

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 9/13/2012

GAIN Report Number: FR9607

France

Post: Paris

France - Non-Alcoholic Beverages

Report Categories:

Beverages

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Report Highlights:

Health and environmental issues are influencing the introduction of low-sugar, preservative-free beverages with smaller, lighter, recyclable packaging. For these products, hyper/supermarkets are the major retail distribution channels. The French market for non-alcoholic beverages is highly competitive; however, growth in private label sales may provide new opportunities for U.S. exporters.

General Information:

Average exchange rate for calendar year 2011:

USD 1 = 0.72 Euros

(Source: The International Monetary Fund)

SECTION I. MARKET OVERVIEW

The non-alcoholic beverage sector, which includes carbonates, fruit and vegetable juices, bottled water, functional drinks, concentrate, ready-to-drink (RTD) tea, and RTD coffee, has had relatively stable sales in both volume and value for the past three years.

Bottled Water

Last year brought a new era for bottled water, as leading players adjusted their strategies and geared up their marketing and communication activities to emphasize the health and natural benefits of bottled water, and efforts to help protect the environment. In 2011, total sales of bottled water in the retail sector reached to \$3.9 billion, an overall value increase of 2 percent over the previous year. Still and sparkling bottled water are leading sales both in value and volume. Flavored bottled water sales amounted to \$180 million, while functional water remains a niche market with total sales under \$3 million. As a result of price promotions from manufacturers and better communication, consumers favored mineral water over spring water.

Carbonates

In 2011, total volume sales of carbonates grew by 3 percent. The fastest growth subsector was low-calorie cola carbonates with volume and value sales growth of 5 and 7 percent, respectively. The good performance of the market is mainly due to the strong marketing and promotional activities of the leading brands (Coca-Cola, Orangina-Schweppes, and Pepsi-Cola).

Concentrates

In 2011, concentrates total volume sales increased by 2 percent over 2010 to \$661 million. Manufacturers offered more natural concentrates moving away from the use of artificial flavors, colorings, sweeteners, and preservatives. As a result, a different category of consumers (young adults and women were attracted). Also, the use of stevia-based and organic concentrates along with more exotic and innovative flavors increased concentrates' popularity and offered more choices to consumers.

Fruit/Vegetable Juice

The most dynamic retail sales for this category in 2011 were for frozen 100 percent juice (frozen 100 percent juice, and not from concentrate 100 percent juice) valued at \$2.2 billion, followed by juice drinks sales for an amount of \$570 million, and nectars sales valued at \$372 million. Sales of fruit and vegetable juice continued to benefit from consumers' health concerns, this overall unit prices increase

by 3 percent. Orangina Schweppes remained the leading player in 2011, with total volume sales share of 18 percent, followed by Eckes-Granini International, with 11 percent market share in volume.

Sports and Energy Drinks

In 2011, sports and energy drinks volume sales continued to grow (10 percent) for a value of \$397 million. This trend is expected to continue in 2012 and future years at a rate of 9 percent yearly in volume and 7 percent in value. The most important factor impacting this category was the growing popularity of energy drinks, with the clear dominance of Red Bull. Red Bull France led sales in 2011 with 49 percent market share in volume sales, followed by Coca-Cola, and Karisbrau France SA, 18 and 7 percent volume market shares, respectively. Private labels volume market share in the sector represents 8 percent.

Ready to Drink (RTD) Tea

In 2011, RTD tea sales grew by 6 percent in volume compared to 2010, with sales amounting to \$353 million. The health and wellness trend continues to drive demand. Carbonated RTD tea sees the most dynamic total sales volume, with an increase of 8 percent. Unilever remains the leading player in this segment accounting for volume market share of 62 percent. Unit prices of RTD tea increased by 2 percent over the previous year.

SECTION II. MARKET ENTRY

Bottled Water

In France, hypermarkets and supermarkets remained the leading distribution channels for bottled water in the retail sector, accounting for 42 and 32 percent volume market share respectively. These outlets are popular due to the offer for multipacks, promotions, and availability of private label products cheaper for the consumer than branded products. Grocery retailers accounted for only two percent market share in volume.

In 2011, sales of bottled water in the food service sector declined by 3 percent for sparkling water and 6 percent for flavored and still bottled water. Consumers continue to regard bottled water as expensive, particularly in restaurants.

Carbonates

Coca-Cola remains the leading player in 2011, accounting for 63 percent market share, followed by Orangina Schweppes France SAS (11 percent market share), and Pepsi Co France SNC (3 percent market share). Hyper/supermarket private brands represent 1-2 percent market share, followed by a few local brands. In 2011, key consumers of carbonates remained teenagers and young adults aged between 12 and 25 years old. Health and wellness trends shaped product development in soft drinks with healthier carbonates, including low calorie and diet drinks remaining the most popular carbonates.

Carbonates sales in the food service industry grew 2 percent in volume mainly driven by standard, low-

calorie cola. Fountain sales contributed also to the positive performance of this sector's sales. Fountain sales of carbonates are largely limited to fast food and self-service restaurants. The overall price for carbonates increased moderately (1 percent) as manufacturers used promotional prices and discounts to boost demand for their products. France's per capita consumption of carbonates stood at 45 liters, one of the lowest levels in Western Europe. As a result and to boost sales, manufacturers invested significant amounts in marketing and communication in magazines, television, on-line.

Concentrates

Concentrates, one of the cheapest drinks per serving, enjoyed success during the economic downturn. A one-liter bottle priced 3.30 euro can create seven to nine liters of drinks. The varieties of flavors offer a source of creativity for consumers. It is a perfect addition to other drinks, including cocktails and hot drinks.

Liquid concentrates are a much more dynamic category than powder concentrates with 2011 sales of \$601 million and \$60 million, respectively. Powder concentrates are mainly consumed by athletes. Looking at the health and wellness trends, manufacturers undertake innovations adding functional ingredients, as well as new flavors, such as the cranberry flavored liquid concentrate of Teisseire, which was heavily promoted during the Tour de France 2011. The most popular fruit flavor concentrate in France is grenadine, accounting for 24 percent volume sale market share in 2011. Berries, especially strawberry, and citrus flavors are also very popular. Cranberries, raspberries, and blueberries are also increasing in popularity, as is grapefruit, thanks to the aperitif rosé pamplemousse (rosé wine flavored with grapefruit). Floral flavors, such as hibiscus and violet remained niches in 2011. While in the past, concentrates were mainly associated with children, the number of adults consuming concentrates is on the rise. Concerned with health and wellness, consumers prefer to buy premium concentrates with glass bottle packaging and certified organic.

Fruit/Vegetable Juice

The health and wellness trend is an important factor driving new product and flavor development in fruit juices. In that regard, super fruits, such as functional blackcurrants, açai berries, pomegranate, acerola, cranberries, and goji berries are a very popular choice among players of that sector. Any health benefit claim and advertising on packaging of a super fruit product has to be scientifically proved. In 2011, promotional offers in supermarkets also contributed to sales growth. The leading brands aimed to extend consumption beyond the usual occasions – (breakfast and snack time) and to expand out of the children segment to target adult consumers. To accelerate growth, leading groups refocused on main brands such as Oasis for Orangina Schweppes France, Joker for Eckes-Granini International, and Tropicana for PepsiCo France SNC.

Smoothies launched by start-up companies a few years ago, continued to increase their sales. In 2011, the first vegetable smoothie was launched in France by Societe Pierre Martinet; "smoothies de legumes" was available in various flavors and mixes, such as tea, beetroot, cucumber, white grapes, and melon. These products are 100 percent natural and in line with the growing health and wellness trend.

Sports and Energy Drinks

Energy drinks was the fastest growing subsector in 2011, thanks to Red Bull's performance. This success is explained by the financial investment made by Red Bull SASU, the third largest investor in advertising campaigns in the non-alcoholic drinks market, after Nestle Waters and Danone, the two giants of the soft drinks market. Energy drinks' success was also a result of constant innovations on the part of manufacturers. Leading brands, such as Dark Dog and Burn brought novelty and improved products.

While sports and energy drinks targeted teenagers and young adults with in 2011. The target consumers broadened to others in need of an energy boost. Sports and energy drinks are by definition linked to sporting, and sponsorship of sports events and endorsement by leading brands, such as Red Bull and Gatorade (PepsiCo) concur to the notoriety of these brands to the detriment of the smaller players. Energy drinks launched in 2010 in shot form did not prove to be successful because they were considered as nutritional additives and were not specifically sold in the energy drink shelves of supermarkets. They were not as visible to consumers as the regular forms of energy drinks.

Ready To Drink (RTD) Tea

Carbonated RTD tea was the best performing subsector in 2011, with Lipton's Liptonic brand representing 57 percent market share in volume. Health-oriented consumers chose RTD tea over other soft drinks due to its natural health properties (antioxidants and low calorie content). The retail sector is the major channel for RTD tea, representing 82 percent volume market share. This good performance is mainly driven by promotional sales in hyper/supermarkets.

In 2011, there was an interest in Kombucha, a fermented RTD tea, and a natural product with properties (although not scientifically proven) against hair loss and digestion. The most popular flavor of RTD tea remained black-peach accounting for retail volume sales share of 42 percent, followed by black-mango (18 percent volume market share). To keep customers interested in RTD tea, new flavors were introduced, such a raspberry flavor, and lemon and lime flavor by Lipton.

The key consumers of carbonated RTD tea are pre-teens, teenagers, and young adults. Still RTD teas are mainly consumed by young and older consumers who are more reluctant to drink carbonated drinks.

SECTION III. COMPETITION

Bottled Water

Neptune SA, Groupe Danone, and Nestle Waters France SAS remained the three leading companies in volume in 2011, with market share in volume each of just under 20 percent. These giants of the bottled water industry focused their advertising campaigns not only on the health benefits of bottled water, but also their efforts to protect the environment as it related to packaging. For example, the new Evian bottle (Danone) contains less plastic, which claim to reduce its carbon footprint by 40 percent. Meanwhile, Nestle, with its Vittel brand, launched a reforestation campaign in Peru. In order to stimulate impulse purchasing, manufacturers offered smaller 20 centiliter (cl) and 50 cl bottles.

Private label sales of bottled water represented only 9 percent market share in volume in 2011, down one percent from 2010. Promotions and discounts for branded products made it more difficult for private label to compete. Furthermore, economy brands targeted a population more likely to consume tap water than pay for lower quality bottled water.

Carbonates

Coca-Cola Enterprises SA remains the leader in carbonates with sales driven by Coca-Cola Zero and Coca-Cola Light brands. The second leader is Orangina Schweppes, which launched in 2011 a campaign with actress Uma Thurman and photographer David LaChapelle for its Schweppes brand. The campaign was aimed at adult consumers. Carbonates private labels sales decreased in 2011 as consumers did not feel obliged to sacrifice the perceived quality and good taste of well-known brands in order to save money on a product seen as relatively inexpensive.

In March 2011, the first humanitarian cola carbonate was launched. Presented during the International Food Trade Show (SIAL) 2010, U-Man Cola's after tax profits will go to two charities: Action Against Hunger and 'A Chacun son Everest.' To celebrate its 125th anniversary in May 2011, Coca-Cola launched a new 1.5-2 liters recycle bottle inspired by the design of the original "Contour" bottle registered trademark of Coca-Cola company since 1916. The company has made strong efforts to reduce the environmental impact of its packaging in maximizing use of renewable and recyclable materials.

Concentrates

Teisseire France SA, with Moulin de Valdonne and Sicilia brands, remained the national leader of concentrates in 2011 with 22 percent market share in volume. Teisseire has a well established popularity as to quality, marketing efforts, and innovation. France Boissons with the Frigolet brand (uniquely sold in the food service sector) ranked second with 9 percent market share in volume. The remaining market share in concentrates is split within different manufacturers' private label brands, including hyper/supermarkets private labels. All of these manufacturers follow the flavor trends of the major companies. For example, Casino launched a cola concentrate shortly after Systeme-U had introduced a similar product in May 2011, although Teisseire was the first to launch a cola concentrate in 2010 with considerable success.

The company Georges Monin (6 percent market share in volume) increased its sales in volume by 2 percent in 2011. George Monin differentiates from its competitors, by offering premium range of concentrates with original flavors such as basil, hibiscus, speculoos, and apple tart. As well as organic concentrates flavors: pomegranate, mint, lemon-mandarin, and apple-blackberry.

Fruit/Vegetable Juice

Orangina Schweppes led fruit/vegetable juice sales in 2011, with 18 percent volume market share. The company increased and continued to invest in advertising its natural and healthy drinks line. Eckes-Granini International is a key player, mainly with the Joker brand with its well-known oval packaging. Demand for natural products and the growing health and wellness trend led manufacturers to launch new flavors in natural drinks, thereby enlarging their consumer's base to adults and children. The

economic situation, price increase, and change in consumer habits, led manufacturers to downsize their packaging. Private labels continued to have a strong presence in fruit/vegetable juice in 2011.

Sports and Energy Drinks

Red Bull and Coca-Cola remained the two leading companies in 2011, for sports and energy drinks. The gap between the leaders of the sector and smaller brands widened. Red Bull and Burn (Coca-Cola) increased their sales market share, while Dark Dog (Karlsbrau France, SA) saw a significant drop in market share compared to the previous year. Small local companies such as MBM SAS (Truc de Fou) still managed to see good performance in 2011. One of the most interesting launches was Gatorade brand from PepsiCo. Gatorade was finally authorized for sale on the French market, but its formula for the market was changed with a taste of fruit and sold less than 1 euro for a 50 cl bottle. Another key launch in 2011 was LXZR from Revdrinks. This brand targets women and contains a unique formulation with a plant from Eastern China called Schizandra, also called “love berry.”

Ready to Drink (RTD) Tea

The market of RTD tea is dominated by multinationals. In the lead is Unilever, partnered with PepsiCo, with its Lipton Ice Tea and Liptonic brands accounting for a total volume sales share of 62 percent in 2011. These products are mainly sold in the retail sector, but also enjoy a strong presence in the food service through fountains. To boost sales, Unilever changed its packaging, formulation and launched advertising campaigns for its two brands. The second player in this sector is Orangina Schweppes France SAS with Oasis (6 percent market share in volume), and third is Danone with Volvic brand (only 3 percent market share in volume). Consumers preferred branded RTD tea to private labels products in 2011.

SECTION IV. BEST PRODUCT PROSPECT

Bottled Water

On one hand, the current economic situation and decrease in purchasing power lead consumers to drink more tap water at the expense of bottled water, but, on the other hand, growing consumer concerns over the nutritional credentials of carbonates, along with the implementation of a new tax on soft drinks is likely to provide impetus to bottled water in coming years. Furthermore, the quality of tap water may also positively affect the consumption of bottled water.

Flavored natural bottled water may gain market share provided the offer remains simple with classic flavors, such as lemon and lime and lime and strawberry, with no sugar and artificial flavors. The image of a healthy drink with attractive and small easy packaging for the on-the-go consumption may offer a niche market to U.S. suppliers.

Carbonates

As a measure to reduce obesity, the new French tax, so-called “soft drink tax”, went into force January 1st, 2012. The tax affects soft drinks with added sugar and artificial sweeteners and increases the excise

duty by 7.16 euro per hectoliter. Although this new tax is expected to negatively impact the volume sales growth of soft drinks in 2012, future prospects on the long term for these products, with a current per capita consumption standing at 45 liters in 2011, will continue to rise. Also, the snacking trend is expected to positively impact demand for carbonates with consumers expected to purchase carbonated drinks for on-the-go consumption more frequently.

As a result of the new soft drink tax, companies are likely to focus on naturally sweetened products, and many players will introduce stevia-sweetened versions of their popular products. The natural high-intensity sweetener, stevia, is legally allowed for use in the EU since December 2011, and some companies have already adopted stevia for their brands, namely Breizh Cola and Jean's Cola. To avoid the new tax, Orangina Schweppes launched a sugar-free version of its flagship brand Orangina Light, called Miss O! U.S. suppliers may find a niche in this market with innovative, tasty, and natural soft drinks, provided they offer attractive packaging.

Concentrates

The introduction of the soft drink tax in France is expected to benefit concentrates in the coming years. In fact, concentrates are not affected by this new tax and will remain an economical product per serving in comparison to other soft drinks. An annual growth rate of 2 percent is expected over the coming couple of years. Health concerns and strong demand for reduced sugar concentrates, new product flavors, and marketing development activities should benefit concentrates sales. U.S. suppliers offering innovative, quality concentrates with attractive packaging may find a niche for these products within the private label companies.

Fruit/Vegetable Juice

One hundred percent juice will not be affected by the new soft drink tax, 2012 and coming years may impact the performance of some other juice categories containing additional sugar. In addition, the rise in raw materials (concentrates, pure juices, as well as packaging) is expected to continue, and retailers will have to adjust their prices. On the other hand, and so as to counteract the situation, large manufacturers will have to increase their promotional activities, and add more natural, health ingredients to their line. Considering the demand and the various entrants and innovations, the fruit/vegetable juice sector is forecast to grow by 2 percent in volume in 2012. U.S. suppliers with healthy, innovative, and quality juices have great potential in this market.

Sports and Energy Drinks

Since 2008, sports and energy drinks sales have grown substantially, mostly because of Red Bull's arrival on the market. Strong growth is likely to continue over the coming years at a rate of 9 percent yearly in volume with Red Bull, Dark Dog, and Burn. To defend its leadership, Red Bull is expected to invest heavily in its products and marketing. It is likely that manufacturers will look to follow the lead of Glaceau VitaminWater, Gatorade, and LXYR and introduce more natural ingredients to their sports and energy drinks.

Healthier energy drinks products, such as Red Bull Light, are not expected to see significant success. Also, diet energy drinks are viewed as ineffective and likely to decline in popularity over the coming

years. U.S. suppliers who ready to compete with the leaders may find a niche in this market segment.

Ready to Drink Tea

Like other sugar added products, RTD tea will be affected by the new soft drink tax in 2012. To avoid this tax and also follow the health and wellness trend, RTD tea manufacturers will have to adapt and rely on added fruit juice for sweetness. If RTD tea manufacturers follow this trend, the product is to become an attractive healthy alternative drink, compared to other soft drinks. U.S. suppliers may find a niche market in RDT tea sector provided they offer healthy and innovative products.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Internet Home Pages

Internet home pages of potential interest to U.S. food and beverage exporters are listed below:

FAS/Paris <http://www.usda-france.fr>
U.S. Mission to the European Union <http://useu.usmission.gov/agri/usda/html>
FAS/Washington <http://www.fas.usda.gov>
European Importer Directory <http://www.american-foods.org>
Web site for Professional Trade Shows
and Events <http://www.salons-online.com>

Questions/Comments and Assistance

If you have any questions or comments regarding this report, need assistance exporting to France or desire French buyers contact lists, please get in touch with the U.S. Agricultural Affairs Office in Paris at:

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