

ANALYSIS OF THE UKRAINIAN SOFT DRINKS MARKET

Ukrainians are gradually getting used to a healthy diet. This fact also applies to drinks. Today there is an increased demand for mineral water, kvass and partially blended juices. While the Ukrainian market of sugary soft drinks is being reduced, the juice market has been suffered from stagnation of production for several years.

After the financial crisis in 2008, the soft drinks market declined by 9.4% and accounted for 174 mln dkl (1740 million litres). The situation continued to deteriorate throughout 2009 when production volumes fell by 17.6% – to 143 mln dkl. The production outcome increased in 2010: 2% growth was recorded – 146 mln dkl. However, in 2011 market volume dropped again by 2.6% – to 142 mln dkl. It is claimed that in 2012 the output value of the domestic market of soft drinks reached 146 mln dkl.

Considering the overall structure of the soft drinks market, it is worth emphasizing the share occupied by mineral water. In the past years, the capacity of this sector was inferior to sodas, but in 2012 the sector had the largest market share of 38.6%. Kvass had the smallest share of 3.7% which might be explained by seasonality of consumption (diagram 1).

Major players of the domestic soft drinks market are global giants – Coca-Cola Beverages Ukraine Ltd. and PepsiCo Ukraine. Together, they hold up to 40% of the sales. Moreover, the most successful and profitable brands of these companies (Coca-Cola and Pepsi) are interchangeable: when one of the brands is absent, buyers easily move to the competitive product. Nowadays, trying to raise the demand for sweet carbonated water, current sellers are exploiting nostalgic technology referring to the 80es.

To diversify risks, many manufacturers draw attention to other segments of the soft drinks market. For example, in 2007 PepsiCo Ukraine bought Ukrainian juice company “Sandora” for \$750 million and has become the largest juice producer with a market share of 45%. According to analysts, in the total Coca-Cola turnover, sweet drinks occupy about 60%. However, the company is actively developing the market of iced tea (its brand “Nestea” covers, according to the Pro-Consulting company, at least 60% of the corresponding segment) and kvass (trademark “Jari” holds more than 20% of the sector).

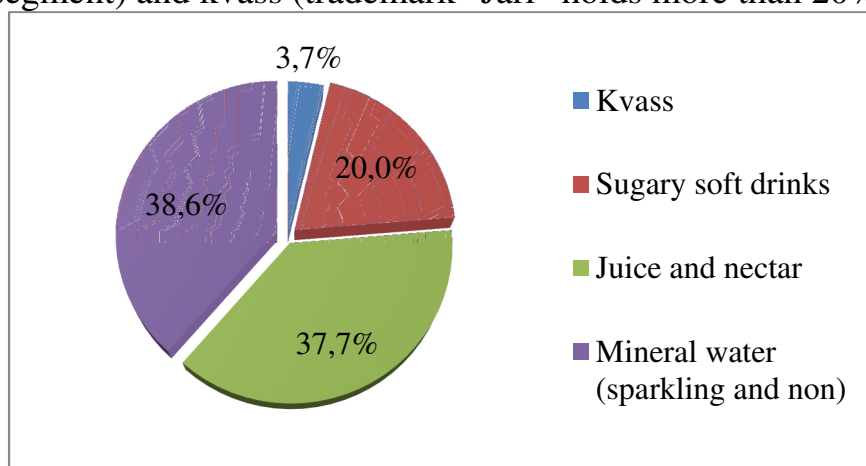


Fig. 1. General structure of the Ukrainian soft drinks market in 2012 in real terms, %

The most popular mineral water trade mark is “Morshinska” which belongs to the IDS Group Ukraine (“Mirgorodska”, “Alaska”). In fact, there is a high level of competition, but the main shares of the mineral water market belong to the top 10 companies (Coca-Cola Beverages Ukraine Ltd., Obolon, Rosynka, Erlan).

Today consumers choose to buy juice, vitamin drinks and beverages that contain the substance useful for immunity. At the same time, many people, due to their lower income, begin to restrict spending on expensive drinks. Specialists associate success of new products on the oversaturated Ukrainian market of soft drinks with massive and aggressive communication.