Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada

Canada

A Study Of The Bakery Products Market In Hong Kong

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Contents

Executive Summary

This project is a market assessment study dealing with the bakery products market in Hong Kong including finished and frozen bakery products. It looks into the market demand for bakery products in Hong Kong and it finds that the consumption pattern of bakery products in Hong

Kong differs markedly from Western countries.

In Hong Kong, there is a lack of special techniques, expertise, facilities, and machinery to produce innovative or frozen bakery products. The respondents to our survey thought that there were not enough frozen bakery suppliers in the market. This reflects that the market for frozen bakery products is not fully saturated. However, there were a large number of existing suppliers that provided finished bakery products in the market and therefore it would be difficult for new entrants to enter this market. In addition, freshness is the most important criterion for finished bakery, it would appear that there is no opportunity for the direct importation of finished bakery product from Canada.

Canadian exporters may wish to target the following sectors of the food services industry; hotels, canteens and catering services and western restaurants. Some of hotels produce bakery in their own kitchens, however, they also order some special bakery products from local and overseas suppliers. Furthermore, due to the fluctuation of the demand for bakery products in canteens and in the catering food service sector, they prefer to buy frozen bakery products as they can then control the production volume. The western restaurants sector is the other large potential market for bakery products. Although some of the western restaurants buy finished bakery products from nearby bakery shops, there are many high-class western restaurants that demand high quality bakery products. According to our survey, 27.5% of western restaurants had bought frozen bakery products. With around 3,000 western restaurants in Hong Kong, there is potential for Canadian companies to target this particular sector.

On the other hand, there is a very limited potential for Canadian companies to enter the food services sectors of Bakery shops, Fast Food shops or Chinese restaurants. These places seldom use and purchase frozen bakery products. Most of their bakery products are usually either made by themselves or bought from other local suppliers, like bakery shops or supermarkets.

Most interviewees and survey respondents usually had the misconception that the cost of using frozen bakery is high, that it is time consuming and lacks freshness. They thought the procedures of making finished bakery from frozen dough and frozen bread were complicated. They generally did not have much knowledge about using frozen bakery products. In order to change their attitudes towards frozen bakery products, education on the advantages of using frozen bakery should be targeted to the food services industries in Hong Kong. To do this, demonstrations at exhibitions can be used.

In general, survey respondents were not familiar with the bakery products provided by Canadian companies in terms of product categories, prices, shapes, etc. Personal selling can be used to explain the advantages of using Canadian bakery products to curious buyers in order to increase the awareness of frozen bakery in the introductory stage.

There is keen competition for finished bakery products as there are thousands of suppliers in the market. If Canadian companies decide to produce finished bakery products in Hong Kong, it does not make economic sense to produce low quality regular bakery products that are the same as those already existing in the market. Therefore, bakery products provided by Canadian companies should be differentiated from other similar, competitive products by introducing special characteristics like Pita bread, wholemeal loaves, croissants, puff pastry and bread with distinctive flavors and colors such as Malt bread and saffron or cinnamon buns etc.

In order to minimize the risk of investment, Canadian companies are able to export their bakery products to Hong Kong through local agents, like Garden Company Limited and Bakels Edward Keller (HK) LTD. It is especially suitable for companies that want to test the market. However, there are relatively few agents for bakery products in Hong Kong. Canadian companies may have to spend a lot of time locating and selecting an agent before their products can become popular. The other way to distribute products in Hong Kong is to cooperate with some large bakery suppliers such as Garden and Lam Soon so as to develop innovative product categories of bakery products that do not yet exist in the market.

Besides working with local companies, Canadian companies could consider opening a chain of retail shops to sell their bakery products directly to consumers. However, the rent in Hong Kong is very high especially in the urban areas and this would account for a large proportion of the operation cost.

The bakery market in Hong Kong is already well developed and growing. Although, rice, rather than bread is the staple food of Hong Kong people, they have started to accept eating bakery products in some of their meals. The competition in Hong Kong in this market is already quite keen. Each food service sector has their own constraints and limitations in purchasing finished and frozen bakery food or making their own bakery products for customers. Therefore, depending on the target sector, different marketing strategies should be formulated and adopted.

It is concluded that the awareness of the Canadian bakery products in Hong Kong is not high, especially for the frozen bakery products. Potential buyers do not have much knowledge about Canadian bakery products, as most have never tried them before. Therefore, most of them possess a neutral attitude towards Canadian bakery products.

There is a keen competition in finished bakery products and also maintaining freshness is an important for finished fresh bakery, so there is very limited potential for the Canadian companies to import finished bakery products into the market. However, there is a great potential for frozen bakery products in Hong Kong, especially in the hotel, western restaurant and catering industries.

Note: All figures in this report are quoted in Hong Kong dollar (HK$) As at 29th November 1999, the exchange rate was HK$529.00 = CAN$100

1. INTRODUCTION

Hong Kong is an international city where Eastern and Western cultures combine together. In recent years, bakery products have become more popular among Hong Kong people. Western bakery products such as breads, pastry and cakes remain popular with younger people, while Chinese bakery products such as cakes, pastries and various baked products eaten as im Sum are more popular with adults and the older generations.

The Hong Kong bakery industry has developed rapidly in this decade. Today, the number of bakery retailing shops is over one thousand. Most of them provide a wide range of products at low prices. Also, there are nearly 100 industrial establishments, however, the bakery-retailing sector has grown while the industrial sector has recently declined. A few bakery industrial leaders have started to expand operations to China, for example, Lam Soon Ltd.

In recent years, local producers, for example, Garden, Lam Soon, Maxim, Denny , St.Honore and A-1 still have the largest market share in the bakery industry. Another recent trend is that large supermarkets and department stores have also started to provide a wide selection of finished and frozen bakery products for their customers.

Given these developments in the Hong Kong bakery industry, the aim of this report is to provide detailed market information for Canadian exporters to assist them to formulate viable market entry strategies for their cereal based prepared food products.

1.1 Rationale and Objectives

This market assessment study deals with the bakery products, which are defined as follows:

- Bakery products - breads, cake, pastry, dough and tart base.
- Finished bakery products - products that can be consumed directly.
- Frozen bakery products - products that cannot be consumed directly. They need some processing before consumption, for example, frozen breads and dough.

In this report, we focus on the food services sector, namely Bakery shops, Fast Food shops, Chinese restaurants, Western restaurants, Hotels, Canteen and Catering, where the vast majority of bakery products are sold.

The detailed market information provided is as follows:

- An estimation of the market size;
- Market characteristics such as trends and consumer tastes;
- The various distribution channels and their market shares;
- An analysis of the competition and available brands in the market;
- The perceived positioning and image of Canadian products in the Hong Kong market;
- Opportunities for Canadian bakery products;
- Appropriate market entry strategies.

Also, we provide all necessary information regarding legal aspects and regulation for selling bakery products in Hong Kong. A list of interested parties and users is attached in the appendix to the report.

2. METHODOLGY

2.1 Research Design

This project is based on both exploratory research and an in-depth business survey. In the exploratory research, we used secondary data and in-depth interviews with local companies to find out the preliminary market situation of the cereal based products in different kinds of food service companies.

As for the survey, we used a cross-sectional research design (sample survey) to collect information about the demand for and the perception of cereal-based products amongst varies types of food services organization. We also examined the position of Canadian Companies and the factors influencing bakery firms choice of supplier.

In the exploratory research, we adopted a qualitative methodology (in-depth interview) to generate ideas and to discover resources in order to do descriptive research. The in-depth interviews summary transcripts are available if required.

For the user survey, we adopted two communication approaches, telephone surveys and walk-in surveys, to collect the primary data. We mainly adopted the method of telephone interview (80%), the reasons being:

- Easier to reach the management of the organization
- Wide distribution possible
- Lower cost

However, for some food service industries, such as the bakery shop, the telephone survey was difficult to conduct, since most are small in size. The owners were too busy handling the jobs of the manager, purchaser and bakery craftsman so that they had little time to answer our questionnaire. For those bakeries that were hard to contact by phone, we approached them directly and conducted face-to-face interviews (walk-in survey).

2.2 Questionnaire Design

The respondent group of the in-depth questionnaire were the managers of the various types of food service organization (Chinese restaurant, Fast Food restaurant, Western restaurant, Hotel, Bakery shop, Catering and Canteen). For small organization, such as catering firms or bakery shops, the respondents were normally the business owners.

We used nominal and interval scales in the questionnaire design. For example, we used nominal scale questions to identify which kind of cereal-based products the organization provided or whether the organization had previously bought Canadian cereal-based products. We also use Likert Summated Rating Form with 5-point rating scale to investigate the attitudes of the organization towards the bakery products and the factors that affected the organizations choice of suppliers.

Questionnaires were developed in both Chinese and English. So as to facilitate interviewees with different languages to answer the questionnaire. We prepared the questionnaire in English first and then we translated it into Chinese. A back-translation into English was conducted to remove inconsistencies.

2.3 Sampling Method and Size

In the research, we wanted to obtain the views of a wide range of different food services organizations. To do this we used quota samples, one kind of non-probability samples. With the knowledge from the interviews, we knew that different sectors would have different demand towards bakery products. Therefore, we assigned different quotas to different sectors according to their importance in the bakery products market.

For the questionnaire, we divided the sampling frame into different sectors and assigned different sampling sizes according to their demand for the bakery products.

Table 1: The number of planned and finished samples in each sector.

Sectors	Planned	Finished
Chinese restaurant	30	25
Fast Food restaurant	30	19
Western restaurant	30	40
Hotel	30	21
Bakery shop	50	39
Catering	15	9
Canteen	15	11
Total	200	164

Source: Survey

3. ENVIRONMENTAL ANALYSIS

Before entering the Hong Kong market, the local environment should be understood in order to have a clear picture of the target market. In this section, we consider the industry environment in Hong Kong. First, we focus on the economy in Hong Kong since 1997. Second, we consider the social and cultural trends that influence bakery consumption and explore important differences in consumption patterns when compared with western countries. Additionally, we consider the consumption in different population groups such as by age, sex, occupation and income. Finally, the industry technology and skill are studied.

3.1 Economic Overview

In the last two years, the region entered a general slump due to the Asian financial crisis. Hong Kong has been directly affected by the depressed economies of the surrounding countries.

The GDP growth in Hong Kong was -5.1 per cent in 1998. Hong Kong was pushed into its first recession in 13 years and suffered the largest contraction in post-war history. Unemployment doubled from 1997 to 1998 and there was a large decrease in overall consumer spending as the consumption of bakery products dropped slightly.

3.2 Social and Cultural Trends

In traditional oriental culture, rice is the basic necessity for Southern Chinese. They believe that rice can provide energy for them to work and therefore they have rice in almost every meal. At the same time, most Chinese are not used to accept bakery products for their major food.

In Hong Kong, greater contact with western culture has had an impact on consumption patterns. Although, rice continues to be an important staple, other traditional food is being replaced by cereal, bread, sandwiches, milk, and soft drinks. People have started to accept eating western food for breakfast, lunch and snacks. However, they are still used to having rice based meals for dinner.

The opportunity for Canadian exporters to enter the market appears to exist. Many industry experts suggested that the trend towards greater consumption of bakery products would continue a result of changing life-styles and attitudes.

3.3 Consumption of Bakery Products

This section presents information based on the interviews with industries participants to study the consumption patterns and consumption criteria of bakery products. Also, the consumption of bakery products by different population groups is examined.

3.3.1 Consumption Patterns

Consumption patterns refers to purchasing frequency and usual purpose. Most of the interviewees said that most consumers purchased bakery products on several times per week. The bakery products have become the convenience goods and consumers most often buy bakery products for breakfast consumption.

Consumers would prefer buying the bakery products in chain stores rather than individual bakery shops. The consumers believed that there is a quality guarantee in chain stores that does not exist in individual bakery shops. Most consumers liked to buy white bread such as sliced bread or buns. All interviewees agreed that Hong Kong people preferred to eat soft rather than hard bread because soft bread is easy to be chewed and swallowed. People who had traveled to foreign countries, often bought continental breads and other different styles of bread but this remained a relatively small market.

3.3.2 Consumption Criteria

According to all the in-depth interviews, consumption criteria on the important attributes for bakery products listed at descending priority as below:

1) Product Quality

- People would like to spend more time to reach a bakery shop where better quality bakery products are provided.

2) Location Convenience

- Convenience to customers is the second prerequisite in consumption criteria. Bakery shops are located almost everywhere especially in the urban areas, e.g. MTR stations and shopping centers.

3) Price

- Bakery products are the convenience products, which could be substituted by others and the price would be a switching point of the consumers.

3.3.3 By Different Population Groups

The population groups can be divided by age, sex, occupation and income to show their different levels of consumption of bakery products.

By Age Group

Bakery products were more popular among young people than others said Dennis Au from Backenheim Bakery Shop and Vivian Li, a spokeswoman of EAT sandwich shop. Dennis Au explained that the young people always reached for the western culture so that it became a part of their life.

Besides, Mr. Kwong, the owner of a bakery shop and an ex-employee of Grant Hyatt Hotel, believed that the young people had begun to be more concerned about their health. They wanted to eat food with no sugar and low fat so they are willing to eat the healthy bakery products which are priced higher than other bakery products.

By Sex

Bakery products are more welcomed by women than men. Vivian Li stated that women are very concerned about their weight and health. She also said that women believed the sandwiches contained lower fat than the rice so they would rather eat high fiber sandwiches for their meals. Interestingly, we noted that many respondents considered that bread and bakery products had a much more healthy image than seems to prevail in the west.

By Occupation Group

In white collar and blue-collar groups, the white collars consumed more bakery products more than blue collar groups. Blue collar groups tended to believe that only rice could provide them with the necessary energy to work and that bakery products were too small in size and they also considered that they were not economical.

On the other hand, Vivian Li believed that time was money in the mind of white collars group so they wanted to finish their meals quickly. Eating and working at the same time was common among white-collar groups. As a result, bakery products were suitable for them.

By Education Level

The group of highly and middle educated groups consumed more bakery products than the less educational groups. The more education groups have more knowledge in western culture and they are willing to taste bakery products. However, the less educated groups have less knowledge of western culture and it is difficult to change their life-style and attitude from the traditional one.

3.4 Industry Technology and Skills

With regard to the rising demand of bakery, the technology of producing bakery is increasing in Hong Kong. According to Mr. Kwong, the owner of a small bakery shop and an ex-employee of Grant Hyatt Hotel, more and more advanced bakery production machines were imported from overseas, such as Taiwan and Japan.

Other than importing, some bakery product machines are supplied in Hong Kong. For example, the Yue Po Engineering Company Limited ne of the most reputable bakery equipment suppliers in Hong Kong, provides many different kinds of bakery equipment such as Electric Cake Oven, Proofer, Single or Double Deck Gas Convection Oven, Sandwich Refrigerator, and Display Food Warmer. In comparison with some large bakeries in western countries, the level of technology in use in most Hong Kong bakeries is still immature. Only few automated machines are in use. Moreover, the equipment and methods used today differ little from twenty to thirty years ago.

Moreover, Hong Kong is continuously having exchange of technical know-how with many different countries. The most recent example is the HOFEX 99. Many national/regional groups actively participated in this exhibition. These groups included USA orth American Association of Food Equipment Manufacturers (NAFEM), Spain, Taiwan and the UK. HOFEX 99 was very successful and it provided a valuable chance to enhance the cooperation between Hong Kong and overseas bakery industries.

According to the Hong Kong Bakery and Confectionery Association Limited, Hong Kong has trained over 20,000 skillful bakery specialists in the Western Bakery Division. Many of them are now doing very well in the bakery industry over the world.

In this section, we analyzed the environment of Hong Kong and examined Hong Kong people bakery consumption patterns. Although the bakery products could never completely replace the traditional main foods in Hong Kong, the consumption of bakery products is still increasing.

4. MARKET STRUCTURE

In addition to the environmental analysis, new entrants should formulate their market entry strategies by understanding the market structure of the industry. The market structure of Hong Kong bakery Industry includes several dimensions. They are,

1. Number of Sellers in the Industry & Firm Size of those Sellers,
2. Market Size of the Industry,
3. Distribution Channels used in the Industry.

Before looking into the market structure, it is important to state that the Hong Kong Bakery Market is traditionally divided into two sectors,

Industrial Sectors

According to the Census and Statistics Department, bakery producers, who produce their products in their own bakeries before distributing to the other concerns or retail outlets, are classified as industrial sectors. Garden Ltd., the Lam Soon (HK) Ltd., Maxim cakes, and Delifrance are typical examples.

Retailing Sectors

The Census and Statistics Department stated that bakery producers, who produce the bakery products within their owned retail outlets, are classified as belonging to the retailing sectors. This includes individually own bakery shops, and, bakery chain stores such as A-1 bakery, Maxim cakes, St. Honore, etc. (Refer to Table 2)

Table 2: Major Bakery Chain Stores in Hong Kong

Company Name	No. of establishments
Maxims	110
St. Honore	45
Yamazaki	23
Arome	22

Source: Capital (5/1998)

4.1 Number of Sellers

The number of sellers and persons engaged in the bakery industrial sector has experienced a decreasing trend. With reference to Table 3, there were 93 such establishments in 1998 almost a 26% decline when compared with the number in 1994.

Table 3: No. Of Sellers & Persons Engaged in Bakery Industrial Sectors

Year	No. of Establishments	No. of Persons Engaged
1994	125	4955
1995	114	4329
1996	96	4843
1997	100	4370
1998	93	3874

Source: Employment & Vacancies Statistics -- Series B

Unlike the industrial sector, the number of sellers and persons engaged in the bakery retailing sector has increased over recent years. Table 4 shows that there is 1,054 such establishments in 1999, an almost 25% growth rate when compared with those in 1995. Such growth in the retail sector indicates that market potential within this sector is increasing.

Table 4: No. Of Sellers & Persons Engaged in Bakery Retailing Sectors

Year	No. of Establishments	No. of Persons Engaged
1995	842	6305
1996	979	6912
1997	998	7176
1998	836	7103
1999	1054	7921

Source:Employment & Vacancies Statistics -- Series C

While the number of establishments in the industrial sectors has experienced a decreasing trend, the numbers of bakery retailers has kept increasing. This suggested that the market structure has been undergoing fragmentation. More bakery producers make, bake and sell products in their own retail stores. As a result, Canadian exporters may find it more difficult to identify and approach potential buyers.

Instead of selling the bakery products to the retailers directly, Canadian exporters should approach agents so as to supply raw materials (e.g. flour, dough) to the retailers. By doing this, products can be marketed to the retailers more easily.

4.2 Firm Size

Referring to Table 3, there is, on average, 42 persons engaged for each establishment in the industrial sector in 1998. Table 4 indicates that there is average of 8 persons per bakery retailing establishment in 1999. The trend towards small sized shop, is another market structure characteristic that can be observed.

The breaking down of the industry and the limited size of each outlet makes it less cost effective to approach retailers directly. Exporters may sell few products, as the demand of each outlet is small. Approaching agents, again, is an effective way for Canadian exporters to market their products more effectively.

4.3 Market Size

To estimate the market potential of bakery products in Hong Kong, an assessment of the market size is indispensable. Using the following formula, an estimation of the Hong Kong market size can made,

Market Size in Country = Local Production + Imports Exports

Table 5: Value of Local Production, Imports & Exports of Bakery Products (HK$ 00)

Year	Gross Output	Imports	Exports	Market Size
1996	2,946,748	801,768	257,607	2,938,909
1997	2,101,823	827,889	149,860	2,688,852
1998	N/A	694,645	126,578	N/A

Source:Hong Kong Census and Statistics Department

The figures show a total market of almost three billion Hong Kong dollars in 1996, with a decline to 2.7 billion in 1997. Although the 1998 figures for gross output are not yet available, figures for import and export in this year can be used as a reference.

4.4 Distribution Channel

Choosing suitable channels of distribution is one of the crucial steps for foreign exporters. An appropriate distribution strategy can help companies to disseminate their products effectively.

In Hong Kong, there are two types of distribution channel employed by the local bakery companies. Different companies choose to employ different types of channel with regard to their company sizes, target customers and business strategies.

4.4.1 Direct Channel

Figure 1: Distribution channel for Local Bakery Shops

Raw Materials (e.g. flour)

↓

Producer
(Bakery Shops/Bakery Chains)

↓

Consumer

Source: Interview

For most of the individually owned bakery shops and bakery chain stores, a direct channel (Figure 1) of distribution is commonly used. In this channel, producers and ultimate consumers deal directly with each other.

Japanese bakery chain stores such as Yamazaki Baking (HK) Co. and A-1 Bakery (HK) Co. are used to employ direct channels to distribute their products in Hong Kong. Their flour is imported from Japan. After being produced in their stores, the bakery products are delivered directly to the consumers.

4.4.2 Indirect Channel

Major industrial bakeries in Hong Kong typically employ indirect channels of distribution. There are certain possible arrangements under indirect channels,

- Producer to Retailer to Consumer Channel
- Producer to Agent to Retailer to Consumer Channel
- Producer to Industrial User Channel

The majority of the leading companies, however, use dual distribution or even multiple channels to distribute their bakery products. Examples are described as follow:

Garden is the largest fresh bakery manufacturer in Hong Kong. The company produces its own bakery products before delivering to retailers. In addition, it distributes the products directly to industrial users such as McDonald Restaurants (HK) Ltd., KFC, Hardee , Maxim Caterers Ltd. and Wendy and retailers like Park Shop Ltd. and 7-Eleven Convenience Stores.

Figure 2 : Distribution channel for Garden Company Ltd.

Foreign Producers (optional)
(e.g. Japan Panash)

↓

Producer & Agent
(The Garden Company Ltd.)

↙ ↘

Retailers
(E.g. 7-Eleven, Park Shop Ltd., Maxims, Wellcome Co. Ltd., Panash HK Co.)

Industrial Users
(e.g. McDonald , KFC, Cathay Pacific Airline, Etc.)

↘ ↙

Consumers

Source: Interview

Figure 3 : Distribution Channel for Lam Soon (HK) Limited

Foreign Producers (optional)
(e.g. Belgian, U.S.A.)

↓

Producer & Agent
(Lam Soon Swamex Food Service Ltd.)

↙ ↘

Retailers
(e.g. Circle K)

Industrial Users
(e.g. KFC, Maxim, The Peninsula Hotel, etc.)

↘ ↙

Consumers

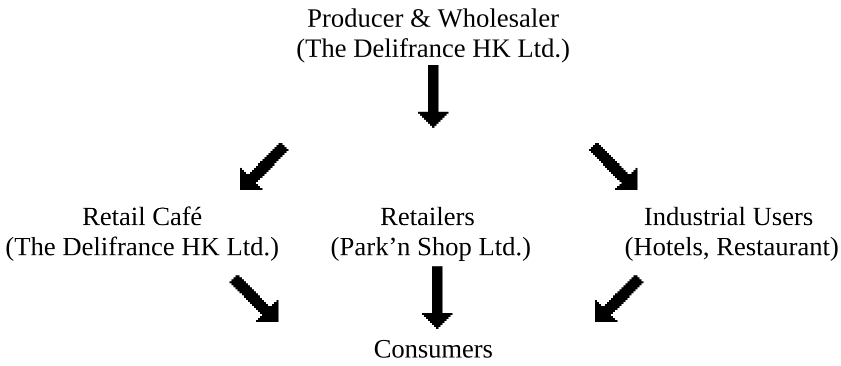
Source: Interview

Lam Soon (HK) Limited is a leading frozen dough manufacturer in Hong Kong. Through its subsidiary Swamex Food Service Ltd., Lam Soon interacts proactively as a trading partner with catering and retail customers by supplying products and services in the frozen food category.

Furthermore, the company acts as an agent of foreign companies. Many companies import their products through Lam Soon. Subsequently, Swamex Food Service Ltd., helps the companies to distribute the bakery products (Finished or Frozen) in the Hong Kong market. For example, a Belgian company, Krusteaz, imports its frozen waffles to Hong Kong through Swamex. Similarly, Cookietree, an American company imports its cookies to the local market by employing Swamex as an agent.

In fact, besides the two big companies mentioned above, small bakery manufacturers use similar channels to distribute their own products, and act as agents for foreign companies, e.g. Bakels Edward Keller (H.K.) Ltd.

Figure 4: Distribution Channel for Delifrance (HK) Ltd.



Source: Interview

Unlike the two companies mentioned above, Delifrance specializes in a selection of continental breads and pastries that are produced in their own bakeries and delivered to their shops where they are baked in front of their customers. Delifrance has its own retail caf bakeries and wholesale deliveries of semi-baked and frozen products to major hotels, restaurants, and leading supermarket chains.

The distribution channel used by each bakery shop or company depends on various factors like target customer and firm size. Large bakery companies, therefore, cannot share the same type of distribution channel. While a single model can be used to illustrate the distribution channel of small bakery shops, examples are used to describe the whole picture of large bakery companies.

From the foreign exporter point of view, deciding how to distribute the products depends on their objectives. If Canadian companies decided to enter the market through direct export, they may cooperate with the local agents (refer to Fig. 2 & 3). This can help overcome the cultural differences between the Western and Asian countries in activities like marketing and better enable wider distribution of their products.

For those Canadian companies who decided to establish their bakeries in the local market, multiple channels of distribution as employed by Delifrance (refer to Fig. 4) can be a reference. By producing bakery products and setting up retail outlets locally, companies can have a 100% control over their business. In addition, the brand image of company can be more easily developed compared with those who directly export their bakery products. Of course this will be a relatively expensive option available to only the largest Canadian bakery products manufacturers.

To conclude, the bakery industry in Hong Kong is fragmenting. The number of retail stores has increased. Despite the contracting market size in 1997, recovery and further growth of the market is expected. A number of different distribution channels are available to foreign exporters.

5. COMPETITION OF BAKERY PRODUCTS IN HK

In Hong Kong, competition in the bakery products market is keen. Considerable numbers of bakery product suppliers exist in the market, such as Garden Company Limited, Lam Soon (Hong Kong) Limited, D ifrance (HK) Limited, La Rose Noire, Hiestand Company, and individually owned bakeries (Figure 5).

Figure 5: **Main Competitors in Hong Kong**

- Garden Company Limited
- Lam Soon (Hong Kong) Limited
- Délifrance (HK) Limited
- Hiestand Company
- Individually owned bakeries

Source: Interview

Garden Company Limited

Garden Company Limited is the largest food manufacturer and distributor in Hong Kong. It provides bread, cakes, biscuits, candies, ice creams and snack foods. Ms. Grace Chan, the Marketing Manager of the bread division at Garden, stated that the company provides many different types of bakery product to the food services industry in Hong Kong, which included both finished bakery (90%) and frozen products like frozen bread and dough (10%). She claimed that Garden market share of providing bakery products to the food services industry in Hong Kong is about 50%. As a result of large-scale production, Garden Company Limited obtained significant economies of scale.

Lam Soon (Hong Kong) Limited

Lam Soon (Hong Kong) Limited is the other major local bakery product supplier in Hong Kong. Lam Soon has many operating divisions, and only two of them are related to bakery products. They are the Flour Division and the Frozen Food Division. According to the 1998 Corporate Report, the Flour Division continues to be the market leader in Hong Kong and in the premium sector of the Guangdong markets.

Délifrance (HK) Limited

Délifrance has now grown into a chain of 30 outlets, widespread in the prime locations of Hong Kong Island, Kowloon, and the New Territories. D ifrance (HK) Limited has extended its business in two directions: 1) Retail Caf Bakeries and 2) Wholesale deliveries of semi-baked and frozen products to major hotels, restaurants, and leading supermarket chains. Délifrance specializes in a wide selection of French breads and pastries which are produced in their own kitchens, then delivered to their shops where they are baked in front of their customers, assuring absolute freshness throughout the day.

La Rose Noire

La Rose Noire now manages three strategically positioned caf restaurant outlets and three takeaway outlets in the city. It established its own bakery which provides hotels, clubs and the majority of Oliver delicatessen outlets with fresh bread and cakes, and is currently equipping a further 8,000 sq. ft. bakery to accommodate its expanding frozen bread and cakes business. La Rose Noire started producing frozen bread products in Hong Kong about one year ago. The range includes croissants, Danish pastries and strudels, mini rolls, baguettes, organic bread and sourdough loaf squares. Very recently, a number of La Rose Noire bakery stores have opened within selected Wellcome supermarkets. Potential for expansion of this relationship seems to be high.

Hiestand Company

Hiestand is a Swiss bakery company whose sales in Hong Kong exhibited enormous growth rates in 1998. Together with M enpick as a joint-venture partner, the first of six planned "Delicious" fast food restaurants was opened in Hong Kong in September 1998.

Individually owned bakeries

Finally, there are about one thousand individually owned bakery shops in Hong Kong. According to the manager of a bakery shop and supplier, an investment of only HK$300,000 is needed to set up a small bakery shop. Though each of these individually owned bakery shops is small in scale, they are widely spread all over Hong Kong. Most of them supply not only to the final consumers, but also supply plain and soft bread to some small restaurants that are located near to them. Restaurants appreciate the ability to buy small quantities of fresh bakery products as well as to receive convenient and speedy deliveries provided by such small local suppliers.

Existing Importers from Canada

At present, only a few Canadian bakery companies are involved in the Hong Kong market. Some have started to export frozen dough to Hong Kong recently. These companies usually depend on Hong Kong agents to help them to distribute their bakery products to Hong Kong hotels as well as restaurants. At this introductory stage, both the product categories sold and the amounts are fairly limited.

6. ATTITUDE TOWARDS BAKERY PRODUCTS OF FOOD SERVICE SECTORS

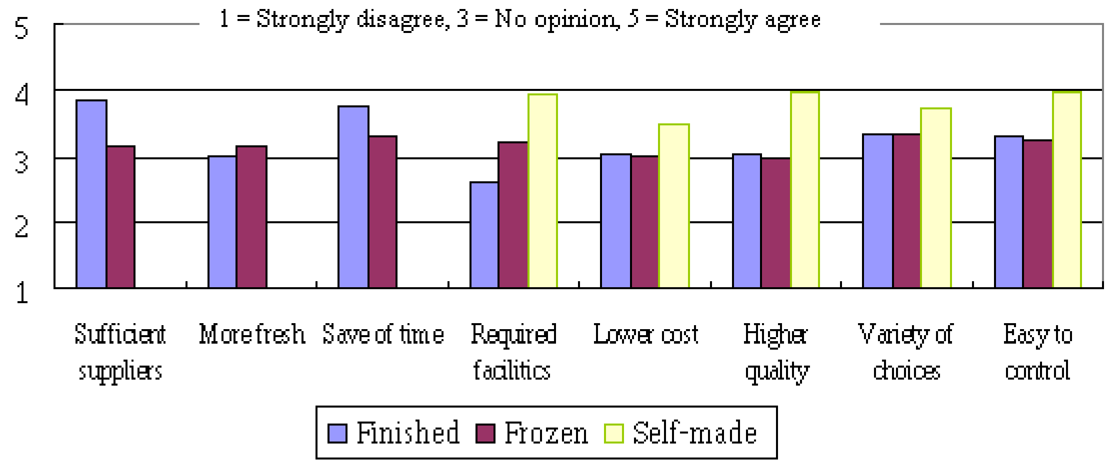
In this chapter, we investigate the attitude towards finished bakery products and frozen bakery products in order to provide the necessary information for Canadian companies to meet the needs of the Hong Kong food service industry.

Based on the survey conducted with 164 food service organizations, we measured respondents level of agreement with the following statements towards finished bakery and frozen bakery products. (See figure 6, 7 and 8)

Finished bakery products / Frozen bakery products:

- Have sufficient suppliers
- Are more fresh
- Need less time to be produced
- Need many facilities
- Have lower cost
- Have higher quality
- Have variety of choices
- Production quantity is easy to be controlled

Figure 6: Attitude towards different kind of bakery products



Source: Survey

6.1 Finished Bakery Products

From figure 6, the respondents agreed that there were sufficient suppliers providing finished bakery products. It can be justified by the huge number of finished bakery suppliers in Hong Kong. Besides, they thought that time could be saved and not too many facilities were needed because users did not need to bake when finished bakery products were used.

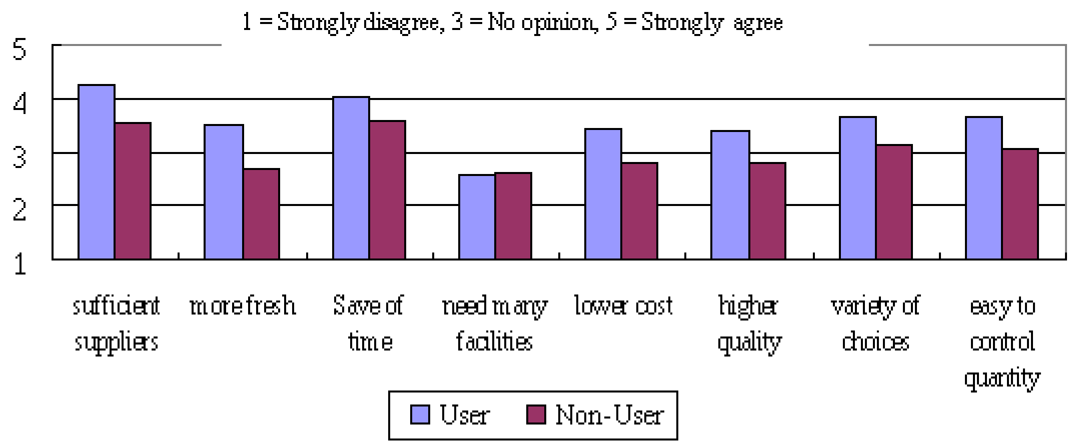
The respondents agreed that there were a sufficient variety of choices available. However, they still believed that they could provide more choice by making the bakery by themselves.

In term of asy to control quantity respondents thought that self-made bakery provided the highest level of flexibility in controlling the production quantity, because it was easy for them to control the production volume. However, buying finished bakery products could still allow them to control the production quantity easily. The reasons may be that Hong Kong is a geographically small place and there are many finished bakery suppliers. Users can buy finished products with a very short delivery time. For example, most western restaurants buy finished bakery products from the nearby bakery shops and resell to their customers.

In term of the quality, freshness and cost of finished bakery product, respondents had no particularly strong opinion about them. Interestingly, we found that the users of the finished bakery products had a better attitude than non-users (Figure 7). In fact, on almost all the attributes, users held a more favorite attitude than the non-users, since they were clear about the products. The non-users generally considered that finished bakery products were not fresh and the quality was not good. In addition, the cost was high when they bought products from outside instead of making them by themselves.

However, the users realized that the labor and equipment maintenance costs could be saved if finished bakery products were used. For example, Sammi Li, the manager of Cable Car Coffee Shop, declared that they did not have enough labor and time to produce bread so they bought finished bread from outside.

Figure 7 :The attitude of the users and non-users toward finished bakery products



Source: Survey

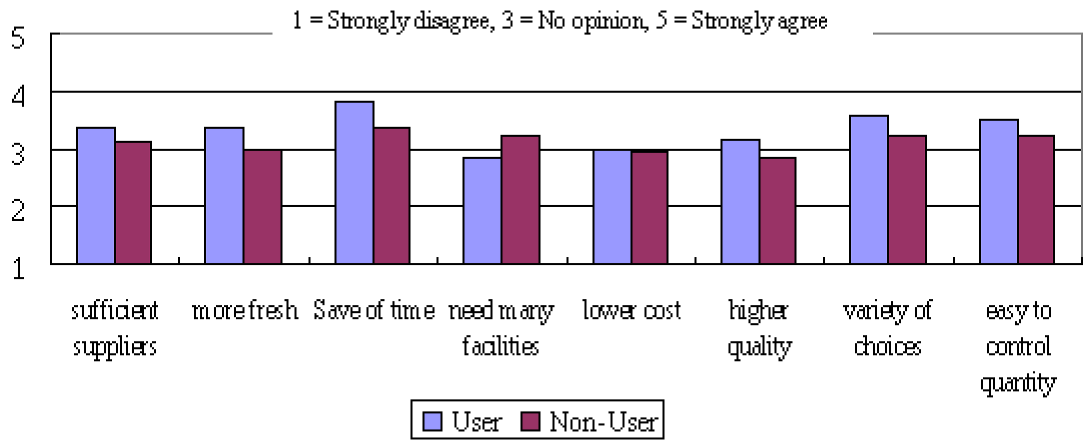
To sum up, the users in Hong Kong food service organization thought finished bakery products allowed them to provide bakery to customers without facilities and with a reasonable cost, acceptable quality and freshness. If Canadian companies want to supply finished bakery products to Hong Kong, they need to overcome some problems like how to keep a short delivery distance so as to maintain the freshness and quality as well as to keep a low cost to compete with the local suppliers.

6.2 Frozen bakery products

Refering to figure 6, we can see that when looking at the responses of the 164 firms, there were no particularly strong opinions on the attributes of frozen bakery products. We believe that the respondents did not have enough knowledge about this particular product category. From our survey, there were only 15.9% of the respondents had used the frozen products before (compare to the finished bakery products 42.7%).

However, factors like ufficient suppliers ave of time and eed many facilities of frozen bakery are different from that of the finished bakery products. This implied that respondent perceived that there were fewer suppliers of frozen bakery products than the finished ones.

Figure 8: Attitude of the users and non-users toward frozen bakery products



Source: Survey

As can be seen from figure 8, the users of the frozen bakery have more favorable attitudes than the non-users except with regard to the factors eed many facilities and ower cost The respondents generally thought that it was very expensive to use frozen bakery. One of the interviewee said its price was 3 times higher than that of the finished bakery and another said it was 4 times higher. In fact, according to Grace Chan, the Marketing Manager of Garden Bakery Department, frozen bakery products were higher than finished bakery products by only 10% to 50% in Hong Kong depending on the different type and quality of bakery. This may be because users perceived the full costs of using frozen bakery products included the cost of ingredients (for using frozen dough) and also the labor and healing costs. Therefore, they thought that using frozen products was expensive.

Form the above investigation, we knew that many industrial users had never used the frozen bakery product before. They knew little about it and its advantages. Therefore, Canadian companies must promote it to the Hong Kong food service industry before they export it.

7. DEMAND FOR BAKERY PRODUCTS IN FOOD SERVICES INDUSTRY

In section 6, we studied the attitudes of food services industry towards bakery products and what they thought about the self-made products, finished products and frozen products. In this section, we consider the demand for bakery products in each segment of the food services industry to identify what kind of bakery products they use and what their consumption criteria are.

7.1 Classification

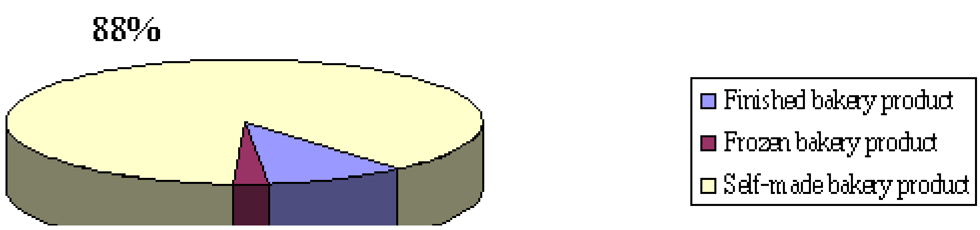
The segments of the food services industry is broadly divided into six market segments: Bakery Shops, Catering and Canteens, Chinese Restaurants, Western Restaurants, Fast Food Shops and Hotels,

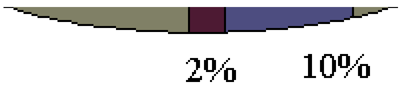
7.2 Characteristics of Market Segment

Bakery shops

In the survey, we found that 88% of the bakery shops made bakery products by themselves (shown in figure 9). Mr. Kwong, the owner of a bakery shop, stated that they needed to provide the freshest bakery products for their consumers. Dennis Au from Backenheim Bakery Shop said that they could control the high quality of bakery products easily by themselves. He explained that when they were baking, the smell could attract more people to buy their products every time.

Figure 9 : Demand of bakery products in bakery shops

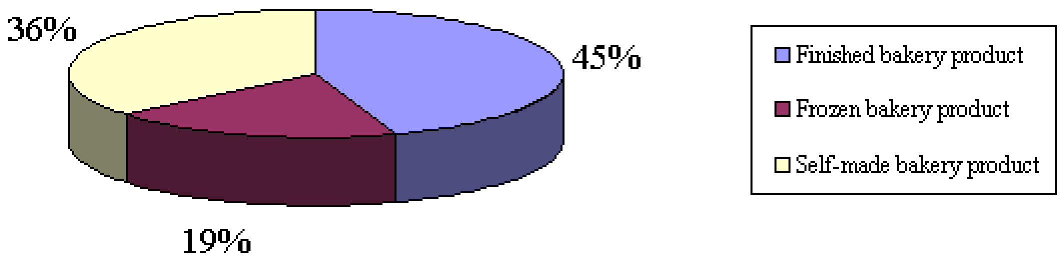




Source: Survey

A small number of bakery shops used finished or frozen bakery products. Mr. Kwong explained that he used frozen bakery products that could reduce the labor cost and time. He also believed that using frozen bakery products would be a trend in bakery shops. In choosing the finished or frozen bakery products, most of the owners of bakery shops were more concerned with price rather than quality.

Figure 10 : **Demand of bakery products in Catering and Canteens**



Source: Survey

Catering and Canteens

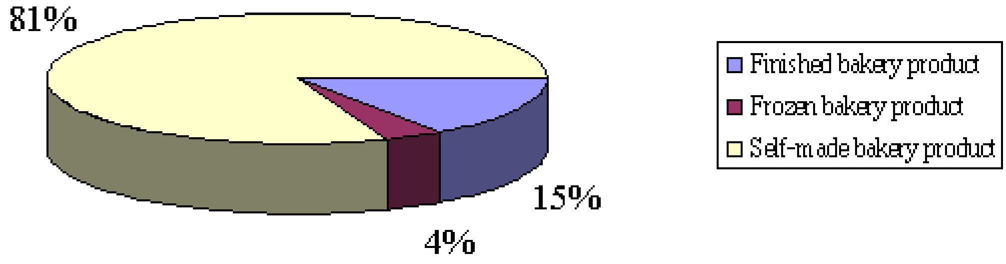
Figure 10 shows that 36% of catering and canteen produced bakery products by themselves and the others used finished bakery products and frozen bakery products. Because of the seasonal change, the demand for bakery products fluctuated greatly, said Richard Young, the manager of Linghin Canteen.

The bakery products, which were mainly provided to their customers, were cakes, croissants and buns. They wanted to minimize the cost as much as possible so they would consider the price more than quality. As a result, they would prefer finished bakery products to frozen bakery products because of the cheaper cost, said Richard Young.

Chinese restaurants

Most of the banquets are held in Chinese restaurants. Jumbo Restaurant owner Mark Lee remembered Hong Kong people used to eat Chinese dim sum in his restaurant at five o'clock in the morning. Nowadays, the number of people going to the Chinese restaurants is declining.

Figure 11 : Demand of bakery products in Chinese restaurants



Source: Survey

The survey indicated that only a small amount of bakery products were used by Chinese restaurants. Their bakery products are egg custard tarts, dim sum products and a small number of cakes.

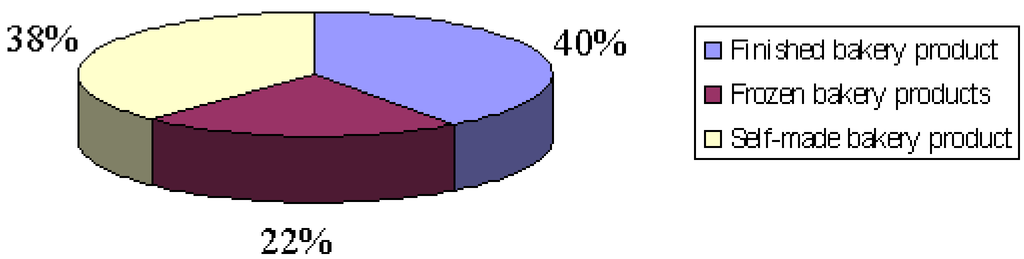
Figure 11 showed that 81% of the Chinese restaurants made bakery products by themselves. They need to provide food with high quality for their customers and they have enough workers to make their own bakery products. Only 4% of the Chinese restaurants used frozen bakery products since they believed that frozen bakery products were not fresh.

Western Restaurants

Figure 12 showed that 40% of the western restaurants used finished bakery products. The others used frozen bakery products or made such products by themselves. They mostly provided buns that were included in the set meals for their customers.

In general, they would focus on the price first and then the quality. However, some western restaurants were more concerned with quality rather than price. They would use frozen bakery products instead of finished bakery products. Sammi Li, the manager of Cable Car Coffee Shop, believed that frozen bakery products were just as fresh as self-made products.

Figure 12: Demand of bakery products in Western restaurants

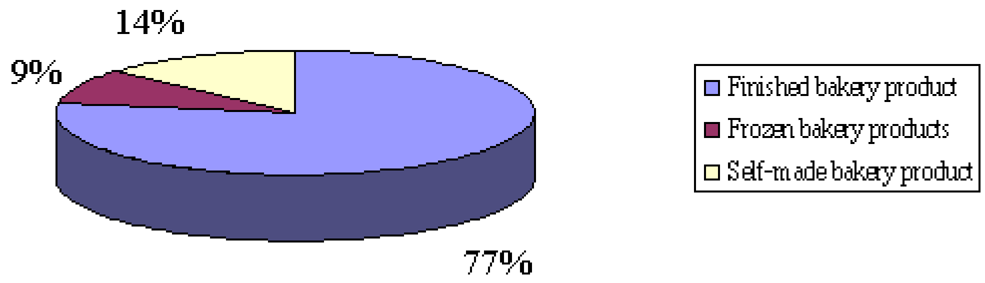


Source: Survey

Fast food shops

Figure 13 indicated that 77% of fast food shops provided finished bakery products.

Figure 13: Demand of bakery products in fast food shops



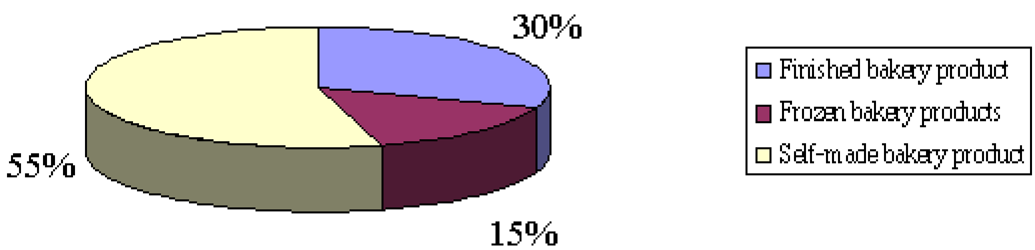
Source: Survey

They provided foods at a low price for their customers so price was the first criterion to buy bakery products and the next was quality. They mainly provided buns for their customers which were included in their meal.

Hotels

In hotels more than half of their bakery products used were made by the hotels themselves and the rest were split between finished and frozen bakery products (shown in figure 14). Their bakery products were mainly cakes, croissant, Danish, buns and puff. They needed to provide foods in the best quality to their consumers, so they were more concerned with quality than price. Mr. Kwong said that many hotels wanted to cut the labor cost so they bought frozen bakery products instead of making it by themselves.

Figure 14: Demand of bakery products in Hotels



Source: Survey

Now, 50% of the production in my company is fresh bread and the other 50% is frozen bread products. Because more and more hotels are realizing that frozen bread products are as fresh as fresh products, I expect that the business of frozen bakery products is going to be a growth market. said Gerard Dubois, a gourmet baker of La Rose Noire in Hong Kong. Moreover, he said that there were a growing number of hotels in Hong Kong that purchased fresh bread products for use in the morning, and then used frozen bread products in the daytime and at night.

Some hotels also bought frozen bread overseas according to their customers requests. These included frozen bakery products those which they had not heard of before or did not know how to make. Moreover, some also bought mixed flour overseas.

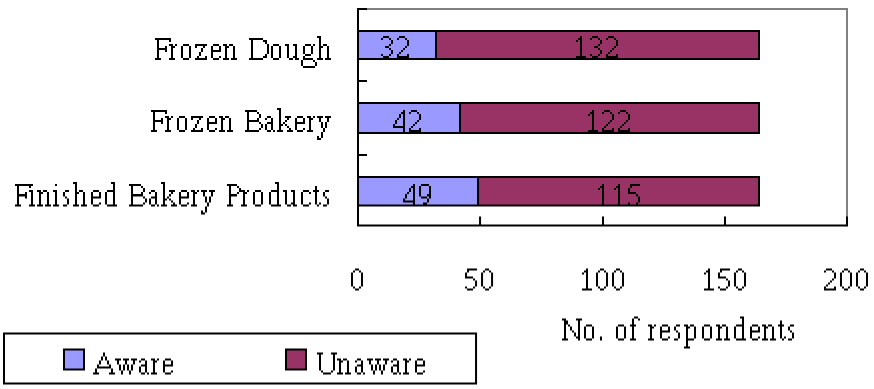
In this section, we looked into the demand for different bakery products in each food service industry. Food service organizations that are more concern for quality would buy frozen bakery products. If the sector provides lower quality food and services for their customers, such as fast food, they would rather use finished bakery products.

8. PRESENT POSITION OF CANADIAN BAKERY PRODUCTS IN HONG KONG

In this section, we examine the respondents awareness, and willingness to buy Canadian bakery products. We also compare perceptions of Canadian bakery products with that of other countries.

8.1 Awareness

Figure 15: Awareness of Canadian Bakery Products



Source: Survey

As shown in Figure 15, 49 out of 164 respondents were familiar with Canadian finished bakery products. 42 respondents have heard of Canadian frozen bakery products, and only 32 respondents have heard of Canadian frozen dough. This reflects that the general awareness of Canadian bakery products is low.

According to the Hong Kong Trade Statistics (1999), there was only a small amount of Canadian bakery products imported into the Hong Kong bakery market in the first half year, especially for the frozen dough, which is just at the introductory stage. In 1999, there was only HK$12,000 of Canadian frozen dough and mixes imported, however, the total amount of frozen dough and mixes imported was HK$13,892,000. As shown in Table.6, Taiwan, USA and Australia are the three biggest importers of frozen dough and mixes.

Table 6 : Values and Quantities of Imported Mixes and Dough for Preparation of Bakers Wares (JAN-JUN, 99)

Imported From	Quantity (KG)	Value ($,000)
Austria	35978	671
Australia	***348392***	***2705***
Belgium	72750	916
Canada	***857***	***12***
China	49614	808
Germany	17476	308
France	29322	525
Britain	325	9
Japan	39924	525
Malaysia	17520	259
Holland	56500	465
Philippines	900	16
Singapore	775	19
Taiwan	***566080***	***2551***
United States	***269062***	***4104***
Total	**1505475**	**13892**

Source: Government Trade Statistics, 1999

Moreover, the value of imported Canadian finished bakery products and frozen bakery was also not much as compared with that of other countries (Table 7). Thus, the awareness of Canadian bakery products in Hong Kong is low.

Table 7: Values and Quantities of Bakers Products (JAN-JUN, 1999)

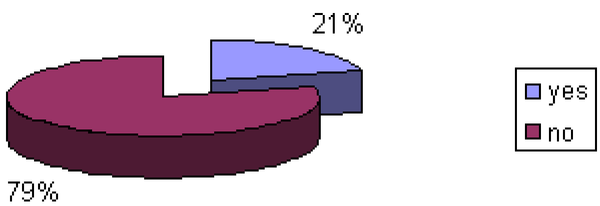
Imported From	Quantity(KG)	Value($,000)
Australia	516651	14998
Belgium	50396	1157
Canada	*73420*	*2356*
China	*9557715*	*105407*
Germany	289526	9105
France	28575	1029
Britain	*776323*	*18214*
Japan	*550110*	*21373*
Malaysia	1323223	14890

Holland	100756	2592
Philippines	151224	2468
Singapore	181882	3459
Taiwan	724273	15094
America	708422	15837
TOTAL	15032496	227979

Source: Government Trade Statistics, 1999

8.2 Willingness to Buy

Figure 16: Willingness to buy Canadian Bakery Products

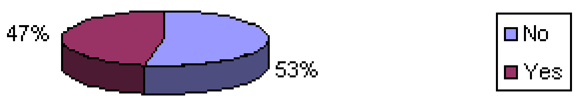


Source: Survey

Only about 21% of respondents (Figure 16) showed that they had willingness to buy Canadian bakery products. Most of them said they would buy if they knew more about the Canadian bakery products, for instance, the variety of products, the quality and the price etc. It is seen that the willingness to buy Canadian bakery products is closely related to the awareness.

The following two figures (Figure 17 and 18) shows some information but broken down into the non-users and users categories. The willingness of each of these groups to buy Canadian bakery products is shown.

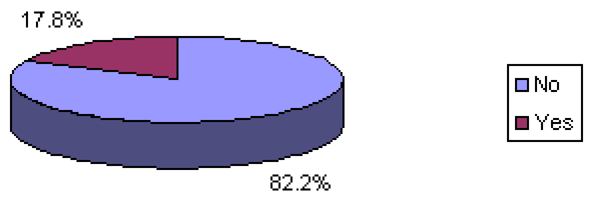
Figure 17: Non-users willingness to buy the Canadian Bakery Products



Source: Survey

As we mentioned before that the awareness of Canadian bakery products was not high. Therefore, only 17.8% of non-users showed that they were willing to buy the Canadian bakery products.

Figure 18: Users willingness to buy other Canadian suppliers Bakery Products



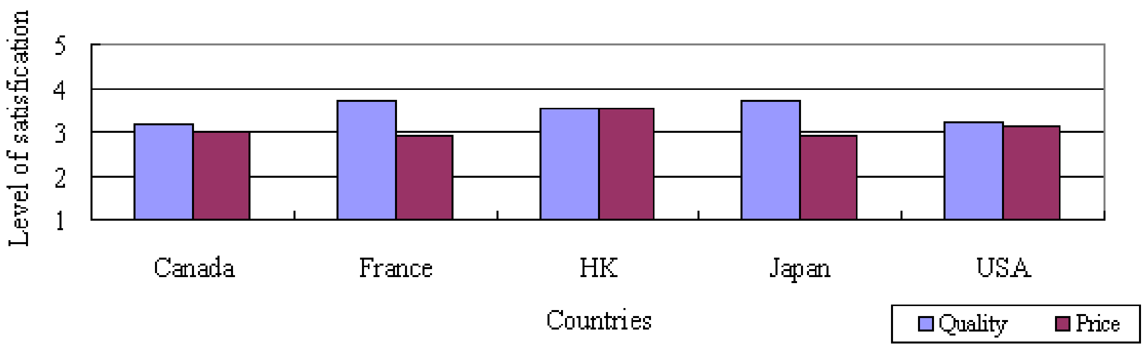
Source: Survey

It was strange to find that there was 53% of the current users who were unwilling to purchase Canadian bakery products (Figure 18). However, we had not investigated why they would not purchase. According to the questionnaire **Q.11 (Will you consider purchasing Canadian Bakery Products?),** we believed the reason may be because the users thought that we were asking whether they were interested to buy bakery products from other Canadian bakery suppliers. On the other hand, the non-users would think that they were asking whether they want to buy any Canadian bakery products. Therefore, there was a different comprehension in this question between the users and non-users. Nevertheless, we had no further information to analyze why so many users were unwilling to buy further Canadian bakery products.

To conclude, we think the Canadian bakery suppliers should put more effort to raise buyers awareness toward Canadian bakery products.

8.3 Comparison of Perceived Quality and Price

Figure 19: Comparison of perceived quality and price among countries



Source: Survey

Figure 19 shows the level of satisfaction on the quality of Canadian bakery products was slightly behind France, Japan and Hong Kong.

Dennis Au, supervisor of Bakenheim bakery shop, pointed out that Japanese bread was very special and the highest quality and that this was suitable for Hong Kong people. He also noted that France was famous in producing bakery products. Grace Chan stated that the perception of quality depended on the type of product you were considering. For example, she said that France was good at producing croissant; Canada and USA were good in producing bagel and donut; Japan was good in producing sweet and soft buns.

On the other hand, the level of satisfaction on the price of Canadian bakery products was higher than that of either France or Japan. Through our interviews, most of respondents thought the foreign bakery products were better than the local ones. Again, they thought the bakery products of France and Japan had the highest quality, however, the price of Canadian and American bakery products was slightly lower.

9. OPPORTUNITIES FOR CANADIAN BAKERY PRODUCTS

In this chapter, we will focus on the market opportunities for the Canadian bakery products in Hong Kong. Then, we identify which food service sectors are the largest potential markets. Finally, various market entry strategies are recommended.

9.1 Analysis of Market Opportunities

9.1.1 Opportunity for frozen bakery

In Hong Kong, there is a lack of special techniques, expertise, facilities, and machinery to produce innovative or frozen bakery products. The respondents to our survey thought that there were not enough frozen bakery suppliers in the market. This reflects that the market for frozen bakery products is not fully saturated.

Cheung Muk Kan, the manager of a bakery shop and a supplier, pointed out that there were a large number of existing suppliers that provided finished bakery products in the market and therefore it would be difficult for new entrants to enter this market. In addition, freshness is the most important criterion for finished bakery, it would appear that there is no opportunity for the direct importation of finished bakery product from Canada.

9.1.2 Analysis of Potential Market

When we analyzed the market, we found that greatest potential markets for Canadian companies is primarily in the Hotels, Western Restaurants, Canteen and Catering food service sectors.

Consumers in hotels demand high quality food. Some of hotels produce bakery in their own kitchens, however, they also order some special bakery products from local and overseas suppliers with regard to the request of customers. These bakery products include finished and frozen ones (such as French croissants, Indian Popadoms and Pita Bread) which they are unable to produce by themselves. Hotels are willing to spend more on the high quality foods for the benefit of their customers.

Furthermore, due to the fluctuation of the demand for bakery products in canteens and in the catering food service sector, they prefer to buy frozen bakery products if the cost is not too high. It is easy for them to control the production volume when they use frozen bakery products.

The western restaurants sector is the other large potential market for bakery products. Although some of the western restaurants buy finished bakery products from the nearby bakery shops, there are many high-class western restaurants that demand high quality bakery products. According to our survey, 27.5% of western restaurants had bought frozen bakery products. With around 3,000 western restaurants in Hong Kong, there is potential for Canadian companies to target this particular sector.

On the other hand, there is a very limited potential for Canadian companies to enter the food services sectors of Bakery shops, Fast Food shops or Chinese restaurants. These places seldom use and purchase frozen bakery products. Most of their bakery products are usually either made by themselves or bought from other local suppliers, like bakery shops or supermarkets.

9.2 Proposed Market Entry Strategies

9.2.1 Promotion

Most interviewees and survey respondents usually had the misconception that the cost of using frozen bakery is high, that it is time consuming and lacks freshness. They thought the procedures of making finished bakery from frozen dough and frozen bread were complicated. They generally did not have much knowledge about using frozen bakery products. In order to change their attitudes towards frozen bakery products, education on the advantages of using frozen bakery should be targeted to the food services industries in Hong Kong. By doing this, demonstrations at exhibitions can be used. The Hong Kong Trade Development Council provides services to overseas traders by holding food exhibitions, suggesting ways of advertisements and searching for potential buyers. Its homepage, **http://www.tdc.org.hk/**, can provide further information about its services.

In general, survey respondents were not familiar with the bakery products provided by Canadian companies in terms of product categories, prices, shapes, etc. Personal selling can be used to explain the advantages of using Canadian bakery products to curious buyers in order to increase the awareness of frozen bakery in the introductory stage.

9.2.2 Product

There is a keen competition for finished bakery products as there are thousands of suppliers in the market. If Canadian companies decide to produce bakery products in Hong Kong, it does not make economic sense to produce low quality regular bakery products that are the same as those already existing in the market. Therefore, bakery products provided by Canadian companies should be differentiated from other similar, competitive products by introducing special characteristics like Pita bread, wholemeal loaves, croissants, puff pastry and bread with distinctive flavors and colors such as Malt bread and saffron or cinnamon buns etc.

9.2.3 Distribution

Appointing a local agent

In order to minimize the risk of investment, Canadian companies are able to export their bakery products to Hong Kong through local agents, like Garden Company Limited and Bakels Edward Keller (HK) LTD. It is especially suitable for companies that want to test the market. However, there are relatively few agents for bakery products in Hong Kong. Canadian companies may have to spend a lot of time locating and selecting an agent before their products can become popular.

Setting up a Joint Venture

The other way to distribute products in Hong Kong is to cooperate with some large bakery suppliers such as Garden and Lam Soon so as to develop those innovative product categories of bakery products that do not yet exist in the market. Hong Kong suppliers can provide factories to produce Canadian bakery products, and distribution and retailing can also be handled by the local companies. Canadian companies can provide advanced technology, specialized machinery and skills as well as high quality flour.

Grace Chan, the manager of Garden Bakery Department, stated that they might consider cooperating with overseas companies to test the market acceptance and potential of new bakery products, such as bagels.

Setting up retail outlets

Besides working with local companies, Canadian companies could consider opening a chain of retail shops to sell their bakery products directly to consumers. Delifrance is one of the most successful examples in Hong Kong. Flour is imported from France to make finished products in their own bakeries that are usually located at the back of the retail shops. Frozen bakery products are baked in front of the customers to show their freshness. Their products are distributed to some supermarkets, hotels, western restaurants and even small bakery shops. They command a good brand loyalty in the bakery market in Hong Kong. However, the rent in Hong Kong is very high especially in the urban areas and this would account for a large proportion of the operation cost.

10. LEGAL ENVIRONMENT & REGULATIONS FOR SELLING BAKERY PRODUCTS IN HK

The purpose of this section is to consider the legal aspects and regulations for importing and selling bakery products in Hong Kong. We will look at regulations governing import duties, health regulations and labeling requirements.

10.1 Import Duty

The government of the Hong Kong Special Administrative Region (HKSAR) supports an open and free commercial and investment environment. The import of food products is free from import duty with the exception of liquor, tobacco, hydrocarbon oil and methyl alcohol. Sales and value added tax systems are not implemented in Hong Kong.

There is a free port and no customs tariff on goods imported to Hong Kong. Importers are required to lodge with the Customs and Excise Department a form (number CDE50A - Import Declaration Form 1A) within 14 days after importation of the goods. Import and export licensing controls exist on rice, frozen meat and frozen poultry but not on any form of bakery products. The homepage of the Customs and Excise Department, **http://www.info.gov.hk/customs/trade/index.htm**, can provide further information about import regulations.

10.2 Health Regulations

In the HKSAR, the legal framework of food safety control is laid down in Part V of the Public Health and Municipal Services Ordinance, Cap.132 and its subsidiary legislation. The basic requirement is that no food intended for sale should be unfit for human consumption.

The Department of Health of the Government of the HKSAR is responsible for implementing territory-wide policies of food safety control and enforcing the food legislation. Part of its duties is to exercise the power to take food samples at points of entry to the territory for various kinds of tests, including bacteriological examinations and chemical analyses.

Food importers, through close liaison with exporting countries, are responsible for ensuring that food items they procure comply with the local legislation. To ensure the hygienic standards of food, importers are encouraged to obtain health certificates (see Appendix F) issued by health authorities of countries of origin to accompany their imports certifying that the food products concerned are fit for human consumption.

10.3 Labeling Requirements

Marking and labeling in prepackaged foods regulation (schedule 3) is a section of Food and Drugs (Composition and Labeling) regulations. The labeling requirements are as follows:

- 1. Name or designation
    - Prepackaged food must be marked or labeled with its food name or designation.
- 2. List of ingredients
    - It should be marked or labeled with a list of ingredients.
- 3. Indication of "best before" or "use by" date
    - It can be presented as est before se by in Chinese and English or in Arabic form.
    - The "best before" date can be shown either in Arabic numerals or in both the English and Chinese languages and expressed in terms of a day, a month and a year.
- 4. Statement of special conditions for storage or instructions for use
    - If special conditions are required for the storage of a prepackaged food, a statement of such conditions must be marked or labeled on the food.
- 5. Name and address of manufacturer or packer
    - It should be marked or labeled with the full name or business name and the full address or details of the registered or principal office of the manufacturer or packer.
- 6. Count, weight or volume
    - The food weight and volume must be marked with the numerical count of the contents or with weight of net volume of the food.
- 7. Appropriate language
    - It is not necessary to have both the Chinese and English languages on the food package; either one is acceptable. If the name is written in both languages, the list of ingredients must also be expressed in both languages.

Nevertheless, the prepackaged foods being sold to the food service industry are exempted from the labeling requirements.

11. Conclusion

The bakery market in Hong Kong is already well developed and growing. Although, rice, rather than bread is the staple food of Hong Kong people, they have started to accept eating bakery products in some of their meals. The competition in Hong Kong in this market is already quite keen. Each food service sector has their own constraints and limitations in purchasing finished and frozen bakery food or making their own bakery products for customers. Therefore, depending on the target sector, different marketing strategies should be formulated and adopted to enter the bakery products market in Hong Kong.

The market structure of the bakery industry in Hong Kong consists of two sectors, namely retailing and industrial. There is a trend of decline for the number of sellers and people engaged in industrial sectors while the number is increasing in retailing sectors. The market size of the bakery industry in Hong Kong has contracting recently due to the economic recession caused by the Asian financial crisis. However, it is believed that the bakery industry in Hong Kong will recover soon, as economic conditions are expected to improve in the near future.

In Hong Kong, there are two types of distribution channel employed by the local bakery companies. Different companies choose to employ different types of the channel depending on their company size, target customer and business strategy. Individually owned bakery shops, which are relatively small in size and target on individual consumers, would like to employ direct channel of distribution. Large companies, which target on industrial users as their customers, however employee indirect distribution channels.

It is concluded that the awareness of the Canadian bakery products in Hong Kong is not high, especially for the frozen bakery products. Potential buyers do not have much knowledge about Canadian bakery products, as most have never tried them before. Therefore, most of them possess a neutral attitude towards Canadian bakery products.

There is a keen competition in finished bakery products and also maintaining freshness is important for finished fresh bakery, so there is very limited potential for the Canadian companies to import finished bakery products into the market. However, there is a great potential for frozen bakery products in Hong Kong, especially in the hotel, western restaurant and catering industries.

In conclusion, it is recommended that the marketing effort for the overseas companies should be focused on frozen bakery products. Promotion should focus on creating awareness and customer curiosity on Canadian frozen bakery. Product categories should be differentiated from other similar and competitive products. Appointing an agent or setting up a joint venture with local distributors is a possible form through which to test the market. Moreover, setting up retail stores to invest directly into the food service industry is another strategy that may be suitable for the Hong Kong bakery market.

12. THE LIST OF INTERESTED PARTIES & POTENTIAL BUYERS

Interested Parties companies which are interested to buy Canadian bakery products.

Kowloon Panda Hotel Tsuen Wan Street, Tsuen Wan, HK	Tel: 2409 1111	Fax: 2409 1818
Regal Riverside Hotel Tai Chung Kui Road, Shatin, HK	Tel: 2649 7878	Fax: 2637 4748
Kimberely Hotel 28 Kimberely Road, Kowloon, HK	Tel: 27233888	Fax: 27231318
Cable Car Coffee Shop, Sammi Li, Manager G122, Zone A, Habour City, Tsim Sha Tsui, Kowloon	Tel: 27366772	

Potential Buyers

Garden Company Limited	Tel: 23864231	Fax: 2387 4344
Lam Soon (HK) Limited	Tel: 26803333	Fax: 2680 4778
Wellcome Company Limited	Tel: 22993838	
City Super	Tel: 25062888	Fax: 25064333
Empire Hotel	Tel: 2866 9111	
Imperial Hotel	Tel: 2366 2201	
Miramar Hotel	Tel: 2317 1295	
Arome Bakery (HK) Co Ltd	Tel: 2722 1651	
Hong Kong Flour Mills Limited	Tel: 26803838	Fax: 26674726
Kowloon Flour Mills Enterprises Limited	Tel: 25477164	Fax: 25476453
A-1 Bakery Co., (HK) Limited	Tel: 26450688	Fax: 26453993
Denny Food Corporation Limited	Tel: 25630161	Fax: 28110378
Heung Heung Bakery Company Limited	Tel: 28187432	
Kee Wah Limited	Tel: 27856066	Fax: 27860119
Lucullus Food & Wines Company Limited	Tel: 27981288	Fax: 27960622
Man Heung Bakery	Tel: 25603479	
Maxim Caterers Limited	Tel: 25234107	Fax: 28450715
May Me See Food Company	Tel: 26102006	Fax: 26101269
Shanghai Chun Heung Yuen Catering Co.	Tel: 24920683	Fax: 24111898
St. Honore Cake Shop Limited	Tel: 28731322	Fax: 28734975
Tai Pan Bread & Cakes Company Limited	Tel: 23288162	Fax: 23211864

Toth International Bakeries Limited	Tel: 23575826	Fax: 27904378
Wing Wah Food Manufactory Limited	Tel: 24779831	Fax: 24779821

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