GLOBAL EDITION

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MARKETS – UAE

Soft drinks sales set to grow

In per capita terms, consumption of soft drinks in the UAE are forecast to increase from an expected 355 litres in 2012 to 390 litres in 2017, according to Business Monitor (BM). The soft drinks category includes bottled water, carbonates, juices and functional drinks (energy drinks). This is a solid volume outlook and is likely to be amplified by the premiumisation potential of the UAE market, with consumers increasingly trading up to more expensive brands.

Reflecting the overall opportunity still inherent to the soft drinks industry in the UAE, BM forecast soft drinks value sales in local currency terms to grow at compound annual rate of 10.1% to 2017. In US dollar terms, BM see the size of the industry growing from an estimated US$3.6bn in 2012 to US$5.7bn by 2017.

In Dubai in particular, where consumer preferences are arguably more aligned with Western tastes compared with other Gulf states or emirates, BM expect demand for premium functional drinks, mainly energy drinks, to also grow strongly over the next few years from a relatively low base. ● *(bmg)*

PACKAGING

Rexam to build new packaging plant for energy drinks

Rexam announces that it is to build a new beverage can plant in Widnau, Switzerland. It is Rexam's first plant in the country. It represents an investment of some £115m over three years and forms part of the company's current capital investment plans. ● *(bmg)*

MARKETS – INDIA

"Huge investments made to boost production and distribution capacity"

With consumers across the country reining in spending, FMCG companies are going through sleepless nights.

By Surajeet Das Gupta, Business Editor, India

Soft drinks today are available in over 2.15 million outlets across India, nearly a third of all the shops in the country.

Sales of everything from coffee and noodles to toilet soaps and skin creams are slowing as families scrimp their budgets or trade down to cheaper groceries. Consumers are also choosing to put off their decision to buy big-ticket items such as cars and mobile phones until times are rosier.

However, one product category has bucked the gloom. Sales of soft drinks and aerated water are on fire with Coca-Cola and Pepsi, the big daddies of the business, leading the way. According to the latest industrial production figures, soft drinks and aerated water grew a staggering 65 per cent in December over the previous year. ▸10

STRATEGY

Quo vadis food and beverage Industry?

*By Gerald Lindinger-Pesendorfer**

Many medium-sized companies in the food industry are facing a dilemma: Caught between three powerful forces – trade, global players and an incalculable raw materials market – they are moving at the edge of their existence. Increasing raw material costs eat up marginal profits. Required investments are suspended and competitiveness is additionally reduced by it.

**Dr. Wieselhuber & Partner GmbH, Germany*

The overall situation is so drastic that the European Commission founded the COSME programme to support SME (small and medium-sized enterprises). Do medium-sized companies actually have a realistic chance for survival under these conditions? Yes. The market is full of opportunities. They merely need to be recognised and taken in a profitable manner.

Fed by the (All) Powerful Trinity?

The food industry trade is focussed more strongly than ever and plays this position of power in annual negotiations or price increase rounds during the year every year. It also acts increasingly professional. ▸12

M&A – SUPPLIER

Constantia Group acquires label manufacturer Spear

Constantia Flexibles Group, headquartered in Vienna, Austria, has signed a deal to acquire Spear Group – one of the leading manufacturers of labels globally.

Thomas Unger, CEO of Constantia Flexibles, "We will be able to serve our customers even better together with Spear, a leading beverage labels business with a highly attractive, global, blue-chip customer base.

The Group's outstanding technological capabilities present many opportunities for continued profitable growth. We look forward to partnering with Spear's excellent management team to capture the benefits from combining our businesses."

Spear has been a global leading innovator and supplier of pressure-sensitive labels for the beverage industry since 1982. The company has sales of approximately US$ 195 million with 650 employees located at four facilities in North America, one site in Europe (Wales/UK), one site in South Africa and a sales office in Singapore. Additionally, "We are excited by the increased opportunities that Spear will be able to offer our customers by joining forces with Constantia Flexibles. This combination will enhance our leadership position in the technological development of pressure-sensitive labeling for primary brand decoration," said Rick Spear, CEO of Spear.

The acquisition is part of the international growth strategy of Constantia Flexibles and constitutes a strong basis for further growth and expansion in the global labels market. The parties agreed not to disclose the price of the transaction. ● *(bmg)*

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STRATEGY

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11▸ These factors can essentially contribute to increasing efficiency and differentiating in a market-compatible manner. Processes and requirements from other departments are better known. Colleagues from marketing, sales, purchasing, product development and production know each other personally. One person often covers several functions. Informal coordination “on the short path” is easy. Combined with an owner in operative management or short paths to reconciliation with shareholders, this creates speed and flexibility that large groups often can only dream of. This benefit must be used consistently and systematically to recognise and answer new consumer or retail requirements, to copy successful ideas or master economic crises.

Another benefit is that local cooperations in medium-sized businesses may lead to decisive competitive head starts. Increasing transport costs, higher complexity and storage costs and time loss are avoided. Since consumers increasingly rely on local products in butter, milk and meat as well, local anchors are additionally promoted. Retail also focuses on local offers: Own regional brands like “Unser Norden” of COOP from Kiel are getting more frequent in the supermarket shelves. Long-term cooperation with suppliers “speaking the same language” permits coordinating production so closely with further processing that both sides profit from it.

Manufacturer and Customer Cooperation is Needed

There also is a great potential in the cooperations between medium-sized manufacturers. Such partnerships have proven their value from logistics to field service. Last, fruit juice producer Amecke successfully outsourced its field service into a separate company together with Zwieback producer Brandt. Nevertheless, the options of strategic partnerships, license agreements or joint ventures are considered far too rarely yet. Many enterprises rather go by “business as usual” and thus approach acquisition or insolvency, than seriously thinking about structure solutions. An enterprise may develop local or national customer loyalty if it is anchored in the local society by responsible action. This is why the brand Frosch by Werner & Mertz has very positive results on the WPR market (Wasch-, Pflege- und Reinigungsmittel; laundry, care and cleaning agents). It can prevail next to global giants like Procter & Gamble, Reckitt Benckiser and Henkel because the consumers trust the brand. Frosch was, after all, elected the “Most Trusted Brand” (Readers Digest) on the household cleaner market eleven times in a row. This may be the perfect basis for a partnership with an established service provider to finally offer a building cleaning service under the name of a brand that inspires trust everywhere in Germany.

Schedule for Medium-Sized Enterprises

5 Steps to Success

1. **Market orientation:** Create a differentiated and relevant market position to start from!
2. **Performance generation:** Efficient procurement, production and sales processes are mandatory! Coordinate them precisely with your services.
3. **Cooperations:** Strategic partnerships are everything. Maintain your network and acquire competitive advantages that you would be unable to build without cooperations.
4. **Organisation and culture:** Ensure slim and powerful structures in the enterprise!
Area-comprehensive understanding and a fast, target-oriented culture can be the decisive benefit for a medium-sized enterprise.
5. **Financing:** Draw up a solid financial plan, determine suitable financing models. They are vital: renewal and growth as well as crisis management directly depend on them.

On the Path to becoming the Market Designer

It is clear that the intensely fought-over food market offers enough opportunities for medium-sized enterprises as well. Combining a consumer- and competition-oriented market position with efficient, customised value-added architecture and entrepreneurism, as well as regional responsibility, does more than justify the existence of medium-sized enterprises. They will even hold an important and (market) designing role in the social structure in future. ● *(bmg)*