



Beverage Industry

Beverage Industry of Bangladesh

A. Industry Classification:

International Standard Industrial Classification	Code
Manufacture of general-purpose machinery	108
<ul style="list-style-type: none">Manufacture of other general-purpose machinery (manufacture of distilling or rectifying plant for petroleum refineries, chemical industries, beverage industries etc.)	2819

Overview

The food and beverage industry to major extent is a non cyclical industry which falls under non cyclical consumer goods sector. Non cyclical industries in general are less prone to adverse effects of economic downturn and recession than cyclical industries. Therefore non cyclical industry, like the food & beverage industry tends to outperform cyclical industries during slow economic growth and better suited against negative economic conditions. Non cyclical industries can also perform well during economic expansion and growth as manufacturing output increases, purchasing power increases and thus employment rate rises. The origin of soft drinks, also known as non-alcoholic beverages, is linked with Sherbet developed by the Arabs. However, there are different types of sherbets available now a day such as juice, mineral water and carbonated soft drinks in Bangladesh. In a broader sense soft drinks include colas, sparkling water, iced tea, lemonade, squash and fruit punch. Carbonated soft drinks are also known as soda, pop or soda pop, fizzy drinks or sometimes just coke in some places of this world. Carbonated beverage entered into Bangladesh market in the later part of 1980s. In the West, non-carbonated soft drinks date back to the 17th century and that of carbonated drinks to the 18th century, while marketing in bottles started in the 19th century. From the early 20th century, sale of carbonated drinks increased dramatically and by the middle of the same century brands like Coca Cola became the icon of the industry in throughout world. Today, soft drinks both carbonated and non-carbonated have spread over in a variety of forms and brands all over the world. However, in terms of carbonated drinks, Coca Cola and Pepsi are the leading brands in most parts of the world including Bangladesh. Coca Cola was the first carbonated soft drink introduced in the then undivided Pakistan in 1962. After 1971, the Coca Cola production unit in Bangladesh was given to the Freedom Fighter Welfare Trust.

Beverage Manufacturers in Bangladesh

At present there are 19 beverage companies operating business in Bangladesh. They are Transom Beverage Limited, Sun Crest Beverage Industries Limited, Abdul Monem Limited, K. Rahman and company, Eastern Beverage Limited, Sanowara Drinks and Beverage, Md. Limited, Asia Business Limited, Desh Beverage Limited, Sanowara Drinks and Beverage Limited, National Beverage Industries Limited, Bridge Corporation Limited, Tezarat Enterprise, Southern Beverage Limited, K. Rahman and Company, Bangladesh Beverage Industries Ltd, Dhaka Beverage Ltd, Sunny Foods and Beverage Co. Ltd .

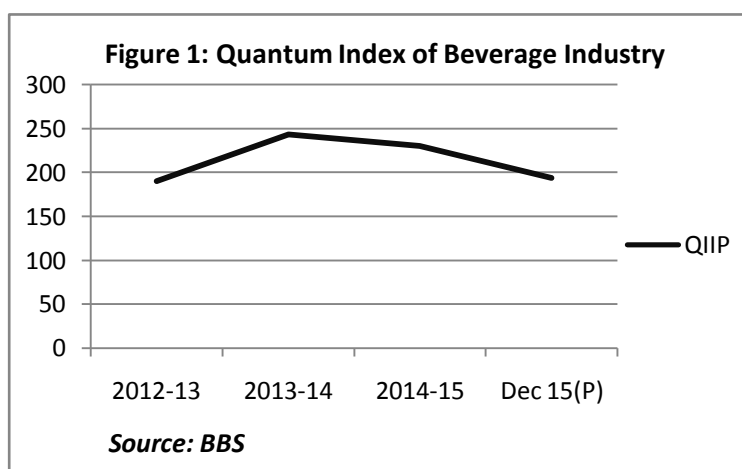
Classification, Market Share and Growth of Beverage Industry

The beverage industry consists of two major categories and eight sub-groups. The non-alcoholic category is comprised of soft drink syrup manufacture; soft drink and water bottling and canning; fruit juices bottling, canning and boxing; the coffee industry and the tea industry. Alcoholic beverage categories include distilled spirits, wine and brewing. Euro monitor International identifies Bangladesh as one of the 20 Markets of the future that will offer the most opportunities for consumer goods companies globally. Public sector's contribution in beverage industry is 38 percent. Quantum Index of Medium and Large-Scale Manufacturing Industry by Major Industry Group show a rising trend till FY 2013-14 and after that it shows a downward trend. In manufacturing industry, share of beverage industry is 0.3 percent. Growth rate of beverage industry in FY 14-15 was 28.1 percent and it is projected at 8.2 percent in FY 15-16.

Production Process

The production process is commonly used all over the world. But it may vary according to country's consumer demand. The making of the concentrate is the first step in the production of a carbonated soft drink. Operations in a concentrate manufacturing plant can be divided into five basic

processes such as treating water, receiving raw materials, concentrate manufacturing,



concentrate and additives filling and finally shipping of finished products. Soft drink bottling or manufacturing involves five major processes, each with its own safety issues that must be evaluated and controlled such as treating water, compounding ingredients, carbonating product, filling product and packaging.

Raw Materials

The major and some specific raw material of production process in each company vary according to the taste, flavor and so on but the most commonly used raw materials in production process of beverage items are physical appearance, color, taste, aroma, acidity, brix, PH, viscosity, arsenic, lead, cooper, zinc, tin, sulfur dioxide, caliform and so on. POP materials like stickers would have to be used to remind the target customers at the point of purchase.

Economic Contribution

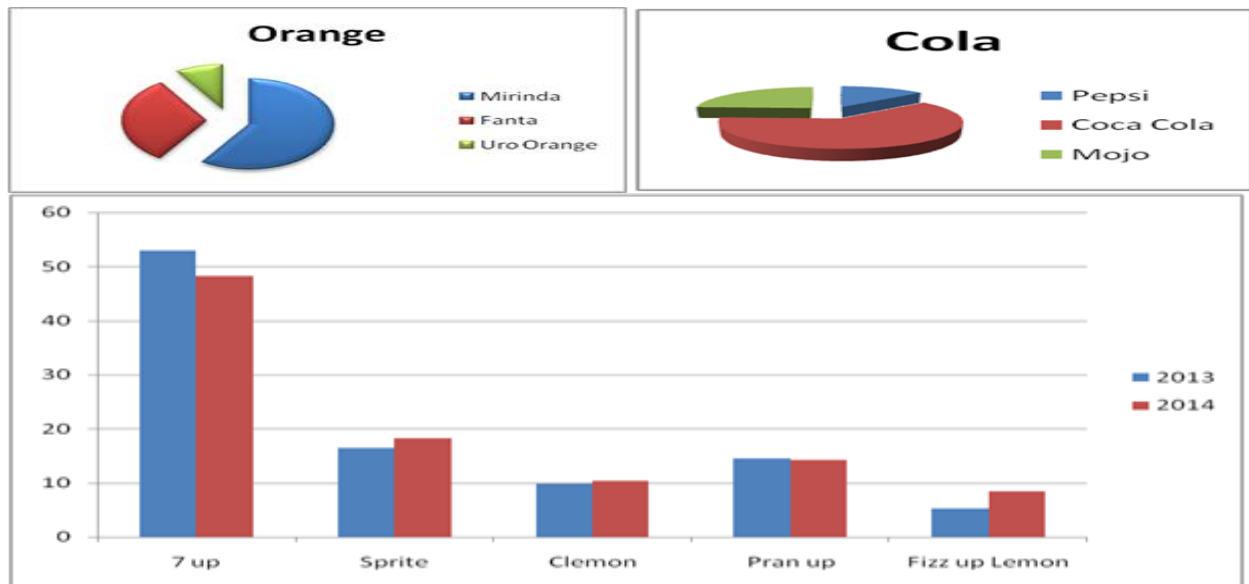
Soft drinks and Beverage market value amounted to US\$235 million in 2013 after registering a CAGR (Compound Annual Growth Rate) of 18% in value terms since 2009. Juice (CAGR 23%), bottled water and sports and energy drinks (19% CAGR each) and carbonates (16% CAGR) were the most dynamic soft drinks categories. It is forecast that soft drinks will see a value CAGR of 15% over 2013-2018.

Market Scenario

The market structure of the beverage industry in Bangladesh is oligopolistic with few firms dominating the market. They are Transcom Beverage Limited, Partex Beverage Ltd, Akij Food & Beverage Ltd, Agricultural Marketing Company Ltd (AMCL), Globe Soft Drinks Ltd. The beverage market is dominated by Transcom Beverage Limited with the 41.10% market share. Coca Cola is holding 28.40% and 11.50% market share is being held by Akij Food & Beverage Ltd as per data obtained from Nielsen Report dated February 2015. Pepsi, 7UP, Mirinda, Slice, Mountain dew, RC Cola, Virgin, Uro Cola, Coca Cola, Sprite, and Pran Cola are the major producers of soft drinks in Bangladesh. The other beverage producers are Akij Group (Speed, Wild Brew, Firm Fresh, SPA, Mojo, Clemon, Lemu, Fruitika), Agriculture Marketing Company Limited (Pran), Partex Beverage Limited (RC Cola, RC Lemon and Lychena) and Globe Soft Drinks Limited (Uro Cola, Uro Lemon). The market share of the soft drinks in Bangladesh, Coca Cola has now positioned itself as the top brand. According to a survey carried on December 2014, Coca Cola's

market share in Bangladesh is about 60.30% while for Pepsi it is 13.10% and for Mojo it is 23.60% (only cola). The survey has also revealed that 56.20% market share is occupied by Mirinda, 30.10% is occupied by Fanta and rest of them by others. If it is categorized by clear beverage items then 48.20% market share is occupied by 7up, 18.30% is by Sprite, and 14.30% is by Pran up. The survey also reveals that 50% of the market is occupied by international brands while the rest of 50% by local brands. In terms of juices, Pran has already earned a good reputation but its cola drink has yet to make its position. Mojo is another brand

Figure 2: Market Share of Cleared Soft Drinks (December 2014)

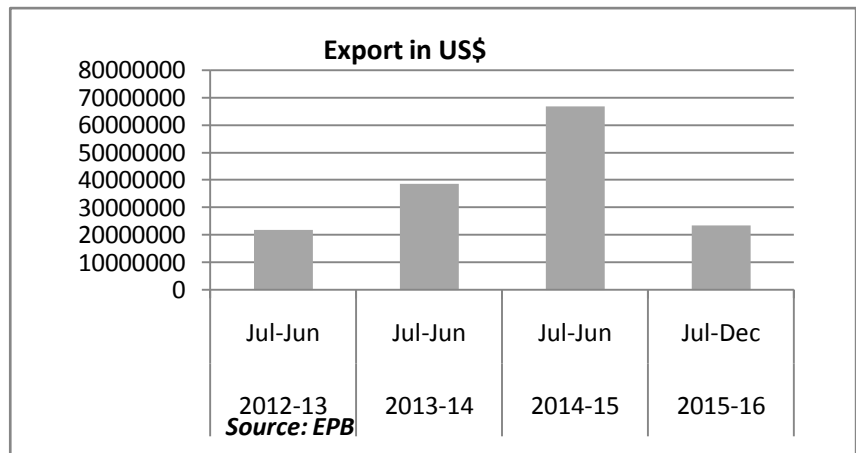


expanding in a rapid rate as it is the symbol of the young people and the bottle size is appropriate to the customers and now a day's others are following their norm. Energy drink is a new thing in Bangladeshi market and they try to explore a new world of taste, flavor, and feeling and finally ensure the quality of new drink in the market. It is new but it is very attractive and potential to the customer and that's why the market value and market share is increasing day by day. So it is a great opportunity for a soft drinks marketer to enter the market and gain a lot of profit to ensure the customer satisfaction. Some energy drinks available in Bangladeshi market are Sting, Speed, Royal tiger, Braver, Black Horse etc. Within the last 15 years a good number of producers have come up in the market with bottled water. The demand for purified/mineral water is increasing day by day as the people are becoming more health conscious and purchasing power of the people has also been strengthening. The notable brands are Mum, Aquafina, Fresh, Pran, Jibon, Iceberg, Duncan's, Spa, Shanti, ACME, Aqua Mineral, Everest etc.

Export

Export for Beverage products from Bangladesh are raising day by day. During the last Fiscal Year the export amount was US\$ 66826831.78 and almost US\$ 23481642.34 of export amount has been already earned till December of FY 2015-16 (July-Dec). Now about 90 items of

Figure 3: Export of Beverage Product



agro - processed products are being exported to 70 countries throughout the world where Beverage has relatively higher export intensiveness. Major export markets of agro - processed products are Asia, Middle East and Africa. Only nine products constitute 95% of Gross Value Added. Among them, four products- textile, RMG, food processing and agro processing absorb 91% of employment and constitute 92% Gross value added and 94% exports. Main competitive companies make a portion of their profits outside of the United States. This sector accounts for over 22% of all manufacturing production and employs about 20% of the labor force in Bangladesh.

Competition

At present Bangladesh has a very competitive market of beverage. Substitutes for soft drink beverage products are bottled water, sports drinks, coffee, and tea. Bottled water and sports drinks are increasingly popular with the trend to be a more health conscious consumer. There are progressively more varieties in the water and sports drinks that appeal to different consumers' tastes, but also appear healthier than soft drinks. In addition, coffee and tea are competitive substitutes because they provide caffeine. The consumers who purchase a lot of soft drinks may substitute coffee if they want to keep the caffeine and lose the sugar and carbonation. Specialty blend coffees are also becoming more popular with the increasing number of coffee shops that offer many different flavors to appeal to all consumer markets. It is also very cheap for consumers to switch to these substitutes making the threat of substitute products very strong. Competition is very fierce among existing firms. Firms can obtain a

competitive advantage by the following any of the four ways: Changing prices, improving product differentiation, creatively using channels of distribution and exploiting relationship with suppliers. Therefore healthy competition in food and beverage sector in Bangladesh leads to better product development and effective pricing for consumers to benefit.

Challenges

Globally, soft drinks continue to face major challenges. One of them is moving away to healthier drinks, which may put some pressure on yearly growth in sales of carbonated soft drinks. The push to diet beverages have been well covered by the major producers – with sales of diet Coke and diet Pepsi still strong. A recent trend is the rise in popularity of sports drinks. Bottled water has also experienced very strong growth. Finally the quality of water used in the manufacture of soft drinks poses serious issues for the industry. As mentioned earlier, the expanding workforce and middle aged group form the majority of the demand for this industry.

Conclusion

As the economy continues to improve slowly, a wave of significant change is occurring in the food and beverage industry which redefines how companies grow, operate, and manage risk. Rapidly advancing technology is driving much of the transformation, providing opportunities to explore new ways of doing business, and to better understand and engage with consumers. Food and beverage executives are confronting the cost and impact of the many risk and regulatory issues that government and other regulatory bodies are putting into place.