

GLASS BOTTLE MANUFACTURING GLOBAL SCENARIO

Despite a not too positive global economic scenario, glass as a packaging material is not only maintaining its position, but is, in fact, seeing growth. The reasons behind this can be found in the rise in alcoholic drinks in developing markets due to increasing incomes in those areas.



As the globally leading pack type in alcoholic drinks, retail sales of glass reached almost 200 billion units in 2012. The increase in the use of glass over 2012 amid tight economic conditions largely stems from a rise in alcoholic drinks volume sales in developing markets as growing incomes enabled a higher number of consumers to afford such products.

BEER, WINE, CIDER AND OTHERS

The beer category largely determines the fortunes of glass packaging within this industry, accounting for a 74 per cent unit

volume share. In addition, the relatively low alcohol content of beer compared to other alcoholic beverages and low retail price make it accessible to a wide range of people and suitable for many consumption occasions.

Wine, which accounts for an 11 per cent global share of glass unit volumes in alcoholic drinks, was another healthy category globally in 2012, with non-grape wine dominating volumes and retail sales of sparkling wine in glass increasing by three per cent on the previous year.

Cider/perry is also creating some interesting growth opportunities for glass as an alternative

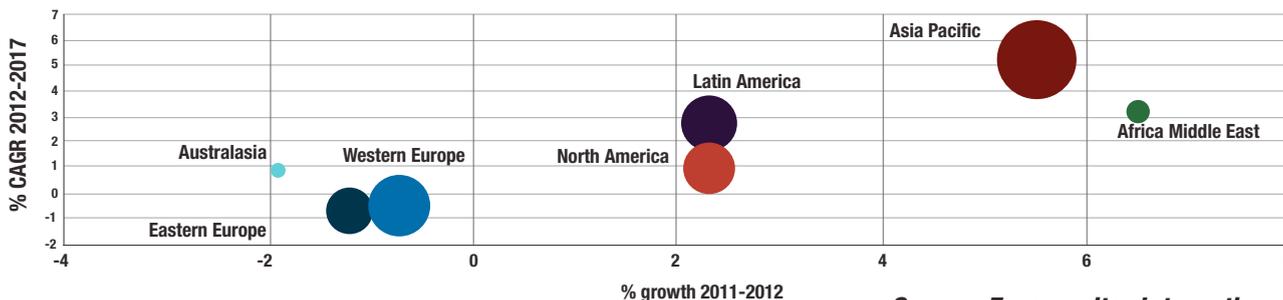
to domestic lager, especially in the UK and South Africa.

CHANGING MARKETS Asia Pacific, Latin America and Eastern Europe

Asia Pacific holds the largest regional share of glass volumes in alcoholic drinks, with 33 per cent of global sales in 2012. With rising production and raw material costs, returnable glass bottles continue to hold a competitive advantage in terms of cost efficiency in this region.

Latin America and Eastern Europe are also significant markets for glass in alcoholic drinks,

Global Alcoholic Drinks Glass Packaging by Region and Growth 2011-2017



Note: bubble size represents 2012 volume, billion units

Source: Euromonitor International

accounting for 32 billion and 25 billion units, respectively, in 2012.

In these regions, competition from metal beverage cans and PET bottles in beer triggered responses, with the Argentinian government lobbying beverage brand owners to switch to locally produced glass and the Russian authorities considering a future ban on PET in order to reduce beer consumption in the country.

Western Europe and North America

In contrast, more mature regions such as Western Europe and North America, which remain key for glass packaging, posted a flatter performance in 2012, with this set to continue to 2017. Tighter economic conditions coupled with growing health concerns are leading consumers in Western Europe in particular to drink less alcohol.

Glass in Eastern Europe posted a one per cent decline in 2012, being affected by a high level of saturation in vodka in Russia as well as government policy to reduce alcohol consumption in the country.

Positive outlook for Asia with China in the lead

With 66 billion units of glass sold across the region in 2012 and a strong CAGR of 5 per cent predicted over 2012-2017, Asia Pacific is set to lead future global demand. While China accounts

for a large share of this regional demand, with 47.5 billion units in 2012, as well as a large share of the forecast increase to 2017, India ranks second, boasting an even stronger forecast CAGR of seven per cent.

In Southeast Asia, demand is also expanding rapidly. Similar to the Indian market, the heavy and thick returnable glass bottle lends itself best to the sometimes rough logistical conditions of cities in Indonesia, the Philippines and Malaysia, often involving transport by motorcycle to traditional retail outlets on busy and bumpy roads. Glass will, in contrast, struggle to find growth in Japan and South Korea where alcoholic beverage volume demand not only faces a high level of maturity but competition in the packaging landscape is also fiercer.

The beer category alone accounts for a 71 per cent share of retail glass volume sales in alcoholic drinks in the Asia Pacific region. Countries such as Thailand and Vietnam are, for instance, heavy beer consumers. However, 2012-2017 forecast growth in this key category will not be as dynamic as in spirits or wine.

Whiskies, brandy and cognac and local spirits in glass bottles are experiencing a particularly sharp increase in Asian countries owing to largely country-specific factors. Local spirits are particularly dynamic in China, where

baijiu is widely purchased and is set to account for the strongest unit volume growth in Asia to 2017. It is difficult for glass to gain volume share in local spirits in China as ceramic bottles are associated with tradition and quality while PET bottles lead the way at the lower end of the price spectrum.

However, leading brand Red Star Er Guo Tou, available in 500ml glass bottles, managed to increase its volume share over 2012 thanks to an economy pricing strategy which has proven successful among an expanding middle-class.

Wine in Asia is very much characterised by non-grape varieties, in particular rice-based wine.

Yet consumer interest is also shifting away from these rather traditional products to more westernised still light grape wine varieties. Consumption of still red wine is being taken up by new consumers, sometimes even being perceived, in the





case of China, as having sought-after health benefits.

Good growth expected in India

Compared to China, India ranks only sixth globally in terms of usage of glass packaging in alcoholic drinks, but its 6.6 billion units in 2012 represented an impressive 7.5 per cent gain on the previous year, making this one of the most

dynamic markets worldwide.

While population size and economic growth undoubtedly have a part to play in this, it should also be noted that alcohol is becoming more widely accepted in Indian culture. Social changes are enabling brand owners to make their products more widely available through retail expansion, especially in more remote rural areas. In addition, a well-established returnable glass bottle system, which involves low-income earners retrieving empty glass bottles, also favours glass.

Glass bottles are certainly benefiting from these circumstances in beer. India may only rank as the 12th biggest consumer of beer in glass bottles globally, with 2.6 billion units sold in 2012, but it boasts some of the most dynamic opportunities for further unit volume increases to 2017. Rising income levels mean more and more Indians are able to afford to buy beer. As the country's urbanisation continues, retail outlets are also modernising, which often implies the availability

of chilled cabinets and greater opportunities for impulse sales. This is seeing consumers shift from beer in standard 650ml bottles, which are typically shared, towards the individual 330ml size, in turn fuelling unit volume growth. This also bodes well for foreign brand owners typically offering the 330ml single-serve format.

In addition to this shift towards single-serve formats, the glass bottle still fits well with a society which remains very much status-conscious as a differentiator to the metal beverage can, which is perceived as lower in quality. Over the forecast period Indian beer consumers will demand better quality products, which glass can help brand owners to achieve. In 2012, Anheuser-Busch InBev launched Budweiser Magnum while Carlsberg A/S released Carlsberg Elephant, both premium lager products available in 330ml glass bottles. Meanwhile, Heineken NV chose to stand out from the crowd with a clear plastic label on its 330ml bottle.

When it comes to spirits consumption, India is a nation of amber spirits, hence the bright future anticipated for glass in whiskies in the country. Whisky volume consumption is expected to rise by a significant 400 million litres over 2012-2017. And unlike in the key local (other) spirits category in China, where ceramic and PET bottles come into play, the glass bottle is almost unrivalled as a pack type in this category.

The Indian authorities also have strict regulations in place in terms of bottle size for spirits, which will at least likely continue to favour the penetration of foreign brands. Alongside the standard 750ml bottle, consumers can afford smaller formats such as 375ml. ■



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