Survey for Assessment on Impact of the Nutrition Labelling Scheme on New-to-market Prepackaged Food Products in the Food Expo 2011
- Executive Summary -

Prepared for

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Introduction

1. Background

1.1 The Food and Drugs (Composition and Labelling) (Amendment: Requirements for Nutrition Labelling and Nutrition Claim) Regulation 2008 (Amendment Regulation), which introduced the Nutrition Labelling Scheme (the NL Scheme) for prepackaged food[1], has come into force on 1 July 2010 after a grace period of about two years. To facilitate the introduction of new-to-market products in Hong Kong, especially the promotions of such products in trade shows and food fairs, the Government has established the Small Volume Exemption Scheme (SVE)[2], as enshrined in the Regulation, the application of which has started since September 2009.

1.2 The Hong Kong Trade Development Council held the Hong Kong Food Expo annually. The Hong Kong Food Expo has been considered a testing ground for introducing new-to-market prepackaged food products into Hong Kong. To assess the impact of the NL Scheme on the new-to-market prepackaged food products, the Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department conducted surveys during the Food Expo 2010 and 2011.

1.3 The "Survey for Assessment on Impact of the Nutrition Labelling Scheme on New-to-market[3] Prepackaged Food Products in the Food Expo" conducted in 2010 collected baseline data concerning new-to-market prepackaged food products. The second survey in August 2011 collected further information to assess the impact of the NL Scheme on the new-to-market prepackaged food products. The Consumer Search Hong Kong Limited (Consumer Search) was commissioned to conduct the second survey in August 2011 (the Survey).

2. Objective

2.1 The objective of the Survey is to assess the impact brought by the NL Scheme on the introduction of new-to-market prepackaged food products via the Food Expo 2011 by comparing with the baseline established in the Food Expo 2010.

[1] **Prepackaged food** refers to food packaged, whether completely or partially, in such a way that the contents cannot be altered without opening or changing the packaging, and the food is ready for presentation to the ultimate consumer or a catering establishment as a single food item.

[2] Under the SVE scheme, a trader selling prepackaged food products with annual sales volume of 30 000 units or below may apply to CFS for exemption from nutrition labelling requirement, provided that there is no nutrition claim on the product concerned.

[3] **New-to-market** is defined as the product is being sold or promoted first time in the Hong Kong market, according to the knowledge of the exhibitor who returned the questionnaire.

3. Survey Methodology

3.1 The Survey covered all the exhibitors who participated in the Food Expo 2011, which was held in the Hong Kong Convention and Exhibition Centre. The event in the public hall was held on 11-15 August 2011, the event in the trade hall, on 11-13 August 2011, and the event in the gourmet zone, on 12-14 August 2011.

3.2 During the said period, enumerators of the Consumer Search visited each booth in the three halls, delivered questionnaires to each eligible exhibitor (i.e. those exhibitors who sold or promoted prepackaged food products during the Food Expo 2011) by hand, and invited the exhibitors to complete and return the questionnaires to the enumerators on or before 15 August 2011 by hand, fax or email.

3.3 Questionnaires in four languages, namely, Chinese, English, Japanese and Korean were prepared and distributed in accordance to the language preference of the exhibitors.

4. Response Rate

4.1 Among the 822 questionnaires distributed to the eligible exhibitors, 560 returned questionnaires were classified as valid questionnaires for further analysis. The response rate of the Survey was 68.1%.

Key Findings

5. Profile of Enumerated Exhibitors

5.1 In terms of country of origin, over two-fifths (245 enumerated exhibitors, or 43.8%) of the enumerated exhibitors were Hong Kong-based companies, followed by enumerated exhibitors from Mainland China (168 enumerated exhibitors, or 30.0%) and from Japan (93 enumerated exhibitors, or 16.6%). The remaining enumerated exhibitors were split about evenly between those from other countries (28 enumerated exhibitors, or 5.0%) and those from Korea (26 enumerated exhibitors, or 4.6%).

5.2 Of all the 560 exhibitors who took part in the Survey, 52.0% (291 enumerated exhibitors) participated in the Food Expo in both 2010 and 2011, while the remaining 48.0% (269 enumerated exhibitors) took part in the Food Expo in 2011 but not in 2010.

6. New-to-market Prepackaged Food Products Sold or Promoted in the Food Expo 2011

6.1 The 560 enumerated exhibitors sold or promoted a total of 11 364 SKUs[4] of prepackaged food products in the Food Expo 2011, with an average of 20.3 SKUs for each enumerated exhibitor. Slightly more than half (289 enumerated exhibitors, or 51.6%) of the enumerated exhibitors sold or promoted within 10 SKUs of prepackaged food products.

6.2 Over two-thirds of the enumerated exhibitors (67.5%, 378 out of 560 enumerated exhibitors) reported that they had brought in new-to-market products amounting a total of 3 965 SKUs (or 34.9% of a total of 11 364 SKUs of prepackaged food products). Among these exhibitors, 187 (33.4% of all enumerated exhibitors) had introduced 1-5 SKUs of new-to-market prepackaged food products. This was followed by those who had brought in 11 and above SKUs (112 enumerated exhibitors, or 20.0%), and 6-10 SKUs (79 enumerated exhibitors, or 14.1%). For exhibitors who had brought in new-to-market products, each of them sold or promoted an average of 10.5 SKUs of such products. The remaining exhibitors (182 enumerated exhibitors, or 32.5%) did not have any new-to-market prepackaged food products.

6.3 Among those 291 enumerated exhibitors who participated in both the 2010 and 2011 Expos, 45.7% (133 enumerated exhibitors) indicated no change in the number of new-to-market prepackaged food products between the two years, while another 28.5% (83 enumerated exhibitors) reported an increase in the number of such products. Of the remaining 25.8% (75 enumerated exhibitors) who sold or promoted a smaller number of new-to-market SKUs this year, the three most widely mentioned reasons for the decrease were “new products not ready/ fewer new products/ no new products” (29.3%), “satisfying market demands” (17.3%) and “business reasons, such as business scale-down, restricted resources, etc.” (16.0%). With only 6.7% of them reporting a drop in the number of new-to-market prepackaged food products due to the new NL Scheme (2.7%) or other government regulations (4.0%), the impact of the Regulation seemed rather insignificant.

[4] **SKU** stands for “Stock Keeping Unit” which is the number or string of alpha and numeric characters that uniquely identify a particular type of product. Unless otherwise specified, the number of prepackaged food products mentioned in this report refers to SKU.

7. Additional processing required for the New-to-market Prepackaged Food Products

7.1 1 891 SKUs (or 48.1%) of new-to-market prepackaged food products had undergone some modifications[5] of the labels due to various reasons.

7.2 In particular, to comply with the NL Scheme, some traders modify the nutrition labels of the new-to-market food products to be sold in Hong Kong. Of all the new-to-market prepackaged food products sold or promoted in the Food Expo 2011 amounting a total of 3 965 SKUs (paragraph 6.2 above refers), further information on whether the label adjustments were required was only provided on 3 929[6] SKUs. 1 116 SKUs (or 28.4%) of the 3 929 products had undergone some modification of the labels because of the new NL Scheme. 490 SKUs (or 12.5%) had obtained Small Volume Exemption (SVE). These 490 SKUs were sold or promoted by a total of 32 enumerated exhibitors. No modifications were required for the remaining 2 038 SKUs (or 51.9%) new-to-market prepackaged food products.

7.3 15 out of these 32[7] enumerated exhibitors (46.9%) reported that the SVE-related expenses accounted for 10% or less of their total expenditure[8] for joining the Hong Kong Food Expo 2011. The SVE-related expenses[9] were shared among different parties with exporters (non-Hong Kong based traders) taking the main share at 40.6%, trailed by Hong Kong based importers at 24.5%, Hong Kong based distributors at 20.6%, and Hong Kong based retailers at 14.2%.

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[5] This refers to the new-to-market prepackaged food products with modifications, including those obtained SVE ; with addition of nutrition labels or original nutrition labels/ packing modified to comply with the NL Scheme or with addition of new label or original label/ packing modified, but not due to NL Scheme.

[6] 378 enumerated exhibitors reported having a total of 3 965 SKUs of new-to-market prepackaged food products sold or promoted in the Food Expo 2011 with three of them (amounting to 36 SKUs) responding "don't know" in Q4(i) to Q4(iv) in the questionnaire which relates to the label modifications. As such, they are excluded from the statistics calculations of analysis relating to label modifications.

[7] Of the 32 enumerated exhibitors reported having 490 SKUs of new-to-market products exempted from the nutrition labelling requirements under the SVE, one of them had "don't know" response to the question on the portion of SVE related expenses borne by their company.

[8] **The total expenditure for participating in this Food Expo** includes but is not limited to booth rental, decoration, furniture and fixtures, manpower expenses to man the booth, cost of goods including material cost and cost of delivery to the exhibition hall, as well as expenditures on the transportation and accommodation of staff working outside of Hong Kong, etc.

[9] **SVE related expenses** include application fees, cost for producing SVE (Small Volume Exemption) labels and additional manpower for the application and processing of SVE products.

Comparisons between the 2010 and 2011 Surveys

8. Response Profile

8.1 The average total and new SKUs from this Survey have been compared against those of the baseline study conducted in 2010 with similar methodology. The 2010 Survey covered exhibitors who participated in the Food Expo 2010, also held in the Hong Kong Convention and Exhibition Centre with the public hall run on 12-16 August 2010 and the trade hall on 12-14 August 2010. Among the 675 questionnaires distributed to eligible exhibitors, 368 returned questionnaires were classified as valid questionnaires for further analysis. The response rate of the Survey was 54.5%.

8.2 The 2011 survey results showed a 21.8% increase in the total participants (from 675 eligible exhibitors in 2010 to 822 eligible exhibitors in 2011) and a grossly increased response rate from 54.5% in 2010 to 68.1% in 2011.

8.2.1 In terms of the country of origin, the increase in the response rate was mostly related to Japan (from a response rate of 22.6% in 2010 to 61.2% in 2011), and was likely associated with the introduction of Japanese version of questionnaires and Japanese-speaking enumerators to overcome the language barrier during the fieldwork execution in the 2011 Survey.

8.2.2 Korean version of questionnaires and Korean-speaking enumerators were introduced in the 2011 Survey, yet there was only a marginal enhancement in the response rate among Korean exhibitors (from a response rate of 45.6% in 2010 to 54.2% in 2011).

9. New-to-market Prepackaged Food Products Sold or Promoted in the Food Expo

9.1 Based on the surveys, exhibitors in 2011 seemed to have sold or promoted on average fewer prepackaged products, with an average 20.3 SKUs for each enumerated exhibitor in 2011 versus an average of 30.6 SKUs for each enumerated exhibitor in 2010.

9.2 There is also a slight decrease in the portion of the number of new-to-market prepackaged products sold/ promoted in Food Expo 2011 when compared with last year (34.9% in 2011 and 40.4% in 2010).

9.3 However, among those 291 exhibitors who participated in both the 2010 and 2011 Expos, 74.2% (or 216 exhibitors) indicated the number of new-to-market prepackaged food products they brought in 2011 was no less than that in 2010.

9.4 For those who had participated in both 2010 and 2011 Food Expos and brought in fewer new-to-market products, the major reasons reported for such a decline were "new products not ready/ fewer new products/ no new products" (29.3%), "satisfying market demands" (17.3%) and "business reasons, such as business scale-down, restricted resources, etc." (16.0%). Only 2.7% of them reporting a drop in the number of new-to-market prepackaged food products due to the NL Scheme.

10. Additional processing required for the New-to-market Prepackaged Food Products

10.1 Of all the new-to-market prepackaged food products, substantially less new-to-market prepackaged food products sold or promoted in the Food Expo 2011 had some modification of the labels (78.0% in 2010 and 48.1% in 2011).

10.2 There was a slight decrease in the percentage of new-to-market products having carried out some modification of the labels because of the new NL Scheme in 2011 when compared with 2010 (35.6% in 2010 and 28.4% in 2011).

10.3 The proportion of new-to-market prepackaged food products having been granted SVE in 2011 was more or less similar to that in the last year (15.5% in 2010 and 12.5% in 2011).

10.4 Therefore, it was gathered that prepackaged food products had gone through a number of production cycles after the introduction of the NL Scheme in July 2010. With the NL Scheme implemented for more than one year, the exhibitors seemed to have already accustomed to sourcing or manufacturing products of which their labelling complied with the NL Scheme in 2011. As a result, fewer products required modification of the labels to comply with the Regulation.

10.5 About the same proportion of new-to-market SKUs was granted exemption under the SVE in both Food Expos. The SVE-related expenses were shared among different parties of the trade with the exporters (non-Hong Kong based traders) taking up a relatively larger percentage. Slightly less than half (46.9%) of the enumerated exhibitors reported that SVE-related expenses accounted for 10% or less of their total expenditure for joining the Food Expo 2011, compared with 75.6% in the 2010 Survey.

Conclusions

11. With the 21.8% increase in the total number of participants in Food Expo in 2011 (from 675 eligible exhibitors in 2010 to 822 eligible exhibitors in 2011) (paragraph 8.2 refers) and over two-thirds of the enumerated exhibitors in Food Expo 2011 (67.5%, 378 out of 560 enumerated exhibitors) reported that they had brought in new-to-market products (paragraph 6.2 refers), it can be seen that the Hong Kong Food Expo has remained a well accepted venue for traders from the Mainland, overseas and Hong Kong to sell or promote new-to-market prepackaged food products.

12. Among those 291 enumerated exhibitors who participated in both the 2010 and 2011 Expos, 74.2% (216 enumerated exhibitors) reported an increase or no change in the number of new-to-market prepackaged food products they sold or promoted between the two years. Of the remaining 25.8% (75 enumerated exhibitors) who sold or promoted a smaller number of new-to-market SKUs this year, only 2.7% of them indicated that the drop was due to the NL Scheme.

13. According to those enumerated exhibitors who participated in both Food Expos 2010 and 2011 and reported a drop in the number of new-to-market prepackaged food products sold/ promoted in Food Expo 2011, the major reasons cited for such a decline were “new products not ready/ fewer new products/ no new products” (29.3%), “satisfying market demands” (17.3%), “business reasons, such as business scale-down, restricted resources, etc.” (16.0%) and "change in promotion strategy” (13.3%), which were in general, related to changes in marketing strategies and business objective (e.g. change in promotion strategy or new product not ready). Since those reasons were more widely mentioned by the enumerated exhibitors, factors such as the change in marketing strategies and business objectives of some exhibitors appeared to have a more prominent impact on the decrease in the number of new-to-market prepackaged food products they sold or promoted in the Food Expo 2011 comparing with the introduction of the NL Scheme (2.7%).

14. With the NL Scheme implemented for more than one year, the exhibitors seemed to have already accustomed to sourcing or manufacturing products of which their labelling complied with the NL Scheme in 2011 as indicated by the decrease in the proportion of new-to-market prepackaged food products that needed modification to fulfil the requirement of the NL Scheme.

15. About the same proportion of new-to-market SKUs had obtained exemption under the SVE in both Food Expos. While fewer exhibitors reported that the SVE-related expenses accounted for 10% or less of their total expenditure for joining the Food Expo 2011 (46.9%), these were merely rough estimates of the respondents and no meaningful conclusions on the change in SVE proportions between the two years could be made.