

## Soft Drinks &amp; Water

March 12, 2012

## DOMESTIC TREND OF THE SOFT DRINK MARKET IN 2012

Despite the effects of the 3.11 earthquake, the soft drink market made some growth with the help of a 1% increase in sales volume of mineral water. Some predicts that this year will be the same as last year, but there are ways to clear this number.

1. Hold back the decline of water sales that made a rapid growth to minimum and activating the other categories
2. Flexibility towards a borderless product
3. Considering energy-saving, eco-friendly and healthy-consciousness
4. Activating vending machines

The industry found merits in the value of soft drinks (ready to drink) after the 3.11 earthquake last year, and people recognized soft drinks were the infrastructure of society. The important factor in this trend is to provide safe and healthy products as well as delivering information. Kirin Beverage, one of the major companies in Japan, opened a quality assurance room on their website, and announced that they will be showing information from this March on radiation and other subjects that the customers have strong interest in.

One of the challenges for this year is to see how much they can maintain the sales performance of mineral water that made a large growth in the market last year. Large PET products spread, increasing its numbers of users after the 3.11 earthquake for daily life water, but the demand for storage is declining. Large volume products will decrease. In this situation, small PET products are supporting the water market. Last year, "Irohasu" made growth with a 25% increase from the previous year to 28.5 million boxes (predicted by Shokuhin Sangyo Shimbunsha). Both domestic and imported products are predicted to grow with the promotion of personal use. This spring, carbonated fruit beverages are said to become popular. Since it can be consumed in different ways and mixed with alcohol beverages, suggesting the ways of drinking will become the key to its growth.

Next, products going beyond the borders of alcohol and non-alcohol, home use and business use are getting attention in the market. 2012 will be the year where companies will propose alternative alcohol beverages instead of soft drinks. Asahi Soft Drinks announced their selling of "Wilkinson Ginger Ale," a popular business use product, in PET bottles for home use. Since the younger generation is moving away from alcohol,

products targeting the "adults" will be getting attention in the future.

As for the health-consciousness, we are waiting for sugar-free tea starting with green tea. Ever since the appearance of zero calorie cola, products with zero calories have been popular, but it is starting to decline its power excluding the major products. This year, since Itoen, the top company in Japan, has announced that they will concentrate their power on green tea beverages, it seems sugar-free tea will be in the limelight again.

For vending machines, Coca Cola System has 980,000 machines (prediction), Suntory Beverage & Foods Limited has 470,000 machines (prediction), DyDo Drink has 280,000 machines, Asahi Soft Drinks has 260,000, Kirin Beverage has 236,000 machines, Itoen has 150,000 machines, and Pokka has 90,000 machines. Including other drinks such as milk, coffee/cocoa (cut types), and alcohol/beer, the number of vending machines by the end of 2010 was 2,591,200 (data by Japan Vending Machines Manufacturers Association). Asahi Soft Drinks will be the first to use free wireless communications services where the vending machine will include functions that provide a free Wi-Fi spot around the machine.

By providing water that answers the needs of consumers and proposing new ideas that goes beyond the region and products will help activate the beverage market this year.

## Weight reduction of PET beverage

In the beverage industry, weight reduction of PET bottles accelerated. This is to reduce CO<sub>2</sub> by cutting down the amount of resin, and it aims to help realize a greener society. It also leads to cutting down costs, and major companies have been engaged in this seriously. For 500ml PET, "CRYSTAL GEYSER" imported by Otsuka Foods was the lightest with 14g (January 2005). For domestic products, "Eco Bottle" from Otsuka Pharmaceutical in June 2007 was 18g, but Coca Cola System reached 12g in May 2009 for a 520ml bottle, becoming the center of attention in the industry. In March 2010, Coca Cola System introduced "Plant Bottle," which is a new type of PET bottle that partly uses plant-derived materials, as part of a sustainable package. Later on, Suntory reached 13.5g with a 550ml bottle in March 2011, and Coca Cola reached 12g with a 555ml PET.

For the product development, being ecological and creating a product that is easy to use is both important. Companies should not only consider weight reduction, but also think about crushing and easy gripping.

One of the projects that is getting attention recently to reduce further burden on the environment is to recycle PET bottles and create new ones. Suntory Beverages & Foods developed a business-to-business mechanical recycle system for PET bottles in 2011 for the first time in the domestic beverage industry. Suntory Beverages & Foods uses "Re-PET bottles," recycled PET bottles created by this system that reuse 50% of the original resin, in some of their products.

With the change in attitudes towards the environment after the earthquake and the strict quality control by each company will promote and support the recycling of PET bottles. Although it has high reputation in the distribution industry, the reality is that it has not yet reached the consumers. This year may become the year where the appeal for the value of PET bottles will speed up.

