

Summary of results – Cost survey of changing labels for alcoholic beverages - 2021

Introduction

Food Standards New Zealand (FSANZ) sets standards for foods and beverages sold in Australia and New Zealand, including label standards. As part of any process to make changes to any of these standards, FSANZ must have regard to the costs and benefits of any change. To do this, FSANZ uses costing models, studies conducted by academics and others, data and information gathered from stakeholders and other information.

FSANZ periodically updates its models and conducts new research to ensure its evidence base is as up to date as possible, depending on resources and regulatory priorities.

In 2021, FSANZ decided to focus on updating label change costs for alcoholic beverages through a new cost model to ensure the best information was available for a range of upcoming projects. The intention is to extend the new model to other food and beverage types in the future.

A survey was conducted by an independent consultant, Marsden-Jacob on FSANZ's behalf. The consultant was able to collect significant new data. That data now enables FSANZ to estimate costs at a notably finer level of detail, depending on product class and the sorts of containers and other packaging used. However, the data at a global level was reassuringly consistent and supportive of recent labelling change costings used by FSANZ.

In-depth nature of the research and survey

The consultant identified the need to understand the complexity and diversity of packaging and printing across different alcohol industry sub-sectors to get a complete picture of likely label change costs. To gather this information, a sophisticated survey instrument was designed and trialled with a number of industry participants to ensure information of sufficient quality.

As a trade-off for this increased complexity, not all industry participants could be targeted. Support and guidance needed to be provided to the selected sample to ensure consistency and completeness of results.

The consultant worked closely with a number of small businesses to assist them to complete the survey online. Other businesses needed several weeks to collate the required information for the survey, sometimes needing to clarify aspects of the survey through follow-up discussions. Often follow-ups involved discussing how to incorporate their complex business operations into a survey.

This all improved the quality of response data and ensured that businesses understood the meanings of various definitions in the survey, such as a stock keeping unit.

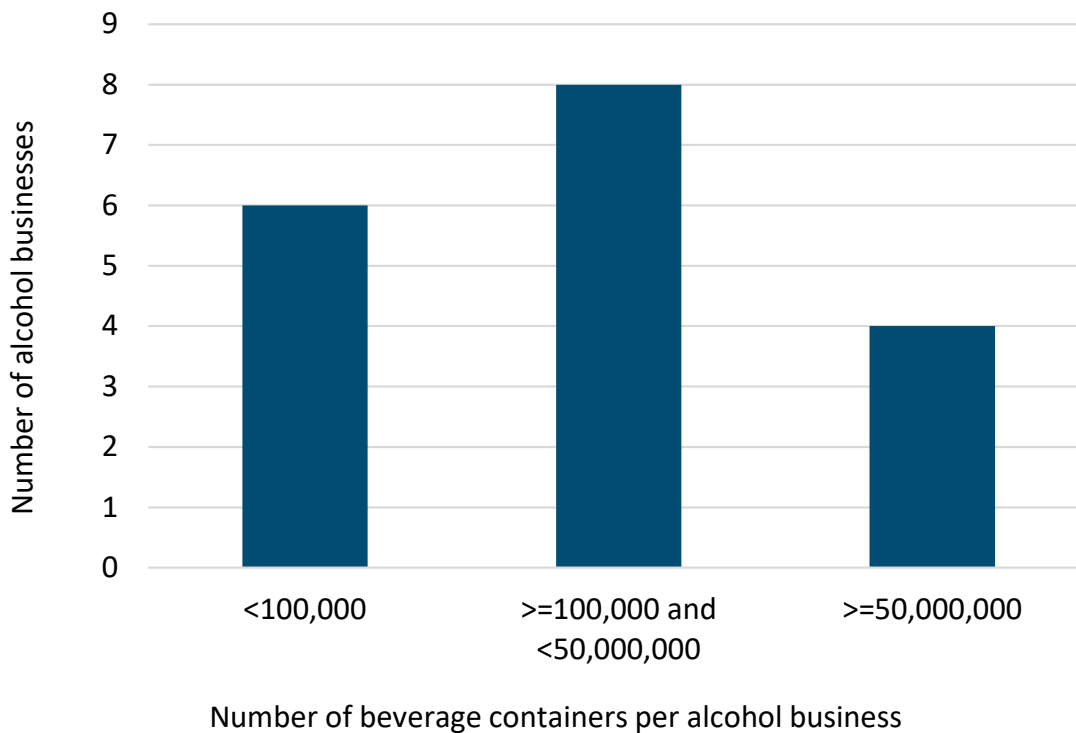
Therefore, the focus was on gathering robust and high-quality data over gathering a large volume of data. Eighteen alcohol beverage businesses, four label design businesses and four label printing businesses were surveyed. That said, the survey was able to cover around 27 per cent of the total Australia-NZ alcohol market by beverage container units sold.

The following is a summary of the findings of the survey.

Different sized alcoholic beverage businesses

The sample of businesses surveyed produced a good spread across different sized alcoholic beverage businesses. Figure 1 below shows the spread of businesses according to how many container units different businesses produce, i.e. how many cans, bottles and casks a business produces for its whole range of alcoholic beverages.

Figure 1 - Spread of beverage container production by businesses surveyed

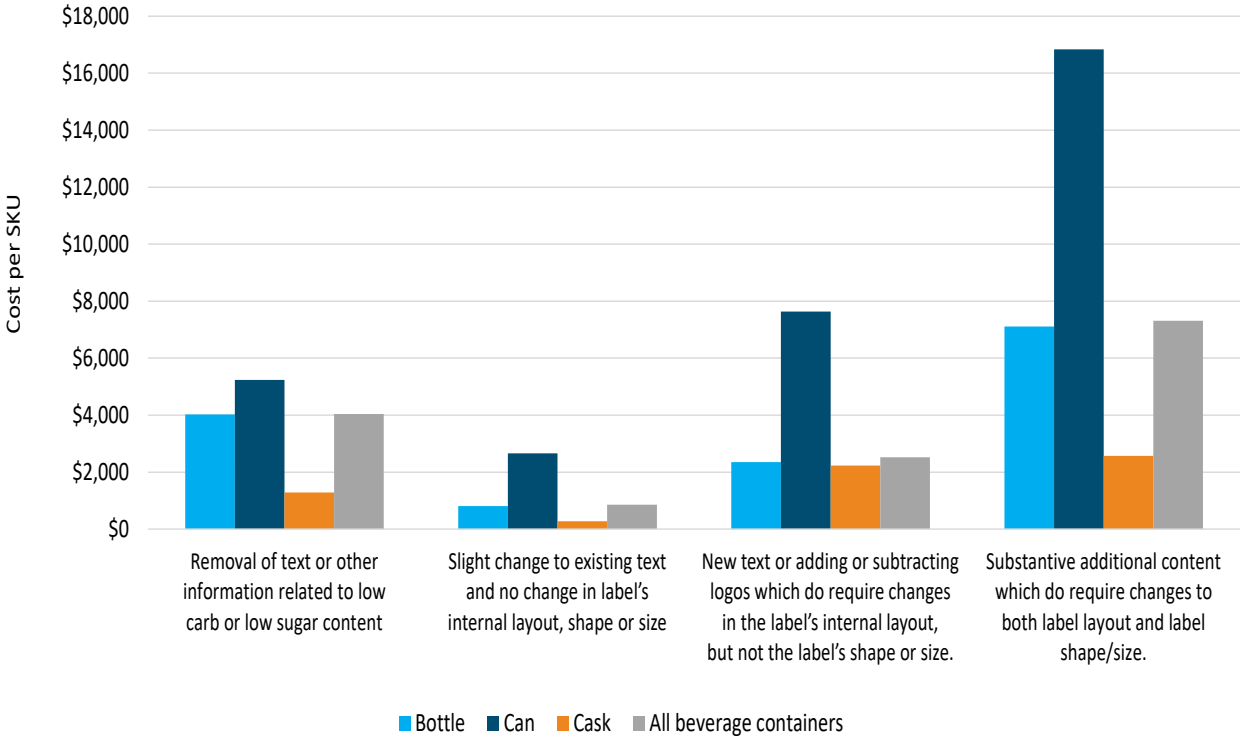


Stock keeping units

Whilst 27 per cent of container units were covered, coverage was 7.9 per cent of total stock keeping units in the Australia-NZ market. A stock keeping unit (**SKU**) is defined here as total production of an identical beverage container that is the same brand, variety, shape and size. For instance, 500,000 or more identical containers of the same beer may be in the same SKU. A boutique vintage winery may just produce 10,000 identical beverage container units (identical wine bottles or identical casks) in one SKU. Marsden-Jacob estimated there are 71,269 alcoholic beverage SKUs across Australia and New Zealand.

A range of factors will affect costs of label changes for each individual SKU, including the type of beverage container and size of the label change. The survey was able to estimate average costs per SKU for different beverage containers and scenarios of label changes. The graph on the next page shows average costs per SKU for four different types of label changes as described at the bottom of the graph. "All beverage containers" means a weighted average of costs across all container types (all bottles, cans and casks).

Figure 2 - Label change costs per SKU in different scenarios

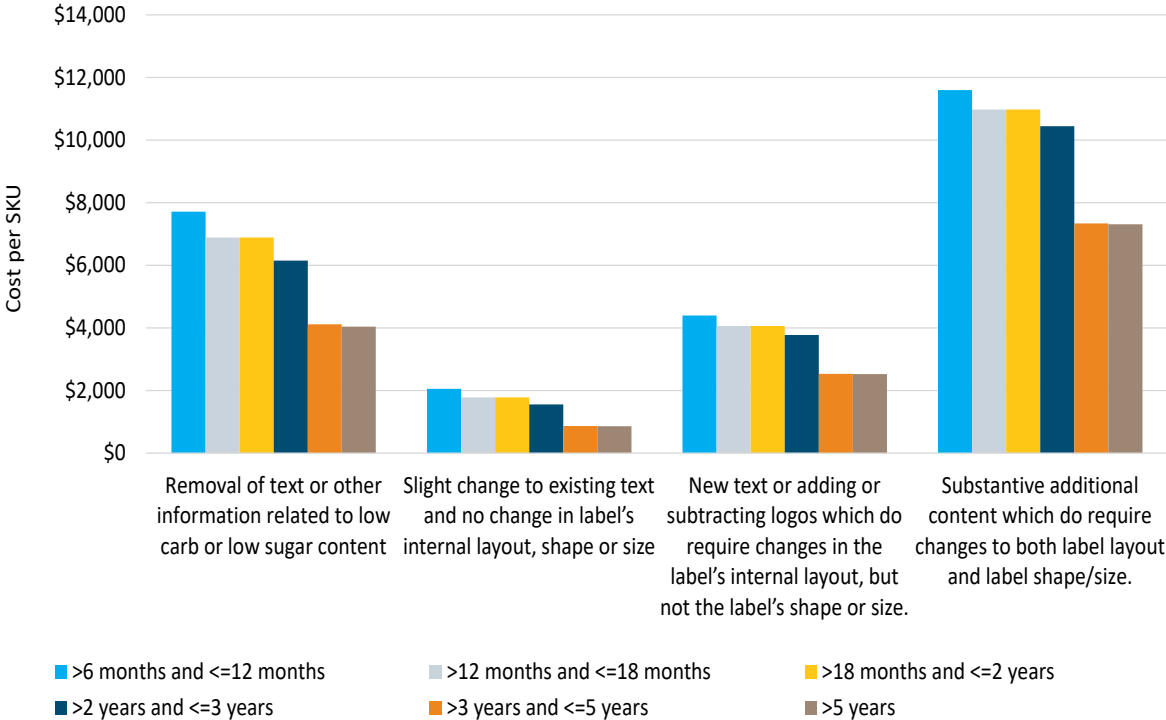


Transition times

Standards that mandate label changes can provide businesses with a lead-in time to make those changes. For instance, businesses could have three years to make a label change to their products after it is specified in a standard.

Generally, a longer transition time reduces costs of mandatory label changes, as businesses have more time to plan for those changes and combine them with other label changes that they would have made anyway in the normal course of business. The graph below (figure 3) shows the impacts on costs per SKU of varying transition times. Costs do not include allowances for stock-in-trade exemptions beyond transition times.

Figure 3 - Impacts on costs per SKU of varying transition times



Costs of label changes in cents per beverage container unit – beer can, wine bottle, etc

More detailed data on the number of beverage container units enabled an extra level of detail in estimating label change costs per beverage container unit. For instance, average costs of 0.7 cents for every can of beer or 7.8 cents for every bottle of wine for changes to a label's layout. That is shown in the table below (figure 4).

Figure 4 - One-off cost of labelling changes – product and container type, cents per beverage container unit

Type of product and beverage container	Removal of text or other information related to low carb or low sugar content	Slight change to existing text and no change in label's internal layout, shape or size	New text or adding or subtracting logos which does require changes in the label's internal layout, but not the label's shape or size.	Substantive additional content which does require changes to both label layout and label shape/size.
Beer and cider				
Bottle	1.1	0.8	2.4	6.0
Can	0.3	0.2	0.7	1.4

Type of product and beverage container	Removal of text or other information related to low carb or low sugar content	Slight change to existing text and no change in label's internal layout, shape or size	New text or adding or subtracting logos which does require changes in the label's internal layout, but not the label's shape or size.	Substantive additional content which does require changes to both label layout and label shape/size.
Cask	0.0	0.0	0.0	0.0
Weighted total	0.9	0.5	1.7	4.1
Wine				
Bottle	15.1	2.9	7.8	27.9
Can	0.0	0.0	0.0	0.0
Cask	3.1	0.7	5.4	6.2
Weighted total	14.2	2.7	7.6	26.2
Spirits and ready to drink				
Bottle	14.6	1.3	3.1	11.0
Can	3.9	0.2	0.4	1.1
Cask	0.0	1.2	10.0	11.4
Weighted total	5.3	0.6	1.4	4.7
Weighted total¹ (all product types)				
Bottle	1.7	1.2	3.4	10.4
Can	0.5	0.2	0.6	1.3
Cask	3.1	0.7	5.4	6.2
All beverage containers	1.5	0.8	2.4	6.8

Conclusion

The recent survey provides FSANZ's cost modelling with extra layers of depth and detail about label change costs. This allows the impact on different sub-sectors of the industry to be assessed at a finer level. The results of this survey will be a useful reference point for estimating costs of current and upcoming label change projects both within and beyond the alcohol industry. As stated above, it is hoped FSANZ can further extend this data set to other food and beverage areas.

¹ The weighted total (all product types) section of the table is the weighted total of beer and cider, wine and spirits and ready to drink. The weightings reflect the number of beverage container units for each product type.