

Next steppes



In Genghis Khan's country, PET packaging is king. **Dominique Huret*** finds out how a Mongolian company is delivering quality fruit juices to its domestic market

Can any country have a more challenging supply chain and conditions than Mongolia? Known for its harsh climate, highly hospitable people and magnificent 'steppe' landscapes, Mongolia is situated between Russia and China.

Once the biggest empire on land, it extends from the Yellow Sea to the Eastern borders of Europe. The existence of very rich underground mines does not prevent the country from facing several serious challenges, the first of which is transport. At 2,600km from east to west, the territory contains deserts and mountain ranges, and has a rudimentary road network.

With an average altitude of more than 1,500 metres a second challenge is that winter temperatures fall as low as minus 40 deg C.

Finally, there is also extremely limited supply of fresh domestic products, with 80 per cent of the country's food being imported from China.

Half of the country's 2.7 million inhabitants live in the capital city of Ulaan Baatar. The railway provides a vital role for both industry and people, linking Mongolia to Russia and China.

Tserendorj Ochirkhuyag, general director of Mongolian beverage producer Vitsamo Fruit

Juices LLC Company, explains the history: "After the collapse of the socialist world at the start of the 1990s, conditions in Mongolia changed drastically. Nobody knew to whom buildings, land, and businesses belonged.

"I was educated in socialist East Germany but when I was ready to work, it was a market economy. I had no experience in juices or drinks but I was deeply convinced that quality fruit juices were the best way to provide daily vitamins to people in Mongolia. Mother Nature is so spare on fresh fruits and the living conditions so hard, that health is people's major concern."

Ochirkhuyag started his career as a mechanical engineer in East Germany. He graduated in 1991 and joined Vitsamo in 1995, having spent the interim period gaining experience in the alcoholic beverages business.

The first and only producer of juice in the country at the time, Vitsamo LLC, was incorporated as a joint venture between German and Mongolian shareholders in 1995 by Knut Kotzbauer. The company was reorganized as a 100 per cent foreign invested company, Vitsamo Fruit Juices LLC in 1997 in order to improve the capacity of the factory and



The company produces 9.2 million litres of juice every year
Inset top right: Originally a German/Mongolian joint venture, Vitsamo uses robust European equipment



Vitsamo's launch in PET bottles during 2010 was an immediate hit with consumers
 Right: A harsh climate is just one of the challenges facing Mongolian companies



Despite the arrival of major brand competitors, Vitsamo has held its own on the supermarket shelves

Vitsamo: The facts

- 110 employees
- Annual turnover of €5 million (\$6.6m) equivalent
- 9.2 million litres of juice produced per year
- Four production lines
- Three packaging formats (glass, PET and cartons)
- Three juice categories:
 - Premium** (25cl and 50cl glass);
 - Convenient** (50cl, 60cl, and 1.3-litre PET bottles);
 - Affordable** (20cl and 1.1-litre carton brick packs)

widen product assortment of non-alcoholic beverages.

It was reorganised again in 2008 as a 100 per cent Mongolian invested company.

Being a German/Mongolian joint venture when Ochirkhuyag joined the company, Vitsamo was able to provide him with valuable hands-on experience of robust European equipment and bottling lines. Currently, Vitsamo uses machinery from suppliers that include KHS and Kronen while also housing lines from Tetra Pak with Legendre conveyors.

In 2008, the energetic businessman took on the role of general director and, satisfied with the product quality, strongly focused on marketing and distribution. Shortly after, two global players with foreign capital and brand names also started to produce juice in Mongolia as well.

These were MCS Group (Coca-Cola Bottling Company), which arrived in 2008, and Pepsi Cola Mongolia, established around the same time. Both are blowing bottles on-site.

Vitsamo was prepared and has maintained its position as the biggest national player on the market. Today, its market share of 12 per cent, which places it third, has been preserved as a result of the company's wide product portfolio.

And Ochirkhuyag credits much of the company's success in recent times to a decision to switch large quantities of its juice packaging to PET in 2010. As a result, juice sales have increased 30 per cent in the last two years.

"Clearly the launch of our juice in PET was a major success," he said. "B15 was created in 2010 for the company's 15th birthday and was an immediate hit. The PET bottles are light and are able to resist the extreme weather conditions that see temperatures range from minus 35 to 25 deg C."

In terms of production, Vitsamo found it easy to blow PET bottles in-house, buoyed by the good domestic supplies of preforms in Mongolia.

"Finally, and most importantly, consumers like the trendy look of our square bottles on the supermarket shelves."

Indeed the marketing behind the B15 is professional. The Vitsamo team worked on clever positioning and good branding, with two different sizes and eight different juices to suit a wide consumer range.

The metallic drums of juice concentrate that Vitsamo buys travel either from The Nether-

lands or China. Meanwhile, carton packs come from Hong Kong and glass bottles are produced in China. Shrink film wrap is also Chinese while caps and closures are Korean-made. Only cardboard, labels (paper and shrink sleeves) and PET preforms are sourced from Mongolian manufacturers.

Despite the presence of five PET preform manufacturers in Mongolia – including Monpak Trade LLC and Mungun Plastic – the country still has plenty of progress to make in the packaging industry, says James Otgonbayar, chief executive of OB Capital Group and president of the Mongolia Packaging and Printing Development Council.

"There is still hardly any know-how on the technical aspects of plastics in the country. Recycling of them is banned by professional associations for safety reasons, while everything needs to be done to educate Mongolian consumers," he said.

"PET is often assimilated with PVC and PE, and hence considered dangerous to health when in direct contact with food or inhaled. Many Mongolians have maintained the traditional way of living in Ger or Yurt (felt-lined tents), where heating comes from a central fireplace. Charcoal and wood are used as everyday fuel but in the instance of shortages, any garbage will be used to burn. And these toxic fumes are wrongly destroying the image of PET."

In Genghis Khan's country harmonious development of the plastics packaging industry remains an everyday challenge, but as Vitsamo's Ochirkhuyag concludes: "Nothing is out of reach for a determined Mongol".

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