Thai Government Propose “Extreme” Alcoholic Drink Packaging Regulations

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Alcoholic drinks companies are fighting a Thai government plan to make graphic warning labels about alcohol risks mandatory on all bottles of beer, wine and spirits sold in the country.

The proposed labels, which would cover 30% of the surface area of each bottle, include unusually explicit warnings about the risks of alcohol misuse: One picture shows a bare-chested man grasping a woman by the hair and raising his fist to strike her, accompanied by the words, "Alcohol consumption could harm yourself, your children and your family."

Another depicts a pair of bare feet dangling in the air after an apparent suicide, accompanied by the words "Alcohol consumption could alter consciousness and lead to mortality." According to Brett Bivans, vice president of the International Center for Alcohol Policies, a Washington-based not-for-profit group funded by the industry, the labels â€œare the most extreme we've ever seen.â€•

This follows a government announcement in May 2009 of an increase in excise tax for alcoholic drinks, despite already being one of the most heavily taxed commodities in Thailand. With higher taxes reducing margins, most manufacturers have passed costs on to consumers, causing price increases across alcoholic drinks.

For example, the average unit price of domestic beer increased by nearly five Bt/litres in 2009 over the previous year. The announcement resulted in distributors making beer unavailable in many locations in order to avoid retailers hoarding goods.

The increase also resulted in some consumers switching to cheaper alcoholic drinks such as sura khao, especially in mid- and low-income groups.

Meanwhile producers expand product lines and differentiate through packaging
In 2009, Thai Asia Pacific Brewery Co Ltd penetrated economy domestic lager by launching 'Cheers X-tra' to compete with Chang and Archa beer in metal beverage cans.

The extended product line is packaged in 500ml metal beverage cans to target mass consumers in provincial areas who have lower purchasing power and prefer higher levels of alcohol.

Nonetheless, the most popular pack size of metal beverage can used in beer packaging is 330ml. Beer packaging changed to some extent when, at Thai expo centre BITEC Bangna in October 2009, Thai Beverage PCL re-launched Chang Classic, Chang Draught, and Chang Light beer with a new, modern image to appeal to a new generation of consumers and also to communicate its clearly-defined product positioning.

Local producers look to packaging as international competition increases
The country's major players, Thai Beverage Plc and Boon Rawd Brewery Co Ltd, continued to dominate sales in 2009. Thai Beverage led with aggressive marketing campaigns.

Below-the-line marketing strategies were widely adopted by all major players in order to target specific consumer groups and thus to maintain their position, as above-the-line marketing is controlled by strict regulations.

Multinational companies' products gained stronger brand awareness during the review period but were not able to break the stronghold of domestic companies

The competition between local and international players is expected to intensify as more international players penetrate the alcoholic drinks market.

In response to the threat both Thai Beverage Plc and Boon Rawd Brewery Co Ltd are focussing on launching new products as well as re-packaging existing products to better communicate with and attract customers.

Over the forecast period, Tsingtao Marketing (Thailand) Co Ltd, owner of the Chinese beer brand, Tsingtao, is also expected to locate a factory in Thailand due to the great growth potential that the company recognises.

Economy products expected to perform best
Economy alcoholic drinks are expected to see better growth due to consumers' lower purchasing power and the large low-income consumer base in the country.

At the same time, manufacturers are seeking ways to reduce their packaging costs, such as by using thinner glass packaging or launching recycling schemes.

The leading local player, Boon Rawd Brewery Co Ltd, launched a new size of returnable beer bottle to stimulate the sales volume in the foodservice channel.

Despite decline over 2008-2009, Thailand continues to have a strong culture of drinking and Thai alcoholic drinks thus continues to be attractive to manufacturers and packagers alike.

More new products are expected to be launched during the forecast period, especially as many free-trade agreements take effect and enable more international brands to enter due to lower import tax.

Alcoholic drinks packaging in Thailand is also expected to see good growth from 2010 onwards in total unit volume terms due to the expected economic recovery.

Analyst Insight by Dr. Benjamin Punchard.

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