

Research on the Beverage Market in Japan

➤ **Research Outline**

Yano Research Institute has conducted a study on the beverage market in Japan with following conditions.

1. Research period: June 2008 to August 2008
2. Research targets: Beverage makers, sales companies, vending machine operators, vending machine makers, industry organizations, and governmental agencies
3. Research methodologies: Face-to-face interviews, telephone and email surveys, and literature search

➤ **Key Findings**

- ◆ **Beverage market size as of the fiscal year ending March 2008, is 5,010 billion yen, 1.8% increase over the previous year. The market grew for the first time in three years.**

In fiscal 2007 the market size of beverage market, including milk and milk beverage, was 5,010 billion yen, up 1.8 percent from the previous year. The market expanded for the first time in three years. The market grew due to the record-high hot weather, the continued favorable condition of mineral water and the recovered popularity of cola and blend tea.

- ◆ **Mineral water and cola beverage sectors grew largely. Milk sector continued to decline.**

The cola sector and the mineral water sector grew at a double-digit rate, and many other categories increased largely. On the other hand, the milk sector did not stop declining and it shrank in fiscal 2007 as well.

- ◆ **Industry reorganization advances and capital and business alliances increase.**

The beverage industry has been facing the price hike of raw materials, the cost increase due to rising oil price and the decrease in the number of children. To deal with the severe environment, companies are increasingly forming a capital alliance and a business alliance. This industry reorganization is expected to advance.

➤ **Report format:**

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◆ Research Summary

1. Market Overview

The total beverage market size, including milk and milk beverage, increased by 1.8 percent to 5,010 billion yen in fiscal 2007. It was the first increase in three years. The soft drink market, excluding milk and milk beverage, grew a little over 3 percent.

External factors of market growth are the record hot summer in 2007 and the warm winter in 2008. By product category, the mineral water sector and the vegetable drink sector continued to perform well. The cola beverage sector and the blend tea sector, which had been struggling for a long time, recovered and their sales grew.

Although many manufacturers increased their sales, their revenue is under pressure from the cost increase of raw materials and transportation due to oil price hike. Under this condition fruit juice manufacturers raised the price of fruit juice in May 2007, and dairy manufacturers raised the price of milk and milk beverage in the spring of 2008.

2. Market Trends by Product Category and Future Trends

The fiscal 2007 market size of coffee drink was 888.0 billion yen, up 0.6 percent from the previous year. That of green tea drink was 720.0 billion yen, up 1.1 percent from the previous year, that of mineral water was 225.0 billion yen, up 12.5 percent, and that of vegetable drink was 211.5 billion, up 4.8 percent. A positioning map of product categories based on market size in value and growth rate is shown below at the end of this document. In fiscal 2007 cola beverage and mineral water grew largely at a double-digit rate, and many other sectors increased their sales. On the other hand, the milk sector, which is large with over 700 billion yen market size, declined although some products, including premium milk, were in a good condition.

In the carbonated beverage sector “zero calorie” cola sold well, and clear carbonated beverage continued good performance. The mineral water sector is expected to become more brisk as mineral water is easily connected with popular keywords, such as “natural,” “healthy” and “non-sugar,” and a variety of products have recently been launched, including flavored water. The green tea drink sector declined in fiscal 2007. The sector had been enormously popular for a long time, and many similar products were launched. Consequently, originality of each disappeared and consumers came to buy only top brands. The sales floor size for green tea drink became smaller and overall sales decreased. On the other hand, blend tea expanded due to successful appeal by top brand manufacturers.

3. Industry Reorganization and Alliances

These days the beverage industry reorganization is progressing through capital alliances and business alliances by the companies aiming at gaining scale advantage under the environments with the increasing costs of raw materials and transportation due to oil price hike and the decreasing population. Coping with the severe market environments, beverage manufacturers in beer maker group strengthened connection with their parent beer makers. Other companies are also active in forming business alliances and capital alliances with companies in the other industries, such as food manufacturers and alcohol manufacturers, in addition to soft drink makers.

If these hard environments continue, weak companies are anticipated to be screened from the market, and further industry reorganization would be seen. It is expected that companies continue to seek for good solutions, forming a tie-up relationship in the vending machine sector and aiming at synergy effects in cooperating with other industries.

