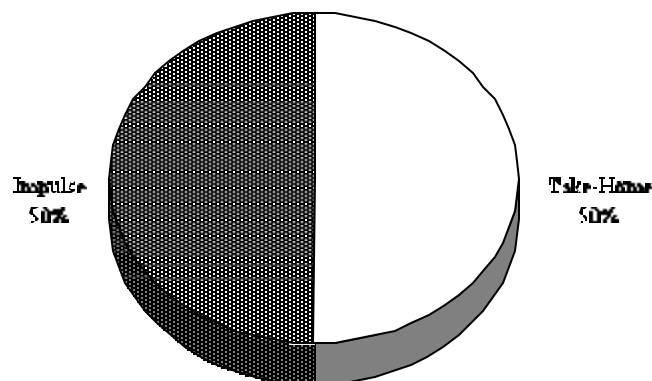
Packaging Type	Percentage by Volume
Cans	50
Cartons	30
Plastic Bottles	15
Glass Bottles	5
Total	100



Source: ESCL

SOFT DRINKS MARKET BRIEF**PURCHASE PRACTICES**

- # In Hong Kong, soft drinks are purchased on impulse and also for take-home. Distribution scope is wide and through many channels. Therefore, there are a significant amount of impulse purchases.
- # The ratio of impulse to take-home purchases is about 1:1 (derived from the ratio of different distribution channel).
 - C Impulse buys are purchases mostly from convenience stores and corner shops (assumed 50%), and in food service and other public locations like schools and company canteens, vending machines, etc. (assumed 100%).
 - C Take-home buying occurs mostly at supermarkets (assumed 100%).
- # The near term expectation is that the ratio should remain quite consistent in 1998-99. No particular distribution segment is expected to outgrow the others.
 - C However, as the food service sector to a large extent is affected by a weak economy in 1998, impulse buying is expected to slightly decline in 1998, but recover to some extent in 1999-2000



Impulse Versus Take-Home Purchase of Soft Drink

Source: ESCL

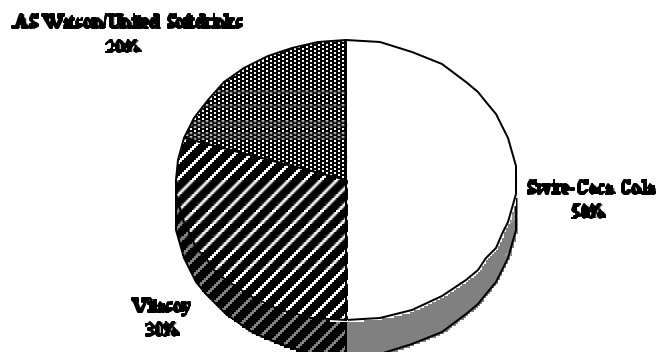
SOFT DRINKS MARKET BRIEF

LOCAL PRODUCTION

- # Supply of soft drinks in Hong Kong is about 70% : 30% from local production and imports, respectively.

- # Local production of soft drinks(excluding mineral and distilled water)remained flat in 1995-96, with a slight decrease in 1997, at about 300 million liters.
 - C Swire is the largest producer/bottler, followed by Vitasoy.
 - C Others include United Softdrinks (Pepsi) and AS Watson.
 - C Note that Watson is a major producer of distilled water in Hong Kong. If mineral and distilled water had been included as soft drinks, Watson’s production share would have been very significantly increased.

Company	Market Share (%)
Swire-Coca Cola	50
Vitasoy	30
AS Watson/United Softdrinks	20
Total	100%



Source: ESCL

SOFT DRINKS MARKET BRIEF

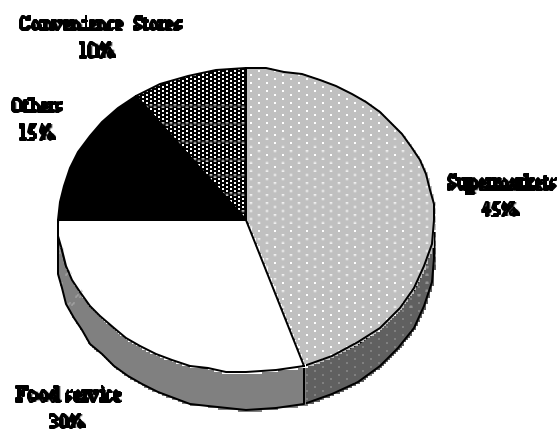
DISTRIBUTION

- # Soft drinks are distributed in Hong Kong through three channels:
 - C Supermarkets (department stores and chain supermarkets)
 - C Convenience stores (Seven Eleven and Circle K)
 - C Food service sector(hotels, restaurants, pubs/bars/clubs, airline catering)
 - C Others(road-side stores, hawkers/food centres, schools and company canteens, vending machines, etc.)

- # Supermarkets focus primarily on take-home purchases while the others focus on impulse purchases.

- # Perceptions and market projections on each channel differ:
 - C Supermarkets and convenience stores have the largest market distribution share, and their share is expected to maintain or increase in 1998, and stabilize in 1999-2000.
 - C 1998 is not expected to be a good year for the foodservice sector. With more consolidation occurring, distribution share should be reduced.
 - C The 'others' distribution sector should maintain rather constant in the near term from 1997.

Distribution Channel	Relative Market Share(%)
Supermarkets	45
Food service	30
Convenience Stores	10
Others	15
Total	100%



Source: ESCL

Soft Drinks Distribution Channels

SOFT DRINKS MARKET BRIEF**DISTRIBUTION CHANNEL****Soft Drinks Distribution Channel Analysis**

Distribution Channel	Product Offering	Comments
Supermarkets	Ready-to-drink Softdrinks	<p>C Distribute more than 50% of total ready-to-drink soft drink products</p> <p>C All ready-to-drink products</p>
Convenience Stores	Ready-to-drink Softdrinks	<p>C Focus mainly on impulse purchases</p> <p>C All ready-to-drink products</p>
Food service	Ready-to-drink and bulk concentrates	<p>C A very significant distribution segment</p> <p>C Nearly all fast food outlets use bulk concentrates (not included in local consumption estimates)</p> <p>C Estimated volume of post mix would be 30% of total volume, which made HK's total consumed soft drinks more than 400 million liters in 1997</p> <p>C Post-mix volume has been increasing mostly because of heavy promotion by fast food outlets. -- E.g. McDonalds offers a set meal that comes with a medium sized soft drink, and most local fast food outlets give out a standard size soft drink with an order of selected items in the menu.</p>
Others	Ready-to-drink and bulk concentrates	<p>C Includes Road-side stores, hawkers, canteens, vending machines. -- Road side stores are located in practically every estate in Hong Kong to conveniently serve the mass population.</p> <p>C Serves mostly ready-to-drink products.</p> <p>C Some road-side stores offer fountain drinks for impulse purchases.</p>

SOFT DRINKS MARKET BRIEF**DISTRIBUTION CHANNEL - RETAIL**

The retail sector includes large-scale department stores, chain supermarkets, and convenience stores.

Segment	Key Players	Market Positioning and Comments
Department Stores	C Hong Kong Seibu	C Important segment in this channel
	C Jusco	C Market share to remain consistent
	C Sogo	
Chain Supermarkets	C Wellcome	C Most important segment in this channel
	C Park N Shop	C Largely take-home purchases
	C Seven Eleven	C Wellcome and Park N Shop are serious competitors, and have similar market share. Together they constitute to about 75% of this sector
	C Dai Cheong Hong	C General strategy is to expand market reach by increased number of outlets
Convenience Stores	C Seven-Eleven	C Significantly impulse purchases
	C Circle K	C Consistently improving market share in past 5 years

SOFT DRINKS MARKET BRIEF

DISTRIBUTION CHANNEL - FOOD SERVICE

Segment	Players	Market Positioning	Outlook
Restaurants	<ul style="list-style-type: none"> - Big restaurants like Dun Wong, Palace, Hanbo, etc. - Presently Hong Kong has over 10,000 restaurants 	<ul style="list-style-type: none"> - Declining overall business in 1997 of 30-40% affecting beer sales - Many restaurants closed by the end of 1997 	<ul style="list-style-type: none"> - Undesirable market sentiments likely to continue in 1998, expecting recovery in 1999 - Reducing role in beer distribution
Pubs	<ul style="list-style-type: none"> - Individual pubs located in various districts like Lan Kwai Fong, Wanchai, etc. 	<ul style="list-style-type: none"> - The key player in beer distribution in this sector - Serving both foreigners and locals 	<ul style="list-style-type: none"> - Consumers likely to switch from more costly alcoholic drinks to beers (esp. Premium beers) - Will continue to play a vital role in beer distribution
Nightclubs and Karaoke	<ul style="list-style-type: none"> - Upmarket clubs like Boss, China City, Metropolitan. - Smaller clubs located in Wanchai, Mongkok, and Tsim Sha Tsui 	<ul style="list-style-type: none"> - Less important in beer distribution - Heinekin more desired in this segment because price for any beer is standardized - Focused on liquors rather than beer 	<ul style="list-style-type: none"> - Undesirable market sentiments in 1998
Hotels	<ul style="list-style-type: none"> - Presently total more than 1500 in Hong Kong, including over 120 3, 4, and 5-star hotels 	<ul style="list-style-type: none"> - Declining overall business in 1997 of 30-40% affecting beer sales 	<ul style="list-style-type: none"> - Undesirable market sentiments in 1998

SOFT DRINKS MARKET BRIEF**MANUFACTURERS & DISTRIBUTORS**

Manufacturer / Distributor	Brands Produced or Distributed	Market Positioning and Comments	
Swire-Coca Cola	- Coke/Sprite/Fanta - Sunfill/Hi-C - Schweppes	C C	Extensive market reach in both retail and food service Strong financial backing from parent company, Swire group
Vitasoy	- Vitasoy/Vita	C C	Increasing market share through expansion of distribution network Product focus suits local consumers' taste and perception
United Softdrinks	- Pepsi - 7-up	C	Extensive market reach but overall quantity small(as compared to Coke)
Yeo Hiap Seng(HK)	- Yeo Hiap Seng	C	Decreased cost as most products are now made in Guangzhou
AS Watson	- Watson - Mr Juicy/Ripe - Sunkist	C C	Strong in supermarket retail(owns Park N Shop) But relatively weak in food service sector
Dairy Farm International/Sims Trading	- Big Squeeze - Demisoda - Orangina - Pocari	C C	Strong in retail and also relatively strong in food service Recent financial and operational reorganization by selling 100% of production operation to Nestle
--	- Gatorade	C	Relatively strong in retail but weak in food service
SmithKline Beecham(HK)	- Lucozade	C	Relatively strong in retail but weak in food service

SOFT DRINKS MARKET BRIEF**PRICING & PACKAGING**

Packaging and pricing of soft drinks in Hong Kong retail market is as follows (prices indicated lowest retail prices):

Carbonated Soft Drinks

Brand	Product	Price (HK\$)	Brand	Product	Price (HK\$)
Coke/Diet Coke	355ml can	4.2	Fanta (orange, grape Soda)	355ml can	4.2
	8 x 355ml can	21.9		1.25 L plastic bottle	10.4
	24 x 355ml can	59.7		2 L plastic bottle	14.5
	500ml plastic bottle	4.9	Pepsi/Diet Pepsi	355ml can	3.6
	6 x 500ml bot.	23.9		8 x 355ml can	21.9
	1.25L plastic bottle	10.4		6 x 600ml plastic bot.	29.9
	2 L plastic bottle	14.5		355ml can	3.6
Sprite	355ml can	4.2	7Up	24 x 355ml can	86.4
	8 x 355ml can	21.9		6 x 600ml plastic bot.	29.9
	24 x 355ml can	59.7	Schweppes (cream Soda, bitter lemon, Ginger beer/ale, tonic & Soda water, grape-Fruit soda)	355ml can	4.2
	500ml plastic bottle	4.9		1.25 L plastic bottle	10.4 (cream soda only)
	1.25 L plastic bottle	10.4		2 L plastic bottle	14.5 (cream soda only)
	2 L plastic bottle	14.5			
Diet Sprite	355ml can	4.2			

SOFT DRINKS MARKET BRIEF**PRICING & PACKAGING****Still Soft Drinks****Health and Sports Drinks**

Brand	Product	Price (HK\$)	Brand	Product	Price (HK\$)
Vitasoy Soya Milk	250ml carton	2.8	Lucozade (glucose, Orange, Lemon, Lite)	300ml glass bottle	6.6
	1 L carton	13.2			
V.Malted Soya Milk	375ml carton	4.2	Libogen	100ml	6
V.Choc. Soya Milk	6 x 250ml carton	12.9		150ml	6.5
Vita (Chrys. Honey cherry, Lemon Tea, Apple, Blkcurrent)	250ml carton	3	Pocari Sweat	330ml can	5.4
	27 x 250ml carton	81		1.5 L plastic bottle	17.9
Vita Choc. Milk	375ml carton	4.2	Gatorade (Lemon Ice/ Lemon lime)	591ml glass bottle	9.4
	250ml carton	3.6			
Caprisun (F.punch) (Grape, Orange, Stb)	10 x 200ml carton	20	Aloe Vera	500ml plastic bottle	--
	10 x 200ml carton	18.9			
Yeo Hiap Seng (Various)	330ml can	4			

SOFT DRINKS MARKET BRIEF**MARKETING & PROMOTION**

- # Hong Kong is one of the Asian markets where Coke largely overwhelms Pepsi in terms of market share (45% vs 8%).
 - C Like to many other countries, Coke products are massively advertised in the media, especially through TV, with heavy budgets in production and scheduled air time.
 - C Coke can also be seen in banners, branded coolers and dispensers, selected pubs and like establishments, and being sports & game sponsors.
 - C Pepsi, although not a late entry in Hong Kong, has not been able to attain a substantial market share.
 - Pepsi has less advertisements and promotion activities, resulting in the market share being unable to improve.
 - Also Hong Kong consumers are generally less susceptible to change.
 - C Pepsi has stepped up efforts in relatively large budget advertisements on TV, which resulted in a slight increase in market share.
 - The 600ml plastic bottle packing (versus Coke's 500ml packing) attracted some consumers to make a switch to Pepsi.

- # Another company with successful promotion efforts is Vitasoy.
 - C The company however, has not been aggressively advertising in TV, but does so in banners/billboards, tying up with supermarkets offering discounts, etc.
 - C The image set by Vitasoy as healthy products at very competitive pricing attracted Hong Kong consumers.

- # Yeo Hiap Seng has recently been aggressively advertising and has attained significant improvements in market share, although the Yeo's brand is still overall weak in Hong Kong market.

- # Other companies engage occasional advertisements, and have not had much success in improving market share.

SOFT DRINKS MARKET BRIEF

RULES & REGULATIONS

Import Regulation

As Hong Kong is a free port, there is no import duty on beverages

Other Regulation

Soft drinks labelling must abide by the regulations outlined in the Food and Drugs (Composition and Labelling) Regulations, in the category of Marking and Labelling of Pre-packaged Foods.

The following basic requirements must be listed in an appropriate language (English, Chinese or both):

Name or designation of item.

List of ingredients.

List of ingredients of exempt food.

Indication of minimum durability.

Statement of special conditions for storage or instructions for use.

Name and address of manufacturer or packer.

Count, weight or volume of the pack contents.

SOFT DRINKS MARKET BRIEF

RECOMMENDATIONS

- # The Hong Kong soft drink market is competitive, especially for carbonated and still drinks, where local demand has remained stagnant.
 - C The market is saturated and therefore any potential new entrants will require substantial time and promotion efforts to enable them to gain considerable market share.

- # As Hong Kong consumers are now concerned with health factors, beverage products with healthy ingredients and compositions will increasingly be desired.

- # Focus should be placed on health and sports drinks which have experienced high growth. This trend is expected to continue.
 - C At present several brands have been competing. However, room is available for one or two more new suppliers with healthy promotion budgets.

- # Mineral and distilled water, although not categorized as soft drinks, have been competing directly with soft drinks in the market. The water products have experienced consistent growth in recent years and the growth trend is expected to continue.
 - C However, as product variety and consumer sophistication continue to increase, new market entry in this segment will become difficult.

- # Hong Kong can also be viewed as an opportunistic market for specialty beverages and also as a transshipment point for China.

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Census and Statistics Department

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Sims Trading Company Ltd

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SOFT DRINKS 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/dh/index.htm	dhenq@dh.gcn.gov.hk
Clinical Genetic Service	--	cgs@hk.super.net
Government Virus Unit	--	wllim@hk.super.net
Special Preventive Program	http://www.info.gov.hk/health/aids	aids@health.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
Foreign Agricultural Service, USDA	http://www.fas.usda.gov	--
Census and Statistics Department	http://www.info.gov.hk/censtatd/	genenq@censtatd.gcn.gov.hk
Custom and Excise Department	http://www.info.gov.hk/customs/	customeq@customs.gcn.gov.hk