

Business

Soft drink brands see double digit growth in sales during 2009

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Last year was a big one for soft drinks in Vietnam, with local and global beverage brands seeing double-digit growth in sales of new product variants supported by ever larger sums for advertising.



Beverage advertising - alcoholic brands included - grew 93 percent to US\$36.1 million during the first half of 2009, according to TNS Vietnam. That performance outpaced all other industries, allowing beverages to become the fourth largest advertiser behind telecoms (\$61.6 million), food (\$49.6 million), and hygiene and beauty (\$43.8 million).

Of this, soft drink adspend totalled \$4.1 million during those first six months. By November it had broken the \$8 million mark.

In Vietnam, brand owners have no choice but to advertise. The country's increasingly prosperous 86 million consumers are in the middle of a generational shift in drinking behaviour, with the young forgoing premise-brewed water and teas for commercial, pre-packaged soft drinks.

Per capita consumption, though a modest 9.5 litres per person in 2008 according to Euromonitor, is still climbing, undeterred by an average price increase of nearly 20 per cent in 2009.

One explanation is the proliferation of newly-launched brands on Vietnamese store shelves. Each has been backed by significant advertising and promotional spend to ensure it stands out in the crowd.

New drink categories are emerging in a market dominated by inexpensive bottled water and traditional carbonated soft drinks (CSDs). CSDs had previously seen years of growth. In 1994, when the US ended its 19-year trade embargo against Vietnam, the US-based cola giants Coca-Cola and Pepsi returned to Saigon. Ten years later in 2003, CSDs accounted for 273.1 million of the 549.7 million litres of soft drinks consumed annually, and for VND4.1 trillion of their VND7.2 trillion in total value.

But then the market went rather flat. By 2008, CSD sales slid 6.6 per cent to 255 million litres, while value rose slightly to VND4.4 trillion due to price increases. Today Coca-Cola and Pepsi still own Vietnam's CSD segment. In the off-trade, each has four of the top 10 carbonated beverages. Pepsi leads with Mirinda (16.6 per cent) and namesake Pepsi Cola (14.9 per cent) followed by 7-Up (10.8 per cent) and Evervess (1.2 per cent). Coke has its flagship cola (12.7 per cent), Sprite (10.1 per cent), Fanta (8.3 per cent) and Schweppes (1.9 per cent).

Only two local companies - Saigon Beverages JSC (Tribeco) and Chuong Duong - produce carbonated drinks. Damien Duhamel, managing director of Solidiance, sees Vietnam's declining CSD sales as a temporary dip. "Most emerging markets are big consumers of CSDs because diet and sugar intake issues are of remote importance," says Duhamel.

Including its non-carbonated beverages, in 2009 Coke Vietnam had double-digit growth - 12 per cent, adds Duhamel. "We believe the Vietnamese CSD market will expand another 40 per cent between 2010 and 2015. This is in line with Coke's announcement last September that it would invest another \$200 million in Vietnam over the next three years."

Another MNC success in Vietnam's beverage market is Nestlé, which boasts the best-selling bottled water, La Vie, though Pepsi and Coke have entrants - Aquafina and Joy - giving these MNCs half of the sub-category. Three foreign brands - Sting (Pepsi), Red Bull and Samurai (Coke) - control 38 per cent of sales of functional drinks. In all other categories, however, MNCs are being out-manoeuvred by local companies.

While still a relatively minor sector, RTD teas tallied 45.5 per cent annual growth from 2003 to 2008, and annual sales approached 50 million litres last year. One brand, Zero Degree Green Tea, created by local food conglomerate Tan Hiep Phat Group, commanded 44 per cent of RTD tea sales in 2008. Another Asian beverage company Universal Robina Corp, is second with C2 Cool & Clean, which had 29.3 per cent of the sector. Western MNCs struggle for a five per cent sector share.

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