

MyCC: Government should introduce house brands for formula milk



MyCC chief executive officer Iskandar Ismail. - NSTP/ROSDAN WAHID

By Teh Athira Yusof, Arfa Yunus, Sarah Rahim - August 6, 2019 @ 8:03pm

KUALA LUMPUR: The government should explore the introduction of house brands within the infant formula milk sector to create more choices for consumers and, in turn, encourage competitive pricing.

Malaysia Competition Commission (MyCC) in its Market Review on Food Sector report on infant formula for babies up to 12 months old (Stage 1), made the recommendation as currently the sector was being dominated by brands owned by multinational companies.

MyCC chief executive officer Iskandar Ismail said this also led to consumers displaying strong brand loyalty towards these brands.

As such, MyCC said the government should encourage local companies to explore this sector to provide alternatives for parents, especially those from the lower income group.

“As market players are prohibited from undertaking any marketing or promotional activities of infant formula, the government should explore the introduction of house brands, particularly in relation to premium brands with certain established retailers.

“There have been successful cases of the entry of private labels in countries such as South Korea and Italy which have alleviated the increase in prices of formula milk.

“Industry players should be encouraged to set up innovation centres or production plants locally. At the same time, the government should identify local companies which have the capability or are keen to participate in the industry.

“There should be a proper plan, including provision of incentives by the government in ensuring participation of local players.

“This will support domestic companies in acquiring or setting up overseas bases for milk sources to lower the raw material costs, encourage foreign companies to invest and build production bases in China as well as tighten regulations on the milk powder imports and online sales platforms,” he said.

The report also said parents need to be educated on the nutritional requirements of formula milk and the availability of infant formula products at different price points.

MyCC found most parents or consumers prefer to purchase premium ranges which are priced higher than mainstream brands due to additional nutrients.

The importance of consumer awareness on the price level of infant formula is based on both mainstream and premium categories as prices have been steadily increasing between 15 and 20 per cent.

“The brands supplied by the manufacturers can be loosely classified into mainstream brands or premium brands based on pricing which is dependent on the formulation but all have adhered to food regulation,” said Iskandar.

“Despite the availability of both mainstream and premium brands in the market, most of the brands offered by the manufacturers are premium brands. Only half of the manufacturers offer mainstream brands in addition to premium brands.

“Parents are generally unaware of this and perceive that additional nutritional ingredients are better and essential which may have resulted in the increased preference towards premium brands,” he said.

Mainstream infant formula is currently priced at RM30 per kilogramme while premium brands are based on additional nutrients.

“Main reason for manufacturers to differentiate and justify the price of their premium products is mainly on the basis of additional nutrients or improvised formulation and the associated cost factors such as research and development.

“The industry is highly dependent on imports as most milk formula is imported; local manufacturers also rely on imported raw materials which influence the prices of the infant formula,” he said.

Iskandar said healthcare professionals trained on infant formula should be in charge of educating consumers.