

Alcoholic Beverages

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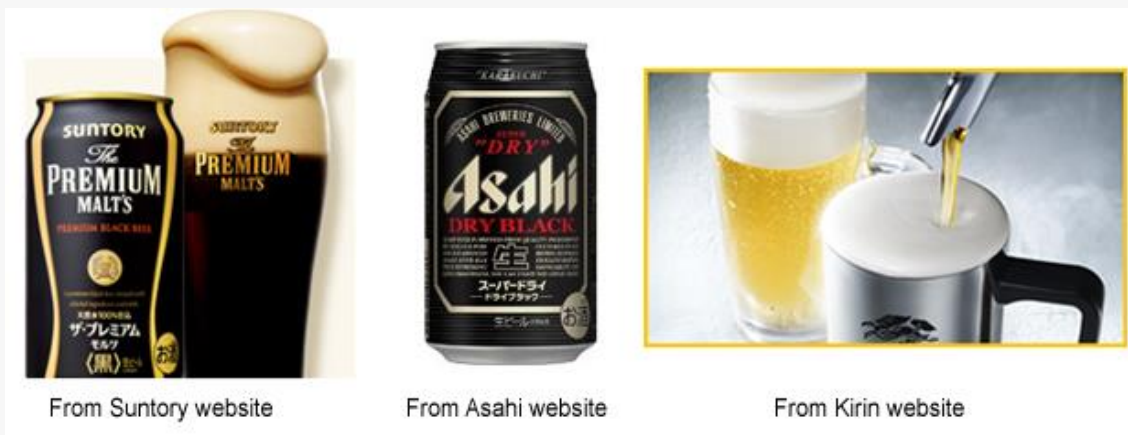
ALCOHOL INDUSTRY

~ MOVEMENT TOWARDS DEVELOPMENT OF HIGH-VALUE-ADDED PRODUCTS AND HIGH PRICE RANGE PRODUCTS ~

There is a tendency of younger generations becoming distant from alcohol, while the heavy users are concentrated to those in their 50s-70s. Proposals of products with high-value-added and high price range to the older generation and effort to maintain the younger drinking population are in need. In order to do this, the executives from domestic companies all emphasize to keep an eye on the changing consumption trends.

According to President Ueki from Kirin Beer Marketing Co., Ltd, "People pay money for communication with their close friends and families. Ever since 3.11 Earthquake, 'bond consumption' has been continuing. What is considered as reasonable and the way people spend their money is changing." President Terasaka of Sapporo Breweries Limited stated, "There is a polarization of consumption: for daily use and for your own reward. This means that there is a chance for products of a higher price range. Makers must not forget this fact as they are pulled into the price competition." President Kouji of Asahi Breweries, Ltd suggested, "Each individual chooses the product that matches their lifestyle and diet. At the same time, they consume products with high cost performance. Consumers judge the products with a clear standard of physical and emotional value by using their sharp and critical view." In other words, specialists from the industry describe this as an advent of age in the "Selection of Consumption".

For the domestic trend, major retail companies are concentrating towards the top and private brands (PB) are expanding. Although it seems like the price competition is intensifying, this is only a superficial movement. It does not mean that cheaper products will dominate the market because of deflation. Best hits of 2012 such as "The Premium Molts," "Super Dry - Dry Black," and "Ichiban Shibori Frozen (draft beer)" were in a relatively high price range, but it increased its sales since these products had value in itself.



From Suntory website

From Asahi website

From Kirin website

For example, beer was the prime example of mass products marketing. By making large investments in advertisement sales promotion, beer makers were able to create a chance to boost the favorability by planting an image that "the brand is selling in great numbers." This standard type of consumption is coming to an end. Makers are already establishing strategies based on channels, area, and generation of the consumers. Companies are off to a new challenge.

According to the import clearance statistics of January to October 2012, the overall import volume rose 9% year-on-year, while value rose 12%. Wine less than 2 liters made a 29% increase on a volume basis and 21% increase on a value basis. With the help of the highball boom using domestic whiskey, whiskey had been making a relatively steady growth in value and volume over the past few years, but it is becoming stagnant. On the other hand, brandy, rum, gin, vodka, and liqueur grew altogether from the previous year in both volume and value. Japan has been under a new administration since last December. In 2013, there are hopes for the Japanese economy to recover from deflation, put an end to slumping consumption, and vitalize the imported liquor market.

According to Chairman Yonei from Japan Wines and Spirits Importers' Association, if liquor tax were to increase as a result of the proposed consumption tax rise in April 2014, we must work to stop this from happening to every quarter to prevent the demand from falling down. We are also planning to continue requesting to remove the tariffs for wine. At the same time, we will actively engage in developing a better drinking environment together with alcohol organizations as part of the continual growth of the alcohol market. We will advance programs that would abolish drunken driving, prevention of under aged drinking, and obeying rules regarding advertisements and labels of alcohol. Without the work and efforts of these industrial organizations, the continual growth of the alcohol market is not promising.

Wine market trend

The wine market, which is expanding every year, made a steady growth in 2012. Domestic wine rose 7%, imported wine rose 11%, and the overall growth was 10% year-on-year. With more people dining and drinking at home after the 3.11 Earthquake, this contributed to the growth. In addition to the home use wine that spread quickly among the consumers, business use market also regained its vitality through casual bars that allows the customers to drink wine more casually. While it is said that people prefer lower-price wine, middle-price wine and high-price champagne is also popular.

According to the latest import customs clearance results (January-October 2012) announced by the Ministry of Finance, import volume of bottled wine less than 2 liters rose intensively by 29% from the previous year. Also, due to the increase in the number of items for large volume wine, wine over 2 liters made a great leap from last year's 20% increase to 40% increase this year. Sparkling wine also went up 25%.

This does not mean that every item sold well. Unsold Beaujolais Nouveau was prominent. Although the amount of harvest dropped to half of last year, since the Beaujolais Nouveau Wine Committee prioritized exports to foreign markets, the export volume to Japan is estimated to rise 4% year-on-year. AEON imported a 15% increase of 1.3 million bottles, standing in line with the major company, Suntory, but it seems they have struggled with the overall sales. The pet bottled Nouveau imported to Japan rose 40% this year. Since the Beaujolais Nouveau Wine Committee practically approved of using pet bottles during the press release last year, the percentage of pet bottles is said to increase even further this year. Since the market was sluggish in 2012, it is unclear what kind of strategies the distributors will take since they have been engaged in low cost competitions to expand the market.



Pet bottled wine



Ordinary bottled wine

The poor harvest of grapes was not limited to Beaujolais. Last year, the harvest volume dropped significantly in France, Italy, Spain, and other counties in Europe.

Taking a look at domestic wine, large volume categories such as bag in box (BIB) and 1.5 liter pet bottles grew. With new drinking styles such as "rock wine" where you put ice in wine or "hot wine," the different ways of enjoying wine is spreading. Since the increase in number of wine drinking population leads to expansion of imported wine, it is important to keep an eye on the trends of domestic wine in the future.



Photos from Rakuten

Whiskey market trends

The biggest news of 2013 in the whiskey market is the major change in selling agency of imported alcohol such as burbon whiskey. From January 4, 2013, Suntory Liquor will begin selling 10 brands, a total of 26 items from Beam Inc., the top burbon whiskey company in the world famous for "Jim Beam" and "Maker's Mark."

Suntory Liquor has been selling imported products from Beam Inc. such as "Canadian Club," but now that they have strengthened their relationship with Beam, Suntory is planning to actively promote different types of whiskeys and spirits such as burbon whiskey.



Also, Asahi Beer will be selling 8 brands, a total of 18 items from Brown Forman Corp. For whiskey brands, Asahi Beer will be selling "Jack Daniels," "Early Times," and "Southern Comfort," which Suntory has been selling. On the other hand, Suntory will be

selling "Jim Beam" from Asahi Beer and "Maker's Mark" and "Cooley" from Meijiya.

According to the newest data on volume of taxed alcohol (January-October 2012), imported whiskey dropped slightly from the previous year and imported customs volume (January-October) for scotch whiskey was down 4%. After March, bourbon whiskey, which the imported customs volume was dropping, rose 47% in September. In October alone, the number was 8 times of the previous year, 5% greater than the total of 2011. The reason for the sharp increase in October was due to the new bourbon brand "Buffalo Trace," which Meijiya will be selling from January. The bourbon market will be starting with new lineups from each companies in 2013 since the companies began handling new brands or changed brands. We hope for the market to flourish.



According to the data announced by the Scotch Whiskey Association up to September, the import volume of single malt rose 23%, but blended malt dropped sharply, influencing the overall drop of 28%.

As for domestic whiskey, "highball," which uses lower-priced domestic whiskey, supported the whiskey market. With the expansion of main highball restaurants that serve "strongly carbonated kaku highball" and TV commercials that appeal the match up with food and alcohol, "square bottles" rose 13%. Other number increased too. For domestic premium whiskey, Suntory began selling a non-age "Yamazaki" and "Hakushu" from last May targeting entry users. In addition to the reasonable price range, half bottles and baby bottles (180ml), which began selling from last October is very popular. Expanding the market mainly for those in their 20s-30s, they changed the sales planning of 2012 from 30 thousand C/S to 70 thousand C/S three months after it was introduced to the market.