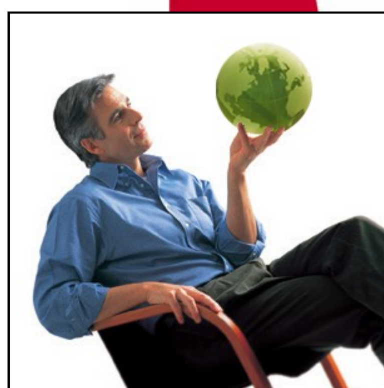
Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

International Markets Bureau

MARKET INDICATOR REPORT | JUNE 2011

Consumer Trends
Wine, Beer and Spirits in Hong Kong





Growing Forward

Canada

EXECUTIVE SUMMARY

Hong Kong is a Special Administrative Region of China (SAR), on the southern coast of China. It is comprised of Hong Kong Island, Kowloon and the New Territories, and outlying islands. Hong Kong's harbour, strategically located on the primary Far Eastern trade routes, facilitated Hong Kong's development as one of the greatest trading ports in the Asia-Pacific Region.

Hong Kong is one of the world's leading trading and financial centres. It is the twelfth-largest trader in the world and, according to the United Nations Conference on Trade and Development (UNCTAD), it is the second-largest source of foreign direct investment amongst Asian economies, and the sixth-largest in the world (2007).

Alcohol plays a big part in Hong Kong life, particularly as the emerging middle-class becomes increasingly affluent and consumer expenditures rise (see chart below). Total alcohol consumption was estimated at around 82 million litres in 2010.

Household consumption expenditure	2006	2007	2008
Household consumption expenditure (Million USD)	115,960	125,863	127,713
Household consumption expenditure per capita (USD)	16,911	18,173	18,303
Household consumption expenditure (annual growth, %)	5.9	8.5	1.5
Household consumption expenditure (% of GDP)	58.5	60.2	60.5

Source: *Euromonitor, 2011*

Wine consumption currently stands at around 9% of total alcohol consumption in volume terms, compared to beer at 88%, and spirits at 2.5%. Despite the small percentage of volume sales, wine represents around 35% of total alcohol sales by value.

All wine in Hong Kong is imported. Total consumption was 7.4 million litres in 2010, up from 7 million litres in 2009, although total imports were 40 million litres in 2010. These figures seem to indicate that there is a significant amount of transhipping from Hong Kong.

INSIDE THIS ISSUE

Source: *Shutterstock*

CONSUMER TRENDS

Hong Kong's population features a large and growing segment of affluent young consumers, with plenty of disposable income to spend on alcoholic beverages, and increasingly, on more expensive variations. These young adults and the emerging middle class are following the consumption patterns observed in Europe. Premiumization, the ascendency of more female drinkers, and finally, switching from traditional spirits to wine and beer has become quite noticeable.

Market Sizes - Historic - Off-trade Retail Sales Value in US$ Per Capita at Legal Drinking Age						
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
ALCOHOLIC DRINKS	**73.7**	**72.9**	**71.3**	**74.7**	**74.2**	**76**
Beer	**39.2**	**37.3**	**35.4**	**37.9**	**37.4**	**38.1**
Dark Beer	-	-	-	-	-	-
Lager by Origin	37.8	36	34.1	36.6	36.1	36.7
Low/Non- Alcohol Beer	-	-	-	-	-	-
Stout	1.4	1.4	1.4	1.3	1.3	1.4
Cider/Perry	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
RTDs/High-Strength Premixes	**0.2**	**0.2**	**0.2**	**0.2**	**0.1**	**0.1**
High-Strength Premixes	-	-	-	-	-	-
RTDs	0.2	0.2	0.2	0.2	0.1	0.1
Spirits	**12**	**12.3**	**12.3**	**12.1**	**11.6**	**11.5**
Brandy and Cognac	4.2	4	3.8	3.5	3	2.8
Liqueurs	1.1	1.1	1.1	1.1	1	1
Rum	0.1	0.1	0.1	0.1	0.1	0.1
Tequila (and Mezcal)	0.1	0.1	0.1	0.1	0.1	0.1
Whisk(e)y	4.8	5.2	5.4	5.3	5.3	5.4
White Spirits	1.8	1.8	1.9	2	2.1	2.1
Other Spirits	0	0	0	0	0	0
Wine	**22.2**	**22.9**	**23.3**	**24.4**	**24.9**	**26.1**
Fortified Wine and Vermouth	2.9	3	2.8	2.8	2.7	2.7
Non-Grape Wine	0.8	0.8	0.8	0.8	0.8	0.8
Sparkling Wine	4.6	4.8	5	5.3	5.1	5.4
Still Light Grape Wine	13.8	14.2	14.6	15.5	16.2	17.2

Source: *Euromonitor, 2011.*

Due to a huge influx of various international brands on the Hong Kong market as a whole, consumers are increasingly discriminating, resulting in demands for even more brand differentiation. This phenomenon is making its way into the alcoholic beverages sector in Hong Kong, driven primarily by the potential of this market, coupled with gains in consumers' discretionary spending. Furthermore, the established social scene in Hong Kong is characterized by vibrant restaurants, pubs, night clubs and other social-gathering venues, all of which constitute ideal launch pads for international brands looking to enter a new market. Together, these factors have allowed consumers in Hong Kong to become more aware of international alcohol brands than ever before, which is further driving demand for increased product diversity that also suits local tastes and preferences.

For example, Pernod Ricard, the French alcoholic beverages company, has embraced local customization of its Chivas Regal Scotch Whisky. Generally promoted as best savoured alone, Hong Kong consumers were putting their own twist on the product, mixing the luxury Whiskey with green tea. This regional preference has allowed Chivas Regal to be ranked as the second-most premium spirit in China (behind only Rémy Cognac), according to a report by Credit Suisse (Datamonitor; The China Observer, 2010).

DISTRIBUTION TRENDS

RETAIL

Wine retailing in Hong Kong is mainly conducted through supermarket chains and specialty wine stores. There are over 750 supermarket outlets and 170 wine shops. Less experienced wine consumers usually buy their wines from supermarkets and base their purchase decisions on price. In contrast, wine connoisseurs predominantly purchase from wine shops due to the wider selection of varieties, sources and labels. They also buy their everyday drinking wines, usually in cases, direct from importers for a greater discount.

Supermarkets account for the greatest share of wine volume sales among retailers, accounting for 50% of all retail sales. The two largest supermarket chains, Wellcome Supermarkets (253 outlets) and ParknShop (260 outlets), because of their large turnovers, usually import wine directly from overseas suppliers in order to reduce middlemen mark-ups and pass on the saving to their customers, who are generally more price-conscious.

Wine specialty stores account for 35% of wine retail sales. Watson's Wine Cellar is the largest wine specialist in Hong Kong with 18 outlets (one in Macau). Specialty stores serve a consumer group who pay more attention to wine quality, country of origin, and age, rather than just price.

HOTEL AND RESTAURANT INDUSTRY

Consumers in Hong Kong are more likely to drink wine at functions, business dinners, wedding banquets, and when they dine out, and have plenty of opportunity to do so with approximately 13,250 eating establishments in this SAR. The hotel and restaurant industry sector consumes more wine by volume than the retail sector, but less by value as restaurants tend to pour cheaper house wines.

Wine is available in both European and Chinese restaurants in Hong Kong. Fine dining and high-end Chinese restaurants tend to feature mid to premium range wines, while family and casual restaurants offer low to mid range products.

Restaurants in Hong Kong normally charge a high mark-up on wine consumption. Restaurants that allow customers to bring their own wine also charge high corkage fees.

Since the abolishment of the wine tax in February 2008, many restaurants and hotels have launched more wine-tasting classes and special promotions. These activities have also supplemented sales promotions at the retail level, in an effort to spread the culture of appreciation, and subsequent demand for more fine wines.

WINE

Most consumers believe that drinking about two glasses of wine a day is beneficial to health, which is a major influence on the booming wine market in Hong Kong.

Trade statistics reveal that Hong Kong consumers prefer red wine to white wine. In 2010, gross imports of red wine were US$826 million, and constituted 96% of total wine imports into Hong Kong. In contrast, gross imports of white wine were only US$29 million (representing 4% of total wine imports). Wine traders and retailers pointed out that it is because they prefer the flavour, color and additional perceived health benefits associated with red wine.

Cabernet Sauvignon, Merlot and Shiraz are the three most popular grape varieties for red wine in Hong Kong. Together they accounted for around 80% of total volume sales. Of these, Cabernet Sauvignon is the most popular, accounting for around 50% of total red wine sales.

For white wine, Chardonnay is the most popular grape type, accounting for over 60% of total white wine sales.

Hong Kong Bottled Red Wine Imports

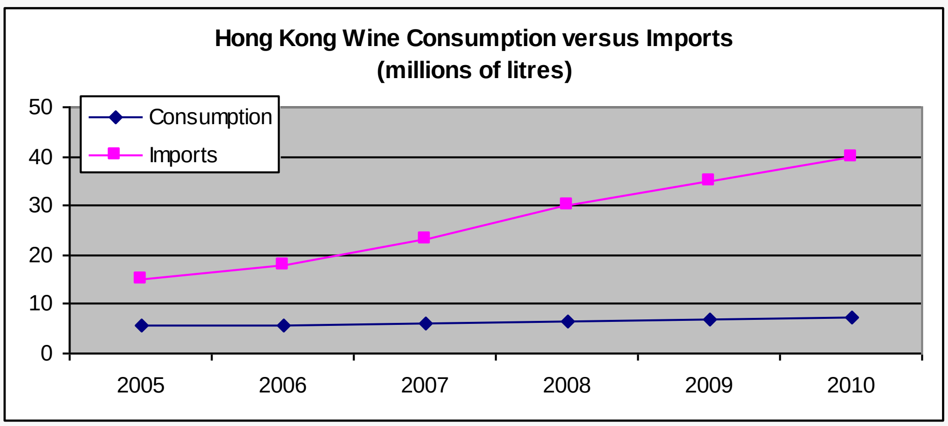
Partner Country	2009		2010	
	Litre	$ US	Litre	$ US
World	28,872,672	$463,974,500	33,222,303	$826,377,047
France	9,906,642	$261,790,879	13,229,658	$484,166,183
Australia	6,296,833	$37,258,729	5,807,330	$48,701,659
Chile	3,005,809	$11,526,784	3,470,106	$15,979,592
U.S.	3,854,509	$37,890,300	3,303,313	$44,196,482
Italy	1,272,064	$11,147,238	1,691,342	$16,800,612
Spain	1,384,345	$4,389,004	1,690,435	$6,471,700
Argentina	746,519	$2,699,242	812,633	$3,099,233
U.K	638,414	$70,761,242	680,172	$122,058,854
S. Africa	480,502	$2,367,774	516,519	$2,884,573
Germany	209,845	$1,543,093	397,931	$7,584,248

Source: *GTIS, 2011.*

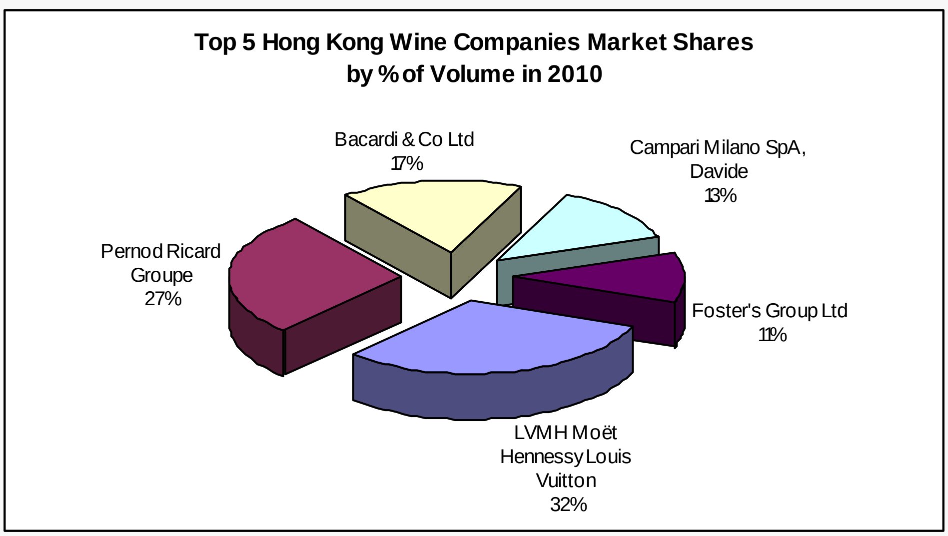
Hong Kong Bottled White Wine Imports

Partner Country	2009		2010	
	Litre	$ US	Litre	$ US
World	3,463,115	$28,698,424	3,525,877	$29,997,581
France	591,765	$8,893,089	596,146	$10,648,369
New Zealand	401,510	$3,815,693	525,030	$4,639,065
Australia	923,516	$5,615,177	792,495	$4,582,617
Italy	333,937	$2,232,744	390,855	$2,432,177
Germany	204,832	$2,189,566	175,208	$1,815,421
U.S	232,684	$2,075,318	267,033	$1,520,877
Chile	344,909	$1,364,076	313,337	$1,120,334
Canada	13,373	$454,110	16,530	$567,751
Spain	173,279	$504,016	189,019	$486,092
S. Africa	89,692	$539,327	73,212	$434,432

Source: *GTIS, 2011.*



Source: *GTIS, 2011. Euromonitor 2011*



Source: *Euromonitor, 2011.*

SPIRITS

Sales of spirits rose in 2010 as the economy further recovered from the global recession. Whiskeys and white spirits were the better performers as consumers traded up to more premium products. Brandy and cognac on the other hand, continued to see a decline in popularity especially amongst the younger consumers.

Having been largely protected from the economic crisis, the Hong Kong economy has remained on a steady growth path, and consumer spending continues to grow. With a rise in affluence, consumers are looking for higher-quality products, and manufacturers now need to appeal to increasingly sophisticated tastes.

Older consumers in Hong Kong, known to be knowledgeable spirit drinkers, are drinking less traditional spirits and replacing them with wine and beer due to the lower alcohol levels, thus reducing the health risks associated with drinking traditional spirits. Spirits manufacturers, especially domestic grain-spirits distillers, now have to adjust their products to suit the tastes of new consumer groups, especially younger, more middle-class consumers.

Hong Kong Spirits Sector Market Sizes (Off Trade)- Historic/ Forecast - Off-trade Volume - '000 litres

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Spirits	**1,855**	**1,889**	**1,963**	**1,972**	**2,016**	**2,088**	**2,157**	**2,226**	**2,293**	**2,360**
Whisk(e)y	723	751	796	815	849	900	945	989	1,027	1,062
White Spirits	453	472	514	539	550	576	606	639	678	721
Brandy and Cognac	435	420	401	368	362	354	344	333	320	307
Liqueurs	194	197	202	201	204	208	211	213	216	218
Rum	34	34	34	35	35	36	36	37	37	37
Tequila (and Mezcal)	16	16	16	15	15	15	15	15	15	15

Source: *Euromonitor, 2011.*

Sales of Spirits by On-trade versus Off-trade : Volume 2005-2010, in 000 of litres

	2005	2006	2007	2008	2009	2010
Off-trade	1,770	1,855	1,889	1,963	1,972	2,016
On-trade	2,583	2,714	2,807	2,934	2,877	2,944
Total	**4,352**	**4,569**	**4,696**	**4,897**	**4,848**	**4,960**

Source: *Euromonitor, 2011.*

Sales of Other Blended Scotch Whisky by Price Platform 2005-2010 % total volume

	2005	2006	2007	2008	2009	2010
Super Premium	-	4	4	3.9	3.5	3.4
Premium	-	72.6	72.7	73.6	74.1	74.2
Standard	-	8.6	8.8	8.5	8.4	8.2
Economy	-	14.8	14.5	14	14	14.2
Total	**-**	**100**	**100**	**100**	**100**	**100**

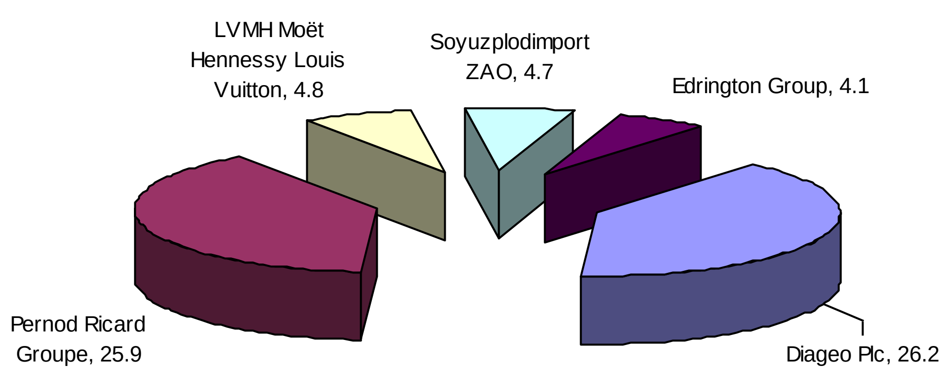
Source: *Euromonitor, 2011.*

Major Spirits Company Shares (by Global Brand Owner) - Historic - Total Volume - % breakdown						
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Diageo Plc	21.8	22.7	23.9	24.6	25.7	26.2
Pernod Ricard Groupe	20.2	21.2	22.8	25.6	25.6	25.9
LVMH Moët Hennessy Louis Vuitton	7.1	6.6	6.1	5.6	5	4.8
Soyuzplodimport ZAO	3.7	3.8	4.4	4.6	4.7	4.7
Edrington Group	3.8	4	4.1	4.1	4.1	4.1
Rémy Cointreau Group	6.3	5.3	4.8	4.5	4.1	3.9
Brown-Forman Corp	3.3	3.1	3.1	3	3	3
Fortune Brands Inc	2.6	2.5	2.4	2.3	2.2	2.2
William Grant & Sons Ltd	0.9	1	1.1	1.1	1.2	1.2
Bacardi & Co Ltd	1.3	1.2	1.2	1.1	1.1	1
La Martiniquaise SVS	1.4	1.3	1.2	1.1	1	1
Lucas Bols BV	-	0.6	0.5	0.5	0.5	0.5
Alfred Morton & Co	0.7	0.7	0.6	0.6	0.5	0.5
Grupo Cuervo SA de CV	0.4	0.4	0.3	0.3	0.3	0.3
Illva Saronno SpA	-	-	-	-	0.3	0.3
Campari Milano SpA, Davide	0.2	0.2	0.2	0.2	0.2	0.2
Others	24	23.3	21	20.7	20.6	20.1
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: *Euromonitor, 2011.*

Peach liquor
Source: *Mintel, 2011*

Top 5 Company (Global Brand Owner) % breakdown in 2010 - Total Volume

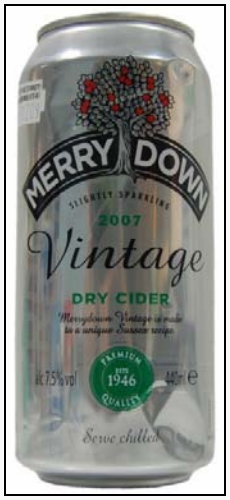


Source: *Euromonitor, 2011.*

BEER, CIDER AND READY-TO-DRINK PREMIXES

The Hong Kong beer market is extremely competitive. The major brands consumed in Hong Kong are Heineken, San Miguel, Blue Girl, Carlsberg, Budweiser, Blue Ribbon, Lowenbrau, and Tsingtao. Although these are foreign brands, they are mostly brewed in China.

Hong Kong buyers of premium beer tend to be status-conscious and affluent, in the 20-35 age segment, of Asian or Western descent, and are concerned with quality brand image. Low and mid-priced beers are consumed by a larger, more varied range of consumers, concerned with good value for their money. Hong Kong residents buy most of their beer at bars and restaurants.



Source: *Mintel, 2011.*

The demand for beer is expected to rise steadily, attributable to the widespread embrace of westernized drinking habits by the young and affluent Hong Kong population. Progressive economic recovery is likely to lead to customers trading up to premium lager. Furthermore, the demand for stout remains strong given the perceived associated health benefits.

The demand for cider/perry is declining, due to decreasing popularity amongst consumers. Furthermore, the category faces strong competition from other alcoholic drinks such as wine and beer, which are becoming increasingly preferred by younger adults and women, the main target consumer groups of cider/perry.

Intensified competition from other alcoholic drinks like wine and premium cocktails, is posing a threat to growth of the overall category. These alcoholic drinks are preferred over ready-to-drink/high-strength premixes, due to growing westernized drinking habits and premiumization.

Hong Kong Beer, Cider and Premixes Drinks Market Sizes - Historic/ Forecast - Off-trade Volume

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Beer - mn litres	65.6	64.2	68.9	70.3	72.1	72.8	73.4	74	74.5	74.9
Cider/Perry - '000 litres	158.8	150.9	144.1	140.5	142.6	140.4	139	137.8	136.7	135.7
Ready-to-Drink/High-Strength Premixes - '000 litres	165.1	156	157.5	151.7	150.8	152.6	154.4	155.7	156.8	157.7

Source: *Euromonitor, 2011.*

Source: *Mintel, 2011.*

Major Hong Kong Company Shares (by Global Brand Owner) - Historic - Total Volume - % breakdown						
	2005	2006	2007	2008	2009	2010
Beer						
San Miguel Brewery Inc	-	-	-	-	36.2	35.7
Jebsen & Co Ltd	14.0	15.0	15.9	16.8	17.8	17.8
Carlsberg A/S	12.1	12.9	9.9	9.7	9.7	9.5
Heineken NV	9.4	9.7	9.1	8.9	8.0	8.3
Tsingtao Brewery Co Ltd	3.5	3.1	4.0	4.2	4.1	3.9
Anheuser-Busch InBev NV	-	-	-	3.4	3.1	3.6
Modelo SA de CV, Grupo	3.2	3.2	3.4	3.3	2.6	2.3
Fujian Huiquan Brewery Group	-	-	-	-	-	1.8
Diageo Plc	1.6	1.6	1.7	1.7	1.7	1.8
S & P Co	2.9	2.4	1.9	1.8	1.3	1.3
Beijing Yanjing Brewery Co Ltd	6.2	5.6	4.8	4.6	3.3	1.2
SABMiller Plc	0.6	0.5	0.6	0.5	0.4	0.4
San Miguel Corp	30.7	30.5	31.3	31.9	-	-
InBev NV SA	2.9	2.3	2.2	-	-	-
Anheuser-Busch Cos Inc	3.0	2.0	1.6	-	-	-
Others	10.0	11.1	13.6	13.0	11.7	12.5
Cider/Perry						
C&C Group Plc	-	-	-	-	-	51.0
Heineken NV	-	-	-	41.4	40.4	42.0
Constellation Brands Inc	48.5	49.3	50.1	50.4	50.9	-
Scottish & Newcastle Plc	42.5	42.8	42.1	-	-	-
Others	9.0	7.9	7.8	8.1	8.6	7.0
RTDs/High-Strength Premixes						
Diageo Plc	19.4	28.2	28.1	27.2	30.9	31.4
Intercontinental Brands Ltd	13.9	17.7	27.2	30.9	30.5	30.5
Beverage Brands (UK) Ltd	17.4	19.3	19.5	18.2	15.9	15.8
Independent Distillers Group	6.4	6.7	6.8	6.4	5.9	5.9
Siam Winery Co Ltd	-	-	4.4	4.4	4.4	4.4
E & J Gallo Winery	4.1	3.5	4.2	4.2	4.1	4.0
Kirin Holdings Co Ltd	-	14.4	-	-	-	-
Pernod Ricard Groupe	16.1	-	-	-	-	-
Foster's Group Ltd	13.9	-	-	-	-	-
Others	8.8	10.2	9.8	8.8	8.3	8.0

Source: *Euromonitor, 2011.*

NEW PRODUCT LAUNCHES

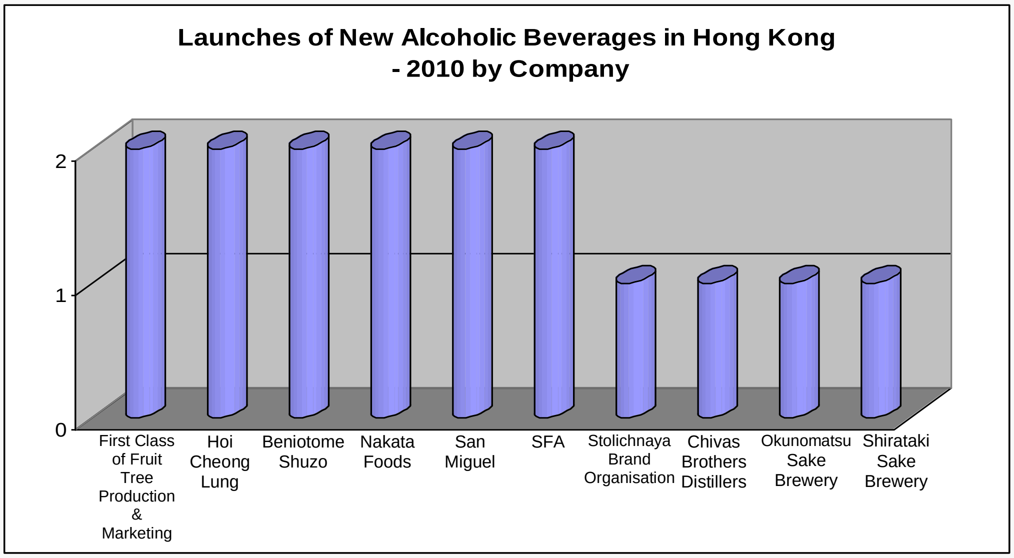
According to the Mintel Database, there were 40 new products introduced to the Hong Kong alcoholic beverage market in 2010, coming from widespread manufacturers. Most companies with new launches did not release more than one or two products.

Launch Type	Variants
New Product	31
New Packaging	7
New Variety/Range Extension	2
Total Sample	**40**

Source*: Mintel, 2011.*

Claims	Frequency
Premium	4
Character/Event Merchandising	3
No Additives/Preservatives	3
Kosher	2
Limited Edition	1
Ethical - Environmentally Friendly Package	1
Functional - Immune System	1
Functional - Brain & Nervous System	1
Anti-Ageing	1
Male	1
Total Sample	**40**

Source*: Mintel, 2011.*



Source: *Mintel, 2011.*

▶ RESOURCES

Datamonitor (2011, March). “Drinks: Market Watch.” *News Round-up.*

Global Trade Atlas (2011). Hong Kong Imports: HS code 22042191 and 22042192.

Euromonitor International. (2010). “Beer– Hong Kong.” *Industry Reports*.

Euromonitor International. (2010). “Cider/Perry– Hong Kong.” *Industry Reports*.

Euromonitor International. (2011). “High Strength mixes – Hong Kong.” *Industry Reports*.

Mintel International (2011).

ADDITIONAL RESOURCES

For a list of popular wines available in the Hong Kong retail market and their retail prices, please visit the websites of the two leading supermarkets, and the leading wine specialist:

Wellcome Supermarket
http://shop.wellcome.com.hk/

ParknShop
http://www1.parknshop.com/WebShop/Home.do

Watson’s Wine Cellar
http://www.watsonswine.com/

For more information on this market, please also visit the following Trade Show websites:

http://www.hktdc.com/fair/hkwinefair-en/HKTDC-Hong-Kong-International-Wine-and-Spirits-Fair.html

http://www.vinexpo.com/

Consumer Trends - Wine, Beer and Spirits in Hong Kong

IISSN 1920-6615 Market Indicator Report
AAFC No. **11475E**

For additional copies of this publication or to request an alternate format, please contact:
Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

Aussi disponible en français sous le titre :
Tendances de consommation - Vin, bière et spiritueux à Hong Kong

Canada