Health Awareness Drives Bakery Market in Hong Kong and China

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Health awareness is on the increase in China and Hong Kong, with improving living standards and recent events such as the SARS outbreak in 2003 and the avian flu epidemic in 2004, making consumers all the more concerned over how they can manage their health. The latest research by Euromonitor International shows that bread manufacturers have been quick to capitalise on these health concerns by launching new health-oriented products that come, for example, fortified with vitamins and minerals. Mankattan Carotene Whole-wheat bread and Garden Whole-wheat Sandwich, launched in 2003 in China, are just two new products which were marketed on their health properties, while Garden Life Hi-Fibre Bread is another product that has tapped into growing consumer health concerns in Hong Kong.

Quickening pace of life makes positive impact on bread sales in China

Hong Kong represents a more mature market than China in terms of bread consumption. According to Euromonitor Internationalâ€™s research, in 2004, Hong Kong represented the second largest retail per capita consumption of bread in Asia at 8kg after Singapore, whilst China delivered the third lowest retail per capita consumption at a mere 1kg in the same year.

However, China represents a much faster-growing market for bread due to its relative nascence. Growth can be seen particularly in urban areas where, due to the increasing pace of life, many people do not have the luxury of spending an hour at breakfast. This has given rise to the demand for nutritious and convenient food. Although bread competes with traditional Chinese breakfasts such as steamed buns, sales of western style bread are also on the increase thanks to the speed with which it can be prepared and eaten. Other traditional Chinese breakfasts such as congee and dim sum tend to be eaten outside of the home, and are generally consumed at a relatively leisurely pace. Improving income levels may also be credited for the increased consumption of bread in China, as consumers become more adventurous in their buying habits.

Southern China records most dynamic growth

According to Euromonitor International, over the review period 1998-2004, the southern part of China witnessed the most dynamic performance in bread consumption, growing at 98% in Southwest China and 89% in South China, in retail volume terms. This increase can be largely attributed to the influence of neighbouring Hong Kong, which has led to a boom in the number of bakeries in the southern regions and has helped to promote the shift away from more traditional breakfast food.

Eastern China and North & Northeast China take the lionâ€™s share in actual sales

However, it is East China and North & Northeast China that recorded the largest retail volume sales of bread in 2004. Combined, they account for over 50% of total bread consumption in China this year. The North & North Eastern diet is less heavily reliant on rice and tends to be more flour-based. As such, bread is more readily accepted than in other regions where the diet centres strongly on rice as the main staple.

In contrast, the Northwest and Southwest regions of China constitute the areas with the weakest demand for bread, which is underpinned by low disposable incomes as well as traditional consumption habits in these regions.

Uni-President cashes in on Mid China opportunity

Given that Mid China has approximately 40 million more inhabitants than the North & Northeast region, overall volume sales of bread in Mid China were relatively low in 2004 compared with that of the North & Northeast region. Factors such as lower disposable income, fewer bread manufacturers and the limited availability of products have contributed to the relatively low consumption of bread that characterised the Mid China region in 2004.

Supermarkets boost artisanal bread sales in HK

The Hong Kong bread market has traditionally been dominated by industrially produced bread. In 2004, industrially produced bread accounted for 94% of total volume sales in Hong Kong. However, according to Euromonitor International, unpackaged/artisanal bread showed good growth between 1998 and 2004, growing by some 23%. This sits in contrast to packaged/industrial bread, which grew by 9% over the same period.

The increasing popularity of unpackaged/artisanal bread in Hong Kong may be partly attributed to the growing participation of supermarkets such as Wellcome and Parkâ€™nâ€™Shop in the sales of unpackaged bread that has been baked in-store, albeit not from scratch. Indeed, supermarkets were the main distribution channel for total bakery sales in 2004 at 45%, up from 37% in 1998.

Supermarkets have the advantage of having ready-made distribution networks in the form of their numerous existing outlets around Hong Kong, which is key to encouraging volume growth. Growth is also encouraged by supermarkets offering discounts after 6pm on bread that has been made on the same day.

Garden Co ltd leads sales of packaged bread in Hong Kong

In Hong Kong, brand is a key criterion for consumers in terms of their decision to buy packaged bread. Garden Co Ltd was the leading packaged/industrial bread brand in 2003, commanding a 64% share of total bread value sales, according to Euromonitor International.

New Industrial manufacturers emerge in China

In China, by contrast, due to the fragmented nature of the bread market, unpackaged/artisanal bread formed the majority of bread sold in 2004, at 60% of total sales volume across the country as a whole. This may be attributed to the current lack of industrial standards in this under-developed market. However, Euromonitor International found that industrially produced bread grew faster than the artisan variety between 1998 and 2004 at 91%, compared with 73% for artisanally produced bread. The high level of promotional activity in terms of advertising and marketing by the multinational players was an important factor contributing to the dynamic performance of packaged/industrial bread between 1998 and 2004. Marketing activities included inviting celebrities such as sports people to be product ambassadors and the use of TV commercials.

With a progressively mature Chinese market comes the arrival of more stringent industrial standards to raise the average quality of bread. Furthermore, as growth is derived mainly from urban areas where consumers tend to have greater levels of disposable income and better standards of living, consumers are likely to increasingly opt for packaged bread, which provides them with a better guarantee of hygiene and safety.

The rise in bread ingredient prices in China in the latter part of 2003 led to the average unit cost of a loaf of bread increasing by approximately 10%. Euromonitor International believe that this will no doubt serve to further benefit industrial players who are better equipped to absorb this additional cost than small artisanal manufacturers.

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