

## Survival of the fittest

The largest closure players are prospering as industry consolidation intensifies. Joe Bates reports

**The industry debate over** the ideal choice of wine closure remains fiercely contested, but the leading players in the natural cork, synthetic and screw cap sectors all have cause for good cheer. They report rising sales due to a combination of accelerated industry consolidation, increased demand as markets recover from economic recession, and successful new product development.

The downward pressure on closure prices caused by the global economic downturn, coupled with a rise in the costs of raw materials such as aluminium, have speeded the level of industry consolidation over the past year.

"Pricing levels for most closure types have fallen over the past year, due to an increase in competition and the global economy," confirms Dean Banister, sales director at agglomerated cork manufacturer Diam. "The focus for our products has been to position them as an alternative to punched cork or traditional Champagne corks. We have not been selling Diam as an alternative to synthetic, for example, which is the most competitive price area... We cannot compete in this range for price reasons."

**Amcor's Stelvin closure: up more than 20% a year**



There appears to be a consensus among suppliers that the overall size of the global closures market remains unchanged at around 18bn units. Natural cork retains a dominant 70% share, while the growing screw cap sector accounts for around 20% of sales. Euromonitor estimates sales of metal screw caps hit 3.3bn units last year, and forecasts that sales will increase by over 9% to reach 3.6bn units in 2011.

Isabelle Millart Maguer, communications director at leading screw cap manufacturer Amcor Flexibles, which saw its global sales grow by 2% last year, is even more bullish about the sector's future. "Our external sources predict that the global wine screw cap market will grow by as much as 50% in the next five years. Western Europe will account for more than half of the wine market closed with metal screw caps," she says. "This corresponds to our own experience where we see our penetration growing in some of the more traditional markets. In recent years our Stelvin brand has grown by more than 20% a year."

### Synthetic consolidation

In comparison, the overall synthetic closures sector, which rose to prominence in the 1990s, is struggling – as shown by the exit from the market earlier this year of one of its leading players, Seattle-based Supreme Corq.

However, rival synthetic supplier Nomacorc, which has always championed a different production method, claims to have benefited from its competitor's demise. According to global vice-president of marketing and innovation Malcolm Thompson, the company is in great shape. "Supreme Corq has exited the market and, for us, this confirms that injection moulding for producing synthetic corks is not competitive compared to our technology, which is co-extrusion.

"For us 2010 was incredible," he adds. "We saw double-digit growth in nearly all our market segments and our sales exceeded 2bn closures... Our business is exploding in markets where we are already pretty dominant. For instance, in the US, our market share is about 38%, and we are up almost 28% on last year. We are also experiencing double-digit growth in markets such as France, Spain and Italy. It has been tremendous."

Thompson says much of Nomacorc's future growth will depend on the launch last year of Select Series. This new range of premium closures incorporates the findings of the company's research into how oxygen transfer through a closure affects a wine's development. Targeted at the premium red wine sector, Select Series already boasts two lines with varying oxygen

### Zork finds success with re-sealable sparkling wine stopper

**Ease of use is an increasingly important trend in the wider closures market, and Australian synthetic closure supplier Zork is one manufacturer prospering because of its innovations in this area.**

In 2009, the Adelaide-based company introduced Zork SPK into the Australian domestic market – a 100% recyclable plastic closure for sparkling wines, which opens with a pop like a traditional Champagne cork, but which can be put back on the bottle. It can then even be cleaned and reused on other bottles.

Distribution of Zork SPK was widened to include Europe last year, and the rest of the world is set to follow in 2011. European business development manager Judith Candy says demand for Zork SPK is so high that the company is expecting very strong sales growth over the next year, and has plans to open a production facility in Europe. "Champagne is not our target market," she explains. "We position ourselves between the very cheap sparklers, which perhaps use plastic stoppers, and Champagne. We are in the premium sparkling sector."

She adds that the target consumer for Zork SPK is the everyday drinker of sparkling wine rather than a celebratory group of Champagne drinkers. Being able to reseal a bottle of sparkling wine, she argues, will open up the "everyday sparkler" segment, noting that sparkling wine currently accounts for only 5% of UK wine sales.



transfer rates (OTR), Select 500 and Select 700, while two further closures with lower OTRs, Select 100 and Select 300, will be launched later in the year.

In tandem with Select Series, Nomacorc is developing a new software-based Closure Selector system, which is designed to help winemakers choose a closure with the right OTR for their style of wine. It is scheduled for launch at the end of June this year.

"What we set out to achieve was a model that was sufficiently complex to allow us to get an accurate answer," says Thompson. "It had to take into account the essential elements of our research findings, but at the same time put it into a tool, which was easy to use and time-sensitive enough that our sales people and distributors would be comfortable sitting down with a busy winemaker at a small winery and taking them through the whole process in 30 minutes or less."

### Amorim posts record results

Despite the advance of screw caps, the market-leading natural cork producer Amorim posted record sales results for its cork stopper division in 2001, breaking the 3m-unit barrier for the first time and increasing overall



PHOTO: APCOR ©

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— Malcolm Thompson, Nomacorc

Above: quality control of corks. Below: Nomacorc's Select Series offers varying OTR rates



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 **Guala Closures Group**

## Closures cont'd

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sales by nearly 14%. The Portuguese company saw volume and revenue growth from both the Old and New Worlds, with the US (+22%) proving a particularly successful market.

Amorim director of marketing and communications Carlos de Jesus argues cork has three factors in its favour: greatly improved technical performance; added-value in the eyes of the consumer; and environmental sustainability. These factors are helping it to move forward even in markets such as Australia, where screw caps are in the ascendency.

"Even when you go to some of the hardest markets for cork, such as Australia, you see some interesting comments from winemakers, who are saying that cork is part of the solution when it comes to export markets," says de Jesus. "For countries such as Australia and South Africa, exports are absolutely crucial, and when it comes to future export markets for any country – whether it be Australia or France or you want to sell to the US or China – then you have to look at cork.

"Wineries are not there to sell closures," he adds. "Wineries are there to sell wine and the right packaging for the right market should be, and is increasingly – even in Australia – an

### Guala Closures takes on the counterfeiters

Counterfeit wines and spirits are becoming increasingly prevalent, especially in emerging markets. Yet the problem is a global one as recent police raids of fake bottling plants in mature markets such as the UK demonstrate. Indeed, Italian closure group Guala Closures, the market leader in anti-counterfeit closures, points to figures that suggest around 5% of all wine sold worldwide is fake.

Unsurprisingly, Guala's many anti-counterfeit closure devices, which can contain up to 40 different parts making them very hard to replicate, are increasingly popular. To satisfy increasing demand, last year the company introduced a new ROPP (Roll On Pilfer Proof) Tamper Evident (TE) screw cap. Once the screw cap has been opened, a red plastic ring appears in the narrow space between the bottle neck and the aluminium skirt.

Dave Thomson, Guala Closures spirits business innovation manager, says the new ROPP screw cap was originally designed for the wine sector, but he believes demand will be high from spirits suppliers needing a closure with a "first step" level of security for markets, which are not normally associated with having a counterfeit problem such as Western Europe.

Elsewhere, Thomson notes there is a trend in Asia for customers to have a sort of interaction with the security device. "They have to tear off a tamper-evident band or an over-cap – something which is then destroyed by a physical operation before they can open the bottle."

He believes this trend will continue, and reveals that Guala is in the early stages of developing a new type of closure, which can be read by smartphone-style applications by the consumer, so that the product's authenticity can be verified.

"It will allow the consumer to verify a genuine product, but also gives the opportunity [for suppliers] to send them a lot of other information about the brand," he explains.

"Many screw cap suppliers tried to present reduction as a figment of cork manufacturers' imagination, just as cork manufacturers tried to do the same with cork taint"

– Carlos de Jesus, Amorim

issue that carries far more than any ideological statement about which type of closure you should use."

#### Ongoing arguments

On the long-standing issue of cork taint, (the unpleasant taste transmitted into wine by the chemical fungus TCA), which can develop through the processing of cork, de Jesus says Amorim has all but defeated the problem. The company has spent considerable sums in the past 10 years on high-tech processes to clean the cork planks more efficiently before punching and to greatly speed up the whole production process.

De Jesus also argues that a balanced closure debate should not only focus on cork taint, but

reduction – a wine fault associated with screw caps, which do not let in enough oxygen after bottle leading to sulphurous aromas.

"Many screw cap suppliers tried to present reduction as a figment of cork manufacturers' imaginations just as cork manufacturers tried to do the same with cork taint," he maintains. "Neither is correct. TCA exists as much as reduction exists and vice versa."

The debates over OTR, cork taint and reduction will undoubtedly continue, but what has become clear over the past year is that while there is continued demand for all three major closure types, only the largest and most innovative players in each sector will prosper. ■



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