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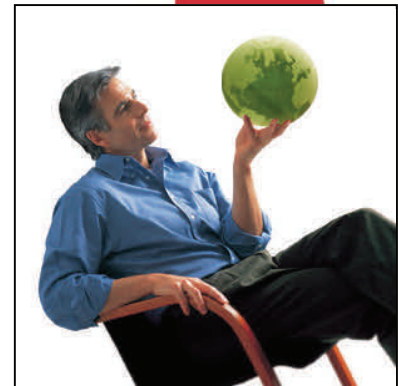


Consumer Trends

Wine, Beer and Spirits in Japan



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Consumer Trends

Wine, Beer and Spirits in Japan



▶ EXECUTIVE SUMMARY

Japan is a wealthy nation of 127 million people and a leading global exporter. In 2011, the country's gross domestic product (GDP) was US\$5.8 trillion. However, the economy has seen uneven growth over the past decade, exacerbated by the earthquake and tsunami that hit Japan in March 2011. As a result, Japanese consumers have become frugal and very selective in their spending habits.

In 2011, the Japanese market for alcoholic drinks was valued at US\$50 billion, but has seen little growth in recent years. This is largely due to reduced consumer spending on non-essential items, retailer price competition, and a declining population of drinkers. Beer, wine, and spirits are the major segments of the alcoholic beverages market. Only beer and ready-to-drink/high-strength premixes have grown since 2005, with 1.9% and 4.1% in annual volume growth, respectively.

While Japan's imports of alcoholic drinks reached a value of US\$2.8 billion in 2011, Canada's exports to Japan have fallen substantially since 2005. Exports registered at US\$3.0 million in 2010, less than half of their 2005 value, and were largely comprised of wine and spirits.

Sales volume of alcoholic drinks in Japan is expected to be flat from 2012 to 2016. In terms of market segments, only the ready-to-drink/high-strength premixes category is forecast to experience, albeit modest, annual growth of 1.3%.

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► BRIEF COUNTRY PROFILE

Japan is an affluent nation with a highly urbanized population, with more than two-thirds of residents living in cities (Tokyo is home to 36 million people alone). Japan is the fastest aging country in the world due to a low birth rate and high life expectancy; one-quarter of the population will be sixty-five years of age or older by 2020. The number of single households continues to rise, due in part to young people waiting longer to get married and have children. In 2011, the country's population declined by 0.3%.

With a GDP of US\$4.39 trillion, Japan's economy was the world's fifth-largest in 2011. It was a net exporter, with a trade surplus of US\$123 billion. The labour force employs 63 million workers, most of whom work in the services sector. Japan has had an uneven pattern of income over the past decade, fluctuating between growth and contraction. In 2011, real GDP declined 0.5% and inflation was 0.4%. Despite this, income per capita rose to US\$34,300 and unemployment was only 4.7%.

Table 1: Economic indicators in Japan, 2011

Indicator	2011
Gross Domestic Product (GDP)	US\$4.4 trillion
Income Per Capita	US\$34,300
Labour Force	63 million workers
Export Value	US\$801 billion
Import Value	US\$795 billion
Real GDP Growth	-0.5%
Inflation	0.4%
Unemployment Rate	4.7%

Source: Central Intelligence Agency, 2012.



Source: Shutterstock.

► CONSUMER EXPENDITURE

Following the global economic recession and the crisis of March 2011, the Japanese have become very budget conscious and discerning consumers. They value food safety and transparent labelling, are increasingly health conscious, and lead busy lifestyles. As a result, products low in calories, fat, and carbohydrates have gained considerable popularity, while convenience-oriented food and one-stop shopping destinations are also desirable.

Japan's consumer expenditure was US\$26,700 per capita in 2011, down 2.6% since 2006. Food is the second-largest expenditure behind housing. About US\$570 per capita, or 2% of consumer expenditure, is spent on alcoholic drinks, which consist largely of beer and spirits. Alcohol spending in the country fell by 8.2% between 2006 and 2011.

► TRADE

In 2011, Japan imported US\$2.8 billion in alcoholic drinks, comprised largely of wine and spirits. The value of imports grew 5.6% annually between 2006 and 2011. France, Chile, and Italy combined for two-thirds of wine imports, while South Korea and Brazil made up the majority of spirits imports.

Canada exported US\$3.0 million of alcoholic drinks to Japan in 2010, less than half of its 2005 export value. Spirits made up three-quarters of this value, and wine accounted for one-fifth. Canada did not export any beer to Japan. The decline was uniform across all alcoholic drinks, except for cider/perry and ready-to-drink/high-strength premixes (RTD/HSP), which grew by over one-third during this period.



▶ TRADE (continued)

Table 2: Japanese Imports of Alcoholic Drinks from the World, 2011

Commodity	Imports 2011		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ millions	Volume million litres	Value	Volume
Wine	1,344	218	2.7%	4.5%
Spirits	1,163	712	5.9%	1.4%
Cider/Perry/RTD/HSP*	271	241	32.0%	41.6%
Beer	68	42	5.2%	2.4%
Alcoholic Drinks	2,846	1,213	5.6%	2.4%

Table 3: Canadian Exports of Alcoholic Drinks to Japan, 2010

Commodity	Exports 2010		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ thousands	Volume thousand litres	Value	Volume
Wine	2,229	623	-16.8%	-19.9%
Spirits	651	47**	-15.7%	-20.9%
Cider/Perry/RTD/HSP*	92	4	6.6%	-27.6%
Alcoholic Drinks	2,973	-	-16.2%	-

*RTD/HSP: Ready-to-drink/high-strength premixes. **Spirit export volume is measured in thousands of litres of pure alcohol.

Source for both: Global Trade Atlas, 2012.

In 2010, Ontario accounted for 88.6% of the value of Canada's wine exports to Japan, while British Columbia accounted for 9.8%. Nearly all spirits exports came from Ontario. Half of Canada's cider/perry exports to Japan came from Quebec, and over one-third came from Ontario.

▶ ALCOHOLIC DRINK MARKETS

The alcoholic drinks market in Japan is fairly mature and has shown little growth in recent years, due to low consumer confidence, price competition, and a declining population of drinkers. Japanese consumers are also increasingly sophisticated and discerning of where they spend their money, and have been trading down from standard to economy products to stretch their budgets. Price competition among manufacturers and retailers has decreased the average price of an alcoholic drink from US\$7.20 per litre in 2006 to US\$6.70 in 2011.

Japan's off-trade alcoholic drinks market (which refers to retail sales, not including those through foodservice establishments) was worth US\$50.3 billion in 2011, and consists of beer, wine, spirits, ready-to-drink/high-strength premixes (RTD/HSP), and cider/perry. Beer represented 57.7% of the market in value terms, followed by wine and spirits at 16.7% and 16.6%, respectively. Between 2006 and 2011, the market peaked at US\$53.5 billion but subsequently fell back to its initial value, eliminating all growth achieved in this period. While the 2011 earthquake and tsunami damaged several breweries and led to rolling blackouts and a shortage of packaging supplies, alcoholic drink production was not reduced.

Only beer and RTD/HSP exhibited growth in the last five years. The beer market increased in value by 0.2% annually despite volume growth of 1.9%. RTD/HSP saw 5.3% annual growth in value and 4.1% in volume.

▶ **ALCOHOLIC DRINK MARKETS (continued)**



Table 4: Market Sizes of Alcoholic Drinks in Japan, 2011

Subsector	Market Size 2011		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ millions	Volume million litres	Value	Volume
Beer	29,037	5,484	0.2%	1.9%
Wine	8,403	563	-1.5%	-1.3%
Spirits	8,363	750	-1.5%	-1.3%
RTD/HSP	4,503	726	5.3%	4.1%
Cider/Perry	11	<1	-1.9%	-2.8%
Alcoholic Drinks	50,317	7,524	0.0%	1.5%

Source: Euromonitor, 2012.

Over 1,600 new alcoholic drinks were introduced between 2007 and 2011. RTD/HSP led all subsectors with 940 product launches, followed by beer and wine, which had 302 and 232 launches respectively. Several of the top new product claims pertained to exclusivity, such as limited editions, seasonal drinks, and premium products. Others were low in sugar or calories, or had environmentally-friendly packaging.

Figure 1: New Launches of Alcoholic Drinks, Japan, 2007-2011

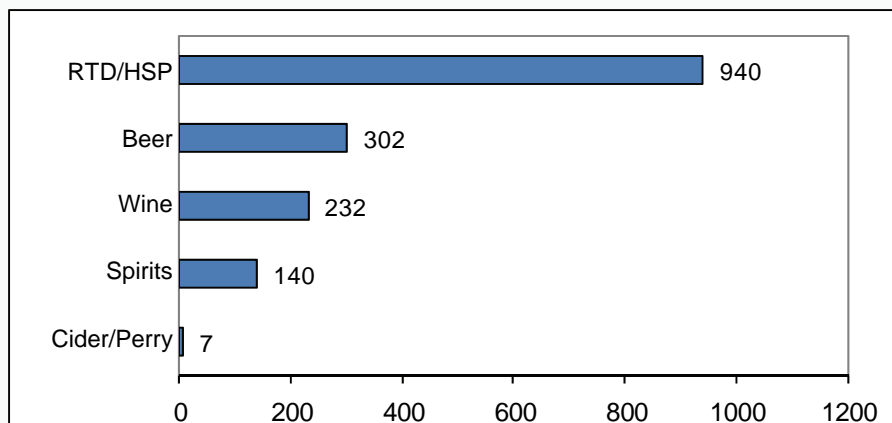
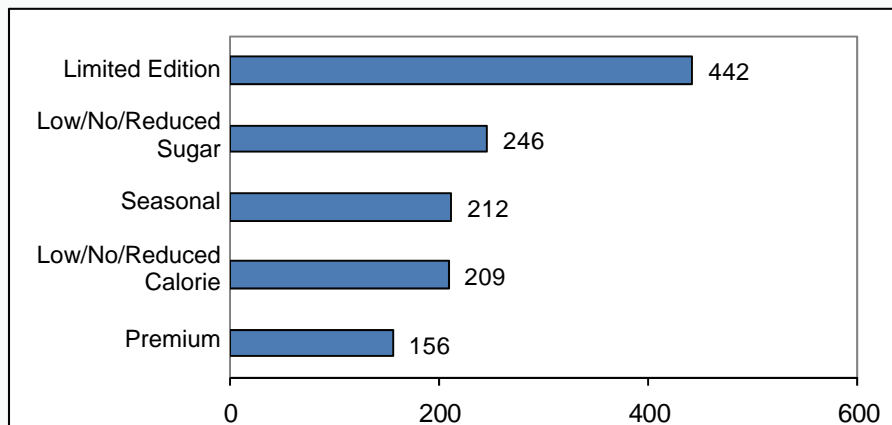


Figure 2: New Product Claims of Alcoholic Drinks, Japan, 2007-2011



Source for both: Mintel, 2012.





▶ **ALCOHOLIC DRINK MARKETS (continued)**

In 2011, the top five companies accounted for 74.1% of alcoholic beverage sales by volume. These companies were Asahi Breweries (26.3% share), Kirin Holdings (24.9%), Suntory Holdings (12.2%), Sapporo Holdings (8.0%), and Takara Holdings (2.7%). Market concentration was highest in the beer and RTD/HSP subsectors. Private labels represented only 1.9% of the market by volume, and were primarily in RTD/HSP. Some producers have formed agreements with foreign companies to introduce international brands to Japan.

Table 5: Market Volume Shares of Alcoholic Drink Sales in Japan by Manufacturer, 2011

Subsector	Top Five Firms	Private Label	Top Companies
Beer	87.8%	0.3%	Asahi, Kirin, Suntory, Sapporo, Orion
Wine	35.2%	0.0%	Hakutsuru, Gekkeikan, Takara, Ozeki, Nihonsakari
Spirits	48.1%	0.7%	Suntory, Takara, Asahi, Sanwa, Godo
RTD/HSP	82.6%	10.4%	Suntory, Kirin, Asahi, Takara, Choya
Cider/Perry	77.7%	0.0%	Nikka, Ikon, Seijo, Shigematsu
Alcoholic Drinks	74.1%	1.9%	Asahi, Kirin, Suntory, Sapporo, Takara

As a result of the 2003 deregulation in alcohol retailing, supermarkets and convenience stores have been acquiring an increasing share of the distribution from specialty stores. In 2011, supermarkets and convenience stores accounted for 45.3% and 18.1% of sales value, respectively, while specialty stores held 25.7%.

For beer and wine, the excise tax is 39.5% of total off-trade value. For spirits, the excise tax is 11.8%.

Table 6: Market Value Shares of Alcoholic Drink Sales in Japan by Distributor, 2011

Distributor	Subsector					
	Beer	Wine	Spirits	RTD/HSP	Cider/Perry	All
Supermarkets	46.0%	51.1%	50.0%	47.8%	16.5%	45.3%
Convenience Stores	22.7%	7.6%	2.2%	22.6%	2.2%	18.1%
Specialty Stores	21.8%	31.5%	37.8%	21.1%	70.8%	25.7%
Other	9.5%	9.8%	10.0%	8.5%	10.5%	10.9%

Beer

Japan's off-trade beer market was worth US\$29.0 billion in 2011 and represented 5.5 billion litres. It consists of lager, low/non-alcohol beer, dark beer, and stout. The market is made up almost entirely of lager, of which standard lager accounted for 57.3% of sales value, and economy lager comprised 30.2%.

Table 7: Market Sizes of Beer in Japan, 2011

Subsector	Market Size 2011		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ millions	Volume million litres	Value	Volume
Lager	28,413	5,351	0.0%	1.5%
Low/Non-Alcohol Beer	494	120	36.0%	39.1%
Dark Beer	123	12	-7.4%	-8.0%
Stout	7	<1	0.8%	0.0%
Beer	29,037	5,484	0.2%	1.9%

Source for all tables: Euromonitor, 2012.

▶ ALCOHOLIC DRINK MARKETS (continued)



In recent years, price-conscious consumers have traded down from standard lager to economy lager, and with retailer competition, this has contributed to its price decrease from US\$5.70 per litre to US\$5.30 per litre. Between 2006 and 2011, the sales volume of standard lager fell 5.7% annually, while economy lager grew 4.4% and premium lager grew 10.1%. Low/non-alcohol beers saw substantial annual growth at 39.1%. Indeed, low/non-alcohol beer is rising in popularity and is expected to increase in volume sales by a total of 19.7% from 2012 to 2016. Economy beer is forecast to grow by 2.8%, while standard beer is expected to decline by 7.2%.

The top five companies accounted for 87.8% of beer sales volume in 2011. These companies were Asahi Breweries (33.8% of volume), Kirin Holdings (31.0%), Suntory Holdings (11.4%), Sapporo Holdings (10.9%), and Orion Breweries (0.7%). Private labels made up only 0.3% of the volume.

In 2011, supermarkets accounted for 46.0% of beer sales value, followed by convenience stores and specialists with 22.7% and 21.8%, respectively.

Wine

In 2011, the Japanese off-trade wine market was worth US\$8.4 billion, and represented 563 million litres. This market consists of non-grape wine, still light grape wine, sparkling wine, and fortified wine and vermouth. Non-grape wine accounted for 63.2% of market value, and is largely made up of sake. Still light grape wine represented 34.9% of the market, and includes red and white wine. Sparkling wine is mostly champagne.

Table 8: Market Sizes of Wine in Japan, 2011

Subsector	Market Size 2011		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ millions	Volume million litres	Value	Volume
Non-Grape Wine	5,311	400	-2.8%	-2.8%
Still Light Grape Wine	2,930	159	0.9%	2.8%
Sparkling Wine	161	4	6.0%	9.0%
Fortified Wine/Vermouth	2	<1	-4.1%	0.0%
Wine	8,403	563	-1.5%	-1.3%

Source: Euromonitor, 2012.

Total sales volume in the wine category contracted by 1.3% annually between 2006 and 2011. An annual 2.8 decline in sake sales, due largely to fears of rice contamination after the Tohoku earthquake and a shift toward whiskey. In addition, wine prices fell as a result of consumers trading down to budget wines. A total volume decline of 2.1% is expected between 2012 and 2016. Non-grape wine is expected to fall by 6.2%, while still light grape wine is expected to grow by 8.2%.

In the non-grape wine market, the top five companies accounted for 35.2% of sales volume in 2011. These companies were Hakutsuru Sake Brewing (9.6% of volume), Gekkeikan Sake (8.1%), Takara Shuzo (7.7%), Ozeki (5.7%), and Nihonsakari (4.1%). In the still light grape wine market, the top five companies made up 58.5% of volume sales: Mercian (21.6%), Suntory Holdings (21.0%), Asahi Breweries (6.1%), Sapporo Breweries (5.9%), and Kikkoman (3.9%). There were no private labels.

Supermarkets accounted for 51.1% of wine sales by value in 2011, followed by specialty stores with 31.5%.



Spirits

In 2011, off-trade spirits were valued at US\$8.4 billion, representing 750 million litres. The market consists of brandy and cognac, liqueurs, rum, tequila, whiskies, white spirits, and other spirits, which includes shochu (a Japanese alcoholic beverage). Shochu accounted for 47.1% of the spirits category market value in 2011. At US\$1.7 billion, whiskies made up 33.9%.

The Japanese market for Canadian whisky was worth US\$54 million and contracted 2.5% annually between 2006 and 2011. However, it is expected to grow a total of 9.8% between 2012 and 2016.

Table 9: Market Sizes of Spirits in Japan, 2011

Subsector	Market Size 2011		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ millions	Volume million litres	Value	Volume
Other Spirits	6,074	652	-2.5%	-2.0%
Whiskies	1,704	68	2.8%	4.6%
Liqueurs	289	22	4.5%	4.1%
Brandy and Cognac	247	6	-7.5%	-5.4%
White Spirits	40	2	0.2%	1.5%
Rum	5	<1	-5.4%	-1.6%
Tequila and Mezcal	5	<1	-2.9%	-1.3%
Spirits	8,363	750	-1.5%	-1.3%

Between 2006 and 2011, sales volume in the spirits category declined an average of 1.3% annually. Shochu volume sales dropped by 2.0% annually, but whiskies grew at the rate of 4.6%, benefitting from the popularity of highball drinks and from rice contamination concerns, causing some consumers to turn away from shochu and sake. Between 2012 and 2016, a total volume decline of 0.5% is expected for the spirits category, while shochu is forecast to contract by 2.4%. Whiskies, however, are expected to increase by 15.3%.

The top five companies accounted for 48.1% of spirits market volume sales in 2011. These companies included Suntory Holdings (14.7%), Takara Shuzo (12.7%), Asahi Breweries (8.1%), Sanwa Shurui (7.8%), and Godo Shusei (4.8%). Private labels accounted for 0.7% of spirit sales by volume.

Supermarkets accounted for 50.0% of the spirit sales by value in 2011, followed by specialty stores with 37.8%.

Ready-To-Drink/High-Strength Premixes (RTD/HSP)

The off-trade RTD/HSP market was worth US\$4.5 billion in 2011 with a sales volume of 726 million litres. This category consists of high-strength premixes, malt-based RTDs, spirit-based RTDs, wine-based RTDs, and other RTDs. Spirit-based RTDs made up virtually all of the market value.

Table 10: Market Sizes of Ready-to-Drink/High-Strength Premixes in Japan, 2011

Subsector	Market Size 2011		Compound Annual Growth Rate (CAGR) 2006-2011	
	Value US\$ millions	Volume million litres	Value	Volume
Ready-to-Drink	4,473	725	5.4%	4.1%
High-Strength Premixes	30	<1	-0.9%	-2.8%
RTD/HSP	4,503	726	5.3	4.1

Source for both: Euromonitor, 2012.



▶ ALCOHOLIC DRINK MARKETS (continued)

Between 2006 and 2011, RTD/HSP sales volume grew by 4.1% per year. The growing popularity of highball RTDs helped spirit-based RTDs grow 4.6% annually. From 2012 to 2016, the sales volume of spirit-based RTDs is expected to grow a total of 5.4%.

The top five companies in the RTD/HSP market accounted for 82.6% of sales volume in 2011. These companies included Suntory Holdings (30.9%), Kirin Holdings (27.5%), Asahi Breweries (13.7%), Takara Holdings (9.4%), and Choya Umeshi (1.1%). Private labels made up 10.4% of the category in 2011.

Supermarkets represented 47.8% of the market value for RTD/HSP in 2011, followed by convenience stores and specialty stores at 22.6% and 21.1%, respectively.

Cider/Perry

The cider/perry market was worth US\$10.9 million in 2011, and registered a sales volume of 817,000 litres. Between 2006 and 2011, volume sales of cider/perry declined 2.8% annually because the products' primary market – young women and Western expatriates – fell in numbers. A further sales volume decline of 7.4% is forecast between 2012 and 2016.

Nikka Whisky Distilling dominates the cider/perry industry with 69.2% of sales volume in 2011. There are no private labels in this category.

Specialty stores accounted for 70.8% of cider/perry sales value in 2011, followed by supermarkets with 16.5%.

▶ SAMPLE PRODUCTS



Asahi Style Free is a zero-sugar beer made by Asahi Breweries. The flavour has been reformulated. It comes in 250 mL, 350 mL, and 500 mL recyclable cans. Asahi Free Style beer has 4% alcohol by volume.



Kirin Ocean Lucky Gold Whisky is a barrel-matured whisky made by Kirin Brewery. It is a new product that retails in 2.7 L and 4.0 L plastic bottles. It has 37% alcohol by volume.



Polaire organic red wine is an additive-free, premium wine. It has 10% alcohol by volume and is produced by Sapporo Breweries. This product comes in new packaging and retails in a 300 mL glass bottle.



Sparx is a lemon-flavoured ready-to-drink beverage made by Asahi Breweries. It is spirit-based and has reduced sugar. It comes in new packaging in 350 mL and 500 mL recyclable cans. Sparx has 9% alcohol by volume.

Source for all: Mintel, 2012.

▶ SOURCES

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The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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