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State of the Art



THE FOOD & BEVERAGE MARKET IN HONG KONG

FLANDERS INVESTMENT & TRADE MARKET STUDY

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THE FOOD & BEVERAGE MARKET
IN HONG KONG

May 2022

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3.3 ECONOMY

The main characteristics of Hong Kong include free trade, low taxation, and minimum government intervention. It is ranked as the world’s 6th largest trading economy, with the mainland as its most significant trading partner. Hong Kong is also a major service economy, with particularly strong links to mainland China and the rest of the Asia-Pacific region.

Being one of the freest markets in the world, Hong Kong has minimal trade barriers for imports. The market is therefore extremely competitive, which means quality products are often competing on price.

- GDP: € 324 billion (2021)
- GDP per capita: € 43,760 (2021)
- Real GDP growth: 6.4% (2021)
- Labour force: 3.44 million (2021)
- Unemployment rate: 5.0% (April 2022)
- Inflation rate: 1.4% (2021)

Merchandise Trade Performance (2021):

- Total Exports: € 559.7 billion
- Total Imports: € 598.8 billion
- Total Trade: € 1,158.5 billion

Service Trade Performance (2021)*:

- Exports: € 68.65 billion
- Imports: € 55.46 billion
- Total Trade: € 124.11 billion

*A Government spokesman noted that while services trade resumed growth in overall terms in 2021 alongside improved global economic conditions, its recovery remained uneven. In particular, travel and cross-boundary passenger transport services remained in the doldrums as tourism came to a halt throughout the year.

Hong Kong is a trading port. In 2021, mainland China is the number one trading partner of Hong Kong both in terms of import, export, and re-export. Belgium is 18th on the import list.

Because of its central location, free port status, and position as a regional purchasing and distribution centre, 29% of Hong Kong imports are re-exported. Of these, 89% are re-exported to mainland China.

Due to limited land resources and rapid urbanisation, Hong Kong relies on imports. About 95% of its food supply is imported. Local production contributes only 2% of fresh vegetables and 14% of live pigs consumed. There is minimal domestic agricultural production and a small food-processing industry.

With 12,000 restaurants (2021) and a large number of bars, Hong Kong has long been known as one of the world’s culinary capitals. Locals like dining out with their friends, families, and co-workers. Working professionals work long hours and would rather eat out due to the



convenience, variety, and competitive pricing of dining options. On top of that, normally a major demand is also generated from 56 million visitors every year.



4. FOOD TRADING, RETAILING AND DISTRIBUTION CHANNELS

4.1 TRADING AND RETAILING

Hong Kong’s local market is relatively small. However, many food exporting companies find Hong Kong a strategic place for entering the market in China and the neighbouring Asian countries.

Hong Kong is a trading hub for re-exports into mainland China, Macau, and other neighbouring markets in Asia. Hong Kong’s total processed food and beverage exports generated € 4.09 billion in 2020. The main market for Hong Kong’s processed food and beverage exports is mainland China, which accounted for 56%, followed by Macao, which accounted for 18%. Re-exports accounted for more than 84% of Hong Kong’s total exports of food and beverages.

Hong Kong’s food retailing and catering market has been changing in recent years as a result of changing lifestyles among the local population. Supermarkets, fast food stores, and theme restaurants continue to grow and have become an integral part of shopping and dining out habits.

Major supermarkets are being transformed into one-stop-shop “superstore” outlets enabling business growth through new set-ups of “wet market” corners (fish and meat counters selling chilled and live seafood, meat, and poultry products), in-store bakeries, take-away food services, and specialty selections.

There has been a trend of retail expansion in the upper-end sector among Hong Kong’s leading food and beverage retailers.



4.2 DISTRIBUTION CHANNELS

4.2.1 Supermarkets

Wellcome, owned by the Dairy Farm Group, and ParknShop, a member of A.S. Watson Group, are the two major supermarket chains. In Hong Kong, supermarket operations are extremely concentrated, with the two major firms accounting for over 70% of the total local supermarket sector.

Many Hong Kong supermarkets charge slotting fees for new product placement. The slotting fees are extremely negotiable and vary greatly among different supermarket chains. Supermarkets will also demand other terms such as promotion discounts, back-end income (a flat annual rebate that a supplier pays to the retail chain based on annual turnover), D.A. (Distribution Allowance - the fee that the supermarkets charge for distributing products from its warehouse to its many branch stores), and incentive rebates (a percentage of turnover rebated to the supermarkets when sales exceed a certain threshold).

Supermarkets can import new products from Belgium directly from a supplier or through consolidators, depending on the product and minimum purchase size.

Most large supermarkets, such as Wellcome and ParknShop, now provide online grocery shopping platforms with discounts and delivery services, which are increasingly appealing to busy Hong Kong shoppers.

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Dairy Farm International Holdings Ltd

Dairy Farm International Holdings Ltd (Dairy Farm) is a major pan-Asian firm that processes wholesales and sells food, health, and beauty goods. Dairy Farm began as a dairy producer in Hong Kong in 1886, and its retail store opened in 1904. Dairy Farm is now a member company of



Jardine Matheson Holdings Limited.
www.dairyfarmgroup.com/

No. of Stores	Positioning	Target Customer
329	Multiple	Local & Expat

Wellcome

With more than 70 years of experience, Wellcome is Hong Kong’s largest supermarket chain, offering a diverse product range of meat, fish, dairy, horticulture, processed food, health food, baby items, and daily necessities. Wellcome sells a variety of low- to mid-priced products under Dairy Farm’s labels “First Choice,” “Yu Pin King,” and “Surebuy.”
www.wellcome.com.hk/en

Market Place by Jasons, Jasons, 3hreeSixty, and Oliver’s the Delicatessen

Dairy Farm’s premium retail shop brands. These retail stores have a large assortment of imported fine foods, as well as wine and spirits. With the expanding popularity of healthy living, these premium supermarkets provide dedicated shelf space for organic, natural, and wholesome products.
www.marketplacebyjasons.com/
www.3hreesixtyhk.com/
www.oliversthe Deli.com.hk/

Retailer	Number of Stores	Positioning
Wellcome	283	Mass
Market Place by Jasons, Jasons	43	High – Premium
3hreeSixty	2	Premium
Oliver’s The Delicatessen	1	Premium

A. S. Watson Group

The A.S. Watson Group (A.S. Watson) is one of the world’s largest worldwide food, health, and beauty retailers. CK Hutchison Holdings Limited, a multinational conglomerate, now owns 75% of A.S. Watson.
www.aswatson.com/

No. of Stores	Positioning	Target Customer
246	Multiple	Local & Expat

ParknShop

With 149 physical locations and an online store, it is Hong Kong’s second largest supermarket chain. A.S. Watson has two private label lines, “Best Buy” and “Select,” that sell budget-friendly products.
www.parknshop.com/en/

Fusion, International, and Taste

In recent years, some ParknShop supermarkets in the middle-class suburbs have been rebranded as Fusion, International, and Taste to provide local shoppers with a better shopping experience.



BestMart 360°

BestMart 360° opened its first store in Sheung Shui in 2013 to cater to cross-border visitors from mainland China. It has grown into a dedicated snack chain store with over 85 locations in Hong Kong. It sells a variety of trendy ambient food and beverage products from Japan, Taiwan, Korea, the US, Canada, Australia, and Europe. www.bestmart360.com/

<i>No. of Stores</i>	<i>Positioning</i>	<i>Target Customer</i>
85	Mass	Mainly Local

PrizeMart

PrizeMart is a local retail chain that specializes in low-cost OEM and bulk-buy ambient food and domestic supplies (confectionery, condiments, etc.), while frozen items are available in some locations. It currently stocks quite a few products from Belgium, e.g. chocolate, fruit jams, etc. www.prizemart.com/index.php/en/store

No. of Stores	Positioning	Target Customer
34	Mass	Mainly Local

4.2.5 Online shopping

In recent years, online grocery shopping is growing more common because of the COVID-19 outbreak. Online shopping provides consumers with an alternate and safer source for goods normally purchased in traditional supermarkets. The e-commerce market is bound to keep growing, because of Hong Kong’s high internet penetration rate (91%).

Furthermore, Hong Kong is one of the most expensive cities in the world when it comes to rents. Therefore, setting up virtual shops could significantly bring down the fixed costs for companies. Consumers on the other hand can enjoy greater flexibility in shopping. Shopping is made possible when retail doors are closed.

Online shopping continues to grow as consumers grow more confident in the quality and authenticity of products available online. Food and drink e-commerce reached € 395.20 million in 2020, it is estimated to reach € 502.16 million by 2025.

HKTVMall

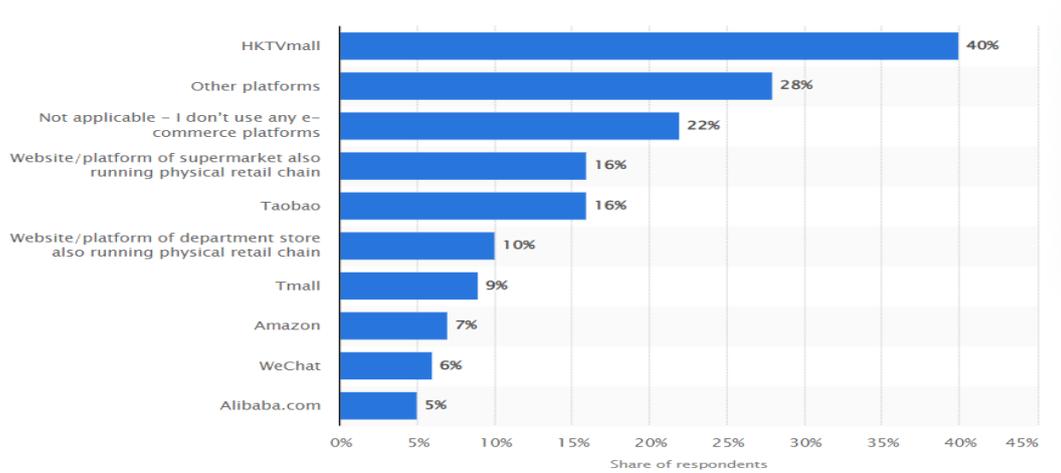
By far the largest player in Hong Kong is HKTVMall, an online retailer which offers nearly one million products to its consumer. Its food & beverage offer is also quite extensive, and several Belgian brands are already on sale on the platform. www.hktvmall.com/hktv/en/

Saladplate

As a B2B food & beverage platform, Saladplate brings suppliers and buyers in the F&B industry together. Saladplate is not only active in Hong Kong, but targets most of South-East Asia. www.saladplate.com/



Most commonly used e-commerce platforms for F&B products (end of 2018)



5. CONSUMER PREFERENCES AND TRENDS

5.1 CONSUMER PREFERENCES

Hong Kong is a consumer's paradise, with a vast selection of options. Food and beverage selections range from Asian goods to well-known multinational brands in the city's supermarkets and convenience stores.

Hong Kong is a sophisticated and mature market with a healthy demand for gourmet products. At the same time, the majority of Hong Kong customers are price-conscious and seek "value for money" goods. Still, consumers are willing to spend more on new products and high quality items.

European products are generally regarded as high-end goods. Consumers are familiar with Belgian chocolate and beers. The promotion of Belgian food exports to Hong Kong is aided by the image of a European manufacturing environment and high food safety standards.

Traditionally, Hong Kong consumers shop daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including street (wet) markets and locally-owned shops. Overall, street market sales lean toward fresh foods while supermarkets dominate in processed, chilled and frozen, high-value added, and canned food products. The competition between street markets and supermarkets has intensified in recent years.

This competition has led to major supermarket chains transforming their stores into one-stop-shops, enabling business growth through the setting up of "wet market" corners (fish and meat counters selling chilled and live seafood, meat, and poultry products), in-store bakeries, take-away food services, and specialty selections.

There is a higher demand for convenience food since the number of dual income families is increasing. This makes ready-to-cook meals more popular. The major supermarket chains have installed pre-prepared sections to serve ready-to-eat foods.



As you see below, people are heavily influenced by the trendiness of eating plant foods, whereas middle-aged and older people take personal health into consideration. Animal welfare and the environmental impact of livestock farming are also important factors.

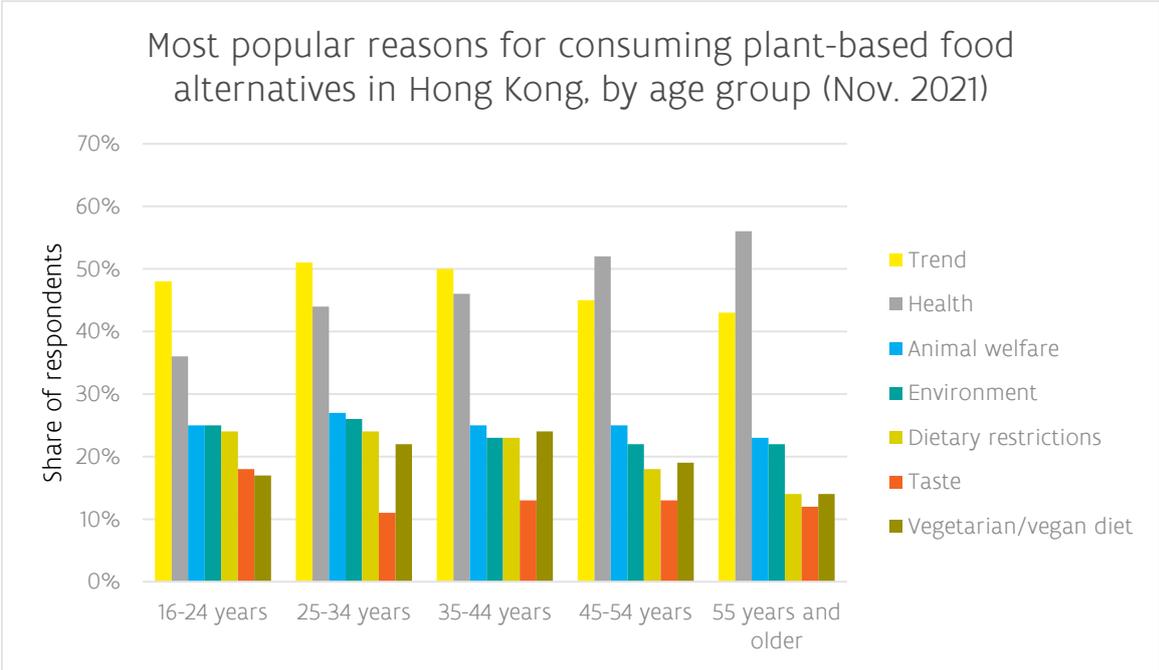


Table 2. Reasons for consuming plant-based alternatives

Organic beverage sales are expected to increase as consumer awareness of food safety grows. While this growth is unlikely to be observed in sports drinks or carbonates, it is likely to be seen in categories like juices and coffee, which are frequently consumed and are of particular interest to younger consumers, who are increasingly focused on finding healthier alternatives for consumption.

Belgian companies that produce top quality and exclusive products have a good chance of entering the health food market, which is always looking for new products and flavours. However, it is also highly competitive, so a local presence in the market is very important to gain direct access to partners and consumers.

5.2.2 Worldwide cuisine

Hong Kong has long been renowned as one of the world’s culinary capitals. Eating out is prevalent in Hong Kong and is not limited to special occasions. Professionals work long hours and would rather eat out due to the convenience, variety, and competitive pricing of dining options.

Since the COVID-19 pandemic makes it less convenient and common for Hong Kong residents to travel abroad, the industry is trying to offer a more international and colourful range of cuisines.

This can be an opportunity for Belgian-style cuisines and bars.



meals are designed by registered dieticians and nutritionists and customised to suit individual needs.

In 2021, Eatology moved to a larger food factory delivering to more than 30,000 consumers in Hong Kong at present. During the past two years when the restaurant business was been hit hard by COVID-19, Eatology has gained a growing customer base instead. Since 2019, Eatology has doubled its business volume as well as its number of new clients. They are aiming to develop businesses in other Asian cities such as Singapore and Shanghai.

The orders are processed within a day and can be delivered within two days of ordering, with delivery starting from 7 a.m. daily. Prices vary depending on the plan chosen and length but start from around HK\$323 per day.

www.eatologyasia.com/

Nosh

Founded in 2015 by Maximilian von Poelnitz, Nosh offers a selection of health-oriented and convenient foods. Nosh’s team of chefs carefully selects ingredients to prepare healthy and tasty meals. The brand also has a strong focus on sustainably, using biodegradable packaging for all of its products.

The COVID-19 pandemic has helped Nosh grow more rapidly than expected. Nosh expanded to Singapore in 2019 under the name Spoonful.

The orders are processed on Saturday before 9 am for daily delivery between 7 am and 9 am the following week. For a Tuesday start, orders must be placed before Monday 9 am. Prices start from around HK\$136 a day, depending on which plan, fitness goal, and amount of days chosen.

www.nosh.hk/

Nutrition Kitchen

Founded by a team of certified personal trainers, all Nutrition Kitchen meals are tailored for fitness goals with high-protein, low-carb, and reduced-calorie options. The presentation is simple and efficient, and there is a clear breakdown of the ingredients, calories, and macronutrient contents of each meal.

Like its counterparts, Nutrition Kitchen saw tremendous growth during the COVID-19 pandemic, as people are more aware than ever that a nutritious, well-balanced diet is the cornerstone of a strong immune system, which can help people fight COVID-19. Nutrition Kitchen expanded to Singapore in 2019 and launched in the UK in 2021. There are plans to expand to Australia and the US in 2022.

The orders are processed before 12 pm on Friday for daily deliveries between 6 am and 10 am the following week. Prices start from around \$75 a day, depending on which plan, portion size, and amount of days chosen.

<https://nutritionkitchenhk.com/>



6. MARKET ENTRY STRATEGY

6.1 MARKET ENTRY

6.1.1 Representative office

Setting up a rep office in Hong Kong is probably the most effective way to sell your products in Hong Kong, as you can build trade relationships and implement marketing programs. Flanders Investment & Trade can help eligible Flemish companies with subsidies for the setting up of a local rep office.

Apart from this entry strategy, there are three different ways for new-to-market exporters to enter the Hong Kong market.

6.1.2 Through agents

Exporters may consider hiring a local agent for representation and distribution. Most of the food importers also work with Macau and on the mainland markets. Hong Kong agents very often request exclusive sales rights. This is common and acceptable due to Hong Kong's small geographical size.

6.1.3 Selling directly to supermarkets

Supermarkets usually require exclusive rights in selling the products in Hong Kong through their own outlets only. In this case, expensive slotting fees may be waived. For non-branded and large turnover products, supermarkets tend to buy directly from overseas exporters for cost savings.

6.1.4 Through consolidators

Major supermarkets in Hong Kong often work with European consolidators for bringing smaller-volume or new products to Hong Kong. Some companies serve European exporters and Hong Kong importers, so both sides can benefit from expanded options and cost-effective shipping.

Convenience stores like 7-Eleven and Circle K generally buy goods from local importers and agents. Therefore, Belgian F&B exporters have to go through local importers to get into such stores.



7. TARIFFS, REGULATIONS AND CUSTOMS

7.1 TARIFFS

Hong Kong follows a free-trade policy and hence maintains no barriers on trade. There is no customs tariff on goods imported into or exported from Hong Kong. The Hong Kong Government levies excise duties on four commodities: hard alcohol (distilled spirits), tobacco, hydrocarbon oil, and methyl alcohol.

The current list of dutiable goods and corresponding rates and other detailed information is available at: www.customs.gov.hk/trade_facilitation.

7.2 REGULATIONS

Import and export licensing in Hong Kong are kept to a minimum. Most products do not need licences to enter or leave Hong Kong. Where licenses or notifications are required, they are only intended to fulfill obligations under various international undertakings or to apply for public health, safety, or security reasons. These food items are the high-risk food items upon which additional legal criteria are imposed: thus, they include meats of all sorts, dairy products, eggs, and marine products. Meat importers, for example, need to apply for import licenses for bringing meat and poultry products to Hong Kong. There are also guidelines related to food recalls as well as to pesticide residues in food that is to be sold or consumed in Hong Kong.

The Food and Environmental Hygiene Department of the Government of the Hong Kong Special Administrative Region (FEHD) is responsible for implementing policies of food safety control. It also enforces food legislations and takes food samples for bacteriological and chemical analyses when necessary. www.fehd.gov.hk

The Centre for Food Safety (CFS), under the Food and Environmental Hygiene Department, is the food safety authority created by the Hong Kong Government. Its mission is to ensure food sold is safe and fit for consumption. More detailed information on regulations is available at: www.cfs.gov.hk or directly to the page of import guidelines at: www.cfs.gov.hk/import.

7.3 LABELLING REQUIREMENTS

All food for sale in Hong Kong, whether imported or manufactured locally, should comply with the Public Health and Municipal Services Ordinance (Hong Kong Cap. 132) and the Food and Drugs (Composition and Labelling) Regulations (Hong Kong Cap 132W) and be marked and labeled appropriately.

7.3.1 Name of the Food

The food name shall not be false, misleading or deceptive. It should also serve to make the nature and type of food known to the purchaser.



8. MAJOR TRADE FAIRS AND EVENTS IN HONG KONG

8.1 TRADE SHOWS

- HOFEX – www.hofex.com
- Asia Fruit Logistica – www.asiafruitlogistica.com
- Restaurant & Bar x Gourmet Asia (RBHK x GA) – www.rbhk-ga.com
- Vinexpo Hong Kong – www.vinexposium.com/vinexpo-hong-kong
- Natural Products Expo Asia – www.naturalandorganicasia.com
- Vegetarian Food Asia – www.en.vegfoodasiahk.com

8.2 EVENTS

Dates in 2022	Event	Website
20/07 – 26/07	World of Snacks	www.event.hktdc.com/HKTDC-World-of-Snacks
29/07 – 01/08	Spring Shopping Fest	www.event.hktdc.com/HKTDC-Spring-Shopping-Fest
11/08 – 15/08	Food Expo	www.event.hktdc.com/HKTDC-Food-Expo
11/08 – 13/08	HK Int’l Tea Fair	www.event.hktdc.com/Hong-Kong-International-Tea-Fair
Nov. (TBC)	HK Wine and Dine	www.discoverhongkong.com/hong-kong-wine-and-dine-festival



9. GOVERNMENT, BUSINESS AND TRADE RESOURCES IN HONG KONG

Bilingual Laws Information System – www.legislation.gov.hk
Centre for Food Safety – www.cfs.gov.hk
Hong Kong Customs & Excise Department – www.customs.gov.hk
Hong Kong Food and Environmental Hygiene Department – www.fehd.gov.hk

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