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## Sugar Confectionery in Malaysia

### 2020 Impact

#### An Increasingly Health-conscious Consumer Base will Slow Demand for Sugar Confectionery

The increasingly high obesity rate in Malaysia is driving consumers to reduce their sugar intake. Sugar confectionery, including boiled sweets, pastilles, gums, jellies, and chews, as well as toffees, caramels, and nougat, were one of the most affected product areas in the review period. Consumers are becoming more conscious of their sugar intake and are consuming sugar confectionery less frequently. Moreover, the Malaysian government has urged organizations to reduce the retail selling price of healthy food such as vegetables and fruit to make healthy food more affordable, in a bid to combat rising obesity. Sugar subsidies have also been removed, driving raw sugar prices up since the middle of the review period, leading to rising manufacturers' production costs for sugar confectionery. The higher production costs have been passed on to consumers, which is further encouraging them to purchase less sugar confectionery, given that it is a non-essential item.

Due to this rising awareness of the negative effects of the high sugar content in sugar confectionery, many industry players introduced smaller pack sizes to encourage portion control. For instance, Perfetti Van Melle Group launched its Mentos Kids Pack in 19g in pastilles, gums, jellies, and chews, while Yupi introduced its eponymous brand in a 30g size pack.

However, while the retail volume sales of boiled sweets, lollipops, and pastilles, gums, jellies, and chews are likely to be negatively impacted by this trend during the review period, sugar-free medicated confectionery and standard mints could be presented with an opportunity.

Equally, brands are introducing new flavors to appeal to a health-conscious consumer base. Domestic

### Highlights

- This issue provides insights on Malaysia's Sugar Confectionery Industry.
- Consumers are becoming more health-conscious prompting the manufacturers to introduce new flavors and offerings that will be more appealing to their target markets.
- Due to health concerns, interest in medicated confectionery will continue to grow.

player Cocoland Holdings introduced new ingredients to their pastilles, gums, jellies, and chews, such as inclusion of ginger to its Lot 100 brand and Lot 100 Yoghurt Gummy lines in January 2019. The company may be hoping that the use of unusual and distinctive ingredients may draw consumers' attention away from the sugar content in its products.

#### Convenience Stores are the Key Distribution Channel for Sugar Confectionery

Encouraging impulse purchases is important for manufacturers, with consumers not considering sugar confectionery as an essential grocery item. As a result, convenience stores such as 99 Speedmart and 7-Eleven would grow increasingly important to sugar confectionery manufacturers in 2020, while supermarkets and mixed retailers will become a less attractive option. The proximity of convenience stores to offices and residential areas will allow consumers to easily access sugar confectionery and prompts impulse purchase.

The importance of convenience stores is expected to lead to strong competition over space on check-out counters,

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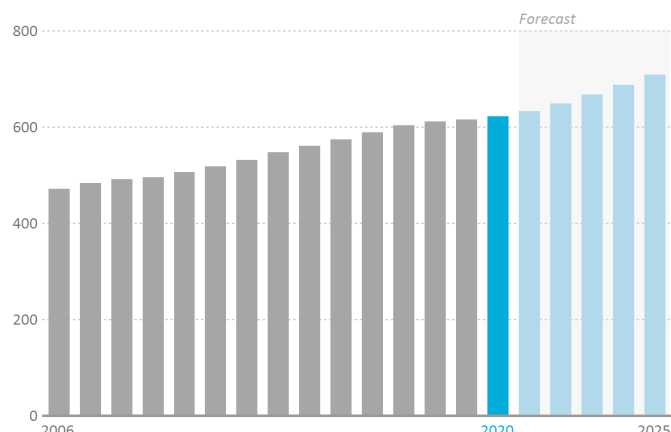
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#### Sales of Sugar Confectionery in Malaysia

Retail Value RSP - MYR million - Current - 2006-2025

620



as companies compete for their products to be placed in prominent positions so they can leverage impulse purchases. Shelf space in stores is key, particularly with the limited room available. Sugar confectionery manufacturers also compete against other categories like chocolate confectionery, with brands such as Kit Kat regularly introducing new product variants. Small packs for sugar confectionery will likely remain a key strategy through the review period, allowing brands to gain shelf space, as well as appeal to parents who are seeking to reduce their children's sugar intake.

#### Medicated Confectionery Saw a Boost in Value Retail Sales in 2020 Due to Health Concerns

As health concerns drive consumers to choose healthier products, medicated confectionery was expected to see an increase in volume sales in 2020. Many of the flavors in medicated confectionery and mints are herbal, with brands such as Fisherman's Friend and Wood's Lozenges dominating the market. Haze season was also expected to drive consumers to seek medicated confectionery, boosting the popularity of herbal flavors to ease sore and itchy throats.

Equally, since the COVID-19 outbreak in 2020, consumers have become more aware of their throat health, with a dry cough and sore throat symptoms of the illness. Consumers wanting to self-medicate and avoid showing these symptoms will be more conscious of their oral health, and likely to take steps to look after it. Malaysian consumers are also already familiar with herbal flavors such as ginger, meaning they will easily shift to these flavors.

#### Recovery and Opportunities

##### As Health Awareness Increases and Diabetes Rates Rise, Sugar Confectionery is Likely to Continue Declining into the Forecast Period

Consumers are expected to continue reducing their sugar intake over the forecast period and opt for sugar-free sugar confectionery to offset the risk of diabetes. As such, these products are likely to be made increasingly available via convenience stores and at cash registers in grocery retailers. Consequently, there is likely to be a trend for innovation towards more reduced sugar and sugar-free confectionery, incentivized by the removal of the sugar subsidy. Manufacturers are likely to introduce stevia-based sugar confectionery to offer sweet-tasting sugar-free confectionery and confectionery in smaller bite sizes, which will lead to volume contractions. Also, parents are likely to encourage their children to opt for healthier alternatives, such as reduced sugar or sugar-free sugar confectionery, which will encourage manufacturers to produce products in line with this changing consumer demand.

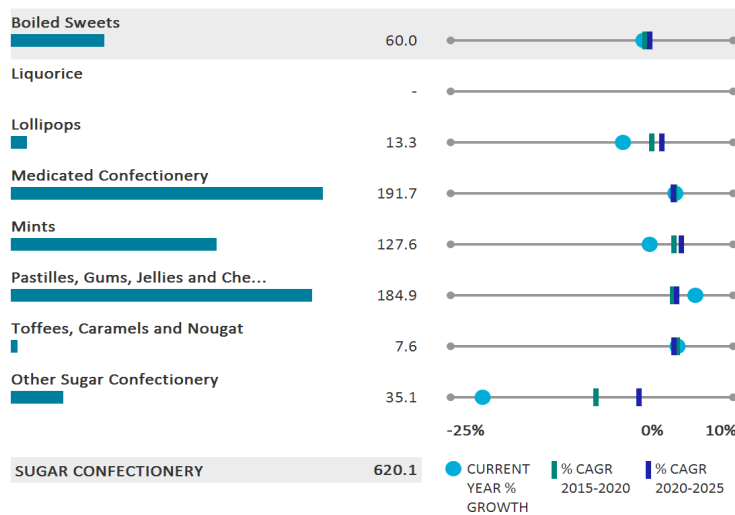
##### Social Media is Likely to Become Important to International Companies into the Forecast Period

International brands are likely to turn to social media as a way to drive retail sales of sugar confectionery during the forecast period, with their strong

#### Sales of Sugar Confectionery in Malaysia by Category

Retail Value RSP - MYR million - Current - 2020

Growth Performance



base of followers and investment in promoted posts allowing these larger companies to gain greater engagement compared to smaller brands. Local players are likely to turn to different strategies to secure company growth in the forecast period.

The decrease in sales through distribution channels, such as traditional grocery retailers, will also dampen volume growth for companies whose strategy has not evolved. Khee San Food Industries is a brand facing this challenge. To improve its sales through the forecast period, the company is likely to need to consider its channel distribution strategy, image, and target consumers.

##### Price Reductions and Promotional Bundle Sales are Likely to be Important into the Near Forecast Period, as Consumers Become More Price-sensitive

As consumers become increasingly price-sensitive and reluctant to purchase high-priced and non-essential items, companies are likely to rely on price promotions and bundle sales to generate sales during the forecast period, particularly around festive times. Consumers are likely to purchase during price promotions, especially for sugar-free Wrigley's Eclipse (The Wrigley Company) and Kopiko (Premium United Foods).

However, depending on the company, their priority might be shifting away from sugar confectionery altogether. For example, Mondelez is likely to focus on sweet biscuits and dairy products instead of sugar confectionery due to low demand from consumers, allowing local players the window of opportunity to cannibalize their shares and gain brand presence among consumers within sugar confectionery. ■

Report Published: September 2020

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