

## SOFT DRINKS MARKET LOSING GROUND

Soft drinks (SD) market in Ukraine showed growth over the past few years. If in 2004, was produced 6,3 million dkl colorful cocktails, in 2005 - already 7,8 million dkl, in 2006 - 8,4 million dkl, and in 2007 - 9,6 million dkl. Crisis in 2008 not only reduced the production of and demand for alcoholic drinks, but on the contrary - the market grew to 11.4 million dkl.

But the last year companies could not withstand a crisis phenomena in the market, and innovations in the regulation of the industry. Production in 2009 fell by 30% - up to 2005, and amounted to 7.9 million dkl.

This year, the fall continues. "In 2010, a decline in production and sales continued. More or less active sales SD observed only in the price category "average minus", while the remaining segments are left in minus 10-25%", - said head of research department of Marketing Company "Synergy" Tatiana Tkachuk.

According to her, consumers shift to the low price segment led to the collapse of the market in terms of money and reduce the profitability of enterprises. Even the seasonal increase in consumption SD, according to experts, annualized change now will not. As the "Obolon" deputy director of marketing Pavel Shevchuk says, while predictions too early. "I think the market will remain in the old range - about 10 million dkl, with a deviation of plus or minus no more than 3%," - he said.

Director of marketing of GC "New Products" (TM Shake) Vasily Profir agrees with him: the production does not amount to more than 10 million dkl.

Next few years SD market, according to analysts and market participants, will not grow. "Existing players will compete mainly for external appearance on store shelves and consumers. The appearance of new players is also unlikely. New brands from the leading players enter is much more likely", - said Tatiana Tkachuk. Further development of the SD market is only possible in an expensive segment, analysts say.

As for Western manufacturers, their appearance is even less likely. "In the West, soft drinks boom already passed, but the Ukrainian market for SD is too small, so that they are interested in serious company," - noted in the marketing of "Synergy".

Experts also predict a decrease in the attractiveness of the market of soft beverages, reducing the profitability of production and fierce competition in this segment.

### Fall

Vendors call several reasons for the fall of the market. The first is decrease in purchasing power of the Ukrainians. "Soft drinks went into the category of secondary products, resulting in a reduction of shelf space allocated to them under retail," - said Pavel Shevchuk.

No less influenced and enactment of the limitation of consumption of low-alcohol drinks and beer. Soft drinks are the product of the pulse of demand, and most often used on the move, the adoption of the Act also substantially limited the situation of consumption.

Restraining measures came into force on 11 February 2010. Thus, the Law №1824-IV of 21 January 2010 "On Amending Certain Legislative Acts of Ukraine concerning the restriction of consumption and sale of beer and soft drinks" has forbidden to drink beer and alcoholic beverages in training and education and educational institutions, public transport, at bus stops, in underground passages, in the institutions of culture; indoor sports facilities (except for beer in plastic container), on children's and sports venues and on the streets. In addition, the document prohibits the sale of low-alcohol beverages by persons under 18 years of age, persons under 18 years. Sale is prohibited in schools, health care institutions.

## Competitors

Formation of the Ukrainian market of soft drinks began in the mid 1990's. It was then that corporation Obolon began production cocktails "Gin Tonic". Colored cocktails soon became very popular among young people. Virtually every major liquor companies considered a must to participate in the cake section of the weak alcohol. However, a few years later, consumers fed up with cocktails. At the same time soft drinks market is concentrated enough. Only four companies hold 98% of the market in kind.

Thus, if the unconditional leader, group of companies "New Products", in 2009, has 58% market share in kind, then in 2009 the share of the producer has grown to 62%. Now the figure is, according to various estimates, 63-66% of the market. The company produces soft drinks under trademarks Shake, Creamel and REVO. Soft drinks - a strategic business for this manufacturer. "We will maintain leadership and only increase our market share, despite his fall, just because for us to market soft drinks - strategic", - said Vasily Profir.

For competitors of 'New Products' market for soft drinks is collateral. Obolon emphasises mostly on beer and mineral water. Crimean vodka company - on vodka, and "Rosinka" - on their soft drinks.

However, companies are not ready to give up so easy to soft drinks market. For example, last year Obolon has put on the market premium brand Icelife, as well as the updated line of "Cocktail of the world".

However, the company's share in production still decreased. Thus, in 2009, the share of the company amounted to 27,6%, or 2,8 million dkl. "In the first half of 2010 the company's share in production is 26,9%," - noted in Obolon.

Since the beginning of the year in Ukraine produced 4.8 million dkl drinks. To include alcoholic beverages containing ethyl alcohol from 1,2% to 8,5% by volume of units and extract substances not more than 14.0 g per 10 dl, made on the basis of water-alcohol mixture with ingredients, intermediate products and preservatives, saturated or not saturated with carbon dioxide.

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