New Europes Hunger For Western Lifestyles Means Big Business For Food And Drinks Companies

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ByÂ Euromonitor International

Consumers in new EU countries, such as Poland, Hungary and more recently Romania and Bulgaria, are developing a taste for western lifestyles and brands, offering food and drink companies suffering stagnating sales in Western Europe and North America strong growth opportunities, according to "The New Europe", a report out this month from Euromonitor International.

Sales of packaged food and soft drinks in the New Europe* (a term covering the 8 Eastern European countries which acceded to the EU in May 2004, plus Cyprus, Malta and, from the beginning of 2007, Romania and Bulgaria) are out stripping growth in the Old Europe** by a considerable margin.

New research from Euromonitor International shows that packaged food value sales in the New Europe grew by an impressive 72% between 2001 and 2006, while soft drink sales grew by a staggering 87%. In comparison, in the Old Europe, packaged food sales grew by 63% and soft drinks sales by 71% over the same period.

Demand for 'healthy' products means healthy margins
While economic stability, rising disposable income and improving retail distribution are all playing their part in this rapid growth, it is the emergence of western consumer trends, above all the demand for added-value products offering health benefits, convenience and quality, which is good news for food and drinks companies, according to Euromonitor's "The New Europe" report.

â€œIt is clear that consumer demand for healthy food and drinks is now impacting consumer spending choices in new EU countries, a trend which has been seen in Western markets for several years,â€• comments Gina Westbrook, Research Director at Euromonitor International.

â€œIf we look at the soft drinks market in the New Europe, healthier beverages such as fruit juice, bottled water and functional drinks are outperforming products like carbonates in growth terms, which have an unhealthy imageâ€•, continues Westbrook. â€œAll this is particularly good news for food and drinks companies as â€œhealthyâ€• products carry a premium pri tag and will help to push up value growthâ€•.

Polish consumers already mirror counterparts in Western markets
Poland, which acceded to the EU in 2004, is the largest and most mature market for packaged food and soft drinks in the New Europe, with sales of US$14.2 billion and US$2.6 billion respectively in 2006, according to Euromonitor International. Polish consumers are, therefore, the most advanced in the New Europe in terms of their take-up of Western trends, demanding ever more sophisticated and diverse food and drinks products for every occasion. The Polish market is already characterised by a high level of innovation and new product development â€“ such as the launch of the Fortuna brand of juice in a Tetra Pak â€œTetra Prismaâ€• carton in 2005, designed to respond to consumer demands for greate convenience.

Bulgaria and Romania offer best growth prospects
With maturity, however, comes slower growth and Euromonitor International predicts that sales in the Polish packaged food market will increase by just 1.9% between 2006 and 2011. In contrast, Romania and Bulgaria, which only joined the EU at the start of 2007, are expected to continue to experience excellent growth rates for food and beverages over the next five years, albeit from a low base, backed up by higher disposable incomes as a result of economic growth and integration into the EU. Euromonitor International forecasts that the Romanian soft drinks market will see growth of 33% and the Bulgarian packaged food market of 17% between 2006 and 2011.

Western trends will continue apace
Consumer trends traditionally associated with Western markets will continue to thrive in the New Europe over the next 5 year period, according to Euromonitor's "The New Europe" report. Gina Westbrook comments, â€œAdded-value products, offering luxury, health or convenience will drive growth in food and drinks sales in the New Europe between 2006 and 2011, benefiting from rising purchasing power among consumers and the increasing presence of manufacturers, which will bring greater product range and innovationâ€•.

Euromonitor International predicts that products such as UHT milk, ready meals, single-portion presentations and even organic items will become common place across all new EU countries by 2011.

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