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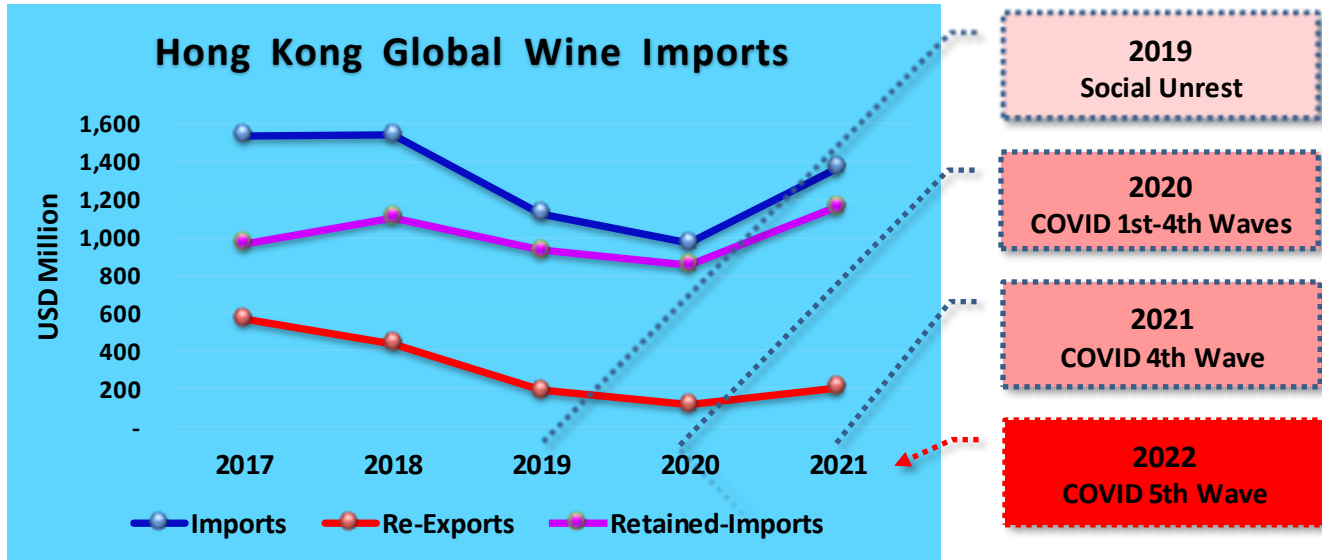
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Report Highlights:

The Hong Kong wine market has stayed resilient since the start of the COVID-19 pandemic. The local foodservice business has suffered the most as the operation of restaurants and bars were often curbed to contain the virus. However, wine retail sales injected energy to a sluggish market and enabled the continuation of wine consumption in Hong Kong. During this time, marketers navigated COVID-19 restrictions by reformatting and reimagining promotional events that expanded sales opportunities. Millennials are eagerly fueling the market with interest in wine appreciation and compelling-story-telling brands. As Hong Kong has bounced quickly from previous waves, the foodservice industry and wine traders remain cautiously optimistic about regaining market opportunities in the later part of 2022.

Despite the unprecedented challenges of the COVID-19 pandemic, Hong Kong remains a dynamic wine market. From 2020-2021, Hong Kong was the fourth largest export destination for U.S. wine (by value)¹. In 2021, Hong Kong global imports of wine rebounded 41 percent from 2020 to \$1.4 billion. Over the past two years, the wine trade community has displayed a high level of resilience as tremendous efforts have been devoted to adapt to market changes quickly and effectively. Even now as the fifth and deadliest wave of the pandemic is winding down, traders are diligently preparing themselves for any forthcoming COVID-19 developments and formulating long-term strategies to navigate a market that remains just as competitive as pre-pandemic times.



Source: Hong Kong Census and Trade by Trade Data Monitor

On-Premise Sales Performance Tightly Interlocked with COVID-19 Control Restrictions

The Hong Kong on-premise wine market has been severely impacted by the government’s COVID-19 control policies. Prior to the pandemic, on-premises wine sales contributed to around 70 percent of total value sales². Hong Kong boasts a vibrant foodservice sector, ranging from fast casual eateries to fine-dining establishments and with new restaurants opening all the time. There are over 16,000 foodservice outlets in Hong Kong in 2021³, the number has been steadily on the rise except during 2019-2020 period. Presently, around 8,000 of these have obtained liquor licenses to serve alcoholic beverages on premises⁴. To contain the spread of COVID-19, the government has periodically imposed social distancing measures such as banning evening dine-in services, limiting the number of people per table to two, restricting restaurants seating to not over 50 percent of their full capacities, limiting banquet sizes to under 20 people, and suspending operations of bars and pubs. As a result, on-premise-focused businesses suffered and contracted the overall wine market. According to Euromonitor International,

¹ Data Source: Wine under Processed Food, U.S. Census Bureau Trade Data.

² “Wine in Hong Kong, China,” May 2021, Euromonitor International.

³ “Consumer Foodservice in Hong Kong, China,” Euromonitor International, March 2022.

⁴ List of Licensed Liquor Premises Detail, accessed on April 28, 2022, Liquor Licensing Board, Food and Environment Hygiene Department, HKSAR, https://www.fehd.gov.hk/english/LLB_web/premis.html

Hong Kong's wine market size⁵ shrank 31.8 percent from \$1.3 billion in 2019 to \$916.1 million in 2020, on-premise sales plunged 47.7 percent.

During the first two months of 2021, as the fourth pandemic wave dwindled and the government relaxed many of the social distancing regulations, foodservice sales picked up, especially in the second half of the year. Wine traders also reported satisfactory sales results in that time frame. Many couples hosted their long-awaited wedding banquets with celebrations up to 240 people. In November 2021, a wedding planner told a news outlet that the number of wedding banquets businesses surged, and she was already receiving over 100 inquiries for weddings in next year⁶. Chinese restaurants, buffets, high-end dining, also recovered in late 2021. Restaurant receipts in the fourth quarter of 2021 increased 29 percent compared to the same period in 2020, recovering over 95 percent of fourth quarter receipts in 2019 and 80 percent from receipts in the fourth quarter of 2018. Despite strong evidence of the sector's on-track recovery, some importers observed that the price points for foodservices lowered possibly due to uncertainties in the evolution of the pandemic and impact on the economy. Longer time is needed to identify the long-term impacts of COVID-19 on prices and purchase decisions.

During COVID-19, traders who mainly focused on the foodservice business had to develop new sales channels and re-establish trade contacts. While many of them managed to alleviate partial sales by spreading their footprint to retail shops, online platforms and popup shops, these changes did not take place overnight. However, their efforts in diversifying channels will improve their position to face ongoing uncertainties.

Retail Becomes a Lifeline as Overall Wine Sales Struggled

The retail market was not free from challenges and not all customers unable to enjoy a drink at a restaurant or bar spent the same amount of money purchasing wine at the supermarket. However, it is fair to state that those traders who specialized and geared up for retail and online sales were less negatively impacted by COVID-19, especially during the first four pandemic waves during 2020-2021. In 2020, the size of the Hong Kong's off-premise wine market grew 7.1 percent to \$418.3 million compared to 2019, and is expected to grow 9.8 percent in 2021⁷. While the economy shrank 6.5 percent in 2020⁸, many wine drinkers worked in professions less affected by the COVID-19-induced unemployment. Those consumers who were already accustomed to drinking at home and those who enjoyed quality drinking in restaurants and bars turned to retail to enhance their household consumption experience.

Although affluent consumers continue spending on wine, some traders reported that consumers in general were inclined to buy lower-priced wines during COVID-19. This is believed to be out of caution due to the uncertainties in the economy, the absence of high-spending tourists, and newer

⁵ Wine market size defined as retail sales values; by year-on-year exchange rate; current prices; data provided by Euromonitor International.

⁶ “逐步解禁擺酒升溫--拖近兩年終可結婚,” *Oriental Daily*, November 15, 2021, https://orientaldaily.on.cc/content/要聞港聞/odn-20211115-1115_00176_021/逐步解禁擺酒升溫--拖近兩年終可結婚.

⁷ Wine market size defined as retail sales values, by year-on-year exchange rate; current prices; data provided by Euromonitor International as of this report.

⁸ Calculated by 2020 and 2019 values of GDP chained (2019) dollars; data source from Hong Kong Census and Statistics Department

drinkers joining the market as entry level wines have performed well. Wine's retailing between \$12.8 – \$25.6 are the best received wines among all price ranges. Traders' observations are comparable with Euromonitor's report⁹ on sales by price segment indicating that around 40 percent of red wines and 47 percent of white wines retailed between \$17.3 to \$25.6 in 2020.

Beneath the COVID-19 turbulence, growing appreciation for wine has been fueling steady wine consumption. According to *Wine Intelligence*, consumer data suggest 68 percent of millennial semi-annual wine drinkers in Hong Kong agree "it's often worth spending more to get a better wine." While these drinkers do not tend to increase their consumption rate, they look to spend more for higher quality¹⁰. Industry insiders agree that wine appreciation is increasing in popularity within the younger generations and drinkers have an appetite to improve their knowledge of wine.

While wine appreciation prevails and benefits retail sales, wine consumption in Hong Kong is tied-in with social sentiment. The retail sector expands or contracts along with foodservice when encountering significant social impacts. In the second half of 2021, when pandemic conditions were much less severe and authorities relaxed many of the social distancing regulations, wine retail business recovered alongside foodservice. During the first quarter of 2022, when the fifth wave of the pandemic hit Hong Kong, citizens flocked to retail outlets to stock up on rice, canned food, toilet papers and necessities in fear of a citywide lockdown. The government restricted at home family gatherings to no-more-than-two-families. During these difficult times, the city was simply not in a mood to drink. Bojan Radulovic, Deputy General Manager a major wine company, Links Concept, said to *Vino Joy News*, "the fourth wave left off-trade market still strong, but this time [during the fifth wave] people are very afraid, and even off-trade market is facing difficulties."¹¹ His comment is in line with the situation traders have experienced and described to the ATO. Correspondingly, wine imports to Hong Kong in the first three months of 2022 dropped 27.2 percent as compared to the same period in 2021¹².

Although the rise of consumer appreciation for wine at home alleviated some of the losses in sales in foodservice, the full recovery of the Hong Kong wine market depends on improved COVID-19 conditions that lead to the resumption of economic and daily activities, the re-opening of border that brings back tourists, and quarantine-free travels and relaxed regulations that bring back expats and residents who departed the city. As of this report, there is cautious optimism that as the fifth wave weakens, the government will continue to gradually relax COVID-19 regulations.

Marketing Strategies and Implications

As large-scale food and drink events were curbed during COVID-19 or became less popular with lingering mask wearing requirements, marketers are looking for alternatives to promote their wine products, as competition did not lessen. Online events increased in popularity in 2020; and in 2021, marketers developed more comprehensive offline engagement to complement the online experience. The

⁹ "Wine in Hong Kong, China," Euromonitor International, May 2021.

¹⁰ "How does Wine Consumer Behavior in Hong Kong Differ from that in China?", *Wine Intelligence*, October 2021, <https://www.wineintelligence.com/how-does-wine-consumer-behaviour-in-hong-kong-differ-from-that-in-china/>

¹¹ "Hong Kong's Worst COVID Outbreak Sours Wine Market", *Vino Joy News*, March 14, 2022, <https://vino-joy.com/2022/03/14/hong-kongs-worst-covid-outbreak-sours-wine-market/>

¹² Hong Kong Census and Trade by Trade Data Monitor

Hong Kong Wine and Dine Festival, the signature annual outdoor gourmet and wine promotional event, turned to a virtual format in 2020 offering virtual wine classes and offline dining deals. The 2021 version featured a “City Wine Walk” encouraging consumers to buy a digital tasting pass to try wines and foods at bars and restaurants. There were also wine and spirits tasting sets available for purchase to accompany online tasting classes. Event organizers continue to juggle online and offline elements according to the local pandemic situation. Small group tastings and hotel staycation packages with available wine tasting options were also easily found in the city.

Apart from more online master classes and tasting events, live stream programs on social media platforms, staged by influencers or wine traders, continue to gain traction. In April 2022, Watson’s Wine, a large specialist wine retailer in Hong Kong, celebrated the broadcast of their 100th episode of Watson’s Hour, their live streaming program that began in 2020. The weekly series featured a range of wines from various countries such as France, Australia, United States, Italy, Spain, Argentina, and others. The program hosts share wine information and tasting notes in a casual and friendly ambience, and sometimes wineries will be invited to join virtually to talk about their offerings. The program established ties with the consumers and provides opportunities for wineries of different scales to reach Hong Kong audience.

Another effective initiative is the country- or region-themed marketing programs, in various scales, that enhance umbrella brandings and ultimately benefit individual businesses. The annual food and wine festival in Hong Kong, French GourMay, organized by a French national agency, featured French cuisines and wines every year in May including across various retail outlets and restaurants. Since 2019, the California Wine Institute in Hong Kong hosts annual California Wine Month highlighting California wines through a series of promotional events such as retail promotions, wine tasting, pop-up shops, and social media outreach. The New York Wine and New York Wine & Grape Foundation partners with a sommelier in Hong Kong to present New York wines to the local wine community. In addition, Japan organized the campaign “Seafood Loves Sake” that promotes Sake and food pairing and encourages more usages at restaurants and at home. These branding programs establish platforms to synergize efforts and generate expectations among the community. In addition, the ATO’s Delicious USA campaign provided a platform to highlight U.S. wines in the foodservice sector.



The California Wine Institute in Hong Kong hosted an [online concert](#) on July 8, 2021 featuring California wines alongside pop music as part of their Wine Month programs.

Hong Kong remains an experience-based market, before and during COVID-19 and conceivably also after the pandemic. Growing wine appreciation and increased sophistication in wine knowledge are key drivers for long term and sustainable growth in the Hong Kong wine consumption market. Traders who look for long term return will continue to invest in marketing programs that establish platforms for them to not only sell wines but to channel brand stories and knowledge to their target consumers.

Outlook and Prospects

Recovery

The Hong Kong economy has a history of bouncing back quickly as the pandemic conditions improved during 2020 and 2021. Businesses are cautiously optimistic that there will be opportunities to make up the lost sales as the fifth wave seemed to be winding down in late April 2022. Consumers are eager to resume normal activities. After the government partially relaxed social distancing restrictions on April 21 including lifting the ban on dine-in services after 6pm, business at some shopping malls rose over 50 percent during the four-day Easter holiday, with visitors increasing 25 percent compared to March¹³. While some foodservice stakeholders urge for more and immediate relaxation of restrictions, this first round of easing policies has brought much needed relief to the foodservice industry. Some industry observers foresee it will take a while for restaurants to draw down their stocks of wine piled up in the fourth quarter of 2021. Nevertheless, the overall market sentiment is positive should the pandemic continue to wane.

Wine Trade with the United States

Local traders are interested in high-quality wines from the United States and the market has an appetite for knowing U.S. wine stories and learning more. However, in recent years there has been a prevailing impression among traders that U.S. wineries are less keen to export than other wine producing countries in response to strong U.S. domestic consumption. The logistical shipping challenges triggered in part by the pandemic also posed a major obstacle to sourcing wines from the United States. Another issue is the time difference between Hong Kong and the United States which has hindered U.S. wine exporters from participating at live stream events, tastings, or virtual chats, that competing countries in Europe and Oceania can readily do. The returned normalcy after COVID-19 would better position U.S. exporters to tackle some of these challenges as international travel and supply chains are also expected to normalize.

Newer Options Addressing Health and Wellness

Millennial consumers, a strong driving force behind wine consumption, are characterized as being health conscious and increasingly concerned about social responsibility and sustainability. To this end, organic wines, biodynamic wines, vegan wines, wines in smaller-than-750ml bottles, are attracting the attention of these consumers. While there is no strong evidence of a clear emerging trend, these types of wines are described as potential items to grow in the foreseeable future.

¹³ "Shopping malls saw over 50 percent rise in business during Easter holiday", April 18, 2022, *The Standard*, <https://www.thestandard.com.hk/breaking-news/section/4/189267/Shopping-malls-saw-over-50-percent-rise-in-business-during-Easter-holiday>

Resumption of International Travel

Wine traders generally managed to mitigate the lack of face-to-face interaction during COVID-19 and it has not terribly affected their purchasing decisions and liaison with suppliers. They have established strong relationships with suppliers in the past and most of them do not have issues connecting with partners virtually. While traders have adapted to a physical life contained in the city, field visits and in-person meetings are still important elements that may spark opportunities and insights in collaboration, product selections, trading details and marketing strategies.

Wine Auctions

Hong Kong remains one of the world's top wine auction centers. Wine auctions in Hong Kong are expected to continue to attract buyers from the region. British auction house Sotheby's states in its Wine & Spirits Market Report 2021 that within Asia, Hong Kong leads the market¹⁴. Their three-day sales series in Hong Kong featuring five auctions in October 2021 resulted in a total of \$25 million in sales, making it the third highest total for Sotheby's Wine & Spirits Sales Series in Asia¹⁵.

Re-exports

While there is an increased interest in direct sales to mainland China, Hong Kong still has a role to play as a re-export center. In 2021, 15 percent of wines imported to Hong Kong were re-exported compared to 12.1 percent in 2020, 28.4 percent in 2018, and 17.2 percent in 2019. One of the reasons for the fluctuation over the past two years is that the top two re-export destinations, China and Macau, were also affected by the pandemic. Businesses re-export through Hong Kong because of various advantages such as the flexibility in shipping quantities and the ease of working with Hong Kong importers. Apart from re-exporting, many Hong Kong importers have strong connections with sales channels in the mainland China. Some exporters choose to work with Hong Kong importers to tap into the mainland China market.

Hong Kong Market Composition – Suppliers, Types, and Channels

The Hong Kong government abolished wine tariffs in 2008, enabling Hong Kong to grow robustly as a wine city. As entering the market is by and large hassle-free, competition is stiff. Over 60 percent of wines coming in Hong Kong, by value, are from France. French wines are the most recognized wines in the market and have enjoyed a great reputation due to its long-established marketing efforts in country-themed promotions and individual brands promotions. Some buyers grew more risk-adverse during COVID-19 and opted for French wines as the most reliable choice as other country suppliers grappled with shipping logistics (see related [GAIN report](#)). The second largest supplier is Australia. In 2021, Hong Kong's imports of Australian wine rose almost 130 percent by value. China's imposition of high tariffs on Australian wines since last year, encouraged Australian wines promotions in Hong Kong as Australian exporters looked for alternate markets in the region.

¹⁴ "Asia's Dominance in Sotheby's Auctions Wanes", *Vino Joy News*, April 21, 2022, <https://vino-joy.com/2022/04/21/asia-dominance-in-sothebys-auctions-wanes/>

¹⁵ "Sotheby's Wine in Asia Reports Record-Breaking Year," *Vino Joy News*, October 13, 2021, <https://vino-joy.com/2021/10/13/sothebys-wine-in-asia-reports-record-breaking-year/>



Source: Import values by year from Trade Data Monitor using Hong Kong Census and Trade

The Hong Kong market is dominated by still red wines. Over 85 percent of wines imported to Hong Kong, by value, are red wines in bottles under two liters¹⁶. Examples of popular red and white varieties are cabernet sauvignon, pinot noir, merlot, shiraz, chardonnay, and sauvignon blanc. According to the Census and Statistics Department, in 2019, there were 820 establishments engaging in the import for wholesale of alcoholic drinks and 460 specialized stores retailing alcoholic beverages¹⁷. In recent years, especially under the impact of COVID-19, more shops are offering online sales and delivery services in Hong Kong. Some of the supermarkets that offer online wines and some online wine retailers are listed below. Their portfolios provide insights on products that are popular in the market.

Online Supermarkets that Offer Alcoholic Beverage Options

- [City'super](#)
- [HKTV Mall](#)
- [ParknShop](#)

Online Wine Retailers

- [Jebsen Wines & Spirits](#)
- [Kerry Wines](#)
- [ORD Fine Wines Group](#)
- [Ponti Wine Cellars](#)
- [Watson's Wine](#)

¹⁶ Hong Kong Census and Trade by Trade Data Monitor

¹⁷ "Wine Industry in Hong Kong," May 3, 2021, *HKTDC Research*, <https://research.hktdc.com/en/article/MzEzOTc5OTQ3>

Entering the Hong Kong Market

Beverages with less than 30 percent alcohol content, primarily wine and beer, are not subject to any excise duty while beverages containing more than 30 percent alcohol content are subject to a 100 percent excise duty. Products with an alcohol content of less than 30 percent by volume do not need a license or permit for import, export, manufacture, storage, or distribution. In addition, Hong Kong exempts beverages with more than a 10 percent alcohol content from Hong Kong's labeling requirements, but requires that the alcohol content be stated on the product.

Details on Hong Kong wine import regulations can be found in [the Import Regulations on Alcoholic Drinks to Hong Kong and Macau](#) report and [the Agricultural Import Regulations and Standards Country Report](#).

Developing the right marketing and sales strategies and working with a fitting import partner are crucial. Participating in a trade show or trade mission is an effective way to explore the Hong Kong market and meet with potential buyers. Three major wine trade shows in Hong Kong are Vinexpo, a biennial show in May, the Hong Kong International Wine & Spirits Fair, an annual event in November, and ProWine Hong Kong, last held in September 2021. Vinexpo has canceled its 2020 and 2022 iterations in Hong Kong due to COVID-19 while the Hong Kong International Wine & Spirits Fair in the last two years has been reformatted to adapt to the pandemic situation. As of this report, the timeline of Vinexpo coming back to Hong Kong has not been determined. However, the Hong Kong International Wine & Spirits Fair and ProWine Hong Kong are scheduled to launch as planned. More information on these shows is below. U.S. exporters looking for the latest information or export assistance can contact the ATO.

November 10-12, 2022 [Hong Kong International Wine & Spirits Fair](#)
May 10-12, 2023 [ProWine Hong Kong](#)

Contacts

U.S. exporters interested in the Hong Kong market or wish to receive more information are encouraged to reach out to the ATO. There are also respective wine associations in several regions that have collaborated with the ATO for trade events in Hong Kong. Exporters may also connect with these groups to stay abreast of upcoming opportunities.

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Attachments:

No Attachments.