CIDER

Competitive Landscape Analysis

East Asia

March 2015

EXECUTIVE SUMMARY & RECOMMENDATIONS

Research Focus → ***Assess*** *the export opportunity of selling Alcoholic Cider to off-trade retailers in East Asia and understanding the local price points.*

Desired Outcome → ***Assist*** *New Zealand Cider exporters in prioritising which East Asian markets to explore further.*

The task of prioritising which markets NZTE's customers should conduct their due diligence in is challenging. A large variation exists between countries in terms of maturity, size, growth rates, price points and tastes.

Market Recommendations → *This report highlights the opportunities in Japan, South Korea, Vietnam, Thailand, Philippines, Malaysia, Indonesia and Singapore. We recommend the first three markets of Singapore, South Korea and Japan be first considered for further investigation.*

The above recommendation has been made based on markets that there is ease of doing business and spend more on F&B and cider per capita. These three markets are also growth markets for cider, rather than at the introductory stage, where cider manufacturers would need to invest heavily in developing the category.

Talk to your Customer Manager about the potential ***next steps***

- *Using this report to prioritise your target markets.*
- *Undertake Value-Chain Analysis and in-market Consumer Testing (NZTE services) on prioritised markets.*

CONTENTS

Key market insights

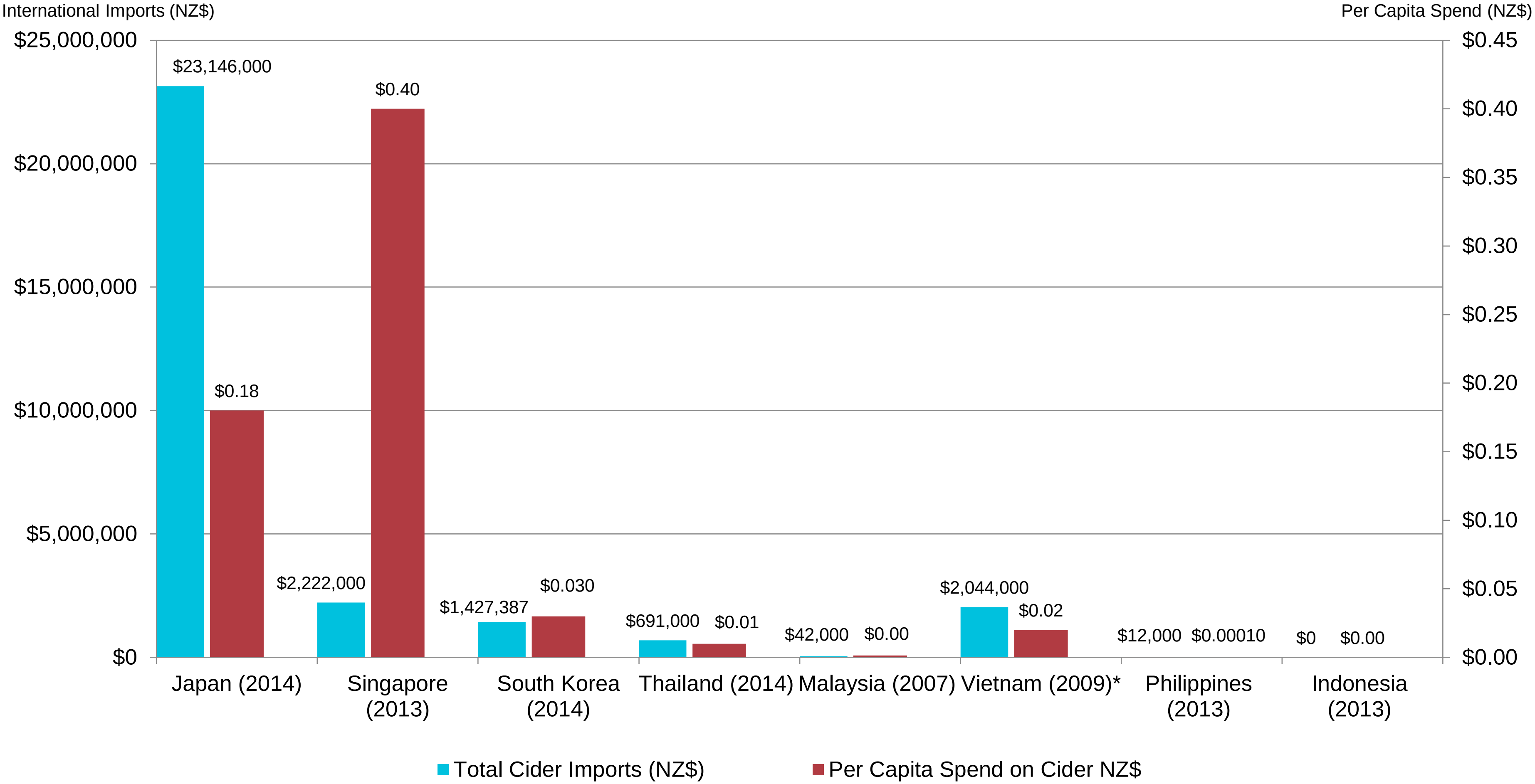
- Singapore, Japan, South Korea and Malaysia have the highest potential for growth in the cider market out of the 8 East Asia countries.
- Japan had the highest import value of cider products in East Asia in 2014 (NZ$23,146,000), more than six times bigger than the nearest competitor Singapore.
- Singapore had the highest per capita spend on cider in 2014 (NZ$0.4), double the size of the next biggest market Japan.
- The Philippines and Indonesia have no import tariff or excise duty charges for cider products.
- Cider imports in South Korea have grown considerably over the last few years, increasing by 104% in 2013 and 27% in 2014.

PRICE SNAPSHOT OF CIDER PRODUCTS IN EAST ASIA

	Magners (568ml)	Magners (330ml)	Strongbow (330ml)	Apple Somersby (330ml)	Brunties (330ml)	Monteiths (330ml)	Tempt (330ml)	Le Chat Noir (330ml)	Rekorderlig (500ml)	Stowford Press (330ml)	Savana Dry (330ml)
South Korea		NZ$ 2.95	NZ$ 3.90	NZ$ 3.00		NZ$ 4.60	NZ$ 3.30	NZ$ 4.70			NZ$ 4.10
Vietnam		NZ$ 3.20			NZ$ 3.40					NZ$ 4.07	
Singapore				NZ$4.40					NZ$ 7.70		
Thailand	NZ$ 7.70	NZ$ 4.50								NZ$5.56	NZ$ 3.00
Japan		NZ$ 4.45	NZ$ 3.70 (275ml)			0.9735					
Malaysia										NZ$ 4.40	NZ$ 4.70

Figures are averages from a range of retail stores and are rounded up to the nearest NZ$ 0.05.

IMPORT VALUE OF CIDER PRODUCTS IN EAST ASIA



Figures are based on trade figures for Cider & Perry products in 2014. Data has been sourced from Trademap.org (2015) using the HS code 2206.00 which is defined as: fermented beverages (for example cider, perry, and mead). Attempts have been made to ensure sake and shandy products are excluded by using 8 digit HS codes where possible. *In the case of Vietnam, more detailed HS codes are not available. For this reason, these market size figures should be used with caution as a high level guide.

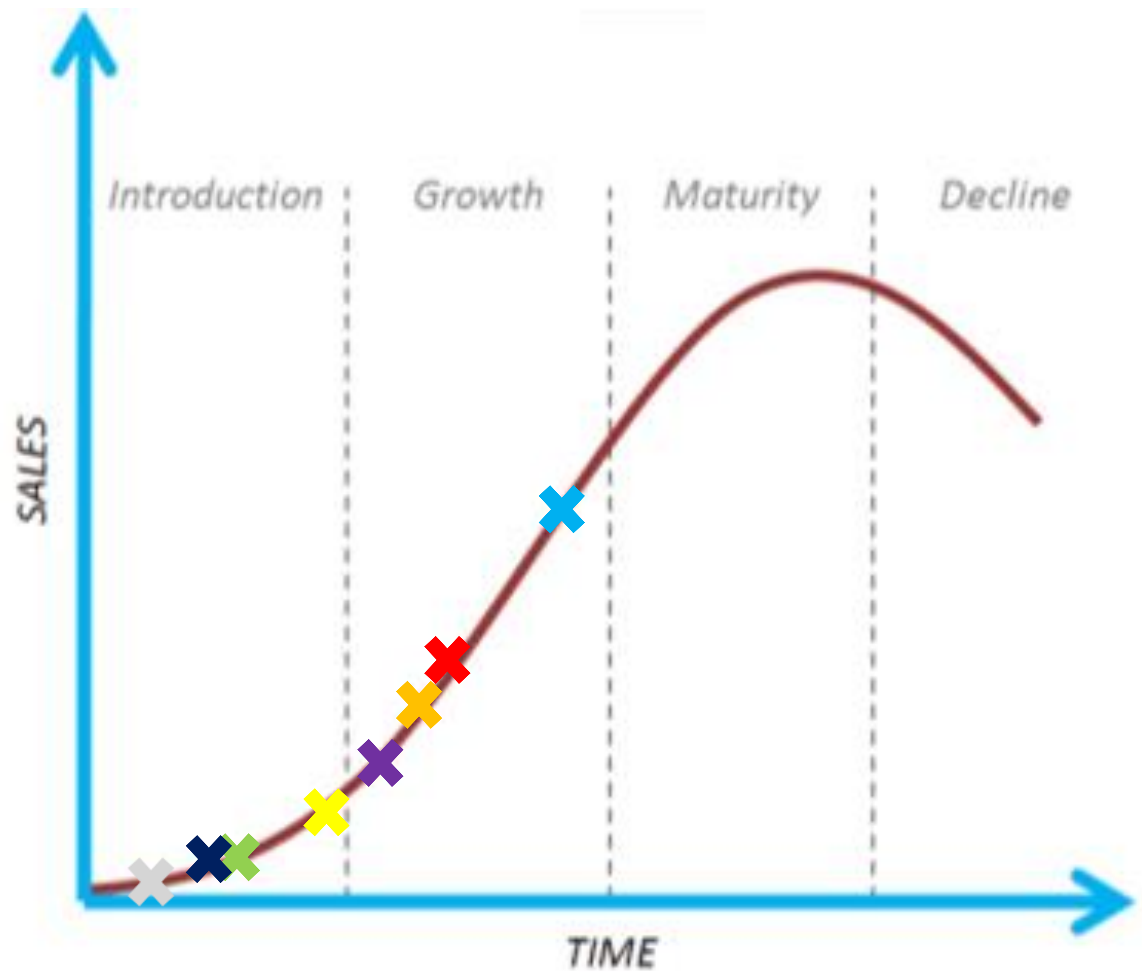
Japan (HS: 2206.00.221), Singapore (HS: 2206.00.10), South South Korea (HS: 2206.00), Thailand (HS: 2206.00.10000), Malaysia (HS: 2206.00.100), Vietnam (HS: 2206.00.00), Philippines (HS: 2206.00.90), Indonesia (HS: 2206.00.9000).

CIDER IMPORT TARIFF, EXCISE DUTY & SALES TAX COMPARISON

	Import Tariff (HS 2206)	Excise Duty	Sales Tax
Japan	0%	Liquor tax: NZ$2.51 per liter (JP 220,000 (NZ$ 2,513) per Kilolitre).	8%
South South Korea	15%*	30% liquor tax + Educational tax rate 10%.	10%
Vietnam	55%	Special Consumption Tax 55%	10%
Thailand	0%	5% + Interior tax rate 10%	7%
Philippines	0%	Nil	12%
Malaysia	13%	15%	10%
Indonesia	0%	Nil	10%
Singapore	0%	NZ$60 per litre of alcohol.	7%

*Once South Korea-NZ FTA is ratified, the import duty rate will be lowered by 3% per year for five years from the current 15%. So, the duty rate in the first year (assuming 2015) will be 12%.

MARKET MATURITY FOR CIDER IN EAST ASIA



Japan	
Singapore	
South Korea	
Malaysia	
Vietnam	
Thailand	
Indonesia	
Philippines	

CIDER COMPARATIVE MARKET ANALYSIS

Top Ranking Market
Lower Ranking Market

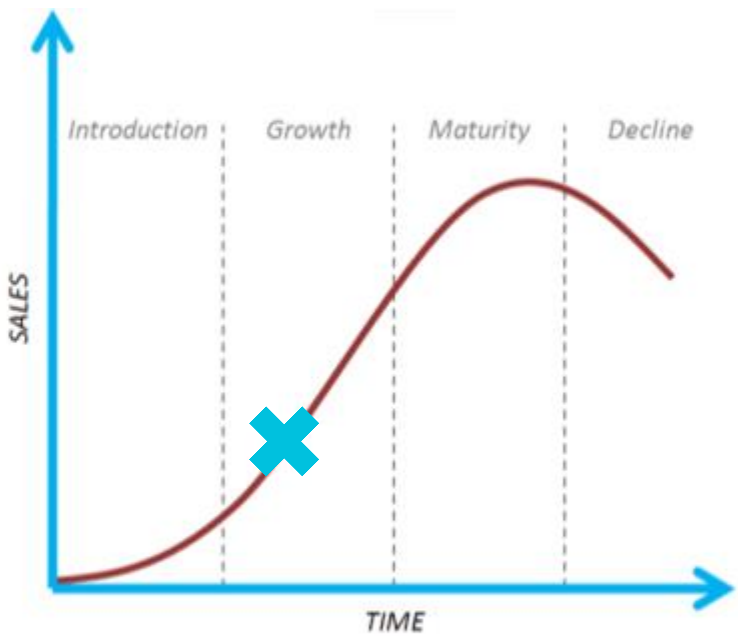
	Ease of Doing Business	Import Tariff (HS: 2203)	Excise Duty	Per Capita Spend on F&B	Per Capita Spend On Cider	Cider Market Maturity*
Singapore	1st	0%	NZ$60 per litre of alcohol.	NZ$ 1,843	NZ$0.40	Growth
Japan	29th	0%	Liquor tax: NZ$2.51 per litre (JP 220,000 (NZ$ 2,513) per Kilolitre).	NZ$ 3,558	NZ$0.18	Growth
South Korea	5th	15% (lowered by 3% per year for five years to 0% FTA).	30% + Educational tax rate 10%.	NZ$ 2,370	NZ$0.03	Growth
Malaysia	18th	0% + RM5.00 (NZ$1.90) per litre (ASEAN Member).	15%	NZ$ 1,635	NZ$0.00014	Growth
Thailand	26th	0% (ASEAN Member).	48% + Interior tax rate 10%	NZ$ 1,214	NZ$0.01	Introduction
Indonesia	114th	0% + IDR14,000 (NZ$1.40) per litre (ASEAN Member).	0%	NZ$ 914	NZ$0.00	Introduction
Vietnam	78th	55% (ASEAN Member, tariff reduction to 40% in 2022).	Special Consumption tax 55%	NZ$ 668	NZ$0.02	Introduction
Philippines	95th	0% (ASEAN Member).	0%	NZ$ 1,244	NZ$0.0001	Introduction

*Note: Import Tax and Excise Duty have not been taken into account for ranking cider market maturity. Market maturity has been decided by qualitative on the ground insights of these markets as well as ease of doing business and spend on F&B and cider per capita.

Singapore

Cider is growing in popularity in Singapore. Cider is not produced locally and imports mostly come from Australia and the UK.

MARKET MATURITY OF CIDER IN SINGAPORE



Rationale for level of market maturity

- Cider has been growing in popularity in Singapore. This growth is attributed to the large expat community and influx of international visitors.
- Brands such as Somersby (imported by Carlsberg) have actively promoted cider products to and increased availability across on-trade and off-trade channels.

Growth factors

- A growing number of new brands and products are being introduced to the Singapore market.
- More restaurants and bars are expanding their range of cider products.
- There continues to be a lack of choice of cider products in off-trade channels such as supermarket/hypermarkets.

MARKET INSIGHTS FOR CIDER IN SINGAPORE

Consumer Preference

- Female consumers tend to prefer cider more than men due to its light and fruity flavour and lower alcohol content.
- Young consumers who are new to social drinking also tend to opt for cider due to its ease of consumption.
- The most popular cider flavour in Singapore is apple, however consumers are willing to try new and different flavours.

Pricing Factors

- There is growing popularity towards more premium brands such as Somersby (which was introduced in Singapore in 2011).
- On-trade channels are expected to show faster volume growth than off-trade.

Competition Landscape

- Cider is not produced locally - imports mostly come from Australia and the UK.
- Competition exists between Somersby apple cider (imported and distributed by Carlsberg) and Magners (imported and distributed by Asia Pacific Breweries).
- Competition from other alcoholic drinks such as flavoured beer and RTDs/high-strength premixes is likely to limit the growth potential of cider.

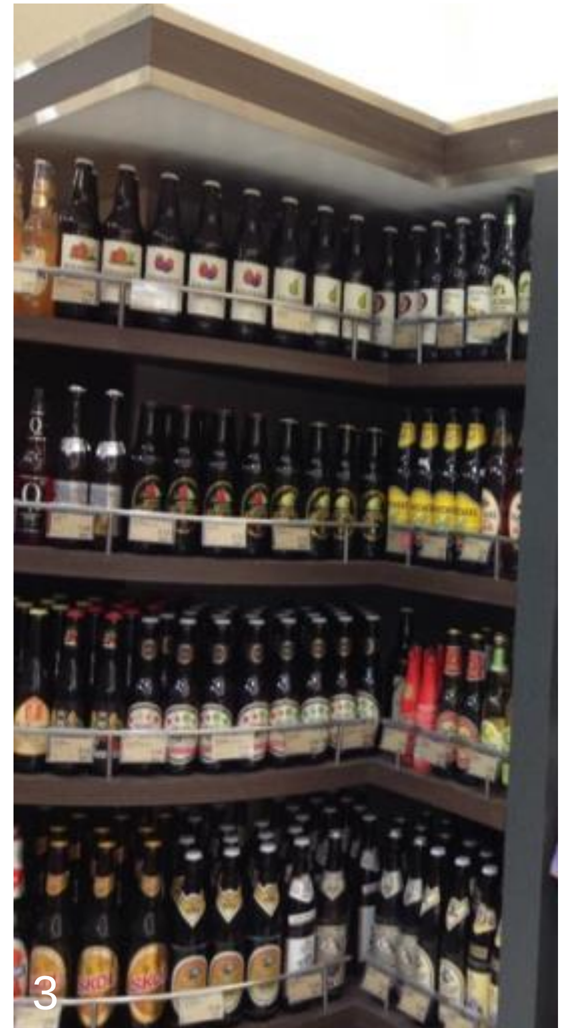
MAJOR COMPETITORS IN SINGAPORE

Brand	% of market share based on value	Product Examples
Somersby	23%	
Magners	16%	
Strongbow	10%	
Bulmers	8%	

REGIONAL RETAIL IMAGES

Outlets in Singapore

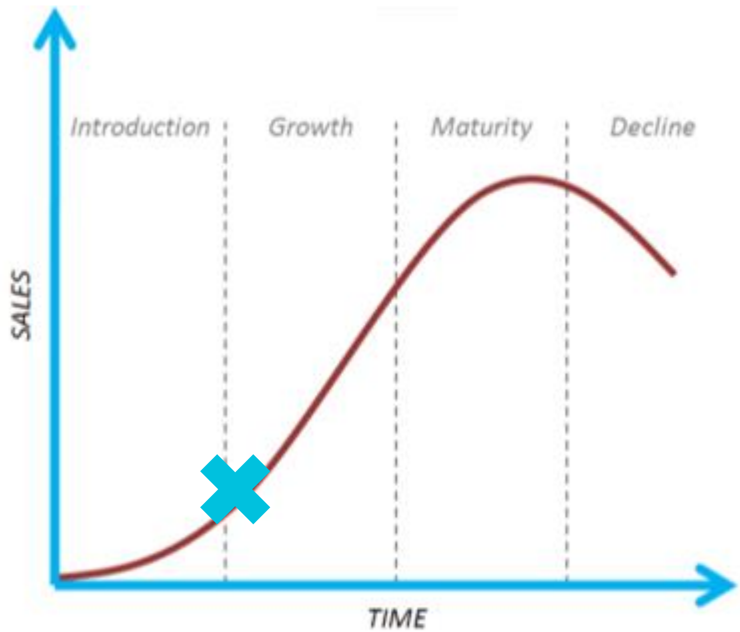
1. Marketplace
2. Giant
3. Cold Storage



South Korea

The cider market in South Korea is relatively small, however imports have been growing considerably. Currently Somersby from Denmark is dominating the market.

MARKET MATURITY OF CIDER IN SOUTH KOREA



Rationale for level of market maturity

- Cider is not well-known in South Korea.
- A few cider products were launched via some retailers such as hypermarkets in 2013.
- Cider is gradually being introduced by small importers, however the total volume shares of these brands are fragmented and hard to track.

Growth factors

- Cider is gaining popularity among young female consumers as a substitute to wine.
- The cider market size is small, however South Korea's cider imports have continued to grow considerably, by 104% in 2013 and 27% in 2014.

MARKET INSIGHTS FOR CIDER IN SOUTH KOREA

Consumer Preference

- South Korean consumers have limited knowledge of cider products.
- Cider is mainly targeted towards young female consumers.

Pricing Factors

- The applicable duties and taxes on cider include an import duty rate of 15%, liquor tax of 30%, education tax of 10% and a VAT of 10% (a total of 68% of CIF value).
- Once the South Korea-NZ FTA is ratified, the import duty rate will be lowered by 3% per year for five years from the current 15%. The duty rate in the first year will be 12%.

Competitor Landscape

- In 2014, Denmark was the leading supplier of cider with NZ$922k accounting for 65% of South Korea's total imports, followed by Ireland (NZ$118k), Belgium (NZ$111k), Australia (NZ$74k) and Germany (NZ$68k).
- New Zealand exported NZ$38k worth of apple cider to South Korea in 2014, an increase from NZ$8k in 2013. Monteiths Crushed Apple Cider is the only New Zealand product available in South Korea.
- Competing exporting markets from Europe, United States, Australia and Canada have trade agreements in place with South Korea. In 2014 import tariff rates of cider products from the EU and USA were 0%, and 12% from Australia and Canada.
- Somersby Apple Cider from Denmark is the most popular cider brand in South Korea.

MAJOR COMPETITORS IN SOUTH KOREA

Brand	% of market share based on value	Product Examples
Somersby	65%	

REGIONAL RETAIL IMAGES

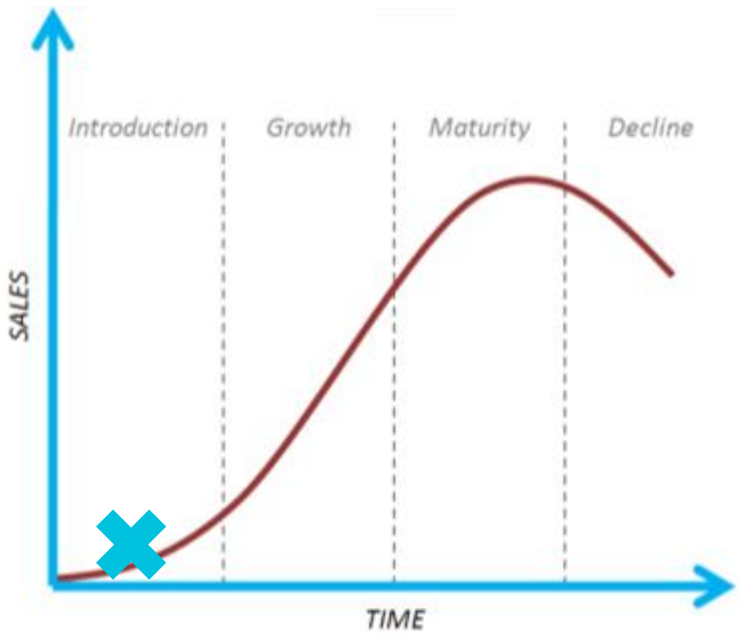
Outlets in South South Korea

1. Lotte Mart
2. Emart Store

Vietnam

Cider is still a very new product in the Vietnam market with a few products available in high-end supermarkets and restaurants.

MARKET MATURITY OF CIDER IN VIETNAM



Rationale for level of market maturity

- Cider was introduced in the Vietnam market in 2012.
- Most Vietnamese have no knowledge about cider, however there are a few people who make cider at home.

Growth factors

- Cider products are primarily consumed by the expatriate community.
- Cider is mainly sold via the on-trade channel.

MARKET INSIGHTS FOR CIDER IN VIETNAM

Consumer Preference

- Cider is a new and novel product to the Vietnamese consumer.
- Cider is generally only known amongst expatriates.
- Wine and beer products are popular which gives potential to expand the alcoholic category to include cider products.

Pricing Factors

- Cider products from a few brands are displayed in high-end supermarkets and served to tourists in high-class restaurant.

Competitor Landscape

- Existing cider brands include: Magners (330ml), Brunties (330ml), and Stowford Press (330ml).
- In order to minimise import tariffs, Magners (UK) exports apple liquid to Cambodia for brewing. This is because cider products imported from neighbouring East Asia countries incur a 0-5% import duty. In comparison, Stowford Press is brewed in Australia and incurs a 55% import duty.
- Because cider is still new to Vietnamese consumers people tend to choose other types of alcoholic drinks. Wine has been dominant in the Vietnam market for a long time.
- Manufacturers are not ready to develop or manufacture cider in Vietnam.

REGIONAL RETAIL IMAGES

Outlets in Vietnam

1. Metro Cash and Carry

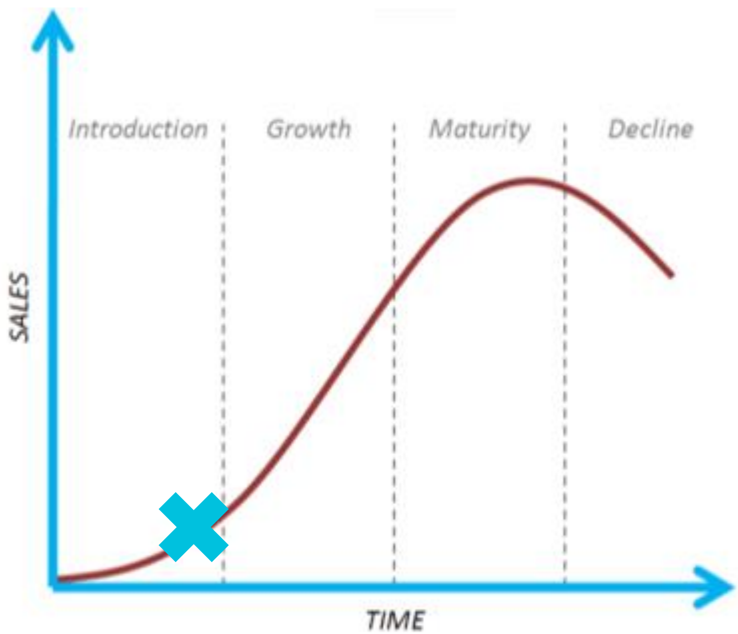
Magners and Bruntys cider are the only two ciders found retailed at: Metro Cash and Carry, Giant, Big C, Lotte Vietnam.

Weston’s Cider and Stowford’s Cider are available in on-trade channels.

Thailand

Cider is new to the Thailand market with potential for growth in urbanised and tourist concentrated areas.

MARKET MATURITY OF CIDER IN THAILAND



Rationale for level of market maturity

- Cider is not well-known in Thailand.
- There are only a few cider options available in premium supermarkets.
- Normally cider is categorized with imported beer.
- Thailand has strict laws on advertising alcoholic beverages, making it difficult to widely promote products to Thai consumers.

Growth factors

- Expatriates and people who have lived overseas are the main consumers of cider.
- Young and urbanised consumers are considered to be the next key target consumers.
- To increase growth the distribution network will need to widen to increase product availability in urbanised or tourist-concentrated places.

MARKET INSIGHTS FOR CIDER IN THAILAND

Consumer Preference

- Health and wellness trends have resulted in some consumers perceiving cider to be healthy with nourishing benefits. It is thought to boost health and good skin.
- Cider is considered an option for drinkers who prefer light and fruity alcoholic drinks.

Pricing Factors

- Imported cider products are normally offered at urbanised or tourist-concentrated places, as well as premium supermarkets/hypermarkets and specialist outlets.
- Because cider is mostly imported the price is likely to remain high.
- Target consumers for cider are not likely to be price conscious.
- Middle-class income in Thailand is increasing.
- The import tax of cider from New Zealand was reduced to 0% at the beginning of 2015.

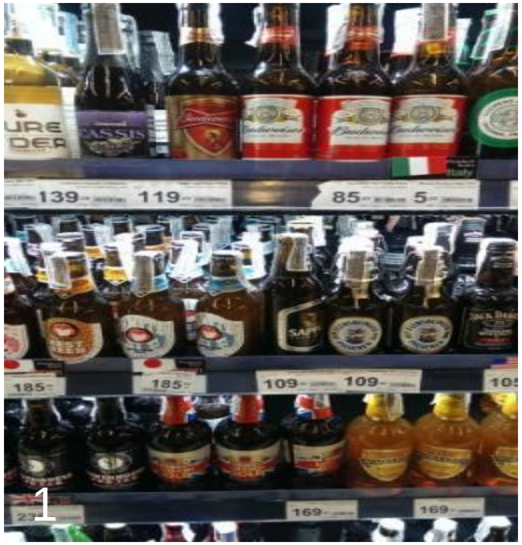
Competitor Landscape

- Currently there are only international branded cider products offered in the marketplace. There is no known local cider brewery.
- There are a few cider brands available in a small number of premium supermarkets and online shops such as Longveville, Possmann, Brothers, Aspall, Magner, Stassen, and Horn.
- Cider competes in the same category of premium alcohols such as imported beer and wine.

REGIONAL RETAIL IMAGES

Outlets in Thailand

1. Tops Supermarket
2. Villa Market – K Village



Japan

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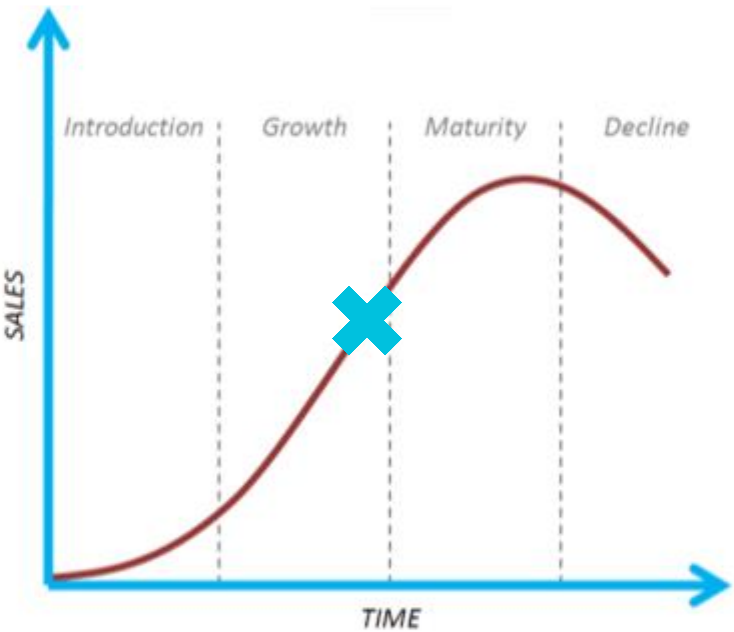
Cider is often perceived as a non-alcoholic beverage. Cider has had very low market penetration and is not in many retailers. Department stores are starting to offer a few European brands.

MARKET MATURITY OF CIDER IN JAPAN



Rationale for level of market maturity

- Cider is mainly purchased at on-trade channels, with small amounts sold at specialist retail outlets.
- Consumer recognition of cider is similar to Chuhai (shochu based cocktail), which is the third largest alcohol beverage category after beer and shochu.
- Cider production in Japan is closely related to where apples are grown.

Growth factors

- Cider is mostly consumed in on-trade establishments.
- Cider beverages such as Asahi's Nikka cider are mainly consumed by women. The emergence of flavoured RTDs that are targeted to women and at-home drinking parties have become more popular and will present competition over the next few years.
- Japans aging population deters growth in this category.

MARKET INSIGHTS FOR CIDER IN JAPAN

Consumer Preferences

- Cider is mostly consumed by young females due to its sweet flavour and low alcohol levels, as well as expatriates.
- Consumers are inclined to drink cider at home and at on-trade establishments.

Pricing Factors

- The unit price of cider in Japan has seen a downward trend as economy brands such as ‘Savanna Light’ and ‘Kirin Hard Cider’ have emerged.
- Increasing the unit price of cider and may drive consumers to purchase lower-priced RTDs.

Competitor Landscape

- The UK and France are the main exporters of cider to Japan.
- Cider faces competition from RTDs which offer sweet flavours at cheaper prices.
- Nikka Cider brand (owned by Asahi) leads the cider market in terms of volume, followed by Kirin Hard Cider which sells to on-trade establishments in 15 litre kegs. Kirin Hard Cider is consumed out of an eye-catching ‘draft tower’ which targets consumers aged 20 to 30.

MAJOR COMPETITORS IN JAPAN

Brand	% of market share based on value	Product Examples
Nikka	72%	
Strongbow	3%	
Cider Muscadet de Dieppe	1.2%	
Ecusson	0.7%	

REGIONAL RETAIL IMAGES

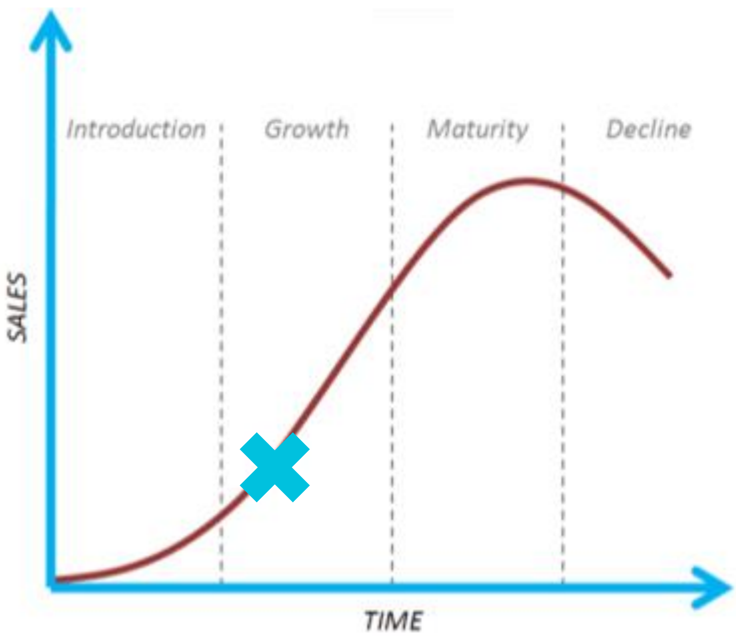
Outlets in Japan

1. Costco

Malaysia

Cider is becoming increasingly popular in Malaysia. The low alcohol content and fruity flavours make it a popular beverage for females and young people.

MARKET MATURITY OF CIDER IN MALAYSIA



Rationale for level of market maturity

- Product awareness of cider in Malaysia is relatively low, however growth is occurring with a number of new labels being launched.
- Cider is gradually gaining traction in on-trade and off-trade channels. The most popular brands are Somersby, Savanna Dry, and Strongbow.

Growth factors

- Malaysian's perceive cider as a healthier choice to beer.
- The disposal income of the middle to upper class is increasing.
- With the introduction of a wider variety of flavours and marketing efforts, more consumers are becoming aware of cider products.

MARKET INSIGHTS FOR CIDER IN MALAYSIA

Consumer Preferences

- Cider is popular in Malaysia with 20-30 year olds, non-Muslim (Chinese and Indian), expatriates and tourists. It is also popular amongst light drinkers due to the wide variety of flavours and low alcohol content.
- Cider is particularly appealing to women due to its fruity flavours. However the introduction of new brands like Savanna Dry and Strongbow has resulted in more men starting to consume cider.
- Cider is seen as a versatile drink which is easy to transform into a cocktail due to its fruity taste.
- Somersby Pear Cider is popular because pear is an uncommon fruit in Malaysia.

Pricing Factors

- Pricing averages RM11 to RM13 (NZ$4.00-NZ$4.80) per 330ml bottle.
- The price per bottle is cheaper than mixed cocktails by about 20%, creating opportunities for cider sales in food service. Some on-trade outlets use cider as their mixed base for cocktails and price these drinks higher.
- Excise duties inflate price points of alcohol products.

Competitor Landscape

- Luen Heng and Carlsberg hold substantial distribution networks.
- On-trade and off-trade channels generally sell items as a single serving, whereas packs of cider can be purchased through ecommerce websites.
- Cider is imported from a wide range of countries: Sweden (Somersby), UK (Strongbow, Gaymers) and South Africa (Savanna Dry).
- Cider competes with evolving preferences towards more premium alcoholic drinks like wine and vodka.

MAJOR COMPETITORS IN MALAYSIA

Brand	% of market share based on value	Product Examples
Somersby	26%	
Strongbow	26%	
Savanna	23%	
Gaymers	22%	

REGIONAL RETAIL IMAGES

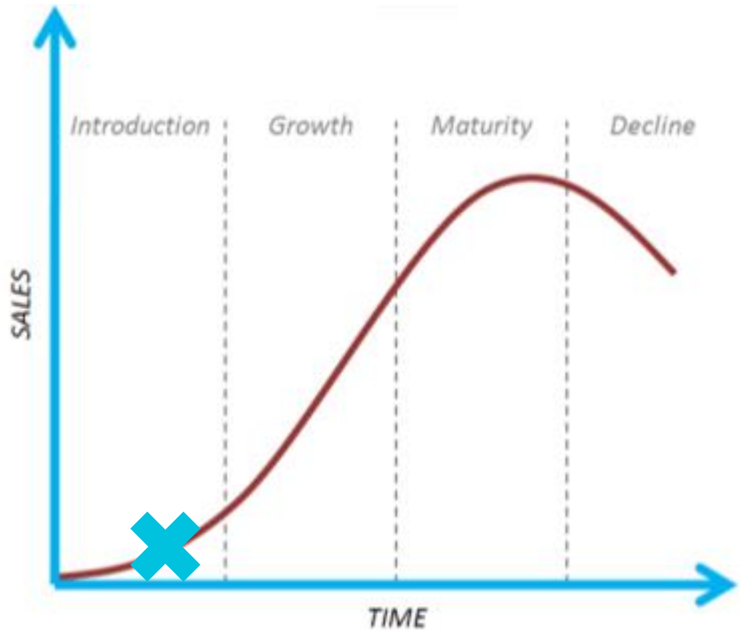
Outlets in Malaysia

1. Presto
2. Jaya Grocer

Indonesia

Cider is relatively undeveloped and unknown in the Indonesian market.

MARKET MATURITY OF CIDER IN INDONESIA



Rationale for level of market maturity

- Cider sales and product knowledge in Indonesia is very limited.
- A locally produced cider ‘Albens’ is establishing in the market.

Growth factors

- Opportunities exist in tourist areas such as Bali.
- Supermarket chains are growing.

MARKET INSIGHTS FOR CIDER IN INDONESIA

Consumer Preferences

- The sweet and tangy taste of cider is popular with women and younger consumers.
- Men who prefer beer are less likely to drink cider.
- Albens, the local apple cider drink, is suited to consumers who prefer a sweeter taste.

Pricing Factors

- Albens is selling cider in 330ml glass bottles which are individually priced at around Rp38,300 (NZ$3.80) in off-trade stores and around Rp50,000 (NZ$5.18) in on-trade premises.
- Cider is cheaper than most cocktails or wine per litre volume.

Competitor Landscape

- Albens is the only cider available in the surveyed outlets Carrefour, Foodhall, and Lottemart. Albens is hoping to familiarise and promote cider to Indonesian consumers.

REGIONAL RETAIL IMAGES

Outlets in Indonesia

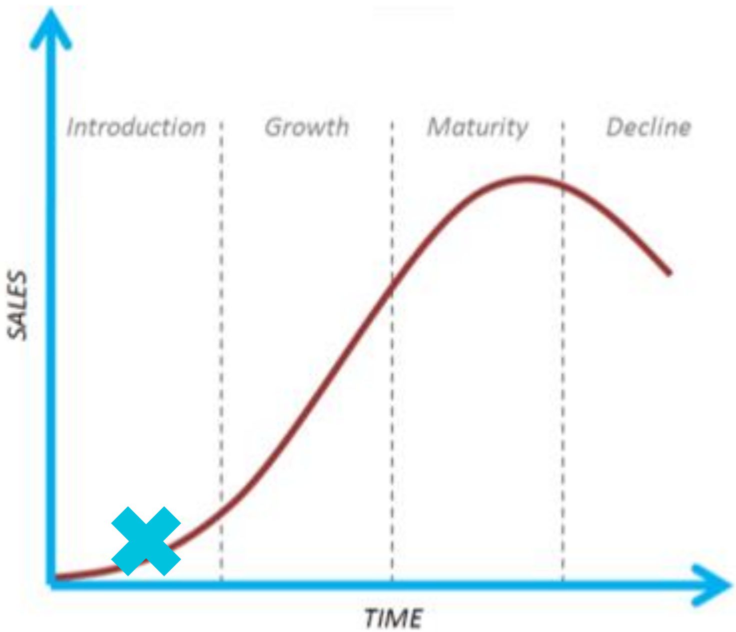
1. Carrefour

2. The Foodhall

Philippines

The Philippines market is not familiar with cider. Until consumer preferences change and there is active marketing to promote cider it may not a viable category for NZ to enter.

MARKET MATURITY OF CIDER IN THE PHILIPPINES



Rationale for level of market maturity

- The Philippines market is not familiar with cider and has a very low demand and awareness of the product.
- Demand is limited to expatriates who live and work in the Philippines - this is an insignificant volume.

Growth factors

- Lack of awareness of and familiarity with cider discourages manufacturers from entering the category.
- The marketplace remains niche and targeted.

MARKET INSIGHTS FOR CIDER IN THE PHILIPPINES

Consumer Preferences

- As consumer preferences change and the alcoholic drinks industry matures, cider in the Philippines may become a viable category for manufacturers and distributors. Alcoholic drinks consumers, particularly young adults, tend to be experimental.

Pricing Factors

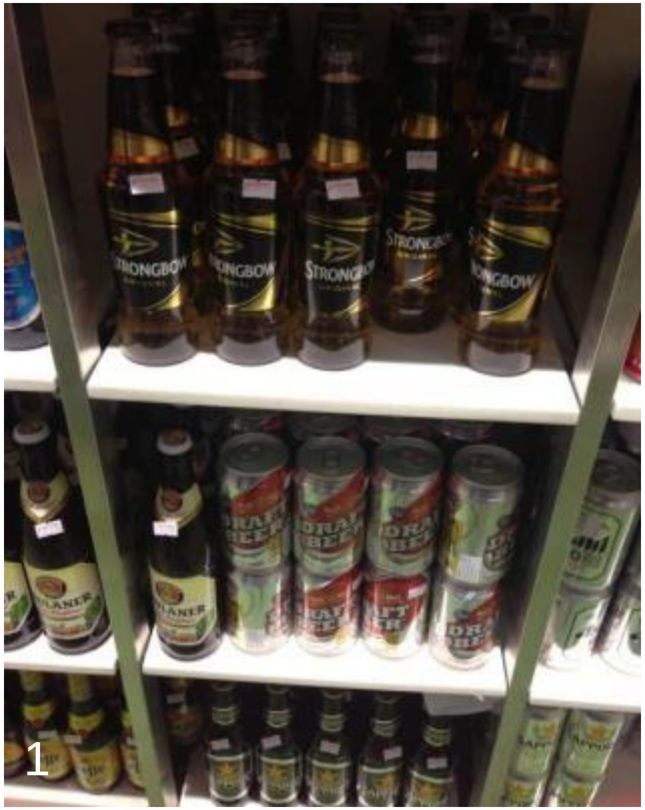
- Demand is limited to expatriates who live and work in the Philippines, and products may be available in bars, clubs and speciality retailers that cater to these consumers.
- On entering the Philippines, manufacturers and distributors are likely to introduce cider through the on-trade channel in order to gain exposure and attention.
- Cider is more likely to be marketed to young upper-class adults. Manufacturers aim for a trickle-down effect to reach upper middle-class consumers.

Competitor Landscape

- In 2013 there were no manufacturers of cider in the country, however a very limited number of importers sell these products to expatriates.
- Cider is available in limited quantity in select mid to high end on-premise outlets or through wine and liquor distributors.
- New Zealand Crooked Apple Cider (500 ml) is available through Don Revy, a wine and liquor importer for Php170 (NZ$5.10).

Outlets in the Philippines

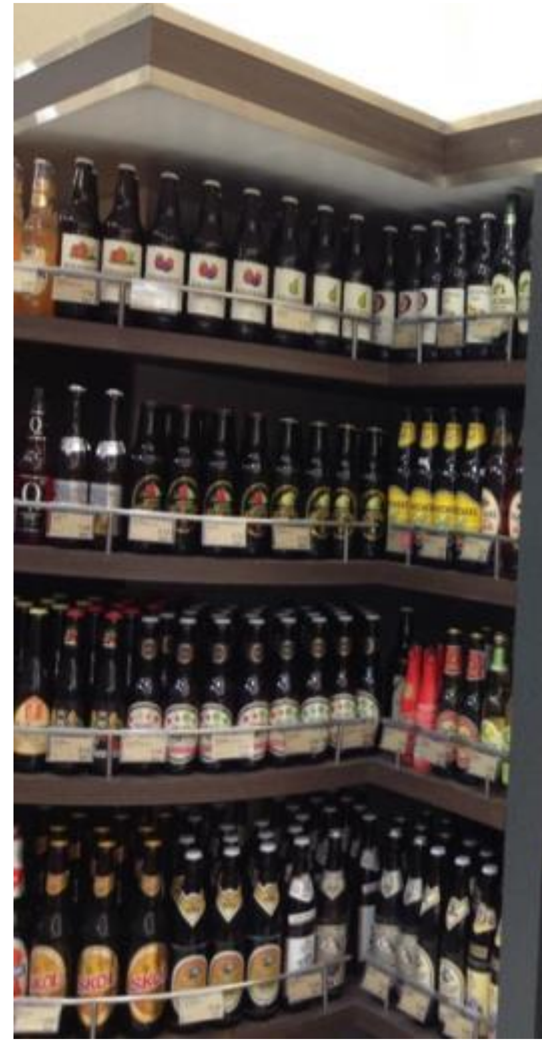
1. Landmark Trinoma



APPENDIX – RETAIL IMAGES

APPENDIX – SINGAPORE – COLD STORAGE STORE





APPENDIX – SINGAPORE – GIANT STORE

APPENDIX – SINGAPORE – MARKETPLACE

APPENDIX – SOUTH KOREA – LOTTE MART STORE

APPENDIX – SOUTH KOREA – EMART STORE

APPENDIX – VIETNAM – METRO CASH AND CARRY

APPENDIX – THAILAND – TOPS SUPERMARKET

APPENDIX – THAILAND –VILLA MARKET – K VILLAGE

APPENDIX – THAILAND – TOPS SUPERMARKET – CENTRAL CHIDLOM

APPENDIX – THAILAND TOPS SUPERMARKET

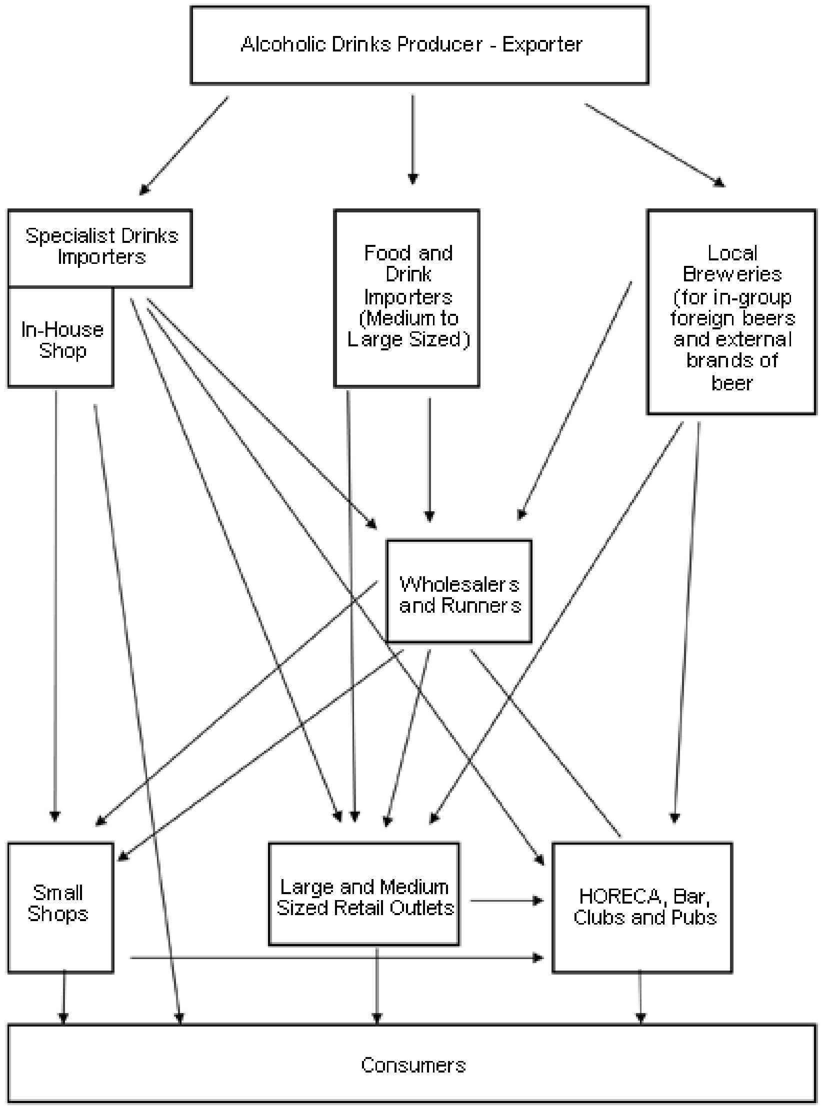


APPENDIX – JAPAN – COSTCO

APPENDIX – MALAYSIA – JAYA GROCER

APPENDIX – MALAYSIA – PRESTO

APPENDIX – DISTRIBUTION CHANNEL IN MALAYSIA



APPENDIX – INDONESIA – CARREFOUR

APPENDIX – INDONESIA – THE FOODHALL

APPENDIX – PHILIPPINES - LANDMARK TRINOMA STORE

NEW ZEALAND
TRADE & ENTERPRISE