



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 9/29/2000

GAIN Report #HK0058

Hong Kong

Promotion Opportunities

Agricultural Export Opportunities Update - September 2000

Approved by:

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Report Highlights:

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

The promotional activities listed below are provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the organizer. Contact the organizer directly for additional information.

SECTION 1 : FAS/W ENDORSED TRADE SHOWS

May 8-11, 2001: HOFEX 2001, Hong Kong Convention & Exhibition Center, Hong Kong. The 9th Asian International Exhibition of Food & Drink. Since the first show in 1987, Hofex Food & Drink has become the region's number one biannual event for the food and drink industry. HOFEX also runs concurrently with the Asian International Seafood Show, Wine & Spirits Asia'01. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

SECTION 2 : OTHER TRADE SHOWS

October 25-27, 2000: Interstoff. Asia Autumn, Hong Kong Convention & Exhibition Centre, Hong Kong, China. Organizer: Messe Frankfurt (HK) Ltd., 1808 China Resources Building, 26 Harbour Road, Wanchai, Hong Kong Tel: (852) 2802 7728 Fax: (852) 2598 8771 Email: textile@hongkong.messefrankfurt.com

October 25-26, 2000: Asia Pacific Leather Fair, Hong Kong Convention & Exhibition Centre, Hong Kong, China. Organizer: Asia Pacific Leather Fair Ltd., 17/F China Resources Building 26 Harbour Road, Wanchai Hong Kong Tel: (852) 2827 6211 Fax: (852) 2827 7831 Email: info@aplfc.com Show details at Internet site: www.aplfc.com

April 3-5, 2001: Food Ingredients Asia - China 2001, Everbright Convention & Exhibition Centre, Shanghai, China. Organizer: Miller Freeman, 201 Office Block, Hotel Equatorial, 65 Yanan Road (W), Shanghai 200040, China Tel: (86-21) 62480100, Fax: (86-21) 62485022. Show updates at Internet site: www.fi-events.com/asia

August 16-20, 2001: Food Expo 2001, Hong Kong Convention & Exhibition Centre, Hong Kong, China. Organizer: The Hong Kong Trade Development Council, 36-39th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong Tel: (852) 25844333 Fax: (852) 28240249 Email: hktdc@tdc.org.hk

August 28-31, 2001: Food & Hotel China 2001, Shanghai Everbright Exhibition Center, Shanghai, China. Organizer: Hong Kong Exhibition Services, Room A803, Singular Mansion, No. 318-322 Xian Xia Road, Shanghai 200336 Tel: (86-21) 6209 5209, Fax: (86-21) 6209-5210. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

Events outlined in the following section are forward looking and not confirmed at the time of writing. They offer a glimpse into the marketing activities ATO Hong Kong plans to undertake, pending FY2001 AMP funding approval and subject to project feasibility.

SECTION 3 : OTHER PROMOTIONAL ACTIVITIES

1. Successor to the Great American BBQ event

ATO Hong Kong is working with a local group of 10 restaurants, bars and clubs to develop an innovative recipe competition featuring American food ingredients, followed by a menu promotion, in the popular Lan Kwai Fong area. Tentatively scheduled for mid January in 2001, this event is designed to be the heir to the Great American BBQ. The proposed event will consist of two parts: a chef competition followed by a month-long menu promotion.

In the first part - the competition - chefs from the restaurant group come up with innovative recipes and prepare them at the event, using featured U.S. food ingredient(s) supplied by participating U.S. suppliers and selected by ATO Hong Kong. On two consecutive days, representatives from the food trade (first day) and from the general public (second day; admission granted to ticket holders only) will be invited to taste test the various dishes and rate them in an outdoor area along the LKF street. Results from the two-day poll will determine 3 winners in each of the five categories as follows:

- Vegetables & Fruits
- Meat (Red Meat & Poultry)
- Organic
- Seafood
- Dessert & Bakery (Nuts, dried fruits, flavourings, etc.)

In the second part - a menu promotion - dishes from the two-day competition will be featured on select LKF restaurant menus for one month.

Lan Kwai Fong is a strip in busy downtown where many upscale food establishments congregate. A popular and high traffic area frequented by expatriates and increasingly locals as well, it is an ideal place for a high profile U.S. food promotion event.

Post will soon distribute more detailed information, and will be actively recruiting for exporter participation in this exciting event, which will present an excellent opportunity to introduce U.S. foods to both the general public, key F&B personnel, and the hotel and restaurant industry.

2. Buying Missions / In-store Promotions

The combination of a buying mission / in-store promotion has proven to be an effective arrangement. Last year, after going on a buying mission, Park'N Shop, the largest supermarket chain in Hong Kong, held an in-store U.S. promotion with us for the first time. The upcoming Private Label buyer's mission (PLMA) in November this year presents a similar opportunity to

follow up with in-stores, where participating retailers will have an incentive to feature a range of new products fresh from their visit to the U.S. Guangnan KK and CitySuper have both indicated their interest in participating in the PLMA. ATO Hong Kong encourages active participation from U.S. exporters as we progress to the stage of follow-up promotional events.

3. Menu promotions with major restaurant chains

Post plans to initiate menu promotions of new U.S. products with one or more of the major restaurant chains in Hong Kong. Menu promotions that utilize the large restaurant network owned by these chains will maximize the effectiveness of menu promotion dollars. One large chain, Café De Coral, has indicated preliminary interest in such an event. Once we are able to narrow down more details, a recruitment package will be sent out to cooperators and state regional trading groups to solicit interest for participation.

4. Using the Web as an exciting new channel to promote U.S. foods

There are several Hong Kong and regional based food websites set up in the past few months. This presents an opportunity to initiate web based promotions of U.S. food products. Web promotions held concurrently with existing in-stores and menu promotions may increase their impact and reach. It will draw more interest from local retailers to participate in our promotions.

Web promotions fit in well with the current internet shopping mentality - consumers want information but they are not willing to make actual online purchase. With web promotions, the focus is on information dissemination to induce people to buy U.S. foods. Consumers feel that they are receiving benefits by way of centralized, easily accessible product information, without risking their credit information being exposed. Participating retailers may also give out discount coupons via select third party food websites to surfers. The idea capitalizes on the psychology of Hong Kong people who readily use the internet as a source of free information to aid their offline purchases.

Participation from U.S. exporters is greatly encouraged, whereby specific products can be featured via this new and significant marketing channel, under the overall umbrella of a U.S. food promotion banner placed at select websites.

5. ATO Hong Kong's website will be re-designed

ATO Hong Kong recently hosted a luncheon on the Internet attended by our trade contacts. Using valuable feedback received, a local website design company will be contracted to re-design the ATO Hong Kong website. The new-look website will focus on several sections:

- Current information on the provisions of new trade agreements (such as China's accession to the WTO);
- A description of the resources available from ATO/Hong Kong to support promotional events in Hong Kong for U.S. agricultural products, as well as a list of upcoming promotional events;
- A list of U.S. suppliers and other visitors coming to Hong Kong in the near future, together with an electronic form for website readers to request a meeting with visitors;
- An up-to-date list of upcoming events in the United States, such as trade shows, in-bound

trade mission opportunities, etc.

In particular, the website will emphasize the promotional aspects of ATO Hong Kong's activities, acting as an informational conduit to raise awareness of our in-store, menu and web-based promotion events. A postcard style direct mailing card will also be sent out to our trade, government and other contacts, to advertise the new ATO website. Post also plans to start an email newsletter to communicate with our trade contacts and update them on current market and policy development.

APPENDIX: UPDATE OF KEY MARKET DEVELOPMENTS (*OPTIONAL: FOR YOUR INFORMATION)

1. Closure of Carrefour Supermarkets in Hong Kong

French-based retailer Carrefour announced August 29 that it will close its four hypermarket operations in Hong Kong on September 18 and exit this market altogether. Factors cited for the retreat from Hong Kong included continuing losses due to severe supermarket competition and the difficulty in obtaining large enough sites to fully develop its hypermarket style of retailing. Local media reported that Carrefour has lost around HK\$1 billion in the Hong Kong market since commencing business. This is in stark contrast to the group's rapid expansion in China, where it recently opened store number 26 in Shenzhen.

Carrefour is the third supermarket operation with a distinctly foreign identity to either consolidate its operations in, or make its exit from, the Hong Kong supermarket industry since the beginning of this year, leaving the two local supermarket titans, Park'n Shop and Wellcome, with steadily growing influence over the variety of imported foods offered to consumers. Economists worry that the growing duopoly may soon translate into price escalations.

2. Major supermarkets endorsing Business-to-Consumer retail channel

Park'N Shop and Wellcome, the two supermarkets in Hong Kong enjoying over 80% of the retail market, have both been pushing their Internet business-to-consumer websites. Park'N Shop has been particularly active in this area, introducing in July this year their organic product website. Other than Park'N Shop and Wellcome, CitySuper (an upscale supermarket selling premium products) and AdM@rt (an online only supermarket) are the other supermarkets selling food items over the web. However, as pointed out in a later section, research conducted by independent consultants has shown that internet surfers in Hong Kong are reluctant to shop online, so it may take some time before internet shopping ventures will become a steady revenue stream for the supermarkets.

3. Restaurant chains redefining marketing strategy with new look

The three major fast food restaurant chains, Café De Coral, Maxim's and Fairwood, have

initiated an image remake of their restaurants from fast food joint to upscale diner. Café De Coral will be renovating 120 of their restaurants, costing up to HK\$1 billion each year in the next few years. According to Café De Coral, the move was in response to the change of consumer sentiment after the Asian financial crisis towards demanding more value for their dollars, even when buying a fast food meal. In addition to demanding hygienic and tasty food, consumers want to dine in a nice restaurant setting.

Fairwood also took on a similar campaign to renovate 30 of their older restaurants. All three restaurants chains are also adding a “cyber corner” to some of their restaurants with internet ready PCs for patrons to surf the net while they dine. Fairwood is also using the cyber corner to generate advertising revenue from advertisers.

4. Internet usage on rapid rise but surfers hesitant to buy online

Internet usage has been growing rapidly in Hong Kong and the SAR has a high usage rate (See notes), but surfers are not buying. A pre-dominant portion of web-surfers in HK currently use the web to collect information, then they shop offline.

The mobile device scenario in HK offers a great opportunity to position U.S. food products in the formative WAP / GPRS / PDA markets - WAP (Wireless Application Protocol) and GPRS are two protocols for accessing the internet via mobile phones. GPRS is the next generation mobile phone standard, offering access time about 10 times faster than that of WAP. WAP is an interim standard, which is expected to be phased out and replaced by GPRS once GPRS technology becomes mature. PDA's are personal data assistant devices, such as the Palm series hand held data devices. Many of the PDA's now have the capability to access the internet remotely. Smartone, a major mobile phone network in Hong Kong, started their 2.5G GPRS service in July this year. Third generation mobile services are expected to be available in the next three years.

High incidence of internet use, combined with one of the highest mobile phone penetration rates in the world, means Hong Kong's mobile internet access market is poised to grow rapidly. Some of the food websites which came into being in the last few months are already offering WAP access. Another significant retailer, SCMP retailing which operates the Healthplus and Daily Stop chain convenience stores, just set up their WAP access website hkbigmall.com this month, where people can buy products through WAP phones, and have the goods delivered to the office or pick it up on the way home.

Notes:

1. Hong Kong has a population of about 6.8 million
2. The no. of subscribers to Public Mobile Phone Networks (Digital/PCS) increased from 2.08 million in 1997 to 2.86 million in 1998, to 4.48 million as of April 2000

3. According to an independent survey, there are roughly 2.3 million narrowband and 200,000 broadband internet users in Hong Kong. Another survey showed 7% (roughly 200,000 people) of Hong Kong internet users shop online - much lower than in the other 25 countries surveyed.

POST CONTACT INFORMATION

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