

Alcoholic Beverages

September 17, 2014

BEER MARKET TRENDS

Domestic Beer Market

The Japanese beer market is categorized into 1) domestic beer (includes premium beer), 2) domestic happo-shu (bubbling spirits or low malt beer), 3) domestic new genre (beer flavored alcoholic beverages), and 4) imported beer. In addition to the young generation's avoidance of alcohol, avoidance of beer has been continuing over the past few years as a result of demand flowing into low-alcohol beverages such as chuhai (shochu-based beverage). Also, there were concerns about the reduction of the Japanese beer market due to the introduction of happo-shu and new genre beverages since 2005. In spite of this, high-end beer called the premium beer is starting to gather attention and the domestic beer market is becoming brisk after 2012. At the same time, interest for imported beer is increasing and the consumption volume is on the rise. The growth of domestic beer indicates that there is a new layer of consumers who drink beer and this will have a direct effect on increase of imported beer.

Take a look at the beer consumption volume by country and the beer consumption per person. The beer consumption volume in Japan is 7th next to China, US, Brazil, Russia, Germany and Mexico. The annual consumption volume is 5.6 million kiloliters. On the other hand, Japan comes 41st for the beer consumption per person. The amount of beer consumed per person in the highest-ranking country, Czech Republic, is 2.8 times greater than Japanese. The US is 1.7 times greater. It can be said that there is still growth potential with amount of consumption per person in Japan.

Beer Consumption By Country in 2012

Rank	Country name	Total consumption (10 thousand kl)	Composition ratio by nation (%)	Year-on-year percent change (%)
1	China	4,420.1	23.6	-1.2
2	USA	2,418.6	12.9	1.4
3	Brazil	1,280.0	6.8	1.5
4	Russia	1,056.0	5.6	-0.9
5	Germany	863.0	4.6	-1.6
6	Mexico	689.0	3.7	2.1
7	Japan	554.7	3.0	-1.0
8	UK	431.9	2.3	-3.7
9	Poland	379.0	2.0	5.3
10	Spain	322.0	1.7	-1.8
11	Vietnam	305.0	1.6	8.9
12	South Africa	298.0	1.6	1.4
13	Ukraine	276.0	1.5	-2.1
14	Venezuela	240.0	1.3	4.8
15	Canada	230.0	1.2	0.4
16	Colombia	217.0	1.2	2.8
17	India	208.0	1.1	12.4
18	Korea	207.0	1.1	1.5
19	Nigeria	200.0	1.1	2.6
20	France	194.0	1.0	-1.5

* Figures for consumption in Japan are the total of beer, happo-shu and new genre.

Source: Kirin estimate

Beer Consumption Per Person in 2012

Rank	Country name	Consumption (Liters)	Compared with Japanese average (times)
1	Czech Rep.	148.6	3.4
2	Austria	107.8	2.5
3	Germany	106.1	2.4
4	Estonia	102.4	2.4
5	Poland	98.5	2.3
6	Ireland	98.3	2.3
7	Croatia	85.9	2.0
8	Venezuela	85.5	2.0
9	Finland	84.2	1.9
10	Romania	83.2	1.9
11	Australia	83.1	1.9
12	Panama	82.3	1.9
13	Slovenia	80.1	1.8
14	USA	77.1	1.8
15	Bulgaria	76.8	1.8
16	Netherlands	75.7	1.7
17	Russia	74.1	1.7
18	Belgium	74.0	1.7
19	Lithuania	72.5	1.7
20	Hungary	71.3	1.6

[Reference]

41	Japan	43.5	1.0
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* Figures for consumption in Japan are the total of beer, happo-shu and new genre.

Source: Kirin estimate

Similarly, according to a research conducted by KIRIN, the composition of combined beer/happo-shu/new genre market by sales channel nearly accounts for 70% of the total in supermarkets and discount stores as below.

- Supermarket 39%
- Convenience store 12%
- Discount store 28%
- General liquor outlet 0.2%
- Commercial liquor outlet 21%

As seen in the composition of combined beer/happo-shu/new genre market by container of 2013, cans account for about 70%.

- Bottle 10%
- Can 71%
- Others 19%

Domestic beer trends and characteristics

◇ The competition of so-called premium beer (high-end beer priced around 250 yen / 350ml can, the price about 20% higher than regular beer) is intensifying. Each company is putting effort in new customer acquisition or working on product differentiation with rival goods. The high-end beer market this year is estimated to grow 5% from the previous year to about 27 million cases (1 case = 20 large bottles / 633ml each).

◇ The idea of #petit luxury" exists in Japan. Japanese consumers have a strong tendency to spice up their daily lives through high quality consumer goods. Not only is premium beer beginning to be enjoyed on the weekends or on special days, but also at home on a regular basis.

◇ There is a sizable demand for premium beer from senior citizens. With the Japanese aging society, new target consumers have shifted from the younger generation to seniors. Seniors no longer have to worry about their mortgage payments, have more economical freedom, and are active in traveling and purchasing goods.

◇ The demand for premium beer as a "gift product" is also high. Every major domestic beer maker focuses on the gift demands of high-end beer for holidays making the competition intense.

◇ While there were 34 new products introduced by domestic beer makers to the Japanese market in 2013, there are already 40 items introduced this year as of August. New, unique, and different beers are demanded.



World beer gift set in association with the World Cup was popular this summer.



A section selling world beer under the banner: World Beer Selection

Premium products are expanding in the current Japanese beer market and interest towards new beers from the world is also inflating. Domestic and imported craft beer is also receiving remarkable attention. Craft beer is growing at the rate of about 20% and is getting more space on the shelves of supermarkets. Gift proposals are the biggest core. In addition to new proposals for local (craft) beer that can be differentiated from other types of beer, the stores have high chances to become more vitalized. Not only cheap products, but also high value added products should be introduced, and this is more preferable for imported beer to become established in the sales floor. According to an estimate by Suntory, the premium beer market that was 10.78 million cases in 2003 expanded to 30 million in 10 years. An industry source predicts that premium beer's popularity will continue and become stabilized in the future. This is a plus for companies that are considering exporting beer to Japan.

Imported Beer -Best Sellers

This article will introduce some of the best selling imported beer that are top ranked at retailers or online stores.

A wide variety of beer is imported from all over the world: Mexican Corona with standard popularity of imported beer, Irish Guinness, Belgian beer with soaring popularity, Singha from Thailand, Vietnamese 333 named after the country's lucky number, and Indonesian Bintang.

The recent advance of Belgian beer is striking. Behind this is effort of Belgian beer

importers who established an executive committee to hold an event called the Belgian Beer Weekend Tokyo in September 2010 in Roppongi Hills. This event has grown into a major event held for 4 days each in 6 cities, Tokyo, Osaka, Fukuoka, Nagoya, Yokohama, and Sendai, attracting 180,000 people. Other than beer, participants can enjoy "frites" (Belgian French fries), "boulette" (meatballs), sausages, and waffles. Each event is lively with shops that sell glasses of each beer brand, chocolates, which are another specialty of Belgium, and cheese. There are even live performances of top musicians.

◇ Popular Beer from England and Ireland

Guinness Foreign Extra Stout (330ml), Golden Pride (330ml), London Pride (330ml), Old Tom (330ml), Samuel Smith Stout (355ml), New Castle Brown Ale (330ml) etc.

London Pride is one of the most popular premium ale from England, Old Tom is one of the oldest and popular, and New Castle Brown Ale is the orthodox ale with the highest sales. As seen here, products that are accepted and has popularity with the locals of that country will carry on their country's stories and be accepted in Japan.



◇ Popular Beer from Belgium

Vedett Extra White (330ml), Duvel (330ml), Chimay Blue (330ml), Rochefort 10 (330ml), Orval (330ml), Duvel Triple Hop (330ml) etc.



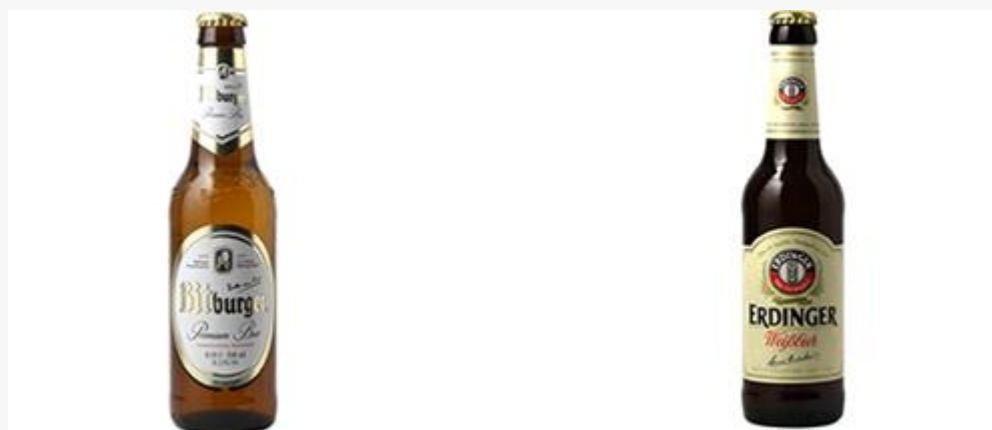
A large portion of imported beer comes in bottles. Below is a photo of "Bel Premium" (500ml) a new product categorized as Belgian ale. The container is made of plastic, which is quite unusual for beer. The product is making a good start with its unique features. By placing the bottle in a holder, it can be kept cool and is easy to carry. In addition, the bottle can be opened and closed many times and be put back in the freezer to cool again.



◇ German Beer

Bitburger Premium Pils (330ml), Erdinger Weißbier "DUNKEL" (500ml), Erdinger Weißbier "MIT FEINER HEFE" (330ml), Kostritzer Schwarzbier (330ml), Hannen Alt (330ml), Erdinger Weizenbock Dunkel (500ml) etc.

Many types of beers are made with carefully selected water and malt or hop, representing the strict German character. The top selling wheat beer (top fermentation) type in Germany is widely accepted in Japan. Recently, black beer is getting popular.



◇ Other Types of European Beer

Pilsner Urquel (330ml), Edelweise Snow Fresh (330ml), Grolsch Premium Lager Beer Swingtop (450ml), Samichlaus (330ml) etc.

Europe has multiple beer brands: Czech Pilsner, Austrian Erdinger Weissbier that uses mountain water of the Alps and 6 types of herbs including nutmeg and mint, Dutch Premium Lager given the royal family's symbol, and special Belgian beer with the highest alcohol content (over 14 degrees) and sold only on December 6th, which is Santa Clause's birthday.



◇ Asian Beer

Singha (330ml), Tiger (330ml), Bintang (330ml), 333(355ml), Lion Stout (330ml), Lion Imperial (330ml) etc.

The most popular beer in Asia is Singha of Thailand. It has a unique sweetness, bitterness, and spicy flavor. When it was first imported to Japan in 1985, there were only 3 Thai restaurants, but along with the Thai boom, this number grew to 600.

Singaporean Tiger, Indonesia's number one Bintang, and from the popularity of Asian food such as Vietnamese or Sri Lankan, Asian beer is also getting popular.



◇ Beer from the American Continent

Corona Extra (355ml), Brooklyn IPA (355ml), Brooklyn Lager (355ml), Samuel Adams Boston Lager (355ml), Anchor Steam (355ml) etc.

The most imported beer brand in Japan is premium Mexican beer, Corona. Fermented and brewed in Brooklyn, New York, not only are ale or lager attract New Yorkers, but also Japanese. American local beer, Samuel Adams is also popular.

