Brewers Guild NZ

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Glass bottle design for Asian markets – what do they want?

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O-I: GLASS IS LIFE

Building Asian exports for NZ Craft Beer industry

- Market feasibility
  - Asian markets looking for exciting and innovative export product
    - China and Hong Kong
    - Singapore
    - Japan
    - South Korea

  - Beer consumption in Asia
    - Who buys?
    - Where do they buy?
    - What beer styles do they like?
    - How much do they consume?
    - Who is growing the fastest?

Building Asian exports for NZ Craft Beer industry

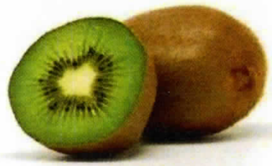
- Market feasibility
  - Cost of local product vs. NZ export (how does it stock up)
    - Import taxes?
    - Scalability of NZ producers?
  - What motivates Asia to buy export
    - Status products with provenance
    - Trends
    - Taste specific – what are these
    - Products should also be defensible (against local copies)
  - New Zealand Craft beer into Asia - To develop a glass bottle design which captures:
    - The essence of NZ
    - What does Asia want from export craft beer (perception). Can we have a generic shape / colour / size / finish / embossing etc
    - Asian cues that help build connectivity

Market differences..

- Japanese custom is to welcome in the temperate season. An example of this is a Collaboration of Japanese brewing bairdbeer.com/en/ & Hallertau: 'Haru Orchard Ale'. Haru is Japanese for 'spring'

- Chinese New Year is on Thursday, February 19, 2015. It marks the start of the Year of the Wood Sheep in the Chinese zodiac. The sheep is one of 12 animals in the Chinese zodiac (Shēngxiào, or 生肖), which is based on a 12-year cycle.
    - Chinese domestic Snow Beer is the world's most popular beer – cues from this?

Design cues




Year of the Horse 2014 70c
New Zealand
Year of the Horse 2014 $1.40
New Zealand
Year of the Horse 2014 $1.90
New Zealand
Year of the Horse 2014 $2.40
New Zealand


Year of the Snake 70c
New Zealand
Year of the Snake $1.40
New Zealand
Year of the Snake $1.90
New Zealand
Year of the Snake $2.40
New Zealand


CHINA TOWN


Lucky


北平
啤酒
北平啤酒股份有限公司

QUANTITATIVE

BEER (220300)

IMPORTS BY E/SE ASIA FROM ALL SOURCES

Country	Total import share	Import value; FOB sender US$m; 12	5y CAGR	5y ABS	$/kg US$; 12	5y CAGR	Import per capita US$; 12
Taiwan	14%	$150	11%	$62	$1.12	6%	$6.43
Singapore	14%	$150	12%	$63	$1.34	6%	$27.76
China	12%	$136	38%	$109	$4.11	31%	$0.10
Malaysia	11%	$123	24%	$82	$1.35	7%	$4.09
Myanmar	10%	$112	47%	$95	$0.73	7%	$2.10
Hong Kong SAR	9%	$102	7%	$30	$1.20	19%	$14.13
Japan	9%	$101	19%	$59	$1.54	4%	$0.79
South Korea	7%	$81	16%	$42	$1.17	7%	$1.61
Indonesia	4%	$48	8%	$16	$1.56	4%	$0.19
Viet Nam	3%	$38	38%	$30	$1.56	7%	$0.42
Thailand	3%	$31	3%	$5	$1.90	10%	$0.48
Philippines	2%	$27	28%	$19	$1.41	4%	$0.27
Macao SAR	1%	$13	5%	$3	$0.82	5%	$22.19
TOTAL	100%	$1,098	17%	$614	$1.31	9%	$0.51

EXPORTS to E/SE ASIA BY PEER GROUP

Country	Peer export share	Export value; FOB sender US$m; 12	5y CAGR	5y ABS	$/l US$; 12	5y CAGR
Netherlands	39%	$168	19%	$98	$1.16	3%
Germany	26%	$110	37%	$88	$1.09	-2%
Belgium	13%	$55	30%	$40	$1.12	5%
United Kingdom	7%	$30	12%	$13	$2.37	-13%
USA	6%	$28	1%	$1	$0.84	3%
France	2%	$11	74%	$10	$1.72	11%
Ireland	2%	$9	-7%	-$4	$1.80	15%
Italy	2%	$9	65%	$8	$1.57	5%
Czech Rep.	1%	$3	35%	$2	$0.99	-5%
Other	2%	$2	35%	$7	$1.20	0%
TOTAL from peers	100%	$431	21%	$263	$1.17	3%
Inter-regional/other		$667				
TOTAL		$1,098				

NEW ZEALAND EXPORTS TO E/SE ASIA

Country	Region export mix	Export Value; FOB sender US$m; 12	5y CAGR	5y ABS	$/l US$; 12	5y CAGR
China	38%	$0.38	153%	$0.38	$29.35	-12%
Singapore	26%	$0.27	51%	$0.23	$45.50	18%
South Korea	21%	$0.21	333%	$0.21	$27.21	-1%
Taiwan	6%	$0.06	46%	$0.05	$12.39	37%
Hong Kong SAR	4%	$0.04	17%	$0.02	$4.36	-20%
Malaysia	3%	$0.03	99%	$0.03	$41.36	15%
Japan	1%	$0.02	-17%	-$0.02	$16.77	-17%
Indonesia	0%	$0.00	N/C	$0.00	$53.42	N/C
Thailand	0%	$0.00	N/C	$0.00	$60.27	N/C
Myanmar						
Macao SAR						
Philippines						
Viet Nam						
TOTAL	100%	$1.02	57%	$0.92	$23.49	15%

QUANTITATIVE OBSERVATIONS/CONCLUSIONS

Markets

- Peers export 40% of the beer into Asia
- Richer, more Westernised East Asia imports more Western beers than SE Asia
- China and Taiwan account for 53% of regional imports from peers
- If China evolves like Taiwan, per cap suggests there will be significant further growth ahead
- Taiwan, Singapore and Hong Kong lead in per capita spending

Competitors

- Among peers, core Northern Europe beer producers – Dutch, Germans and Belgians – dominate the category with 73% share of peer group

New Zealand

- Minor exporter to the region sending $1m in value
- Strong growth off a very low base

E/SE Asia imports total	E/SE Asia imports from peers	NZ export value to E/SE Asia	NZ share of peers	Possible size of the prize
$1,098m	$431m	$1m	>1%	+$20-30m

BEER (220300)

QUALITATATIVE

SCORECARD	
E/SE ASIAN MARKETS	
Pay a premium for brand/quality	◑
Status/gifting usage	○
Wide price bands at retail	◑
COMPETITION	
Rich countries achieving success	●
"Low hanging fruit" available	○
Capital intensive to produce	◑
NEW ZEALAND	
Large number of firms	◑
Required skills to succeed	○
Leverage country image	◑
Able to differentiate	○
Arriving early "to the party"	○
Good trade access for product	◑
OVERALL	○

SITUATION/STRUCTURE

NEW ZEALAND

- Large NZ brewers foreign owned with limited incentive to push and develop exports
- Craft/boutique brewers emerged relatively late in NZ but growing and improving; now strong group of emergent second tier of craft brewers (e.g. Moa)
- NZ currently a minor beer exporter; exports primarily to Australia, US and Pacific Islands
- NZ exports $1m to Asia (mostly to China, Singapore and South Korea)

E/SE ASIA MARKETS

- Most beer produced and consumed in country of origin; relatively little crosses borders
- US$431 is exported from peer group to Asia; growing at 21%; Germany and Netherlands largest peer importers to Asia with 65% share
- Global beer industry relatively consolidated in developed world; most produce global brands in multiple markets
- Asia Pacific Breweries dominates Singapore with Tiger, Heineken Guiness etc), growth in Craft beers and imported premium lagers

NATURE OF THE CHALLENGE TO NZ

LEVERAGABLE NZ FACTORS

- Premium global position of New Zealand wines
- New Zealand flavours (kiwifruit, feijoa, manuka honey, etc.)
- Indigenous traditions (e.g. tutu "beer")
- Hop breeding and growing

SOURCES OF VALUE CREATION

- Consolidation of smaller microbreweries
- Global ownership of Lion, DB and Independent able to export through their existing network

CHALLENGES/LIMITATIONS TO GROWTH

- High domestic taxes on alcohol; no progressive tax element as in competitors
- Limited brewing heritige on which to draw (e.g. vs. Barvaria)

POTENTIAL ROLE FOR GOVERNMENT

- Consider "Progressive Beer Duty" as used in UK, Germany and other EU

This report focuses on ten key developed and developing markets of East and South East Asia

East/South East Asia Map

East/South East Asia country segmentation (population)

China (1,364m)	
Developed Asia (212m)	Japan (127m) South Korea (50m) Hong Kong (7m) Singapore (5m) Taiwan (23m)
Developing Asia (583m)	Vietnam (90m) Philippines (99m) Indonesia (247m) Malaysia (30m) Thailand (64m) Myanmar/Burma (53m)
Smaller markets (51m) (excluded)	Mongolia (3m) North Korea (25m) Laos (7m) Cambodia (15m) East Timor (1m)