Market Review

Global Beverage Survey 2013–2014: Market Trends, Buyer Spend and Procurement Strategies in the Global Beverage Industry

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1. Introduction

1.1 What is this Report About?

This report is the result of an extensive survey drawn from Canadean's exclusive panel of leading beverage industry companies. As uncertainty in the markets contributed by the continuance of the European debt crisis, gradual recovery in the US markets, increase in prices, and currency rate fluctuations led to weak growth in global economic markets, this report provides the reader with a definitive analysis of the industry outlook and explores how opportunities and demand are set to change in 2013–2014. Additionally, this report presents comparative analysis of four years of survey results, wherever applicable. Furthermore, it not only grants access to the opinions and strategies of business decision makers and competitors, but also examines their actions surrounding business priorities; it also provides access to information categorized by region, company type, and sizes.

The report also examines:

- Revenue growth projections: includes revenue growth projections of chief stakeholders of the industry
- Market-specific growth opportunities: identifies top growth regions so that companies can allocate their marketing activities and budgets effectively
- Mergers and acquisitions: projections surrounding merger and acquisition (M&A) activity and core influencing factors
- Capital expenditure: identifies the change in capital expenditure of a beverage industry buyer or a supplier company to provide a balanced future growth with capital returns
- Leading business concerns: identifies leading business concerns and subsequent efforts to negate them
- Procurement expenditure trends: tracks the procurement budgets of buyer companies and forecasts the possible change in expenditure
- Factors for supplier selection: understands critical factors influencing supplier selection

1.2 Definitions

- **Beverage processing:** includes soft drinks and bottled water manufacturing, wineries, breweries, and distilleries

- **Private label:** products or services that are usually manufactured or provided by one company for offer under another company's brand

- **Capital expenditure (capex):** covers research and development (R&D) and the procurement, maintenance, transportation, storage, and marketing of beverage products. It also includes expenditure on capacity expansion, new machinery procurement, and the upgrade of plants and equipment

- **E-procurement (electronic procurement):** Business-to-business (B2B) procurement and marketing of services using the internet and other IT solutions such as electronic data interchange (EDI) and enterprise resource planning (ERP)

- **Company turnover:** Companies with turnover of less than US$100 million are identified in the report as small companies; companies with turnover US$100 million–US$1 billion are referred to as medium companies, and those with a turnover of more than US$1 billion as large companies

1.3 Methodology

1) Online Survey

The research source in this report is based on the surveyed opinions and future expectations of highly engaged and senior industry professionals. Canadean conducted an extensive online survey during January 2013, taken by 113 senior global industry buyers and suppliers worldwide. These respondents cover C-levels, directors, managers, and technical and professional staff.

These respondents are drawn from the Canadean Industry Insight Panel, an exclusive industry panel covering over two million business professionals worldwide. Respondents represent a dedicated professional community where participants are surveyed ‘in context’, drawn from our industry magazine and media communities, including the readership of Drink Business Review and foodprocessing-technology.com, and delegate relationships formed at our global industry conferences and forum events. These business communities are made up of highly engaged, qualified professionals who rely on our flagship media brands in their respective markets, enabling Canadean to access knowledgeable and informed industry opinion.

2) Secondary Research

Comprehensive international desk research was conducted across the following industry sources, with a focus on examining the themes, issues, and market trends currently affecting the industry, as well as discussing examples of the latest products within the industry to validate primary research observations.

- Industry associations
- International organizations
- Industry news websites

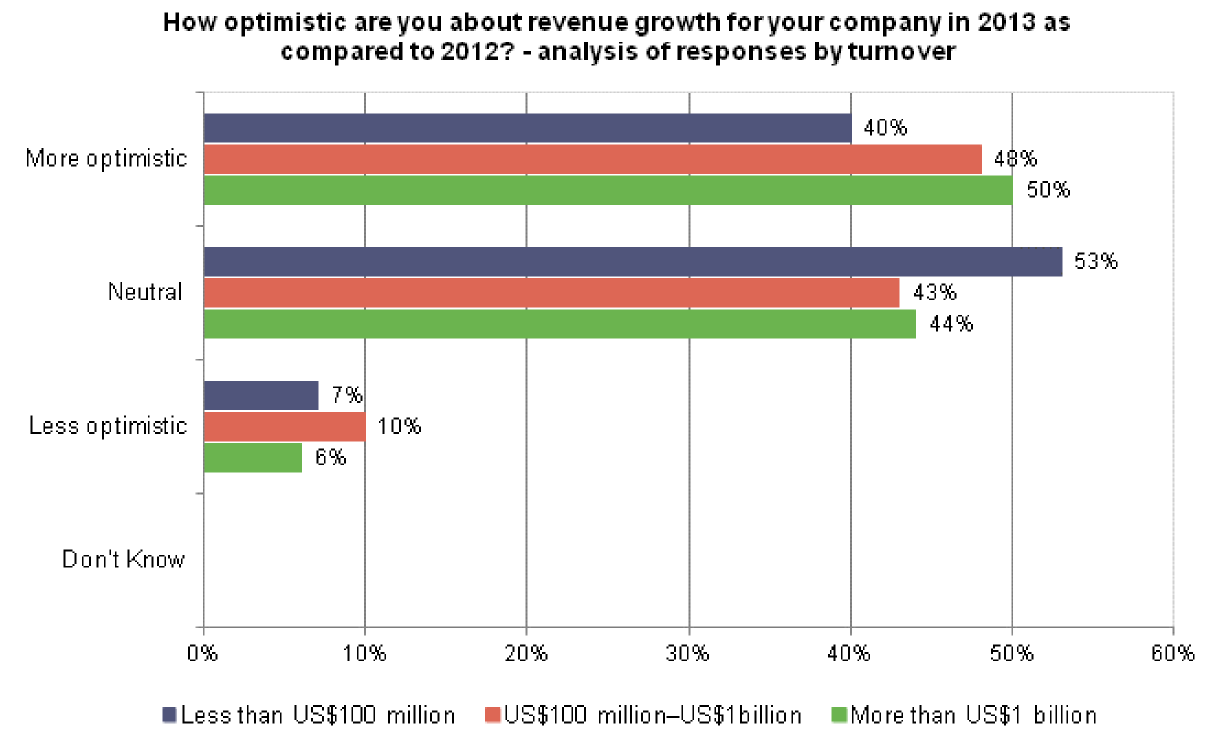
3) Data Analysis and Report Writing

The results of this research have been analyzed and evaluated by Canadean’s in-house industry-specific analysts. Our analysts’ research and analysis expertise, pedigree in marketing, market research, consulting background in their industry, and ongoing continuous education on leading macro-economic and industry news and events, have shaped their analytical judgments and conclusions of the industry opinions gathered.

4) Quality Control

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Advanced data analysis and survey programming tools
- QC checklist
- Randomized spot checks on data integrity
- Senior level QC

Figure 4: Revenue Growth Optimism in the Global Beverage Industry by Turnover (%), 2013



Source: Canadean © Canadean

1.3.1 Revenue growth projections by senior-level respondents

An analysis of revenue growth expectations by senior level respondents reveals that 43% are 'more optimistic' about their company's revenue growth in 2013, compared to 9% of respondents who are 'less optimistic' and 48% of respondents who are neutral. Senior level respondents' opinions display a level of confidence similar to that of industry-wide responses, and a prominent majority project positive revenue growth in 2013.

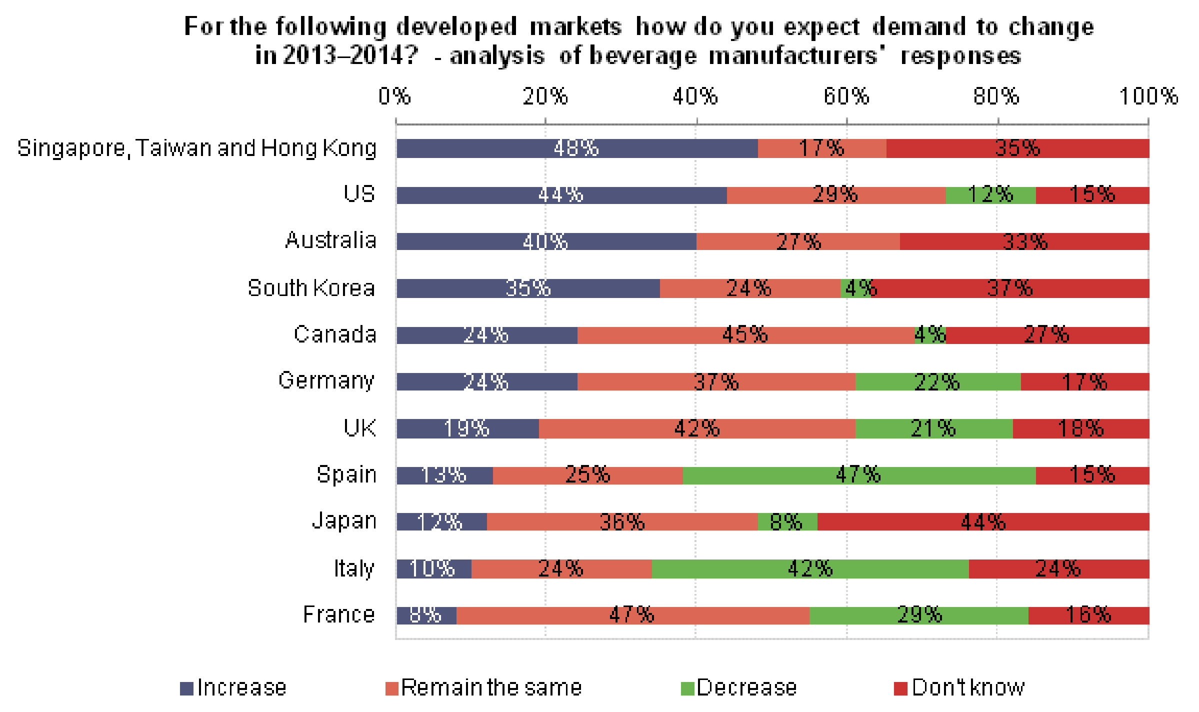
Note: Senior-level respondents comprise CEOs, MDs, VPs, SVPs, HODs, and directors.

Table 12: Global Beverage Industry - Revenue Growth Optimism of Senior-Level Respondents (%), 2013

Growth optimism	Senior- level respondents
More optimistic	43%
Neutral	48%
Less optimistic	9%
Don't know	0%
Overall	**100%**

Source: Canadean © Canadean

Figure 27: Growth Projections in Developed Markets - Global Beverage Manufacturers' Industry (%), 2013–2014



Source: Canadean

1.3.2 Growth expectations in developed markets by suppliers

Survey results show that suppliers expect the US to be the developed region with the most growth potential in 2013–2014, as identified by 43% of respondents. Furthermore, even though 31%, 26% and 23% of respective supplier respondents identify Singapore, Taiwan and Hong Kong, Canada and South Korea to be developed regions with the most growth potential in 2013, 39%, 44% and 40% of respondents respectively project the growth to remain the same in 2013–2014.

Suppliers plan to expand their distribution networks and design new product solutions in order to sustain their position in the industry, in spite of increase in raw material prices and economic uncertainties. For example, in March 2013, Lizard Label, manufacturer of custom label and sticker, with headquarters in the US announced that it has unveiled a new dissolvable label. The new dissolvable label is made from highly water-soluble paper. The paper and adhesive dissolve when placed under running water leave behind no sticky residue. This label is compatible with both water and solvent based inks for colorful print copy while continues the look of a traditional label stock. The label can be used for labeling food service items, washable products and reusable containers.

Furthermore, in January 2013, Amcor Flexibles Capsules, a part of the Amcor Flexibles Europe and Americas business group that manufactures Stelvin aluminum overcaps and screw caps for drinks industry, announced that it has unveiled a range of four new 'Stelvin Inside' liners for wine bottles. Amcor states that the new range also offers winemakers more choice of regulating the Oxygen Transmission Rate in a wine to make it perfect.

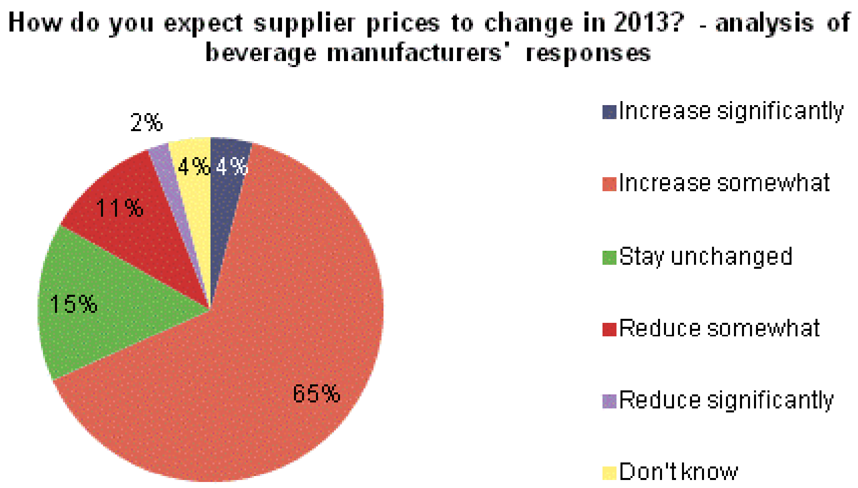
Table 44: Global Beverage Manufacturers - Variations in Regional Supplier Prices (%), 2013

Supplier prices	Percentage
Increase significantly	4%
Increase somewhat	65%
Stay unchanged	15%
Reduce somewhat	11%
Reduce significantly	2%
Don't know	4%
Overall	**100%**

N.B. Results may not equal 100% due to rounding method

Source: Canadean © Canadean

Figure 49: Global Beverage Manufacturers - Variations in Regional Supplier Prices (%), 2013



Source: Canadean © Canadean

1.3.3 Variations in regional supplier prices by region

Respondents from companies with leading operations in North America remain concerned, with 100% expecting at least some increase in supplier prices in 2013. This is followed by 13% of respondents from companies operating in Asia-Pacific and 20% of respondents from the Rest of the World that expect supplier prices to increase significantly; however, 18% of respondents from companies operating in Europe expect that supplier prices will 'stay unchanged' in 2013.