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Consumer Preferences for Western Foods in Hong Kong

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Approved by:
Howard R. Wetzel
U.S. Consulate, Hong Kong
Prepared by:
Howard R. Wetzel

Report Highlights:
Hong Kong has been a large market for U.S. consumer-ready foods for many years, however, mysteries remain about the exact identity of the most important consumers and what motivates them to buy non-traditional foods from Western countries. The ATO commissioned a pilot study from a Hong Kong market research firm on consumer preferences among Hong Kong consumers for four food product categories - hot dogs, salty snacks, fruit juice beverages and celery - to learn more about consumer identities; attitudes toward Western foods; factors influencing purchasing decisions; and how the foods are consumed.

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I. Introduction: "We Don't Really Know What Our Customers Want..."

Hong Kong has been a large market for U.S. consumer-ready foods for many years, however, many mysteries remain about the exact identity of the most important consumers and what motivates them to buy non-traditional foods from Western countries.

U.S. suppliers of consumer-ready agricultural products sold $1.02 billion worth of exports to Hong Kong in 1999, making it our fourth largest market after Japan, Canada and Mexico. Included in this tide of exports were mainly meats (especially poultry meat, beef, pork, and offals) and fresh produce (especially table grapes, oranges and apples), but also a growing quantity of packaged and branded grocery items.

For years we have known that certain U.S. and Western-style foods are more acceptable in the Hong Kong market than others. For instance, chicken hot dogs enjoy a huge market here because of the traditional preference for poultry meat and a growing need for convenience foods as the number of working couples increases. On the other hand, U.S. candies and confectionery in general are often viewed as too sweet to be accepted by the average consumer, even though many of these products bear world-famous brand names.

Somewhat confusing the picture for Hong Kong is the presence of significant expatriate communities of Americans, British, Canadians, Australians and other Westerners who actively seek out their native foods and enthusiastically patronize retail outlets which provide a good selection of these items. However, 98 percent of Hong Kong's population remains ethnically Chinese, so the great majority of purchasing power in this affluent corner of China originates from consumers who still limit their consumption of Western style foods to a relatively narrow range of products.

Hong Kong food retailers have told us that they seldom purchase full containerloads of any Western style dry grocery items other than canned baked beans, canned sweet corn and breakfast cereals. Surprisingly, the same retailers tell us that they really don't have a clear picture of which Western foods are in demand by their Hong Kong Chinese customers; which flavors and product formulations are preferred; how they prepare and consume these foods; and what types of branding, packaging and merchandising are most effective in promoting sales.

Hong Kong retailers often relate interesting anecdotes about the unpredictable reaction of Hong Kong consumers to Western foods, especially their creative ways of preparing them. Hot dogs are often grilled outdoors over a barbecue with a coating of honey to keep the meat inside moist. Avocados are often sprinkled with brown sugar. Canned soups, especially the starchier, non-clear varieties, are usually used as a cooking sauce for meat. This knowledge of how the consumer prepares the product can help the retailer boost sales through more effective merchandising - putting a packet of honey with hot dogs, brown sugar with avocados and so on.

Certain things we can say for sure about the average Hong Kong consumer: he or she almost certainly does not own a conventional oven or even a large refrigerator, due to space constraints in Hong Kong apartments. Most cooking is done over countertop burners or in compact microwave ovens. And shopping habits are dramatically different in Hong Kong than in most Western countries, but they are changing. Traditionally, most food was purchased fresh daily at wet markets and street stalls and prepared at home the same day. While this pattern persists with the older generation of Hong Kongers, younger people tend to do more shopping on a weekly basis at supermarkets for convenience items that can be stored and prepared on another day.

II. A Pilot Study of Consumer Preferences for Western Foods

Against this backdrop of general impressions, anecdotal observations and strong curiosity about consumer habits and motivations, the Agricultural Trade Office commissioned a pilot study from a Hong Kong market research firm on consumer preferences among Hong Kong Chinese consumers for four different categories of food products: hot dogs, salty snacks, fruit juice beverages and celery. These categories were carefully chosen to represent a broad diversity of U.S. foods: branded and unbranded; fresh and shelf-stable; items requiring further cooking and those ready to be eaten out of hand; a meat item, fresh produce item, a beverage and a snack item. We also attempted to select products where research has not already been conducted by a U.S. industry commodity group.

The main goals of the study were as follows:

1. For Western foods as a category, to gain more insight into: (a) general consumer attitudes; (b) how consumers are most effectively introduced to new Western foods; (c) the identity and buying habits of established Western food customers; (d) which factors influence purchase decisions, and (e) how the product gets consumed.

2. For individual foods, to determine whether the consumer attitude and usage factors identified above vary between product categories to the extent that we would recommend to U.S. suppliers and Hong Kong importers, distributors and retailers of U.S. foods that they consider category-specific consumer preference research studies to improve their marketing efforts.

The research method utilized both "qualitative" (in-store interviews of shoppers to assess the factors in their minds as they made purchase decisions) and "quantitative" (20 minute multiple-choice telephone interviews conducted among 800 Hong Kong households) methods to assess samples of Hong Kong Chinese shoppers. Emphasis was put on interviewing people who are already customers of Western style foods rather than the entire universe of food shoppers.

III. The Intriguing Results

In some ways the research confirmed our general impressions of Hong Kong consumers, while in other ways we were surprised by the results.

Consumer Attitudes in General

Consumer attitudes toward Western foods were mostly positive, with taste and price being the most controversial factors. When asked to name common Western-origin foods, consumers most frequently mentioned fresh meats and canned/frozen fruits and vegetables.

Among the positive factors attributed to Western foods were taste (54 percent of respondents listed this as a positive factor), quality (18 percent), freshness (16 percent), convenience (10 percent), price (8 percent) and nutritional benefits (5 percent). Taste also topped the list of negative factors, cited by 25 percent of survey respondents. Other negative factors were price (17 percent) and lack of freshness (13 percent).

Price was deemed to be the factor most limiting purchases of Western-style foods by 29 percent of consumers surveyed. As might be expected, price was more of a factor among younger consumers, who typically have less purchasing power. Forty-five percent of consumers in the age category 15-24 found price to be a problem, 34 percent in the age category 25-44, and 20-21 percent in the age categories beyond 44.

New Product Introductions

It was somewhat surprising to learn that in-store promotion and sampling is by far the most effective means to introduce new Western style foods in Hong Kong, much more effective than media advertising, word-of-mouth recommendations, travel to Western countries or introducing the product on a restaurant menu. This viewpoint was uniformly cited by consumers for all four product categories, with consistently high positive response rates falling in the range of 71-73 percent. While advertising was a distant second as a positive factor, it was more important for shelf-stable than fresh foods. Twenty-one and 31 percent of the consumers surveyed cited advertising as a positive factor in getting introduced to salty snacks and fruit juice beverages, respectively, but only 8 percent for celery and 15 percent for hot dogs.

Profile of Western Food Buyers

As expected, the majority of buyers for Western-style foods in Hong Kong are females, who typically do more food shopping of all sorts than males. However, an exception to this pattern was observed for fruit juice beverages - 66 percent of males surveyed have purchased them, versus only 62 percent of females.

Not surprisingly, the largest consumers of Western foods are in the younger age categories, with the exception of celery, where the largest group of buyers is over the age of 64. This is probably because celery is most commonly bought at the wet market and cooked with meat as a meal item, rather than eaten as a snack. Young consumers in the age range 15-24 were especially good consumers of shelf-stable items like salty snacks and fruit juices. The largest group of hot dog consumers came from the 25-44 age group.

The trend in Hong Kong away from the wet market and toward the supermarket will favor higher consumption of most Western style foods. Eighty-six to 95 percent of purchases of all items except celery are made in supermarkets, in contrast to 68 percent of celery purchases being made at street stalls.

Factors Affecting Purchase Decisions and Product Satisfaction

For all products surveyed, taste appeared to be the most decisive factor affecting consumer satisfaction; it was often cited as the most influential factor both encouraging *and* discouraging purchases! Among the four products surveyed, 42 to 61 percent of those buying the product said that taste is an important factor, while 40 to 49 percent of those not buying the product cited the same reason.

The high level of importance which consumers attach to taste, plus the sharply divided opinions about whether the taste of these products merits additional purchases or product avoidance, highlight the importance of more detailed research on the various aspects of taste in order to identify specific elements of product formulation which consumers find either enjoyable or unpleasant.

It is also noteable that for fruit and vegetable products, freshness is also an extremely important attribute, cited as a positive factor by 42 and 50 percent of fruit juice drink and celery buyers, respectively.

In comparison to taste and freshness, other common consumer product attributes such as brands and country of origin appeared to be much less important. Only 28 and 32 percent of hot dog and celery buyers, respectively, found brands to be an important consideration. Even among more traditionally branded items like salty snacks and fruit juice drinks, only 37 and 42 percent, respectively, of those customers found brands to be important. Country of origin was even less important, with 72 to 88 percent of the buyers for all products discounting it as an important factor.

With the exception of celery, 70-74 percent of Western-style food customers agreed that visual cues on packaging and clear labels are “important” to “very important.” Only 40 percent of celery buyers attached the same importance to packaging. These purchases are most likely made on the basis of the appearance of the product itself rather than the package it comes in.

How Products are Consumed

The pilot study indicated that most Western foods have not yet achieved “meal” status with Hong Kong Chinese; they are still considered as convenient snacks to be consumed outside of meal times. Celery, which in the United States is often consumed as a healthy snack or as part of a vegetable plate at social events, apparently has achieved full meal status in Hong Kong as an accompaniment to meat in stir-fried dishes and soups. Ninety-two percent of celery users end up cooking the product as a meal item, but only one percent of them serve it to guests! Predictably, salty snacks and fruit juice drinks are consumed most frequently as a snack, with only 3 and 10 percent, respectively, of customers consuming them during mealtimes. More surprising, however, was the indication that consumers more often eat hot dogs as snacks (54 percent) than at mealtime (40 percent).

Popular accompaniments to these foods were also somewhat surprising. While ketchup was the most popular accompaniment to hot dogs, salad was cited as more important than mustard. With salty snacks, consumers much prefer to have a drink on hand rather than something to dip the snacks into. Ice is the most popular accompaniment for fruit juice beverages and meat is the additive of choice for celery preparation.

IV. What's The Use of All This...?

While this pilot study of consumer preferences was not detailed enough to extensively redefine marketing strategies for any of the four product categories covered, U.S. exporters may derive some benefit from the following general conclusions that can be drawn from the results:

1. In-store product demonstrations are clearly preferred by consumers over advertising and other methods as a means to introduce new products. Hong Kong Chinese learn about new foods by first hand experience - tasting, touching and seeing the product. In-store product demonstrations in Hong Kong are still much rarer than in the United States and they always generate significant attention among shoppers, so U.S. suppliers should think about providing extra product allowances to retailers for this type of promotion.

2. Given the fact that most Western foods are consumed as snack items, careful attention should be given to package sizes and developing a theme of convenience. For instance, if more hot dogs are being eaten as snacks than as meal items, U.S. suppliers may want to consider creating smaller packs that appear better suited for snacking.

3. U.S. suppliers should consider working with Hong Kong retailers to lower their price points for certain snack items in demand by younger (age 15-24) consumers. These customers are more "price-challenged" than other ages of consumers and they also have a potentially longer life ahead of them as dedicated customers of U.S. food if we can find a way to make our products more accessible to them.

4. Obviously taste matters, practically more than any other consideration. To over-simplify, Hong Kong Chinese either love or hate the taste of Western foods. U.S. suppliers to this market need to ask themselves if they are aware of the specific taste factors that are either winning customers or turning them off. If they are unable to identify these factors, they could quickly fall behind their competitors.

5. Suppliers of Western foods to the Hong Kong market should also take the time to figure out how their products are being prepared and eaten so that they can better position them at the point of retail. Several Hong Kong retailers have found success in selling combination trays of fresh meat and vegetable ingredients used in popular soup recipes, but celery does not seem to be marketed that way yet.

6. Lastly, it appears that consumer attitudes, awareness, taste preferences and buying patterns *do* differ significantly between categories of Western foods. Therefore processors, distributors and retailers of U.S. foods should consider conducting product-specific research into Hong Kong consumer preferences. The table on the next page summarizes some of the key consumer preference differences between the four product categories.

Table 1: **Key Differences in Food Attitudes, Purchasing and Preferences Among Four Categories of Western-Style Foods Purchased by Hong Kong Chinese**

Attribute	Hot Dogs	Salty Snacks	Fruit Juice Drinks	Celery
Percentage of shoppers who have purchased this item	45% (n = 806)	50% (n = 806)	64% (n = 806)	52% (n = 806)
Age category with the most purchases	25-44 yrs. (n = 363)	15-24 yrs. (n = 399)	15-24 yrs. (n = 513)	> 64 yrs. (n = 420)
Most common frequency of purchase	1-2/month (n = 363)	3-4/week (n = 399)	3-4/week (n = 513)	1-2/month (n = 420)
Most important reason cited for buying, % of buyers	Taste 61% (n = 363)	Taste 50% (n = 399)	Freshness 42% (n = 513)	Freshness 50% (n = 420)
Purchases avoided due to taste (% of non-buyers)	59% (n = 425)	54% (n = 382)	40% (n = 269)	40% (n = 347)
Percentage of buyers introduced to product by advertising	15% (n = 363)	21% (n = 399)	31% (n = 513)	8% (n = 420)
Percentage of buyers finding brands to be: - important - unimportant	 28% 43% (n = 363)	 37% 40% (n = 399)	 42% 38% (n = 513)	 32% 45% (n = 420)
Percentage of buyers finding packaging and labels to be important	74% (n = 363)	70% (n = 399)	72% (n = 513)	40% (n = 420)
Percentage of buyers eating the product as a: - snack/impulse item - meal item	 54% 40% (n = 363)	 81% 3% (n = 399)	 87% 10% (n = 513)	 0% 92% (n = 420)

n = Size of statistical sample base

V. Taking the Next Step

The Agricultural Trade Office/Hong Kong is committed to extending this consumer preference research project to additional and even more specific food categories than the ones featured in the pilot study. Our funds to conduct this research are quite limited, however, we intend to work with FAS cooperators in market development, State/Regional Trade Groups and individual U.S. firms to jointly fund consumer preference research projects covering new product areas with significant potential for export expansion.

We have a goal of conducting studies on at least 4-5 products per year in order to realize the full economies of the extensive surveying that is required to provide reliable information. In order to drive down the cost of such research to U.S. organizations, the ATO will attempt to put together "syndicates" of companies and organizations marketing in Hong Kong who have common product interests so that the cost of research can be spread among several participants.

If your organization has an interest in entering into this type of consumer preference research, please contact us!

Agricultural Trade Office
American Consulate, Hong Kong
PSC 464, Box 30
FPO AP 96522-0002
tel (011) 852-2841-2350
fax (011) 852-2845-0943
e-mail ATOHongKong@fas.usda.gov