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FACTS

about

Hong Kong

BEER

market

compiled by The Hong Kong Food Drink & Grocery Association – BEER COALITION



**The FOOD, DRINK & GROCERY
ASSOCIATION – BEER COALITION
represents more than 80% of the total Hong
Kong beer market.**

**Information provided are general observation of how the beer market operates.
It is not intended to be a comprehensive analysis of all the commercial activities
of all the members of the coalition.*

Understanding BEER

The BEER COALITION welcomes the Government's decision to reduce the duty rate down from 40% to 20%.

Though the recent lobby was for the duty rate to come down to 10%, the BEER COALITION believes that this is a good step forward.

This document aims to give the stakeholders a better understanding of the BEER COALITION's actions in response to the duty rate reduction.





How does the 40% down to 20% duty rate reduction translates into actual dollar (HK\$) terms?



Based on the 2006 figures provided by the **HONG KONG CUSTOMS & EXCISE DEPARTMENT**, beer companies paid an average of **HK\$0.57** per 330ml (small) bottle of beer.

In short, the duty rate reduction translates to an actual average **savings** of **HK\$0.29** per 330ml (small) bottle of beer.

the MATH behind BEER INDUSTRY DUTY RATE



MANUFACTURER Europe: Small bottle of beer	Euro 0.13
IMPORTER Exchange rate at HK\$10.74 Duty rate at 40% Shipping + Handling Office + Warehouse Rental Employees Supporting + Selling Advertising + Promotions Delivery Others Margin IMPORTER SELLING PRICE	HK\$ 1.42 HK\$ 0.57 ↓ \$ + \$
WHOLESALER IMPORTER SELLING PRICE Office + Warehouse Rental Employees Supporting + Selling Advertising + Promotions Delivery Others Margin WHOLESALER SELLING PRICE	+ \$ + \$ + \$ + \$
RETAILER WHOLESALER SELLING PRICE Office + Warehouse Rental Store Space Rental Employees Supporting + Selling Advertising + Promotions Others Margin RETAILER SELLING PRICE	+ \$ + ↓ \$
	HK\$10.00

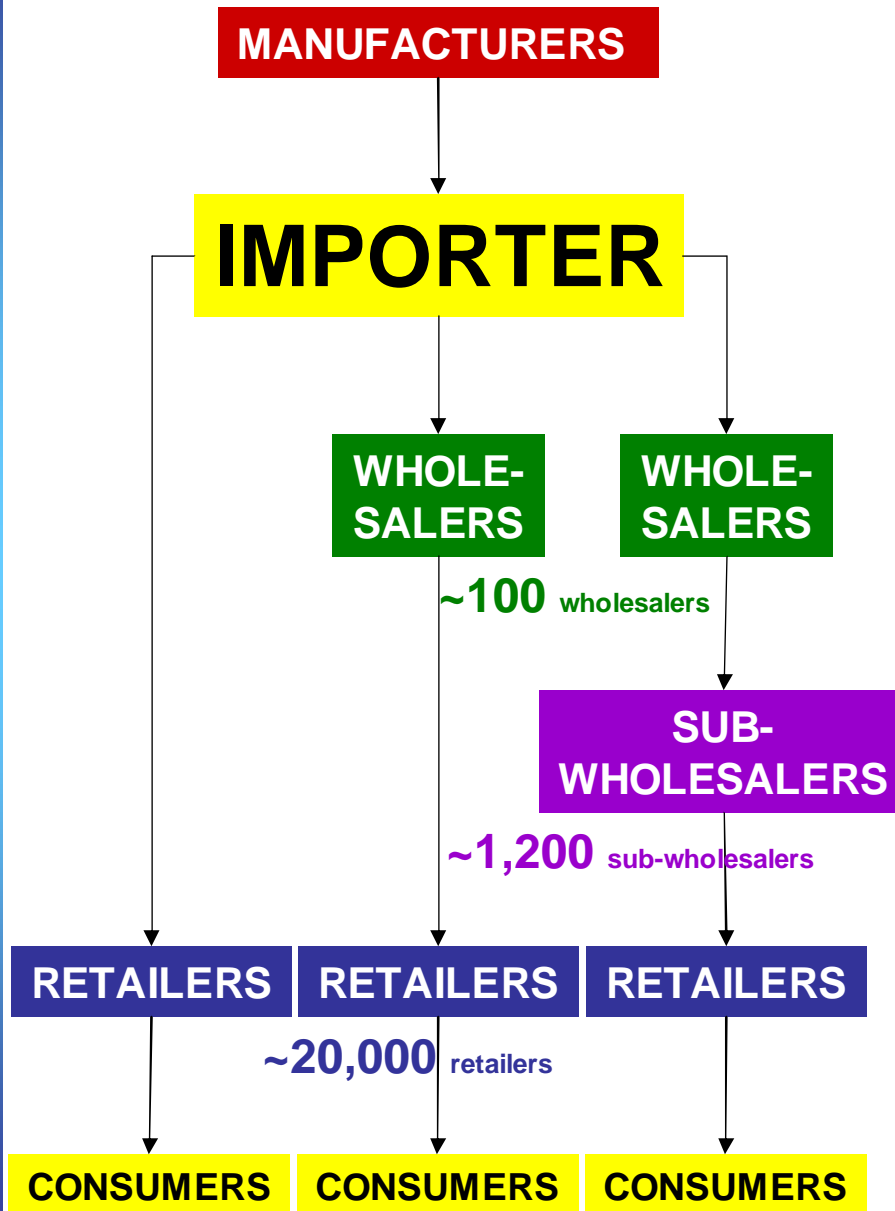
FACT! Average import price/330ml (2006) based on Hong Kong Customs and Excise Department

FACT! Average duty/330ml (2006) at 40% based on Hong Kong Customs and Excise Department

Whether a consumer buys his bottle of beer in a Convenience Store at **HK\$10.00** or in a 5-Star Hotel at **HK\$50.00**, the maximum savings that the consumer can get from the duty rate reduction is on the average **HK\$0.29**.

This assumes that the **HK\$0.29** is passed at every level of the network from Importer to Wholesalers to Retailers and then to consumers.

the COMPLICATED nature of BEER BUSINESS



Beer products go through a **very complicated and multi-tiered** structure before they reach the consumers.

Manufacturers overseas decide the price they want to sell to the importers.

Local importers shoulder the duty and deal with the forex and shipping of the products to Hong Kong.

At each tier, companies be it traders, restaurants, karaokes, bars, provision stores, or supermarkets manage their own costs & margins that ultimately **set their own PRICE to the consumers.**



**Did the BEER COALITION give
back the HK\$0.29 to the
community?**



YES.

Each member of the **BEER COALITION** has implemented initiatives that endeavors to maximize the benefit of the end-consumers.



**What has the BEER COALITION
done in response to the duty
rate reduction?**

The CHALLENGE

With the very complicated and multi-tiered nature of beer business, **how does one endeavors to ensure that the consumers indeed will benefit from the HK\$0.29 duty savings?**

Because companies at each tier manages their own pricing and have their own unique way of doing business, there is very little control on making sure that the savings get passed on to the consumers.

In response to this challenge, the **BEER COALITION** has utilized a three-pronged approach.





To ensure that the **CONSUMERS** will benefit the most, the **BEER COALITION** has utilized a three-prong approach:

- We have reduced our prices by issuing a new price list to the **TRADE** effective April 1.
- We have provided more favorable and frequent price discounts to **CONSUMERS**.
- We have provided more and bigger reward promotions to **CONSUMERS**.



Published Price Lists effective April 1 2007 to the Trade After Duty Reduction

\$0.10 – \$0.20/unit in Permanent Reductions

The image displays several overlapping price lists for various beer brands. The most prominent one is for Blue Girl beer, which includes a 'NOTICE OF PRICE ADJUSTMENTS' section. This notice states that the price reduction is a result of the government's decision to reduce the import duty on beer from 10% to 5% effective April 1, 2007. The notice also mentions that the price reduction is permanent and that the company is committed to providing the best quality beer at the most competitive prices.

The price lists also include product packaging information and new prices for various beer types and quantities. For example, the Blue Girl price list shows the following new prices:

Product Packaging	Current Price	New Price
Blue Girl Premium Beer - 12 Bottles	\$12.00	\$11.80
Blue Girl Premium Beer - 24 Bottles	\$24.00	\$23.60
Blue Girl Premium Beer - 36 Bottles	\$36.00	\$35.40
Blue Girl Premium Beer - 48 Bottles	\$48.00	\$47.20
Blue Girl Premium Beer - 60 Bottles	\$60.00	\$59.00
Blue Girl Premium Beer - 72 Bottles	\$72.00	\$70.80
Blue Girl Premium Beer - 84 Bottles	\$84.00	\$82.60
Blue Girl Premium Beer - 96 Bottles	\$96.00	\$94.40
Blue Girl Premium Beer - 108 Bottles	\$108.00	\$106.20
Blue Girl Premium Beer - 120 Bottles	\$120.00	\$118.00
Blue Girl Premium Beer - 132 Bottles	\$132.00	\$129.80
Blue Girl Premium Beer - 144 Bottles	\$144.00	\$141.60
Blue Girl Premium Beer - 156 Bottles	\$156.00	\$153.40
Blue Girl Premium Beer - 168 Bottles	\$168.00	\$165.20
Blue Girl Premium Beer - 180 Bottles	\$180.00	\$177.00
Blue Girl Premium Beer - 192 Bottles	\$192.00	\$188.80
Blue Girl Premium Beer - 204 Bottles	\$204.00	\$200.60
Blue Girl Premium Beer - 216 Bottles	\$216.00	\$212.40
Blue Girl Premium Beer - 228 Bottles	\$228.00	\$224.20
Blue Girl Premium Beer - 240 Bottles	\$240.00	\$236.00
Blue Girl Premium Beer - 252 Bottles	\$252.00	\$247.80
Blue Girl Premium Beer - 264 Bottles	\$264.00	\$259.60
Blue Girl Premium Beer - 276 Bottles	\$276.00	\$271.40
Blue Girl Premium Beer - 288 Bottles	\$288.00	\$283.20
Blue Girl Premium Beer - 300 Bottles	\$300.00	\$295.00
Blue Girl Premium Beer - 312 Bottles	\$312.00	\$306.80
Blue Girl Premium Beer - 324 Bottles	\$324.00	\$318.60
Blue Girl Premium Beer - 336 Bottles	\$336.00	\$330.40
Blue Girl Premium Beer - 348 Bottles	\$348.00	\$342.20
Blue Girl Premium Beer - 360 Bottles	\$360.00	\$354.00
Blue Girl Premium Beer - 372 Bottles	\$372.00	\$365.80
Blue Girl Premium Beer - 384 Bottles	\$384.00	\$377.60
Blue Girl Premium Beer - 396 Bottles	\$396.00	\$389.40
Blue Girl Premium Beer - 408 Bottles	\$408.00	\$401.20
Blue Girl Premium Beer - 420 Bottles	\$420.00	\$413.00
Blue Girl Premium Beer - 432 Bottles	\$432.00	\$424.80
Blue Girl Premium Beer - 444 Bottles	\$444.00	\$436.60
Blue Girl Premium Beer - 456 Bottles	\$456.00	\$448.40
Blue Girl Premium Beer - 468 Bottles	\$468.00	\$460.20
Blue Girl Premium Beer - 480 Bottles	\$480.00	\$472.00
Blue Girl Premium Beer - 492 Bottles	\$492.00	\$483.80
Blue Girl Premium Beer - 504 Bottles	\$504.00	\$495.60
Blue Girl Premium Beer - 516 Bottles	\$516.00	\$507.40
Blue Girl Premium Beer - 528 Bottles	\$528.00	\$519.20
Blue Girl Premium Beer - 540 Bottles	\$540.00	\$531.00
Blue Girl Premium Beer - 552 Bottles	\$552.00	\$542.80
Blue Girl Premium Beer - 564 Bottles	\$564.00	\$554.60
Blue Girl Premium Beer - 576 Bottles	\$576.00	\$566.40
Blue Girl Premium Beer - 588 Bottles	\$588.00	\$578.20
Blue Girl Premium Beer - 600 Bottles	\$600.00	\$590.00
Blue Girl Premium Beer - 612 Bottles	\$612.00	\$601.80
Blue Girl Premium Beer - 624 Bottles	\$624.00	\$613.60
Blue Girl Premium Beer - 636 Bottles	\$636.00	\$625.40
Blue Girl Premium Beer - 648 Bottles	\$648.00	\$637.20
Blue Girl Premium Beer - 660 Bottles	\$660.00	\$649.00
Blue Girl Premium Beer - 672 Bottles	\$672.00	\$660.80
Blue Girl Premium Beer - 684 Bottles	\$684.00	\$672.60
Blue Girl Premium Beer - 696 Bottles	\$696.00	\$684.40
Blue Girl Premium Beer - 708 Bottles	\$708.00	\$696.20
Blue Girl Premium Beer - 720 Bottles	\$720.00	\$708.00
Blue Girl Premium Beer - 732 Bottles	\$732.00	\$719.80
Blue Girl Premium Beer - 744 Bottles	\$744.00	\$731.60
Blue Girl Premium Beer - 756 Bottles	\$756.00	\$743.40
Blue Girl Premium Beer - 768 Bottles	\$768.00	\$755.20
Blue Girl Premium Beer - 780 Bottles	\$780.00	\$767.00
Blue Girl Premium Beer - 792 Bottles	\$792.00	\$778.80
Blue Girl Premium Beer - 804 Bottles	\$804.00	\$790.60
Blue Girl Premium Beer - 816 Bottles	\$816.00	\$802.40
Blue Girl Premium Beer - 828 Bottles	\$828.00	\$814.20
Blue Girl Premium Beer - 840 Bottles	\$840.00	\$826.00
Blue Girl Premium Beer - 852 Bottles	\$852.00	\$837.80
Blue Girl Premium Beer - 864 Bottles	\$864.00	\$849.60
Blue Girl Premium Beer - 876 Bottles	\$876.00	\$861.40
Blue Girl Premium Beer - 888 Bottles	\$888.00	\$873.20
Blue Girl Premium Beer - 900 Bottles	\$900.00	\$885.00
Blue Girl Premium Beer - 912 Bottles	\$912.00	\$896.80
Blue Girl Premium Beer - 924 Bottles	\$924.00	\$908.60
Blue Girl Premium Beer - 936 Bottles	\$936.00	\$920.40
Blue Girl Premium Beer - 948 Bottles	\$948.00	\$932.20
Blue Girl Premium Beer - 960 Bottles	\$960.00	\$944.00
Blue Girl Premium Beer - 972 Bottles	\$972.00	\$955.80
Blue Girl Premium Beer - 984 Bottles	\$984.00	\$967.60
Blue Girl Premium Beer - 996 Bottles	\$996.00	\$979.40
Blue Girl Premium Beer - 1008 Bottles	\$1008.00	\$991.20

The price lists also include information about the companies and their contact details. For example, the Carlsberg price list includes the following information:

Carlsberg
 Carlsberg Hong Kong Limited
 100, Queen's Road Central, Hong Kong
 Tel: (852) 2522 2222
 Fax: (852) 2522 2222
 Email: carlsberg@carlsberg.com.hk
 Website: www.carlsberg.com.hk



Can you give examples of how consumers benefit from the duty rate reduction?



Pre-2/28

12 cans
@\$69.90

\$5.82 each



Post-2/28 (regular)

12 cans
@\$67.90

\$5.65 each

Post-2/28 (special)

14 cans for 12
@\$68.90

\$4.92 each

Brands Have Actively Created Consumer Value



Price Reductions

(per unit)

<u>Brand</u>	<u>Pre-2/28</u>	<u>Post-2/28 (Regular)</u>	<u>Post-2/28 (Special)</u>	<u>Comments</u>
Blue Girl 640ml	\$14.40	\$13.95	\$13.10	
	Savings:	\$0.45	\$1.30	
San Miguel 12 Cans	\$5.48	\$5.23	\$4.22	Buy 12 cans @\$59.90 get 500ml Can Free
	Savings:	\$0.25	\$1.26	
Heineken Cans	\$7.31	\$6.98	\$6.56	12 cans @\$78.80
	Savings:	\$0.33	\$0.75	

**more examples can be provided if needed.*



**Are not the promotions in
supermarket and
convenience store chains
initiated and funded by
themselves?**



The BEER companies play a significant role in initiating and funding the promotions to ensure that **consumers benefit directly.**



Based on a 3rd-party independent research*, the average price for a 330ml (small) bottle of beer has already come down by HK\$0.20 after the members reduced their prices in April 1.

- According to industry figures, since the duty on beer has been lowered, consumers on average have been enjoying savings from price cuts and rewards value of HK\$0.29.
- On some occasions, consumers enjoy benefits of value above HK\$0.29.
- Looking forward, members of the coalition will endeavor to continue their efforts in passing on benefits brought by the tax cut.

*Research surveyed more than 1,800 retail outlets including supermarkets, convenience stores, restaurants and bars; and monitored more than 70 beer brands.



THANK YOU!