The Present and Future of Food Market in the Northeast Asia: Drinks Market

Junghoon Moon · Jaeseok Jeong

Abstract The main goal of this study is to show promising future food market of Northeast Asia countries, including China, Japan, and South Korea. Drinks market, including soft and alcoholic drinks is selected to show global food companies new opportunities for next strategic movements. Market Attractiveness Matrix is developed based on BCG matrix as a main framework for this study. CDI (Category Development Index) is also used. It is found that Asia-pacific has fast-growing markets and it has strong potential for future investment. Northeast Asia countries (China, Japan, and South Korea) turned out to be ones of the most attractive regional markets. However, European drinks market is saturated even though its size is still big. This study suggests that Northeast Asian market be considered a market for the next strategic movement and investment.

Keywords Food Market, Drinks Market, Northeast Asia

1 Introduction

The world Food market is divided into two different segments; first one is agricultural products, another is packaged/processed foods. As presented in Fig. 1, global food market size was 4,639 billion dollar, and market share of packaged foods was only 45.8%. More agricultural products were purchased in 2006. As of 2010, however, its total market size has been increased by 12.5% point and CAGR (Compound annual growth rate) was 3.3% (Datamonitor, 2011). The market share of packaged foods was also increased up to 49.6%, about a half. This fact illustrates consumer’s life style changes these days, that is, convenient food consumption are preferred due to busy life. We anticipate that this trend will be continued.
What is the driving force behind this increase and changes? As shown in Fig. 1, “Rises of Asia-Pacific and falls of Europe” is obviously observed. Asia-Pacific market has been increased by 7.7%, but European market has been shrunk from 38.2% to 29.1%. Global market share has been dramatically changed for last 5 years, and Asia-Pacific became world largest food market. Responding to such global trend changes, food companies need to find new opportunities. What is the next market for investment? Where to move? The main goal of this study is to illustrate the present and future of food market in the Northeast Asia, including China, Japan, and South Korea. To make complicated food market structure simple, this study focuses on drinks market, including both soft and alcoholic drinks markets. This study shows new opportunities of the Northeast Asia as for global food companies.

2 Basic Profiles of the Northeast Asian Food Market

Asia market is divided into five or six different regional market segment based on regional and cultural backgrounds, including Southwest, Central, South, Northeast, and Southeast. Their life styles are totally different between those market segments. In this study, northeast market consists of China, Japan, and South Korea. Even though it usually includes North Korea and Mongolia, this study excluded these two countries because there are no sufficient data about their food consumption life nor they have comparatively small population compared with China, Japan and South Korea (hereafter CJK). Table 1 represents basic statistics of three Northeast countries.
Table 1 CJK Country Profile

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>Japan</th>
<th>Korea (South)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (mil.)</td>
<td>1,346.20 (1st)</td>
<td>126.9 (10th)</td>
<td>48.9 (26th)</td>
</tr>
<tr>
<td>Capital</td>
<td>Beijing</td>
<td>Tokyo</td>
<td>Seoul</td>
</tr>
<tr>
<td>Life expectancy (M/F)</td>
<td>72/76</td>
<td>80/87</td>
<td>76/83</td>
</tr>
<tr>
<td>Monetary unit</td>
<td>Yuan</td>
<td>yen</td>
<td>won</td>
</tr>
<tr>
<td>Main exports</td>
<td>Manufactured goods</td>
<td>Vehicles, computer parts, chemicals, and watches</td>
<td>Electronic products, machinery and transport equipment</td>
</tr>
<tr>
<td>GDP ($bil.)</td>
<td>5,692.60 (2nd)</td>
<td>5,613.70 (3rd)</td>
<td>967.8 (15th)</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>14.30%</td>
<td>3.00%</td>
<td>6.10%</td>
</tr>
<tr>
<td>GDP per Capita</td>
<td>4,283 (92nd)</td>
<td>42,325 (17th)</td>
<td>20,165 (33rd)</td>
</tr>
</tbody>
</table>

As shown in Table 1, there is large population in Northeast Asian area, and they have consumed abundant quantity of food, and these days, demand on high quality food are strongly increased based on their improved wealth and expectation towards well-being in that area.

Now this Northeast Asia becomes one of the most attractive markets for packaged food. As of 2011, based on analysis of Datamonitor (2011), packaged market of Northeast Asia stands for about 25% of whole global packaged food market and 80% of whole Asian packaged food market. Its market size is now equivalent to 55% of whole European packaged food market and its gap will be reduced gradually.

3 Market Investment Matrix Analysis: Global Drinks Market

3.1 Market Attractiveness Matrix

Which market is more attractive for the next investment? This is one of the key questions of global food companies to find new opportunities. This study developed a new framework to answer to this question in the area of soft drinks, alcoholic drinks, dairy, and chilled food.

Fig. 2 shows the basic concept of this framework, named ‘Market Attractiveness Matrix,’ which is developed based on concepts of BCG Matrix for this study. The market is valued according to retail selling price, along with any types of applicable taxes for this analysis.
This matrix was developed on the basis of a well known ‘BCG Matrix’ to identify market attractiveness for your next business move. The X axis indicates Relative market value, which is comparative market size. The Y axis stands for Relative market growth rate. For high market value and high growth market, we named it “Heaven.” But high market value with low market growth, we named it “Battle Field.” Companies in this category must have to fight thoroughly to take more market share from your competitors in the Battle Field market. For Low market value currently, but with high growth rate, we named it “Gold rush,” which is a high potential market. The last one is a “Chicken Ribs,” with low market value and low market growth.

This matrix is applied to soft and alcoholic drinks markets to suggest global companies’ next strategic movements.

3.2 Soft Drinks Market

The soft drinks market consists of retail sale of bottled water, carbonates, concentrates, functional drinks, juices, RTD tea and coffee, and smoothies. For last ten years, global soft drinks market has been gradually increased up to 569.6 billion dollar.

According to Datamonitor (2011b), CAGR was estimated at about 2.9%. US market size has been shrunken and CAGR of European soft drink market was 2.4%, but that of Asia Pacific market is estimated as 4.9% with CAGR which is the highest increase. Also, as shown in Fig. 3, the market share of Asia Pacific will be increased up to 24.07% which will exceed the US market (22.22%) in 2014.

The proposed matrix is applied to soft drinks market using 2006, 2010 data and 2014 estimated data. All data used for this study are from Datamonitor (http://www.datamonitor.com). The results are represented in Appendix A.

In 2006, European soft drink market size was 162.9 billion dollar, but it is in the Battle Field category, which means the market is saturated to some extent. Rather, market size of Asia pacific was 93.6 billion dollar, which is smaller than European and US markets, but it is located in Gold rush category, which means that it has high potential even though its market value is not so high.

In 2010, US Soft drinks market went worse; it falls into Chicken Ribs category, and European market is still the largest market but still looks saturated. Asia-Pacific market state is moving to left, that is, more close to Heaven category and its market size keeps increasing.

In 2014, Asia-Pacific soft drinks market is expected to be bigger than US market, and it approaches more left, almost Heaven. On the contrary, European market is moving to category Chicken Ribs. Based on the matrix analysis, it can be concluded that Asia-pacific is the most attractive soft drinks market.

As illustrated in Fig. 4, CJK, that is Northeast Asia, take a share of 75% of whole Asian Pacific soft drinks market. It means that CJK has the largest soft drinks market in the Asia-Pacific area.

CDI (Category Development Index) represents Soft drinks category development Index. If the index is higher than 100, it is noted that the category has been well developed in a certain market, so new entrants don’t need to spend extra money on developing the category in the market. If the index value is low, new market entrants need to spend more money on developing the category in the market, or their marketing campaign will not be effective in the market. Thus, as shown in Fig. 4, Japan and Korea have highly developed soft drinks market in their countries. These findings imply that if a company wants to move
into the rest of Asian countries, for example, India, or Vietnam, you need to spend more money to develop market because this category is not well developed in those markets.

![Northeast Asia Soft Drinks Market](image)

**Fig. 4 Northeast Asia Soft Drinks Market**

In this category, 45.7% of Asia-Pacific soft drinks market is driven by Japanese consumers. However, these three different countries show totally different consuming behaviors when they consume soft drinks. Bottled water accounts for 35% of China soft drinks market. It must be due to Chinese consumers’ response to serious environmental contamination in China. On the contrary, RTD tea & coffee accounts for 41.2% of Japan soft drinks market (c.f. Europe: 3.7%). This finding can be explained by Japanese consumers’ busy life style and well-developed convenient store chains. Korean consumers turned out to prefer carbonated drinks (28.4%) than Chinese and Japanese. It must be part of fast growing fast food industry in South Korea now.

3.3 Alcoholic Drinks Market

As similar to soft drinks market, the market size of Asia-pacific area is expected to expand very quickly. Based on Datamonitor’s analysis (http://www.datamonitor.com), its CAGR is estimated up to 5%, rather other market shows gradual and slow growth. The alcoholic drinks market consists of beers, cider & FABs, spirits and wines. European alcoholic market share are even larger than all other market on the earth (56.62% in 2010) which is mainly due to heavy wine consumption in Europe. However, its market share keeps decreasing. Instead, Asia-pacific spends more money on Alcoholic drinks, 16.16%, 18.57%, and 20.71%, respectively (Fig. 5).

![Global Alcoholic Drinks Market](image)

**Fig. 5 Global Alcoholic Drinks Market (Data Source: Datamonitor (2011c))**

The proposed matrix is also applied to alcoholic drinks market using 2006, 2010 data and 2014 estimated data. All data used for this study are from Datamonitor (http://www.datamonitor.com). The results are represented in Appendix B.

In 2006, European Alcoholic drinks market is the largest one, which is 539.0 billion dollar. Market sizes of Asia-pacific and the U.S are similar as 147.3 and 146.5 billion dollars.
But in 2010, European alcoholic drinks market falls into a trap of market saturation; too much competition, less growth of market size. Asia-pacific market expands very quickly compared with other markets.

The Asia Pacific market is more expected to approach Heaven category in 2014. From 2006 to 2014, Europe shows a typical stagnant market of alcoholic drinks. Moreover, the U.S. market will remain is Chicken Ribs category.

When we move on to inside of Northeast Asia market, it is found that 70.9% of whole Asian alcoholic drinks market is taken by CJK. All CJK countries have well-developed category of alcoholic drinks based on CDI analysis (Fig. 5).

It needs to note that beer market is the largest sub category of alcoholic drinks in Northeast Asia (65.1%), but much smaller market of wine than Europe and the U.S. Each CJK country has its own strong local beer brands, and their market shares are very high. Even though beer is the most consumed alcoholic drinks in all Northeast Asian countries, Korea consumes less beer but more spirits, compared with Japan and China (Fig. 6).

4 Conclusion

This study explored new opportunities of global drinks market using a new framework of Market Attractiveness Matrix and CDI (Category Development Index). First of all, we compared Asia-pacific with Europe and U.S. markets using longitudinal data, and found that Asia-pacific drinks markets are growing fast but European market seems to be saturated. In both cases of soft and alcoholic drinks, Europe falls in Battle Field category; rather, Asia-pacific in Gold Rush category. The U.S. market is now in Chicken Ribs category. These findings imply that Asia-pacific is an emerging market with high potential.

Based on market size and CDI (Category Development Index), it was found that Northeast countries (China, Japan, and South Korea) turned out to be the most attractive drinks market. Japan shows extremely high CDI and South Korea moderate CDI. China has relatively lower CDI but the number is much higher than that of the rest of Asia.

In conclusion, global food companies searching a new market for drinks need to thoroughly consider the Northeast Asia for the next move. Northeast Asia has diverse and balanced consumer markets. China has the world’s largest population and world largest potential food markets. Japan has many consumers who consume high-value foods, and Korea has the most westernized lifestyle and easily adopts new products from foreign countries. Also, China has the world’s largest market, which is cost-effective. Japan has the more skillful labor market, and Korea has the most hard-working market in the world (2,193 hour/year, c.f. OECD average: 1,749). Northeast Asia will promise new opportunities for food companies expanding the business.

References

Datamonitor (2011a) Industry Profile: Global Food Products
Datamonitor (2011b) Industry Profile: Global Soft Drinks
Datamonitor (2011c) Industry Profile: Global Alcoholic Drinks
Appendix A. Market Attractiveness Matrix Analysis: Soft Drinks (Data source: Datamonitor)
Appendix B. Market Attractiveness Matrix Analysis: Alcoholic Drinks (Data source: Datamonitor)