

2014 Blended Oil Scandal Analysis

Updated to 2014/11/02



Catering market is affected, people started to cook at home.

- Catering market is affected in the short term, but still show growing trend in the long run.
- The willingness of cooking at home increased, but consumers avoided processed food.
- Consumers lacked confidence, therefore the frequency dropped significantly in total food market.

Consumers reacted differently toward different categories.

- Categories related to oil all declined (instant noodles, frozen food and sauce), except for oil, which grew by consumers switching to higher-priced products.
- The categories that influenced by boycotting event manufacture:
Except for Soy Milk, other categories declined.
Influenced by the incident, consumers demands are decreasing even for fresh milk category. Part of the consumers use soy milk as a substitute for milk while the others just shifting to other milk brands.

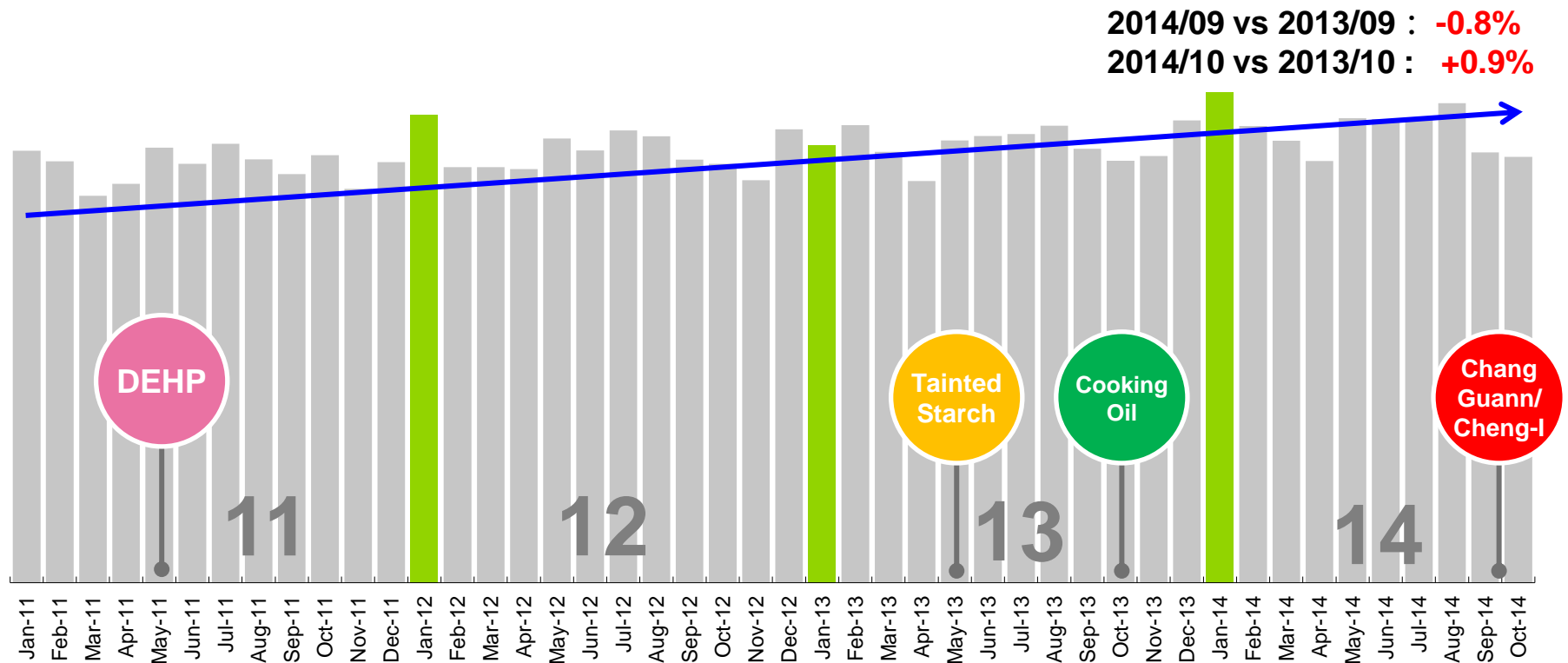
The duration of food safety incidents took longer time to recover.

- Constantly food safety scandals decreased consumers' willingness to shop, and prolonged the recovery time.
- During the incidents, consumers switched to products or channels with higher price or image of good quality.
- Specific categories such as BMP and health food takes longer time to regain consumers' trust.
- For necessary categories like cooking oil and milk, consumers immediately switched to trustworthy brands or categories.
- Non-necessary categories like instant noodles, frozen food and RTD coffee faced the situation that consumers left the market and caused the total categories to decline.
- Families with kids reacted more obviously to the food safety scandals. However, Chang Guann Oil related more to catering industry, therefore more families without kids started to cook at home and entered cooking oil market after the incident this year.

Catering market is affected, but still grows in the long-term.

Monthly | Catering Revenue(NT\$M) | Source: Department of Statistics, Ministry of Economic Affairs

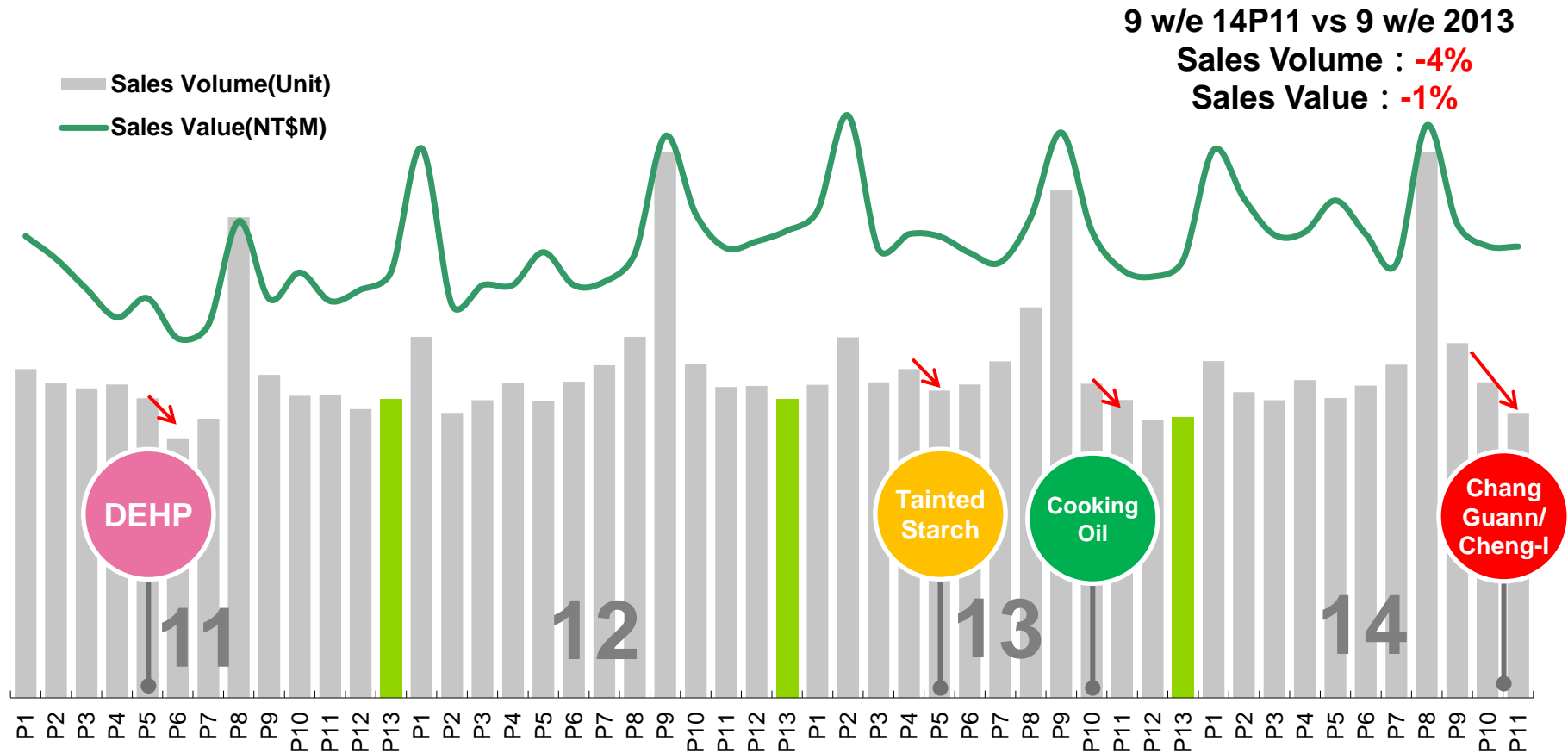
Food safety incidents had short-term impact on catering industry. The sales decline 0.8% and declined further in October after the second wave of oil scandal. However, catering industry still grows in the long-term as consumers focus on convenience.



Increased willingness to cook at home, but avoided processed food.

4 w/e rolling | Total Food | Sales Volume(Unit)/Sales Value(NT\$M)

Total Food market declined significantly in each food safety scandal. The Chang Guann's blended oil incident affected total food market, moreover, boycott Ting Hsin's products in October caused continuous downturn of total food market.



Shopping frequency dropped due to consumers lack of confidence.

9 w/e rolling 14P11 | Total Food | Compared with the same period last year

Chang Guann and Cheng-I oil scandals lead to the decline of total food market. Frequency dropped significantly and the volume decline rate was higher than value shows premiumization when making purchase decision.



-4%



-1%



-0.1%



-6%



+2%








+2%

Cooking oil upgraded, other oil-added categories declined.

9 w/e rolling 14P11 | Compared with the same period last year

Consumers concerned more about food safety after two consecutive oil incidents. Therefore non-cooking-essential products declined; meanwhile cooking oil upgraded was observed.

	Sales Volume	Sales Value	Impact
 Cooking Oil	-8%	+11%	Recent incidents drive consumers switching to premium products.
 Instant Noodles	-37%	-35%	Major manufactures were involved, the category declined further.
 Frozen Food	-19%	-14%	Frozen prepared food and hot pot ingredients declined the most. Dumplings and buns also dropped.
 Condiment	-4%	-7%	Event related brands declined.
 MSG	-31%	-29%	The category showed obvious recession after event brands was exposed in the second wave.

Food Safety Scandals Comparison-

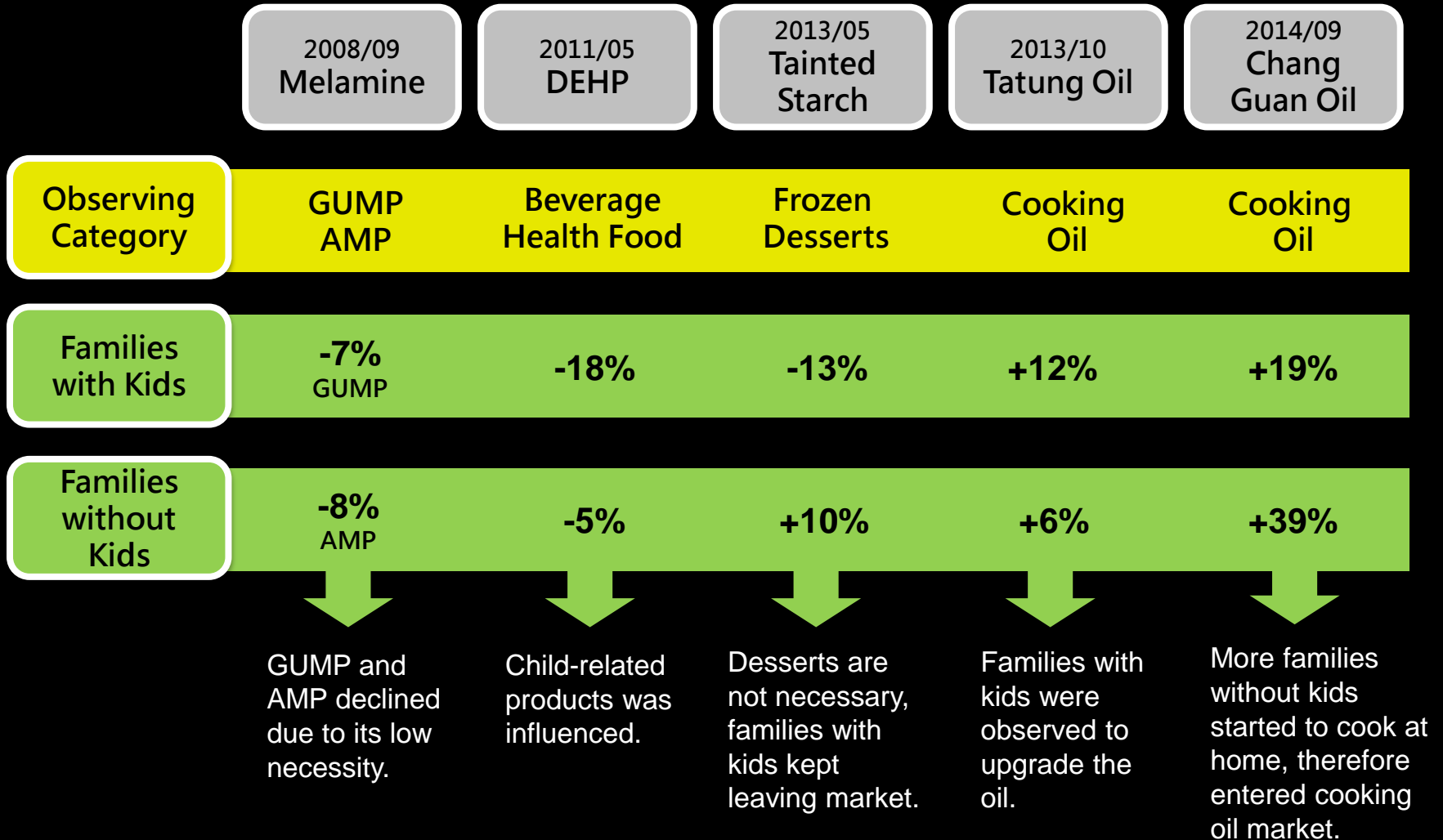
Frequent incidents, recovery time prolonged.


	Declined Categories	Benefited Categories	Impact	Recovery Time
2008/09 Melamine	GUMP AMP	Milk Soy/Rice milk	Milk powder scandal promoted breastfeeding and reliable milk powder brands.	6 months
2011/05 DEHP	Sports Drink RTD Tea Juice Health Food	CSD Bottled Water	The first food incident that slowed down the total FMCG market growth.	Beverage 3 months Health Food 1 year
2013/05 Tainted Starch	Pudding Noodles	None	The impact to total FMCG is lighter since Pudding are not necessary category.	Showed no signs of recovery yet.
2013/10 Tatung Oil	Blended Oil Frozen Food	Mid-to-high-priced Oil	Consumers replaced current oil with higher-priced ones. Total oil upgraded.	The buying frequency dropped.
2014/09-10 Chang Guan Oil Cheng-I Oil	Instant Noodles Frozen Food Condiment Fresh Milk Yogurt RTD Coffee	Mid-to-high-priced Oil Soy milk	Consumers started to cook at home, but they avoided processed food. In categories with stable demand, consumers switched to other brands . Otherwise, the overall category declines.	It hasn't rebounded till 2014 Oct.

Food Safety Scandals Comparison-

Families with kids react more obviously to food safety scandals.

Sales Value Growth Rate










Consumers are more cautious about food safety and willing to pay extra price for brand that ensure quality.

On the other hand, low necessity categories are more likely to result in long-term decline.

Brands are recommended to establish a supervision platform with suppliers, as well as communicate quality with consumers. Only by strengthen the consumers confidence can a brand to maintain steady growth during the storm.



**Feel free to contact
us if any questions!**

	Kantar Worldpanel Commercial team
	Kantar Worldpanel
	Telephone: +886 (2)25700556
	Taiwan@kantarworldpanel.com