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BEVERAGE

India - Next big thing in global beverage can business

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Anurag More and Pushkar Oak, Mumbai

With consumption of beverages such as soft drinks in stylish, attractively contoured cans rapidly catching up with both urban youth as well as rural folk in the country, beverage can manufacturers like Rexam and Can-Pack are experiencing a consistent upward spiral in business.

Interestingly, though the beverage cans market in the country is on a high growth trajectory, it is still to catch up with the Western and other developed countries. In fact, a large chunk of the Indian beverage cans market belongs to the beer segment. Shanker Gopalakrishnan, president, Madras Consultancy Group (management consulting, and market research services), Chennai, explains, "The total market share for aluminium 2-piece beverage cans was tiny compared to the global market of over 350 billion beverage cans. Of the Indian market for beverage cans, nearly 60 per cent is accounted for beer and the rest by carbonated soft drinks. The dominant packaging is still glass and PET."

Challenging market conditions

While the Indian beverage cans market, compared to the West, is still in nascent condition, it is facing further growth challenges in the form of policy hurdles such as excise duty on aerated and sweetened beverages. Netscribes points out, "The current hike of 3 per cent excise duty on aerated or sweetened beverages is slated to have a negative impact on the entire value chain. This is the third consecutive increase in excise duty since July 2014 and has resulted in an overall increase of 75 per cent, from 12 per cent to the current 21 per cent. As per industry estimates, the aerated beverages industry has been witnessing a slowdown, with a compounded annual growth rate of 12 per cent in recent years, declining to less than 4 per cent in 2015. The hike in excise duties will slow the growth of the already mellowed beverages can sector even further."

In contrast, the Western nations have adopted the idea of aluminium can packaging as the companies receive credible recycle benefit in 3-4 years after establishing aluminium can recycling for their products.

Nevertheless, high growth in segments like juice and healthy beverages in India is showing a positive effect on the beverage cans industry. B S Pani, independent industrial consultant, Orissa, states, "Presently, beverages packed in cans cover only around 5 per cent of the country's \$11 billion packaged beverage industry. In recent years, the overall packaged beverage industry in India has been growing at 5-6 per cent year-on-year basis. This covers all forms of packaging including glass, metal, foil, multilayer cartons etc. However, with spurt in food processing industry, the 3-pc 110 ml beverage can market which serves mainly the fruit juice and pulp packaging sectors, has been found to be growing at an over 10 per cent year-on-year rate. The Indian packaging industry with this regards is still at a developing stage."

He adds on an optimistic note, "There are several concerns to be addressed to develop a clear and certain road map for the growth of aluminium beverage can industry in India. But as some of the leading market experts of the



Interview

"Rise in market share due to more consumption of instant products"

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industry have been predicting of late, India could be the next big thing to happen to global aluminium beverage can business."

Health-consciousness

Detailing on the growing health-consciousness among people to consume healthy beverages, Netscribes notes how it is giving rise to new trends: It is a known fact that aerated beverage is considered to be detrimental to one's health owing to the high sugar content. People have become more averse to soft drinks and are looking for alternatives that would help in cutting down on consumption of the same. A miniature version of such beverage seems plausible as this would entail limiting consumers' consumption, and on the other hand benefit the company since such variants cost more.

Though soft drinks concerns have already embarked on the introduction of canned packaging options, the recent move by PepsiCo has turned heads. The soft drinks major has introduced 150 ml mini-can versions in a bid to boost volumes and expand its portfolio of packs, at lower price points. Can packaging option is a strategy aimed at creating more affordable options for consumers. Additionally, it is opined that such a packaging option comes handy especially when the consumers look for bite-sized packs. This is expected to be more profitable for the company since consumers will end up paying more per ml even though the new miniature versions will be priced less. The cola giant is looking at pitching this version in places where lower price points have helped push sales volumes.

Canned advantage: Cost recovery

The most significant advantage of a beverage can is convenience and its portability quotient. Being lightweight and more durable than plastic packed versions, cans chill faster and qualify to be the ideal fit for active lifestyles such as hiking, camping, outdoor adventures and eliminate the risk of accidental breakage.

Rajesh Nath, managing director, VDMA India Services Private Limited, German Engineering Federation (VDMA), has cited the advantages of can, thus, "Light in weight and convenient, beverage cans are great for refreshment on the go. Hermetic seal: Being absolutely airtight, beverage cans keep oxygen out and fizz in, allowing beverages to stay fresh for longer. Fresh: The characteristic sound of a can opening is a unique indicator that the drink inside is absolutely fresh. Quickly chilled: Beverage cans chill quickly and feel extra-fresh to the touch. Material thickness: The sides of today's beverage cans are only 0.065 mm thick – as this as a human hair. Recyclable: Beverage cans are fully and infinitely recyclable without any quality loss."

Meanwhile, Arjen van Zurk, marketing programme manager, Europe, Rexam, observes, "Cans offer enhanced shelf appeal, with 360-degree 'stand-out' designs, makes a strong brand connection with shoppers. Smaller 'single-serve' sizes offer everyday indulgence and appeal to portion control-conscious consumers. From a consumer's perspective, cans offer tremendous convenience, both at home and on-the-go since they are shatterproof, quick to cool and easy to open."

Pani from Orissa, identifies, "A very specific advantage is that a company will get room for branding and designing on the can's surface which can be utilised well for branding purposes. The finishes in this regard have also been developed. There are several advancements in the texture of the prints like 3D prints, effects in prints like bevel & emboss are one of the usual practices in USA's local can manufacturers."

Gopalkrishnan from Madras Consultancy Group states, "Aluminium cans are infinitely recyclable—in Brazil 96 per cent of the aluminium cans produced and used for beverages are recycled and that too, within 30 to 45 days! Thus, if you take a life-cycle analysis, it is immensely beneficial for the country, the manufacturer and the consumer to use aluminium cans—however, these benefits can only be seen over a period of five to 10 years and the country needs to set up an efficient recycling system."

According to Netscribes report, "In terms of product protection, metal offers powerful resistance against light and oxygen which are deemed to have adverse effect on flavour and freshness of beverages. The metal also preserves its contents naturally without the aid of preservatives. Furthermore, it is 100 per cent recyclable without any loss in quality, which translates into re-usage of cans over and over again for beverage packaging. The heightened consumer acceptance and the willingness to pay a premium for aluminium canned beverage are driving this sector."

Market

Pani from Orissa, finds a rural trend, "Several beverage manufacturing companies are now shifting their focus to the rural penetration. The beverage manufacturing giants opting for beverage cans have seen an increase in the

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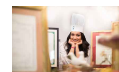
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last decade, owing to various brands marketing their canned beverages in the rural areas. Some of the brands which had taken effort to penetrate into the rural markets are- Red Bull, Rio and Pepsi(my can). 'My can' campaign by Pepsi Co. India dealt with several good responses on the digital contests and activities," observed Pani.

Gopalkrishnan from Madras Consultancy Group suggests, "Market growth in canned beverage product categories is largely dependent on positioning and promotional spend—in India, the beverage majors are not pushing the cans—even then, the growth in urban markets will be in the range of 10 to 12 per cent per annum."

Marianne Freund, marketing programme manager, Rexam, states, "The new, tall sleek sizes were created in response to a developing beverage landscape. Strong relationships of the brand and the people have resulted in launches of canned beverages. Consumers want a choice of packaging formats to suit different occasions and beverage can addresses it."

Materials

Pani, giving an insight on the materials used by can manufacturers, states, "Aluminium is the widely used metal in can manufacturing all over the globe. Aluminium is preferred by the manufacturers as it has several advantages and benefits of recycled aluminium, ease in storage and transportation quick chilling. This has made aluminium popular among beverage markets. Some of the beverages dealing with pulps having acidic properties. They may be manufactured in tinfoil and stainless steel cans. The United States of America has a common practice of manufacturing carbonated soft drinks in stainless steel cans."

Manufacturers monopoly - viability/ spending

Aluminium can packaging which caters to beverage packaging is a nascent sector in India. There are very few players in the beverage can market. Multinational companies such as Rexam and Can-Pack have forayed in this segment either through direct investments or through joint ventures.

"We are the only beverage can maker to provide a full suite of design development capability under one roof. Rexam experts help its clients at every stage from design creation, ink rematching, colour separation and design reproduction, right through to proof can production," says Paul Winwright, director, graphics & design and customer fulfillment for Rexam.

The Government of India has already opened up gates for FDI inflow to 100 per cent which will enable several foreign can manufacturers to come and manufacture in India. This will lead to interesting designs, finishes and textures on the beverage can industry in India. Can manufacturers have a favourable environment in India as aluminium can can be recycled easily.

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