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Cost of labelling model - alcohol

Report for Food Standards Australia New Zealand

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A Marsden Jacob Report

Prepared for Food Standards Australia New Zealand

Marsden Jacob Associates Pty Ltd
ABN 66 663 324 657
ACN 072 233 204

e. economists@marsdenjacob.com.au
t. 03 8808 7400

Office locations
Melbourne
Perth
Sydney
Brisbane
Adelaide

Authors

Gavan Dwyer	Associate Director
Matthew Clarke	Associate Director

LinkedIn - Marsden Jacob Associates
www.marsdenjacob.com.au

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Acronyms and abbreviations

FSANZ	Food Standards Australia New Zealand
SKU	Stock keeping unit

1. Executive summary

This report develops, refines and documents a model to estimate the costs of potential future FSANZ labelling changes on the alcohol sector.

In this report, Marsden Jacob develops and refines a cost model for Food Standards Australia New Zealand (FSANZ) and summarises the results.

The cost model has been developed in Microsoft Excel. It refines and extends a previous model developed by FSANZ. The data for the model are drawn from extensive surveying and interviews with businesses involved in the manufacture and sale of alcohol and businesses involved in the design and manufacture of alcohol labels.

The model shows the costs to the alcohol sector of potential future changes to labelling requirements and was developed using: a voluntary survey; interviews of alcohol manufacturers/distributors; discussions with label design and printing businesses; and other publicly available information. The survey participants represent 27 per cent of the total alcohol market by beverage container units or 7.9 per cent of total stock keeping units (SKUs) in the alcohol market.

The model is intended to be used to assist FSANZ's understanding of the likely regulatory burden on alcohol businesses of potential future mandatory label changes and, therefore, improve regulatory decision making and outcomes.

The model was developed in response to recommendations made by Marsden Jacob in a previous report for FSANZ. FSANZ have indicated that the updated model has been developed because time and resources became available for a model update and that FSANZ aims to periodically update cost models when resources become available rather than just relying on indexing.

FSANZ have further indicated that a decision was made for this update to initially focus on labelling of alcoholic beverages because of possible further label change considerations in FSANZ's work program. However, with some adaptation, the model is capable of being expanded to other areas of food and beverage manufacturing and that further data and information collection will be considered when time and resources become available.

The cost model has been developed using four scenarios that were agreed with FSANZ. These scenarios range from a minor change where only a small number of words would be required to be changed through to more substantive changes where new labelling requirements meant that the label size and/or shape may need to change. Additionally, one of the scenarios relates to the potential removal of text or information.

The initial industry of focus, the alcohol industry, is large and diverse both in terms of the type of labels, beverage containers and packaging affected. Furthermore, the industry is diverse in terms of size and also in terms of the complexity of the business involved. Moreover, the impact of regulatory label changes is not consistent across the industry. Different businesses and costs can be affected in different ways by the same label change.

Simpler changes have the lowest cost. However, simple changes in large complex business and supply chains are not straight forward and most businesses indicated that a minimum of 12 months is generally required to enable change to be absorbed more easily and less expensively through the normal course of product and label evolution within a business. In some cases, businesses have indicated that they require 3 to 5 years to adjust to the new changes.

Costs of a label change are generally larger when:

- more complex artwork and redesign are required
- new printing plates are required
- both inner and outer packaging is affected
- pre-printed stocks are held
- imported pre-printed beverage containers and packaging are affected.

An important point uncovered through the analysis is that incremental small change can precipitate the need for large change of a label where labels affected cannot undergo any more additions without affecting the size of area required or impinge on other design issues. This is addressed in the cost model simply by assessing a large change scenario. The model enables the interrogation of costs for a large change regardless of how it might come about.

Large change is considerably more expensive and even more expensive when it is required under tight timeframes. Large changes principally involve more design and artwork costs and additional printing costs depending on the technology and container material used.

While the cost model can be used as an ex-ante tool to estimate the potential costs of regulatory change, the model provides important insights into the characteristics of the costs and how they are dependent on features of the businesses. As such, the model could also be used as tool to reduce regulatory change costs by developing cost minimising principles to guide the development of future alcohol label changes. For example, by developing principles that are clear and predictable businesses could develop label and packaging designs that are less costly to change in the future when designed with the principle in mind.

2. Introduction

This section provides an overview of the project and approach undertaken by Marsden Jacob to develop the cost model

2.1 Food labelling - alcohol

FSANZ is a statutory authority operating under the *Food Standards Australia New Zealand Act 1991*. The Authority sets food standards for the two countries by working within an integrated food regulatory system involving the governments of Australia and New Zealand. As part of this role, FSANZ specifies what information must go on labels of food and drinks sold in New Zealand and Australia.

The Food Standards Code regulated by FSANZ includes specific information requirements for labelling of alcoholic beverages. The specification requirements may vary depending on the concentration of alcohol in the beverage and include:

- Statement of alcohol content
- Statement on the number of standard drinks
- Pregnancy warning label

A nutritional content label is not required unless there is claim made regarding nutritional content.

2.2 Purpose of report.

FSANZ is presently investigating the following potential alcohol regulatory changes that could impact on labelling including around energy content and certain on-label claims:

- adding energy content to all alcoholic beverage labels, e.g., stating the number of calories or kilojoules contained in the beverage
- removing claims of low carbohydrates or low sugar on alcoholic beverage labels
- specifying any added sugar on all food and beverage product labels (including alcoholic beverages).

When considering changes to regulatory requirements, FSANZ is required to assess and consider the costs that would arise from the proposed new food standard are likely to outweigh its benefits. Specifically, under the *FSANZ Act 1991*, sections 29 and 58, FSANZ must have regard to the following matters:

> *(a) whether costs that would arise from a food regulatory measure developed or varied outweigh the direct and indirect benefits to the community, Government or industry that would arise from the development or variation of the food regulatory measure;*
>
> *(b) whether other measures (available to the Authority or not) would be more cost-effective than a given food regulatory measure developed or varied;*
>
> *(c) any relevant New Zealand standards;*

(d) any other relevant matters.

Manufacturers of alcohol beverages and other drinks and foods individually hold detailed knowledge of the costs associated with label printing. FSANZ seeks to continually improve its knowledge of regulated label change costs through ongoing research.

This report aims to enhance FSANZ understanding of the costs to alcoholic beverage producers of making minor, medium and major label changes and incorporating these estimates into an updated label cost model.

2.3 Project approach

To develop a model which shows the impact on costs of businesses resulting from changes to food labelling requirements, Marsden Jacob sought to collected information through engagement with:

- Alcohol businesses
- Design businesses
- Printing businesses

In most cases, a structured survey was used to collect information – particularly for alcohol businesses. The survey is contained in Appendix 1, although simpler versions of this survey were used in some circumstances – for example, where the alcohol business was more likely to complete a shorter survey. In addition, the survey evolved in a minor way through the project and the survey shown in Appendix 1 is the final survey.

The full survey contains a range of information on label costs and the survey respondent's business. Significant effort was involved in designing the survey to ensure that sufficient robust information was collected from alcohol businesses. In addition, in many cases, Marsden Jacob engaged in direct discussions with survey respondents to ensure that information was correctly completed and, in some cases, followed up with businesses to clarify responses or request more information.

In progressing the survey, much effort was undertaken by Marsden Jacob to contact alcohol businesses and encourage them to complete the survey. In some cases, Marsden Jacob completed the survey with the business online which assisted with participation and also improved the completeness of survey responses.

In developing the survey, care was taken to distinguish between stock-keeping units and the number of products or packages that may require a label change. This approach was validated in the first few surveys.

There is a wide and growing diversity of alcohol products in Australia. Our survey was focused on three types of alcohol products:

- Beer and cider
- Wine
- Spirits and ready to drink

The survey also focused on three types of beverage containers and packaging (Table 1). A beverage container can be sold either by itself (e.g., a wine bottle) or with inner and/or outer packaging. The inner and outer package is sometimes used to combine multiple beverage containers into one sales product.

In this report, the glass bottle is referred to as 'bottle' and aluminium cans are referred to as a 'can'.

Table 1: Container and package types

Container/package type	Product material	Examples
Beverage container		
Bottle	Glass[1]	• 375 ml beer stubby • 750 ml long neck beer bottle • 750 ml wine bottle • 700 ml spirit bottle • 340 ml premix bottle
Can	Aluminium	• 375 ml beer can • 375 ml premix can
Cask	Cardboard	• 2, 4 or 5 litre cask
Inner package		
Inner package	Plastic or paperboard	• Six-pack beer plastic wrap • Paperboard package for a single spirits bottle • Paperboard package for a 10 pack of cans
Outer package		
Outer package	Cardboard	• 24 case of beer stubbies • 24 carton of cans

The survey was designed to collect data from businesses for the model and that would help inform FSANZ knowledge on each of the following:

- Costs of changing labels on beverages (and how they differ by minor, medium and major label changes)
- The amount of affected packaging (including bottles, cans, casks, inner and outer packaging)
- The amount of beverage container units (including beer, wine, spirits, ready to drink, bottles, cans and casks)
- The amount of product with multiple packaging layers, such as six-packs or wine contained in a decorative box, excluding outer packaging not for retail display
- The type of printing technology used (digital, conventional, lithographic, flexographic, rotogravure, etc)

[1] Note that there is small amount of plastic bottles used in some segments of the industry (e.g., cider).

- The typical length of time between label changes in the normal course of business
- The marginal cost of making mandated minor, medium and major label changes when combined with other label changes that would have occurred in the normal course of business
- Amount of printed product stockpiled.

The survey asked businesses to estimate the costs to their business under the following potential scenarios:

- Removal of text or other information
- 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.

2.4 Redaction of certain information for commercial confidentiality

Some text and numbers have been redacted to protect lawful business and commercial affairs under: **47G Public interest conditional exemptions—business:**

(1) A document is conditionally exempt if its disclosure under this Act would disclose information concerning a person in respect of his or her business or professional affairs or concerning the business, commercial or financial affairs of an organisation or undertaking, in a case in which the disclosure of the information:

(a) would, or could reasonably be expected to, unreasonably affect that person adversely in respect of his or her lawful business or professional affairs or that organisation or undertaking in respect of its lawful business, commercial or financial affairs; or

(b) could reasonably be expected to prejudice the future supply of information to the Commonwealth, Norfolk Island or an agency for the purpose of the administration of a law of the Commonwealth or of a Territory or the administration of matters administered by an agency.

3. Alcohol market

The alcohol beverage manufacturing is a large and complex industry. It produces a wide array of products ranging from beer, wine, ciders and spirits and ready to drink (i.e., premixed drinks).

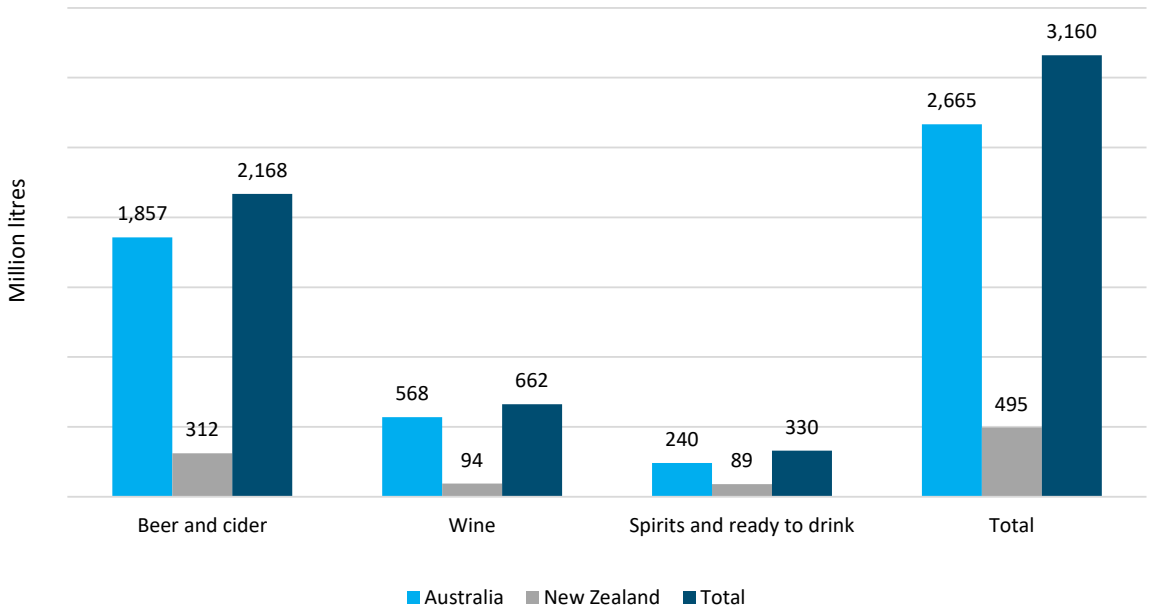
Businesses engaged in manufacturing range from very large multi-product producers through to small boutique and craft producers focusing on small production runs with sometimes a diverse array of styles of a single beverage type.

Given the diversity of the industry and its product offering to consumers, there is a complex array of labelling types on beverage containers and mixed configurations of inner and outer packaging.

3.1 Alcohol market overview

Over 3.2 billion litres of alcohol beverages are available for consumption annually in Australia and New Zealand combined (Figure 1). Around two thirds of this volume is made up of beer (including cider)[2] consumption which accounts for over 2 billion litres. Wine consumption is the next most consumed alcohol beverage but is considerable smaller than beer at 662 million litres. Spirits and ready to drink varieties account for the smallest volume at 330 million litres. Reflecting its relative population size, Australian total consumption considerably exceeds that of New Zealand across all alcohol beverage types.

Figure 1: Alcohol market, Australia and New Zealand (million litres – annual consumption) - estimate

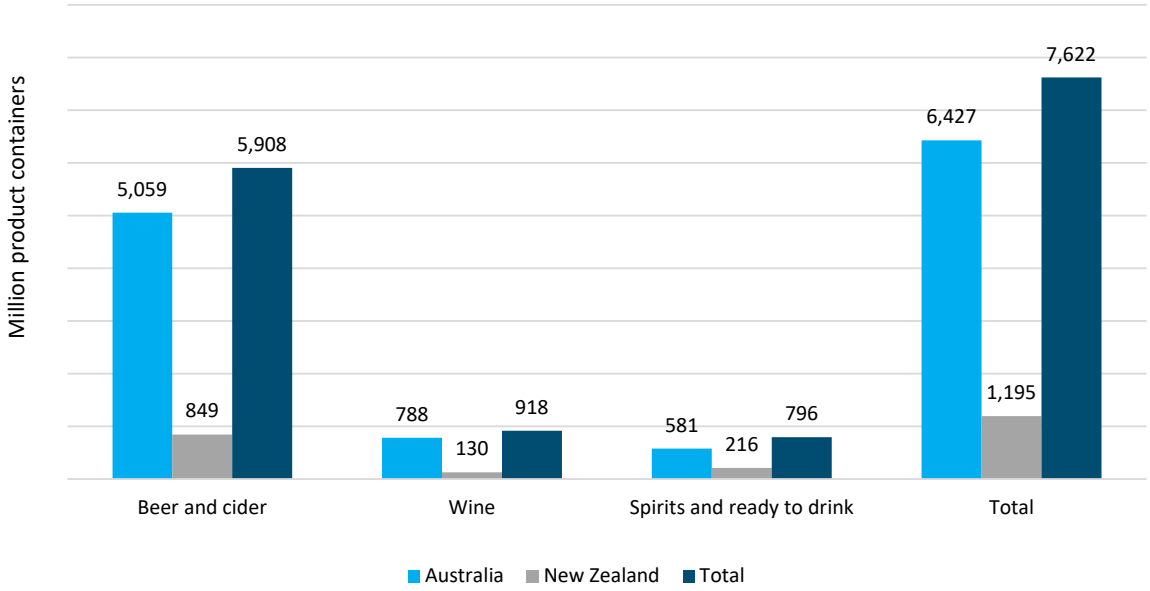


Source: MJA analysis using Australian Bureau of Statistics (https://www.abs.gov.au/statistics/health/health-conditions-and-risks/apparent-consumption-alcohol-australia/2017-18#data-download) for 2017/18 and Stats NZ (https://www.stats.govt.nz/information-releases/alcohol-available-for-consumption-year-ended-december-2020) for 2020.

[2] Note that beer and cider has been combined in the model because of similar product container and packaging characteristics.

Marsden Jacob estimates that just over 7.6 billion containers across the two countries are used to enable private consumption (Figure 2). The number of containers is impacted by the drink size for different product types. The average drink sizes estimated in the model are based on survey data.

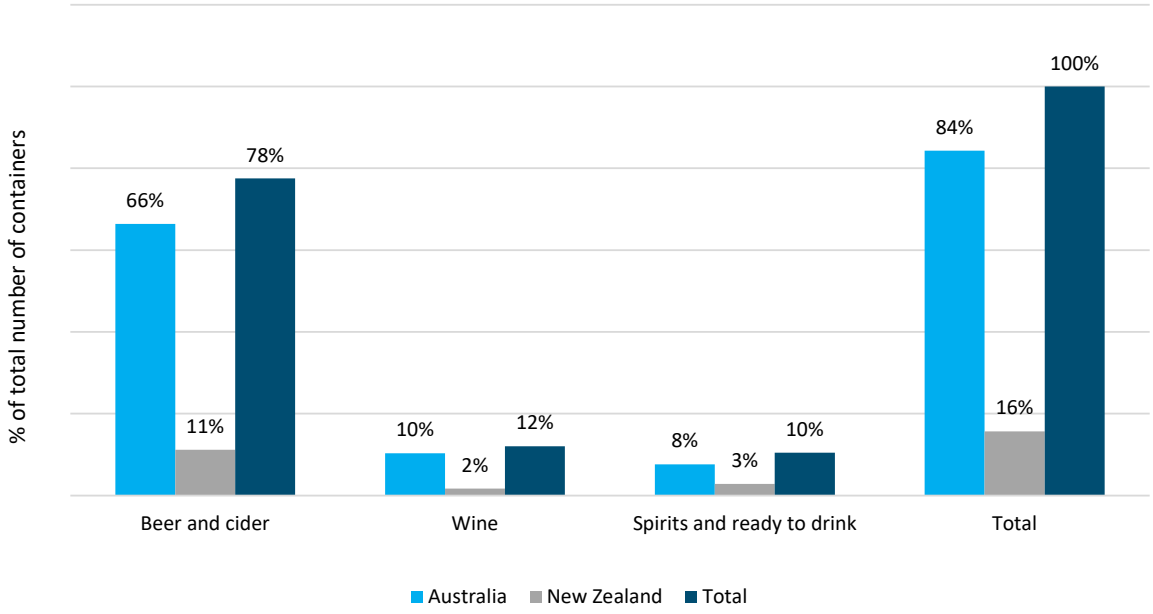
Figure 2: Alcohol market, Australia and New Zealand (number of beverage containers) – estimate



Source: MJA estimates using Australian Bureau of Statistics (https://www.abs.gov.au/statistics/health/health-conditions-and-risks/apparent-consumption-alcohol-australia/2017-18#data-download) for 2017/18 and Stats NZ (https://www.stats.govt.nz/information-releases/alcohol-available-for-consumption-year-ended-december-2020) for 2020.

Australia accounts for approximately 84 per cent of total alcohol container use and New Zealand the remaining 16 per cent (Figure 3). Across the two countries, beer containers account for 78 per cent of all alcohol containers, wine 12 per cent and spirits 10 per cent.

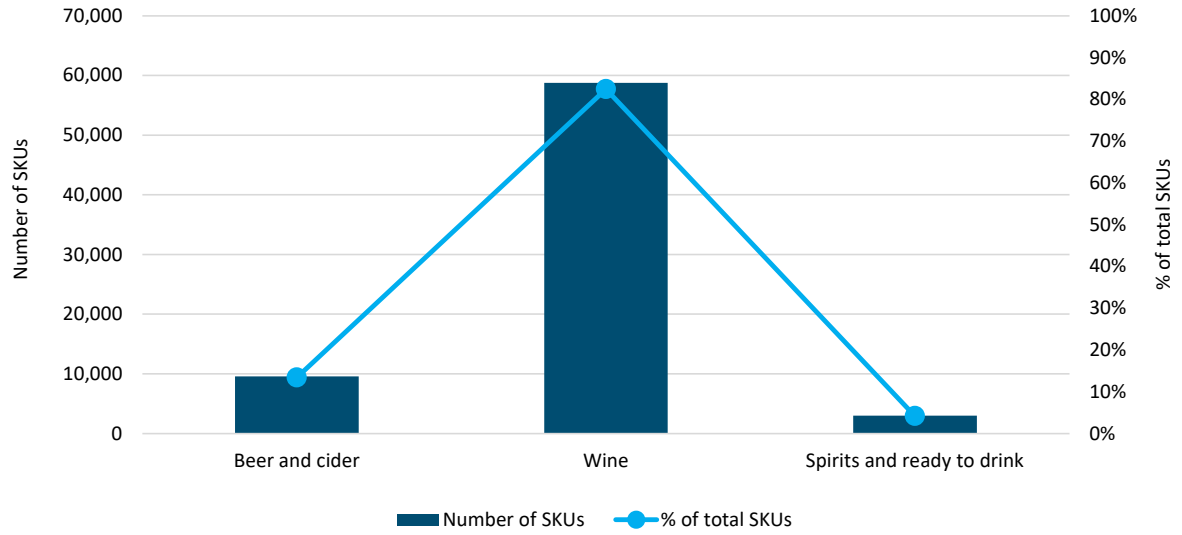
Figure 3: Alcohol market, Australia and New Zealand (% of total number of beverage containers) – estimate



Source: MJA estimates using Australian Bureau of Statistics (https://www.abs.gov.au/statistics/health/health-conditions-and-risks/apparent-consumption-alcohol-australia/2017-18#data-download) for 2017/18 and Stats NZ (https://www.stats.govt.nz/information-releases/alcohol-available-for-consumption-year-ended-december-2020) for 2020.

Marsden Jacob estimates that the alcohol market comprises 71,269 stock keeping units (SKUs) that require product labelling – Figure 4 and Table 2. Wine products have the largest number of SKUs, comprising more than 80 per cent of total alcohol sector SKUs. Beer and cider products are estimated to comprise 13% of total SKUs and spirits and ready to drink products comprise 4%.

Figure 4: Alcohol market, Australia and New Zealand (Number of SKUs and % of total) – estimate



Source: MJA estimates

Table 2: Number of SKUs

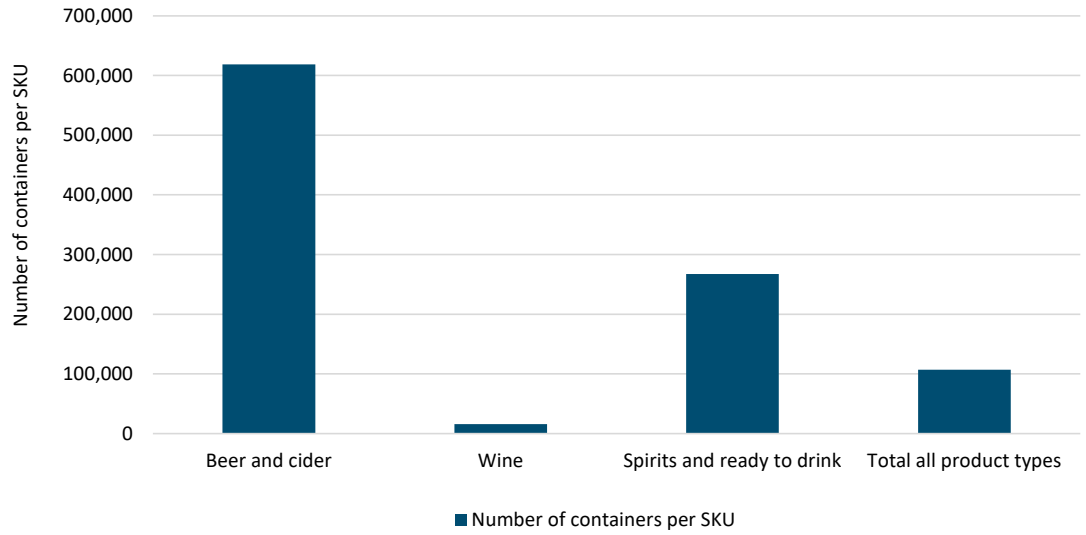
	Beer and cider	Wine	Spirits and ready to drink	Total all product types
Bottle	7,742	57,051	2,461	67,253
Can	1,809	0	510	2,320
Cask	0	1,690	6	1,696
Total	9,551	58,741	2,977	71,269

Source: MJA estimates

Note: These numbers are estimates using results from the survey and other information. Although some differences may exist in practice (e.g., wine can be sold in cans and this is not shown in the above table), these are not likely to materially affect the cost analysis in this report.

Marsden Jacob estimates that the average number of beverage containers per SKU is the highest for beer and cider products and the lowest for wine products (Figure 5). The number of beverage containers per SKUs is generally smaller for businesses with a lower number of SKUs.

Figure 5: Alcohol market, Australia and New Zealand (Number of containers per SKU) – estimate



Source: MJA estimates

4. Survey of alcohol businesses

The cost model was developed through detailed surveys of representative group of alcohol manufacturers. This was supplemented with interviews of manufacturers, unable to complete the survey without assistance, and with interviews of label design and printing businesses.

Surveys were sent to individual alcohol businesses that were identified by FSANZ and who were subsequently willing to receive them following on from an introductory letter from FSANZ. This was followed up with individual calls to businesses by Marsden Jacob Associates. The alcohol businesses that were selected by FSANZ were from Australia and New Zealand and included small, medium and large sized businesses with the objective of achieving an unbiased and balanced sample.

Surveys were refined for different segments of the alcohol manufacturing sector to improve the efficiency of the survey questions and improve the likelihood of response. All alcohol businesses approached to participate in the surveys received an introductory letter from FSANZ and were spoken to directly by Marsden Jacob to explain the purpose of the survey, the types of information that would be gathered, how the information would be used and how Marsden Jacob would maintain the confidentiality of the business data provided.

To supplement the surveys received, some individual businesses were directly interviewed by Marsden Jacob to gather survey information – these were usually businesses that indicated they were willing to participate but had limited capacity and wherewithal to complete the survey by themselves. Some beverage manufacturers had gaps in the detail that they were able or willing to share within the survey. We have incorporated, where appropriate, partially completed surveys data into the cost model.

Label and art design businesses were not part of the structured survey approach. These were interviewed directly by Marsden Jacob.

A total of 26 businesses participated in survey or interviews (Table 3), noting that one business is counted several times due to the diversity of their business.

Feedback from businesses who participated in the survey did so to help improve the knowledge of FSANZ and improve regulated label change decision making. Invariably, businesses conveyed to Marsden Jacob their experiences with the regulated pregnancy warning label changes. Many noted to Marsden Jacob the importance of minimising future regulatory costs.

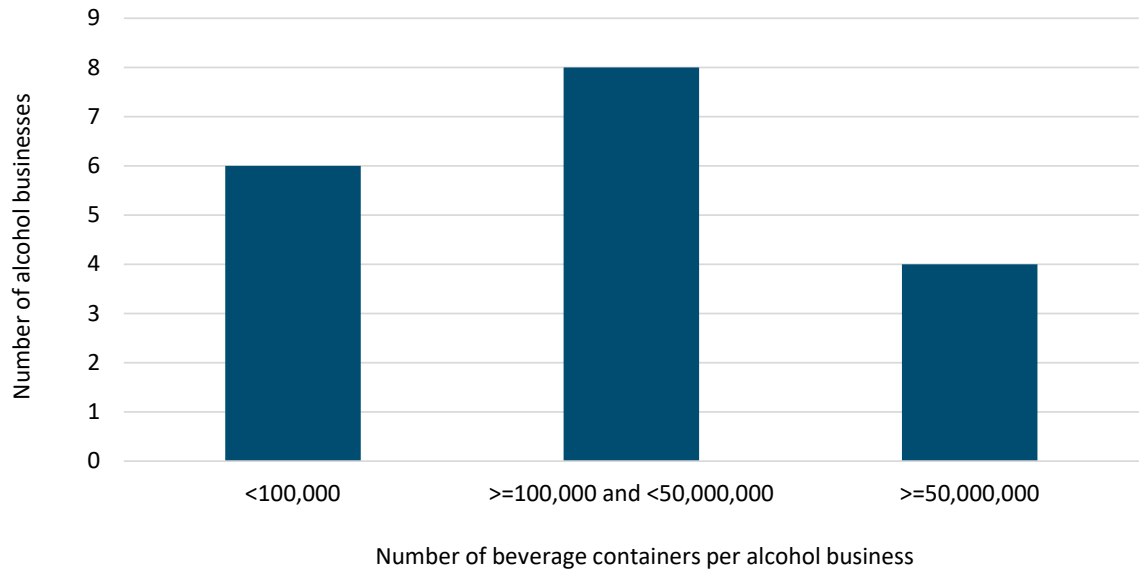
A significant number of businesses that did not complete the survey, but spoke to Marsden Jacob, noted they were under significant business burdens due to current operating environment and were not in a position to assist fully. However, they often provided useful insights on recent regulated label change experiences that have help us with the construction of the model and the development of our analysis.

The 18 alcohol businesses (i.e., excluding design and print businesses) that participated in surveys or interviews equates to an estimated 27 per cent of the total alcohol market in terms of beverage container sales units. The 18 alcohol businesses were a mix of small, medium and large sized businesses (Figure 6).

Table 3: Survey composition

Type of survey respondent (predominant business type)	Number contacted	Number surveyed
Beer and cider businesses	36	4
Wine businesses	16	9
Spirit and ready to drink businesses	10	5
Design businesses (including one beverage manufacturer costs)	4	4
Printing businesses	10	4
Total	**76**	**26**

Figure 6: Size of surveyed alcohol businesses (number of beverage containers)



5. Cost model summary results

This section provides a summary of the estimated costs of changes to labelling requirements

5.1 Overall additional one-off cost impact

The additional one-off costs of label change scenarios range from, on average across all beverage containers, between $859 to $7,315 per SKU (Figure 7 and Table 4). The total one-off cost of the labelling change is estimated to be between $61.2 to $521.4 million (Figure 8 and Table 5). The one-off costs per dollar unit for label changes is estimated to be between 0.8 to 6.8 cents per beverage container unit (Figure 9 and Table 6).

The costs of the labelling change in Figure 7, Figure 8 and Figure 9 include the cost of inner and outer packaging costs associated with each beverage container type. The costs assume a FSANZ transition time of greater than 5 years. The impact of shorter transition times is explored in Section 6.4.

The highest cost per SKU is where there are changes to the size and/or shape of the label. The cost per SKU is the highest for cans relative to bottles and casks. This is because most cans have an inner and outer package as they are assumed in the model to be beer beverages. In contrast, bottles do not always require an inner or outer package – for example, wine and spirits bottles.

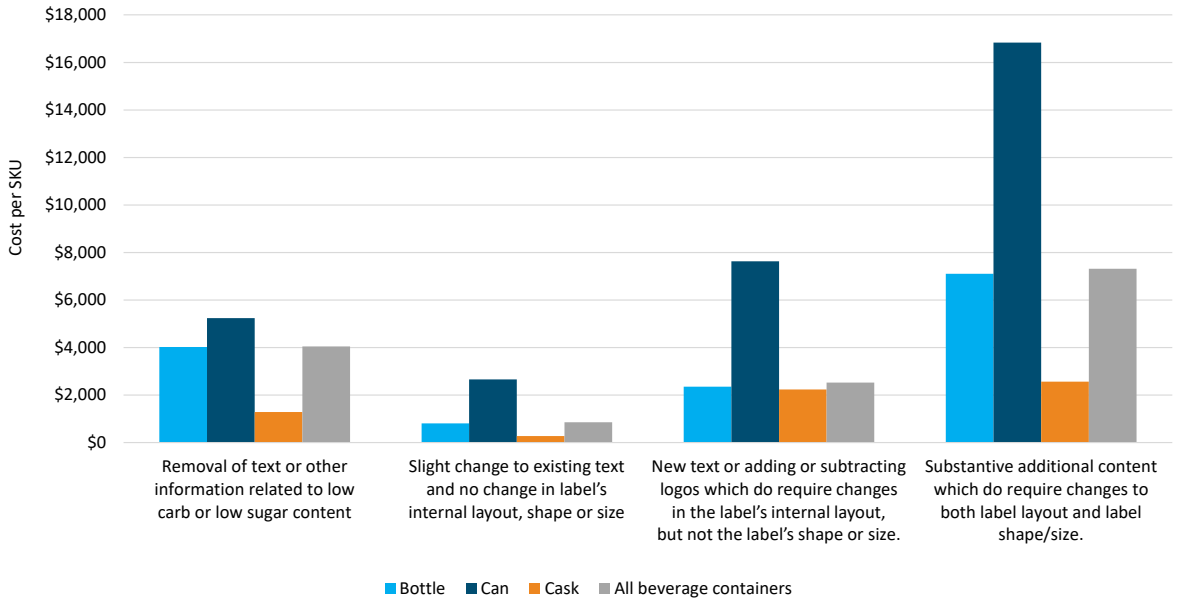
However, most of the increase in total costs is associated with bottles (and not cans) as they comprise the largest number of SKUs (predominantly due to the number of wine SKUs).

Additionally, the highest cost per SKU is for beer products as they typically have an inner and outer package which requires labelling. This is not the case for wine and spirits which are typically either sold as just the beverage container or sometimes as a beverage container contained within a cardboard package (referred to as an inner package in the model to be consistent with other types of packaging).

The estimated costs per SKU in the model are based on a sample of alcohol businesses. As a result, the model may not accurately capture some of the variation in costs per SKU for different sized businesses due to the size of the sample. Intuitively, smaller businesses may be expected to have lower costs per SKU as they may engage in printing technologies which have lower one-off printing costs (such as digital printing) as well as simpler design formats requiring less cost to change.

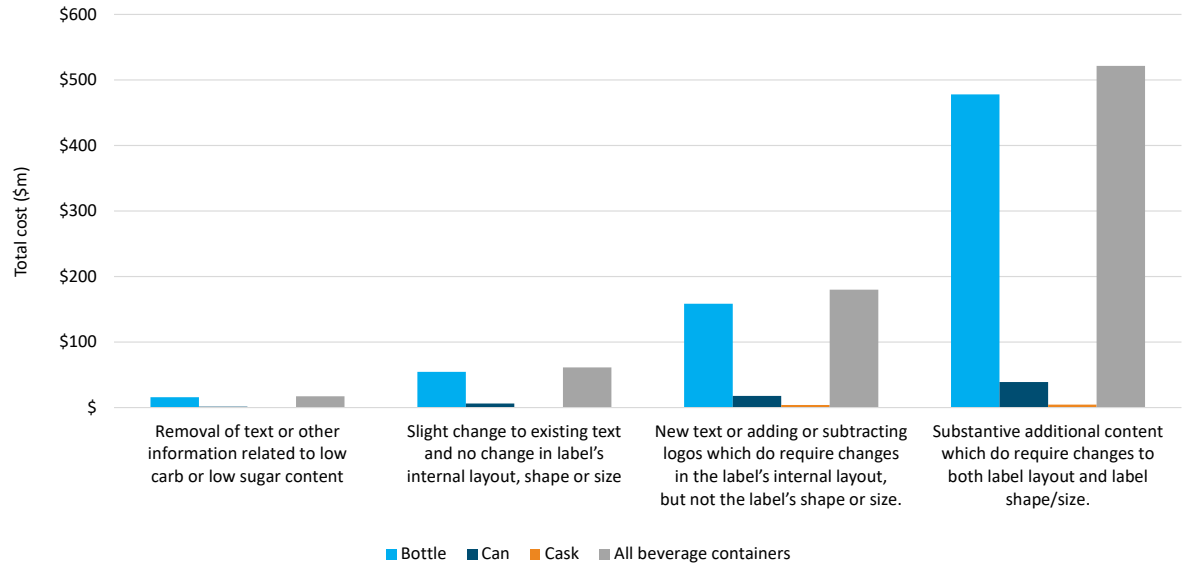
However, the survey does not provide enough evidence to illustrate variations in cost per SKU for different sized businesses – for example, some smaller businesses had similar costs to larger businesses. One reason for this result may be that not enough survey responses were collected from the different market segments (based on size of business). Another factor may be that the industry is diverse and even smaller businesses engage in printing and design processes that are costly to change.

Figure 7: One-off costs associated with labelling change – Cost per SKU



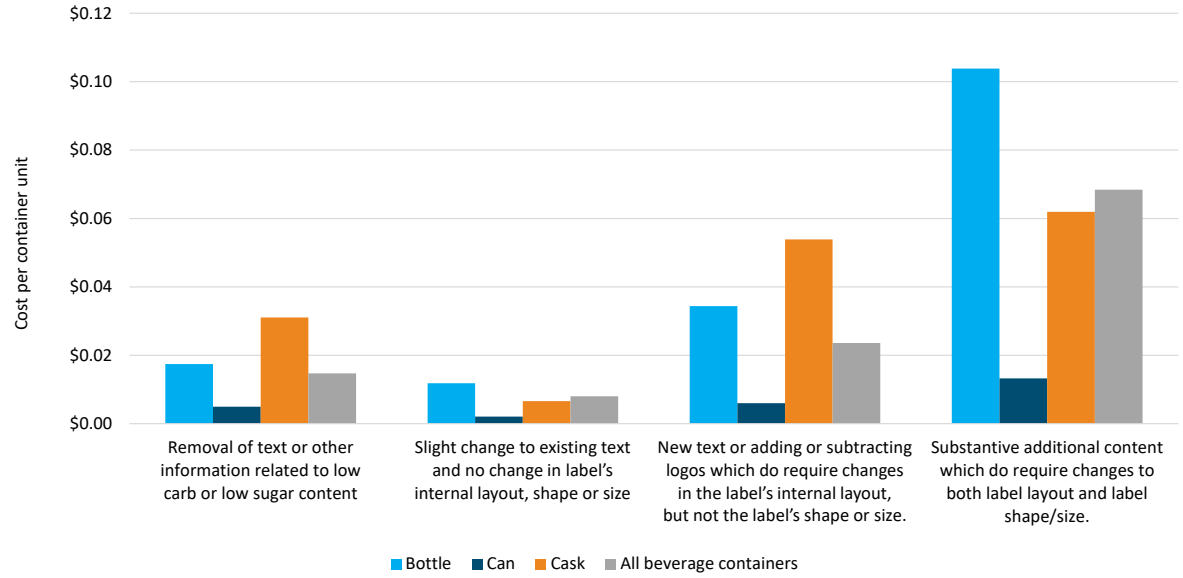
Note: assumes a transition time of more than 5 years. The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type.

Figure 8: One-off costs associated with labelling change – $million



Note: assumes a transition time of more than 5 years. The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type.

Figure 9: One-off costs associated with labelling change – $/beverage unit



Note: assumes a transition time of more than 5 years. The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type.

Table 4: One-off cost of labelling changes – container type ($ per SKU)

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.
Weighted total[3] (all product types)				
Bottle	$4,023	$811	$2,355	$7,107
Can	$5,237	$2,661	$7,632	$16,832
Cask	$1,290	$274	$2,235	$2,568
All beverage containers	**$4,043**	**$859**	**$2,524**	**$7,315**

Note: The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type. The "n.a." refers to where information was not available to estimate the cost. For the purposes of the model, these costs are incorporated into other cost categories to ensure that all SKUs are costed when estimating the total costs of a label change for the alcohol sector.

[3] The weighted total (all products) 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 SKUs for each product type.

Table 5: One-off cost of labelling changes – container type ($million)

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.
Total				
Bottle	$15.8	$54.6	$158.4	$478.0
Can	$1.3	$6.2	$17.7	$39.0
Cask	$0.1	$0.5	$3.8	$4.4
All beverage containers	**$17.2**	**$61.2**	**$179.9**	**$521.4**

Note: The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type.

Table 6: 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
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

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.
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 total[4] (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**

Note: The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type.

5.1.1 Costs by package type

The costs per SKU are the highest for cans (Table 7). This is because cans mostly require an inner and outer package, whereas bottles do not (e.g., wine). Moreover, the cost per SKU for bottles is not as high as cans because not as many bottle SKUs require inner or outer packaging relative to the total number of SKUs for bottles compared to cans.

For example, the number of can outer packages that require labelling as a proportion of the total number of SKUs for cans is 64% and the number of bottle outer packages that require labelling as a proportion of the total number of SKUs is 12%.

[4] 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.

Table 7: Estimated cost of labelling changes – container/package type and beverage container type ($ per SKU)

Container/package type and beverage container type	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.
Beverage container				
Bottle	$3,041	$438	$1,190	$4,273
Can	$3,924	$965	$1,517	$3,978
Cask	$1,290	$274	$2,235	$2,568
Weighted total	$3,060	$451	$1,225	$4,223
Inner packaging				
Bottle	$231	$151	$351	$1,232
Can	$742	$741	$1,688	$5,968
Cask	$0	$0	$0	$0
Weighted total	$256	$167	$386	$1,357
Outer packaging				
Bottle	$750	$222	$815	$1,601
Can	$571	$955	$4,428	$6,885
Cask	$0	$0	$0	$0
Weighted total	$727	$241	$913	$1,735
Weighted total[5] (all beverage container/package types)				
Bottle	$4,023	$811	$2,355	$7,107
Can	$5,237	$2,661	$7,632	$16,832
Cask	$1,290	$274	$2,235	$2,568
All beverage containers	**$4,043**	**$859**	**$2,524**	**$7,315**

Note: The costs of the labelling change in this graph include the cost of inner and outer packaging costs associated with each beverage container type.

[5] The weighted total (all beverage container/package types) section of the table is the weighted total of beverage container, inner packaging and outer packaging. The weightings reflect the number of SKUs for each product type.

5.1.2 Costs by process type

The largest costs associated with a labelling change are additional one-off printing and design costs (Figure 10 and Table 8). Design costs are more significant when a change is required to the label shape and size.

The other costs (i.e., review label, market testing and administrative) are much smaller in magnitude. However, some alcohol businesses indicated that some of these costs were incorporated into their estimates of design and printing costs and it was difficult to separately identify these costs.

The written down value of labels and the cost of disposal are zero cost in Figure 10 and Table 8 because the transition time is based on > 5 years which is assumed to result in enough time for these types of costs to be avoided.

Figure 10: Summary of composition of costs – all products

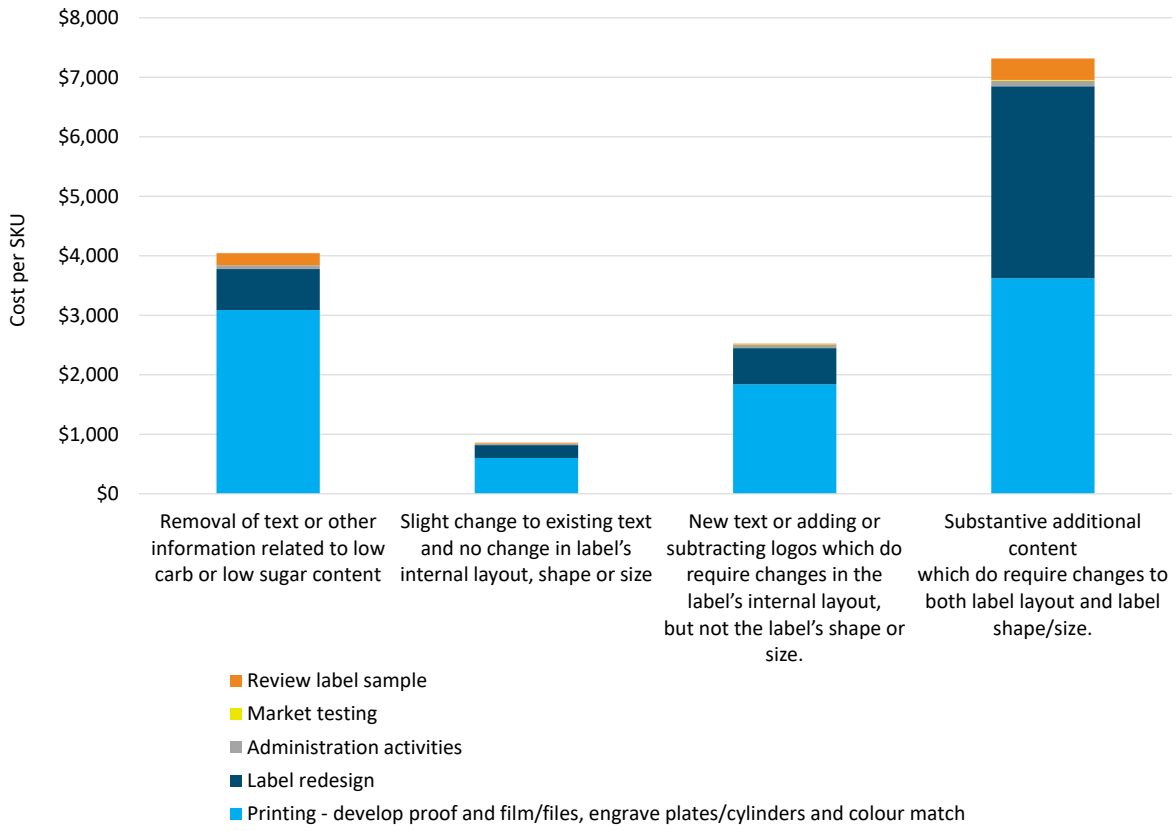


Table 8: One-off cost of labelling changes – process type ($ per SKU)

	Bottle (including inner and outer package)	Can (including inner and outer package)	Cask (including inner and outer package)	Weighted total[6] of all container types (including inner and outer package)
Removal of text or other information related to low carb or low sugar content				
Administration activities	$44	$97	$920	$63
Label redesign	$543	$3,280	$100	$690
Market testing	$0	$0	$0	$0
Develop proof and film/files, engrave plates/cylinders and colour match	$3,227	$1,762	$170	$3,089
Review label sample	$210	$97	$100	$202
Written down value of stock	$0	$0	$0	$0
Cost of disposal of stock	$0	$0	$0	$0
Total	**$4,023**	**$5,237**	**$1,290**	**$4,043**
Slight change to existing text and no change in label's internal layout, shape or size				
Administration activities	$20	$78	$0	$21
Label redesign	$197	$946	$98	$219
Market testing	$2	$0	$0	$2
Develop proof and film/files, engrave plates/cylinders and colour match	$578	$1,560	$176	$601
Review label sample	$14	$77	$0	$16
Written down value of stock	$0	$0	$0	$0
Cost of disposal of stock	$0	$0	$0	$0
Total	**$811**	**$2,661**	**$274**	**$859**
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				
Administration activities	$31	$30	$943	$53
Label redesign	$555	$2,484	$182	$609

[6] The weighted total of all container types (including inner and outer packaging) is the weighted total of bottle, can and cask costs per SKUs. The weightings reflect the number of SKUs for each container and package type.

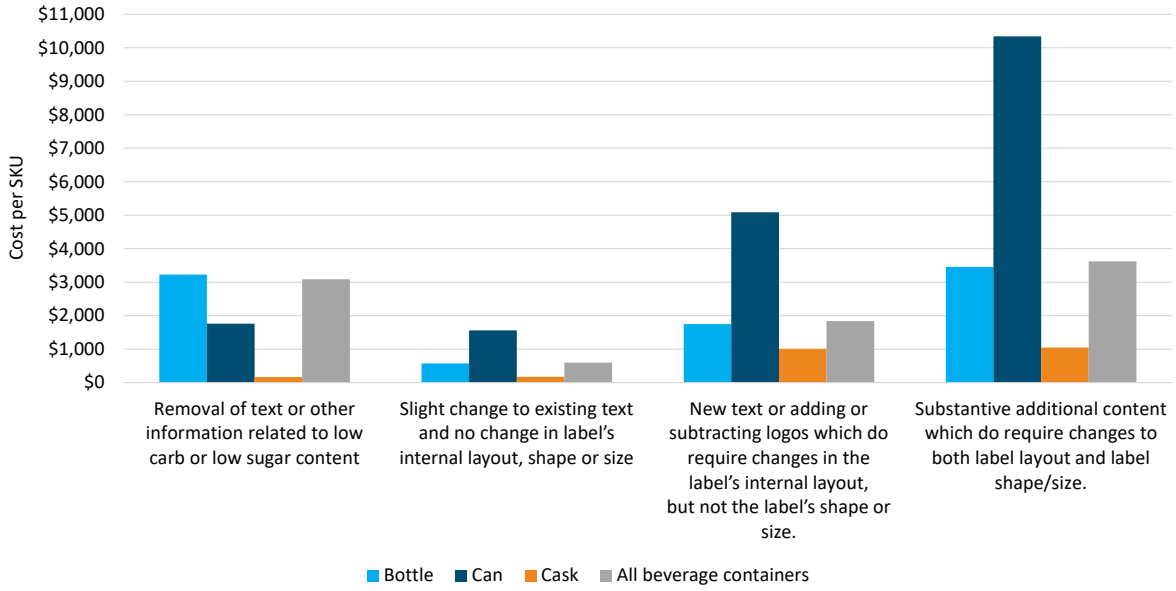
	Bottle (including inner and outer package)	Can (including inner and outer package)	Cask (including inner and outer package)	Weighted total[5] of all container types (including inner and outer package)
Market testing	$8	$0	$0	$8
Develop proof and film/files, engrave plates/cylinders and colour match	$1,749	$5,090	$1,010	$1,840
Review label sample	$11	$29	$100	$14
Written down value of stock	$0	$0	$0	$0
Cost of disposal of stock	$0	$0	$0	$0
Total	**$2,355**	**$7,632**	**$2,235**	**$2,524**
Substantive additional content which does require changes to both label layout and label shape/size				
Administration activities	$73	$88	$1,024	$96
Label redesign	$3,189	$6,312	$392	$3,224
Market testing	$14	$0	$0	$13
Develop proof and film/files, engrave plates/cylinders and colour match	$3,456	$10,343	$1,049	$3,623
Review label sample	$375	$89	$103	$359
Written down value of stock	$0	$0	$0	$0
Cost of disposal of stock	$0	$0	$0	$0
Total	**$7,107**	**$16,832**	**$2,568**	**$7,315**

Printing costs

Average additional one-off printing costs across all beverage types are estimated to vary from $600 to $3,600, depending on the type of labelling change (Figure 11). Additional printing costs are higher where there is a change to the label shape or size. This is because, for non-digital printing, multiple new printing plates will need to be created as a result of the change and there are additional material costs where a label changes size.

Broadly speaking, these costs were validated with printing businesses for a slight change to text or new text. However, the costs for a change to label shape or size is primarily dependent on the number of printing plates which will depend on the product.

Figure 11: Summary of printing costs



The model does not differentiate costs by printing technology. However, information obtained from the survey and direct discussions with several alcohol businesses indicate that a range of printing technologies are used. Additionally, printing technologies vary across the beverage container, inner package and outer package.

A summary of the typical approaches is shown in Table 9. As this is based on a limited number of surveyed businesses, this may not be totally representative of the wider alcohol industry. However, it does highlight the complexity in differentiating costs by printing technology. For example, one alcohol business may use a range of printing technologies for different products or even the same product. Moreover, the estimated costs of a change provided in the survey could involve flexography, offset lithography, digital and rotogravure for different products and some businesses even use a combination of several of these technologies for the same product.

Table 9: Typical printing technologies used by alcohol businesses

	Beverage container	Inner package	Outer package
Flexography	Bottles – currently a high proportion of beverage containers use this technology	Bottles/Cans (Package - paperboard) – currently a high proportion of beverage containers use this technology	
Digital	Bottles – typically smaller alcohol businesses or production runs	Bottles (Package - paperboard) – typically smaller alcohol businesses or production runs	

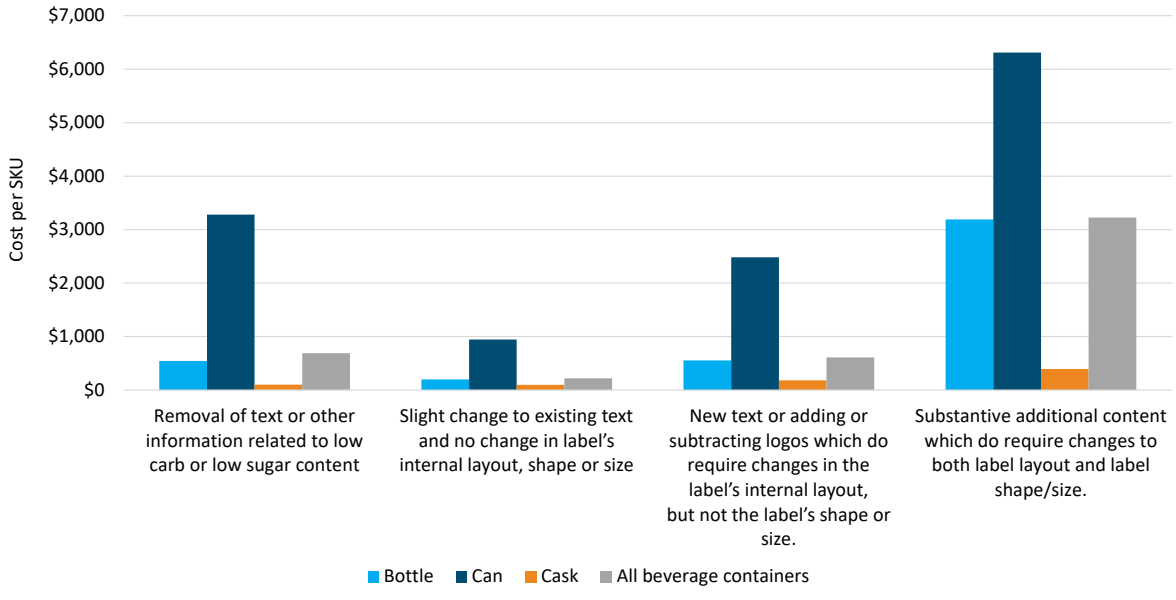
	Beverage container	Inner package	Outer package
Offset lithography	Bottles – currently a high proportion of beverage containers use this technology. Likely to become more common in future with shift to paper labels	Bottles/Cans (Package - paperboard) – currently a high proportion of beverage containers use this technology	Bottles/Cans (Package - paperboard) – currently a high proportion of outer packages use this technology
Rotogravure	Bottles – not as common as flexography or offset lithography		
Dry offset	Cans		
Other	Bottles (combinations of Flexography, Offset and rotogravure) – less common than using one technology		

Design costs

Average additional one-off design costs across all beverage types are estimated to vary from $200 to $3,000, depending on the type of labelling change (Figure 12). Additional design costs are higher where there is a change to the label shape or size. This is because of the complexity in redesigning a label when it changes size or shape.

Broadly speaking, these costs were validated with several design businesses.

Figure 12: Summary of design costs

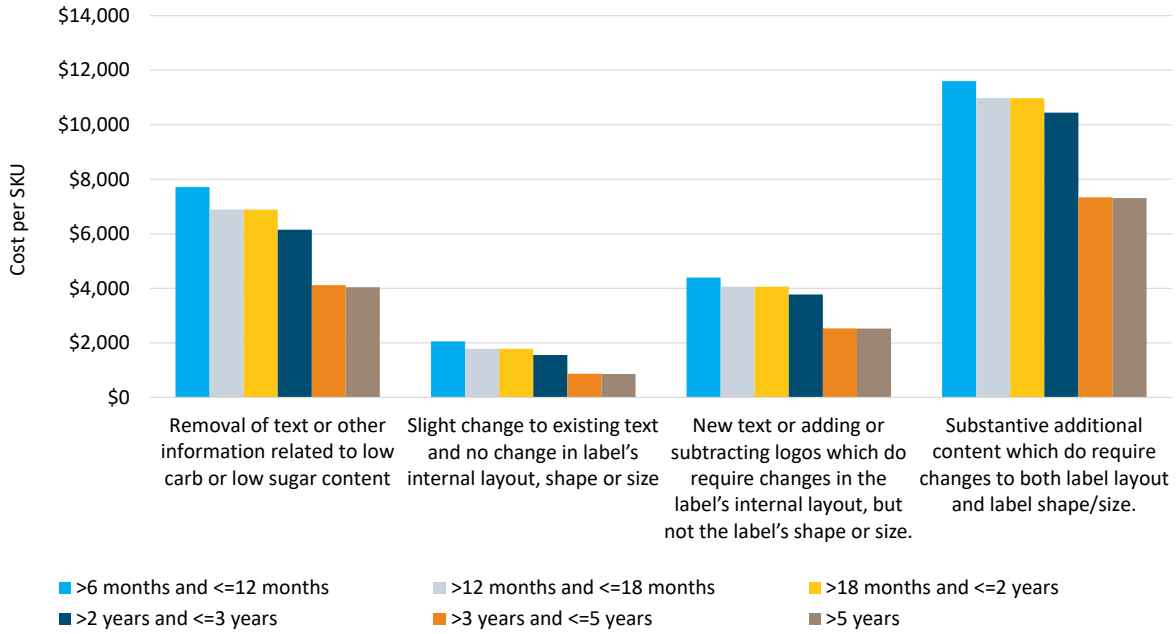


5.1.3 Costs for varying transition times

The transition time set by FSANZ will impact the total additional one-off costs. This is because a shorter transition time will mean that labelling changes (and hence costs) for some alcohol businesses or some of their products would have occurred in the normal course of business before the end of the transition time. However, even if this occurs, the model assumes that some of the costs incurred with a FSANZ labelling change would not have occurred with a labelling change in the normal course of business.

The overall cost of labelling changes is higher for shorter transition times (Figure 13). For example, the cost per SKU varies from $2,500 (>5-year transition) to $4,400 (6-to-12-month transition) for new text with no change to label shape or size. These costs could be considered an upper bound (compared to the > 5-year transition) as the frequency of changes stated in the model assume that all future labelling changes will only occur from now onwards, when in reality a three-year frequency of change may mean that this occurs in two years in the future if one year has already passed since the last labelling change.

Figure 13: Costs for different transition periods



Note: The costs of the labelling change in this graph are a weighted average across all product types and include the costs of labelling for the beverage container and inner and outer packaging.

5.2 Impact on ongoing costs

Once a one-off change is made to a label, the alcohol business may incur additional ongoing costs associated with labelling. Most alcohol businesses indicated that additional ongoing costs would be negligible or very small as the potential changes to labelling requirements did not involve new colours.

6. Cost model methodology

The cost model is a 'bottom up' model that draws in information from various sources including the survey

6.1 Overview of cost model

The cost model structure is summarised in Figure 14. The model estimates costs for three types of labelling changes for each:

- Type of product
- Container/package type
- Beverage container type (under which all costs for that beverage are summed together – i.e., the beverage container, inner packaging and outer packaging)

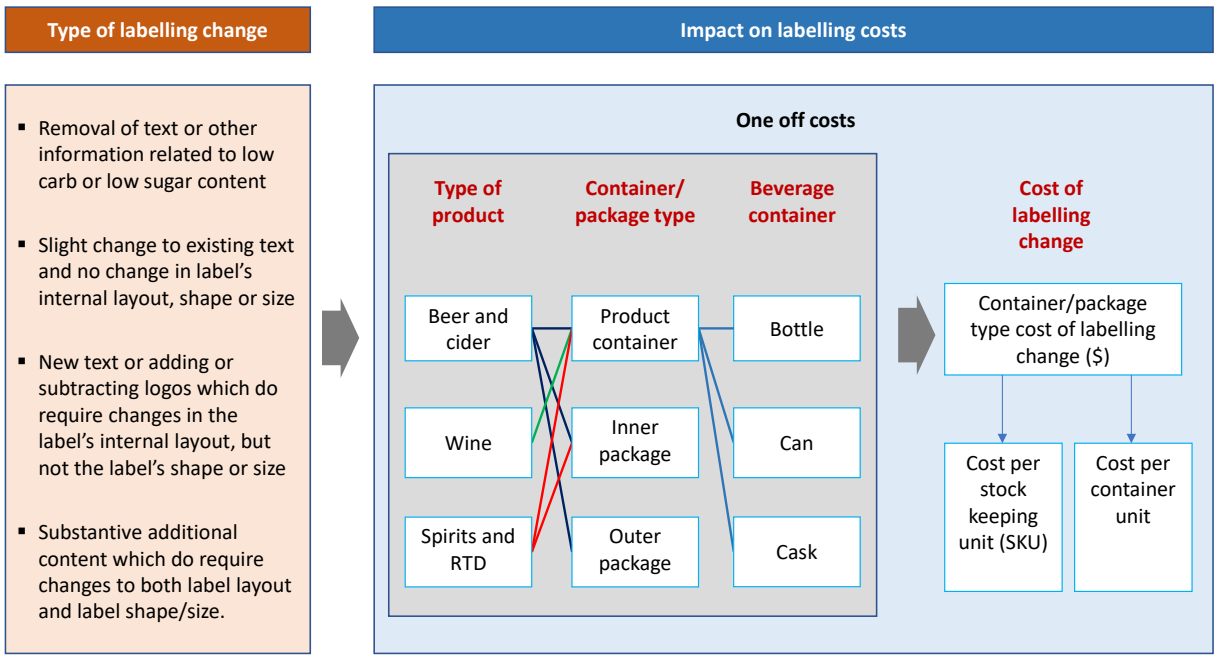
Costs are first estimated for each container/package type and then converted to a cost per stock keeping unit (SKU) and cost per beverage container unit.

For example, an alcohol business may have a stock keeping unit that has a can as the beverage container, an inner package (6 pack) and an outer package (cardboard box containing 4 six packs). If the business only produces one 24 pack, then the number of container/package types is 1 can label type, 1 inner package type and 1 outer package type. Therefore, a FSANZ change to labelling requirements will require changes to three types of labels.

Therefore, calculating the cost per SKU requires estimating the total costs across each container/package and then dividing by the number of SKUs.

In order to maintain confidentiality of information obtained via the survey, the labelling cost per SKU for each product type (beer and cider, wine and spirits/ready to drink) has been estimated using the average cost for beverage containers (bottles, cans and casks) across all product types. Therefore, the estimated average cost per SKU for beer bottles also includes information from wine and spirits businesses with relation to their bottles.

Figure 14: Cost model structure



6.2 Types of costs

The model incorporates the full types of costs that could be affected by a change in regulated label requirements (Table 10). These include the well-known costs of artwork design, printing costs and costs of redundant stock but also more subtle and less direct costs to the affected business such as the costs of administration of the change and general review and proofing.

Table 10: Types of costs

Type of cost	Explanation
Administration activities	Administration costs associated with a labelling change.
Analytical testing (if there is a change to ingredients or nutritional information)	While some businesses provided this data, no changes to ingredients have been assumed in the model.
Label redesign	Costs associated with redesigning the label
Market testing	Costs associated with testing a newly designed label with consumers
Develop proof and film/files, engrave plates/cylinders and colour match	Develop and proofing new printing plates (or other) to enable a new design to be printed on the label.
Review label sample	Costs associated with reviewing a newly designed label.
Other	Other costs not reflected in the costs above
Over sticker	Costs associated with placing another label on top of the original label. These costs are not included in the model as the modelling assumes that alcohol businesses are able to

Type of cost	Explanation
	make changes within the FSANZ transition period. As some over stickering may occur as a result of a labelling change for some imported alcohol products, FSANZ could collect information on the extent of this issue and associated costs in a future labelling change regulatory process with affected parties.
Written down value of stock	The cost of labels in stock that have already been printed at the time of a labelling change which: • Have not been applied to a product container or other package and • Will not be able to be used due to a change in a labelling cost change as they are held in stock for a time greater than the stock-in-trade transition time – thereby resulting in new labels having to be purchased to replace those that can no longer be used.
Cost of disposal of stock	The cost of disposing labelling stock that has already been printed at the time of a labelling change which: • Have not been applied to a product container or other package and • Will not be able to be used due to a change in a labelling cost change as they are held in stock for a time greater than the stock-in-trade transition time.

6.3 Key assumptions to generate results

Some key assumptions used in the model include:

- A greater than five-year stock-in-trade transition period is applied for label changes as the base case for alcoholic beverages. This means that no beverage needs to change its label if it is already labelled any time up to the end of the transition period. This eliminates the need for over-stickering of old wine bottles, noting that an enduring stock-in-trade provision would eliminate the need for a lot of over-stickering even if the transition period is less than 5 years. In practice, FSANZ may set a transition period of less than 5 years. The model has the ability to estimate labelling costs for different transition periods.
- No analytical testing (for example, where businesses may be required to state on the label that the product does or does not contain specific ingredients) is required for the future potential labelling changes. While information was collected on this, survey respondents found it difficult to provide a useful response without knowing what they may be required to test. FSANZ could examine this assumption in a future labelling change regulatory process with affected parties if there are labelling changes that require analytical testing.
- Labelling for outer packaging is not required for wine or spirits. This is because outer cases or boxes for

wine and spirits do not require labelling (from regulations) if they are not on immediate retail display. For simplicity, the model applies the same approach for all spirits (including ready to drink products).

- Labels are changed to accommodate new labelling requirements. In other words, no over-stickering is applied to old product.

The estimated SKUs for each segment of the market is shown in Table 11. These have been estimated from several sources, including the survey, published information on each market sector and Marsden Jacob analysis.

Table 11: Stock keeping units (SKUs) for each market segment

	Beer and cider	Wine	Spirits and ready to drink	Total all product types
Low carbohydrates or sugar product claims				
Bottle	1,919	1,944	74	3,937
Can	145	0	96	241
Cask	0	77	0	77
Total	**2,064**	**2,021**	**170**	**4,255**
Percentage of all SKUs	21.6%	3.4%	5.7%	6.0%
ALL products				
Bottle	7,742	57,051	2,461	67,253
Can	1,809	0	510	2,320
Cask	0	1,690	6	1,696
Total	**9,551**	**58,741**	**2,977**	**71,269**

Note: These numbers are estimates. Although some differences may exist in practice (e.g., wine can be sold in cans and this is not shown in the above table), these are not likely to materially affect the cost analysis in this report.

6.4 Impact of transition time on costs

The transition period set by FSANZ under which alcohol businesses are required to implement a new label change impacts several of the costs in the model:

- The amount of stock discarded depends on the extent to which old label stock is still on hand at the end of the stock-in-trade transition period. The amount of stock discarded impacts the cost of written down stock (and the cost of new replacement stock) and cost of disposing of old label stock.
- Costs are not attributable to the FSANZ labelling change if they would have been incurred during a labelling change in the normal course of business (e.g., the label on a wine bottle is typically changed each year due to vintages). However, some additional costs may still have been incurred during a

labelling change in the normal course of business (for example, design costs).

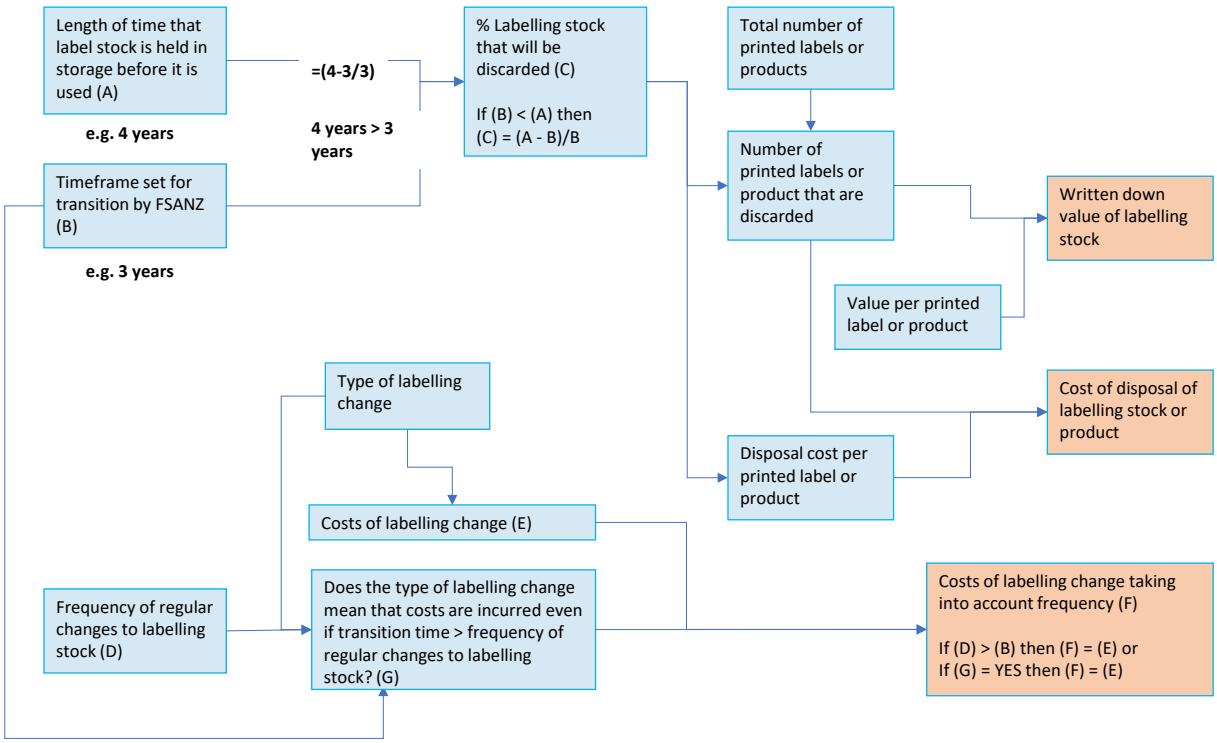
The model allows for the FSANZ transition period to be varied to one of the following:

- <=3 months
- >3 months and <=6 months
- >6 months and <=12 months
- >12 months and <=18 months
- >18 months and <=2 years
- >2 years and <=3 years
- >3 years and <=5 years
- >5 years

Where the transition period is less than or equal to 5 years, the process for estimating labelling costs is shown in Figure 15.

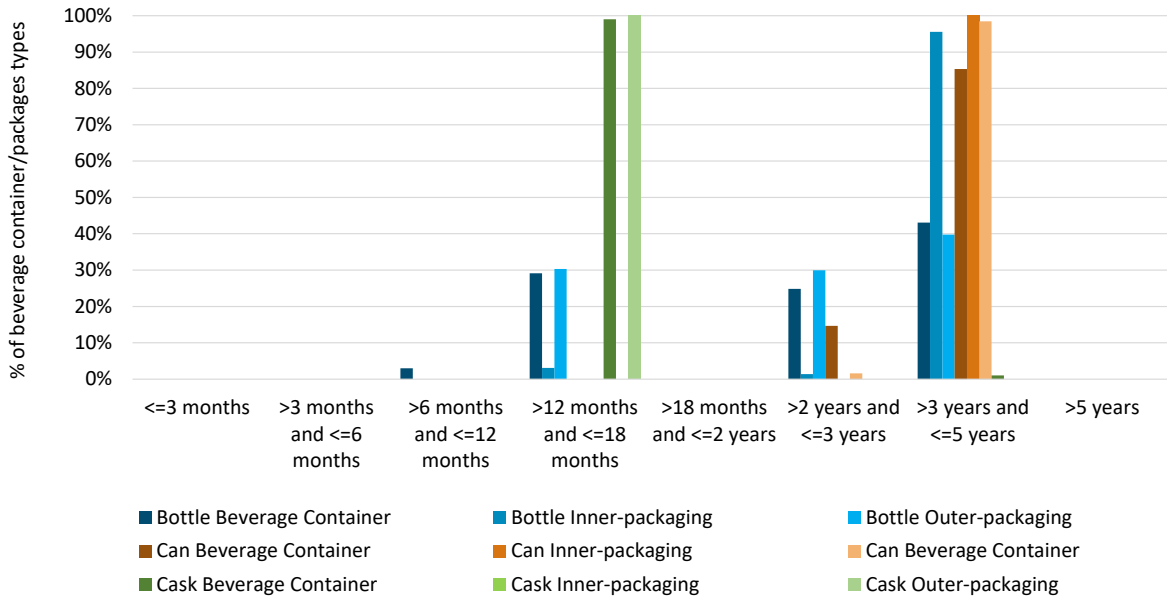
Notably, very short time periods may result in additional costs (for example overtime costs for printing or design staff). This has not been included in the model at this stage.

Figure 15: Process for determining the impact of transition time on costs



Using information obtained via the survey, the frequency of changes in the normal course of business assumed in the model is shown in Figure 16.

Figure 16: Frequency of changes in the normal course of business



Even if a FSANZ labelling change can be coordinated with a label change for an alcohol business in the normal course of business, additional costs may still be incurred. The proportion of additional costs that are incurred regardless of the transition time are shown in Figure 17, Figure 18 and Figure 19 for each of three of the label change types. Most of these proportions lie between 40 and 50 per cent across beverage container and package types.

Figure 17: Additional costs that would be incurred even with a change in normal course of business (proportion of beverage container/package types) - Slight change to existing text and no change in label's internal layout, shape or size

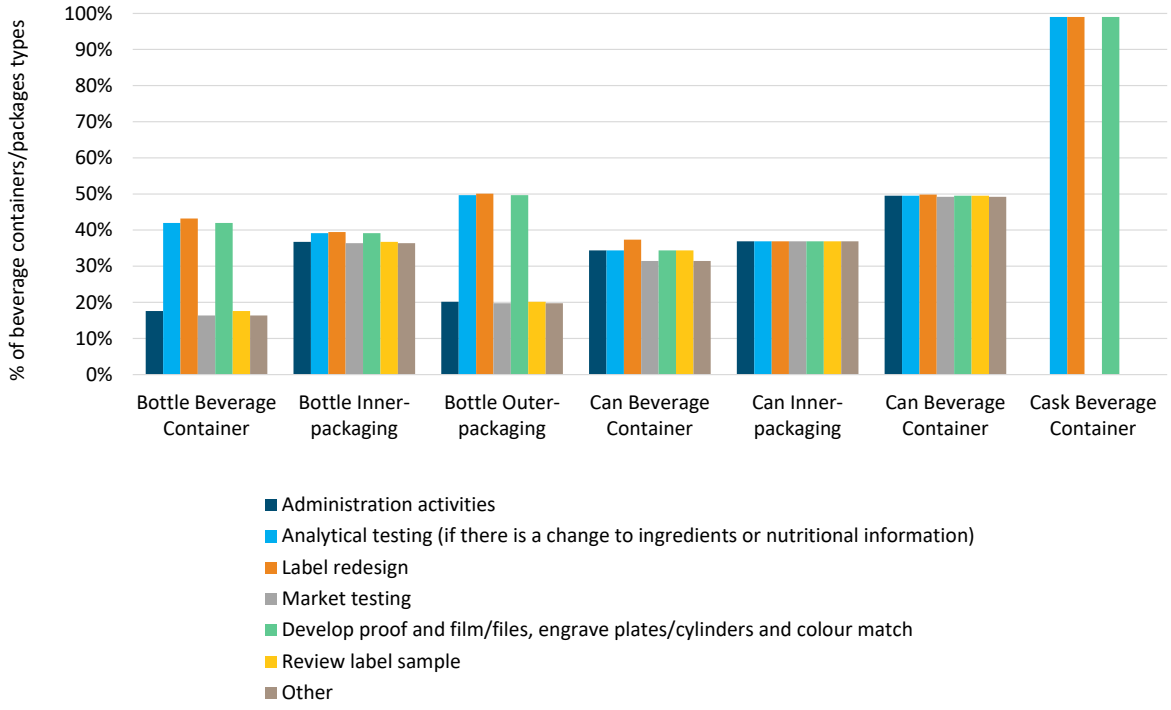


Figure 18: Additional costs that would be incurred even with a change in normal course of business (proportion of beverage container/package types) - New text or adding or subtracting logos which do require changes in the label's internal layout, but not the label's shape or size

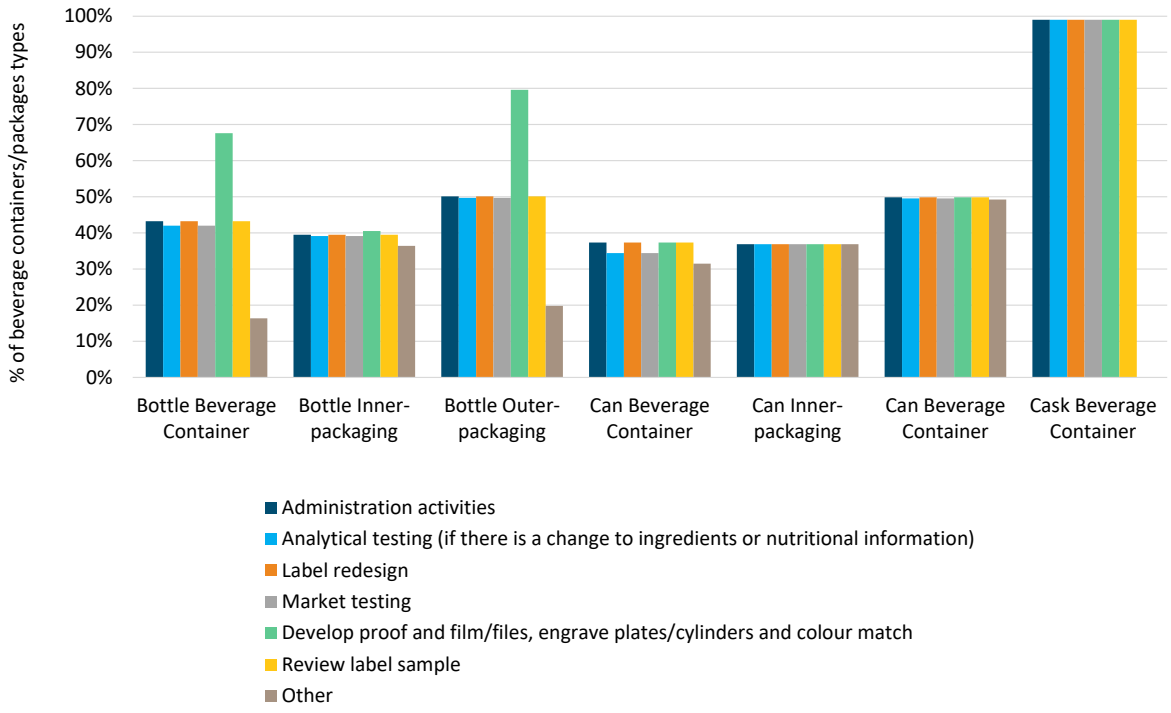
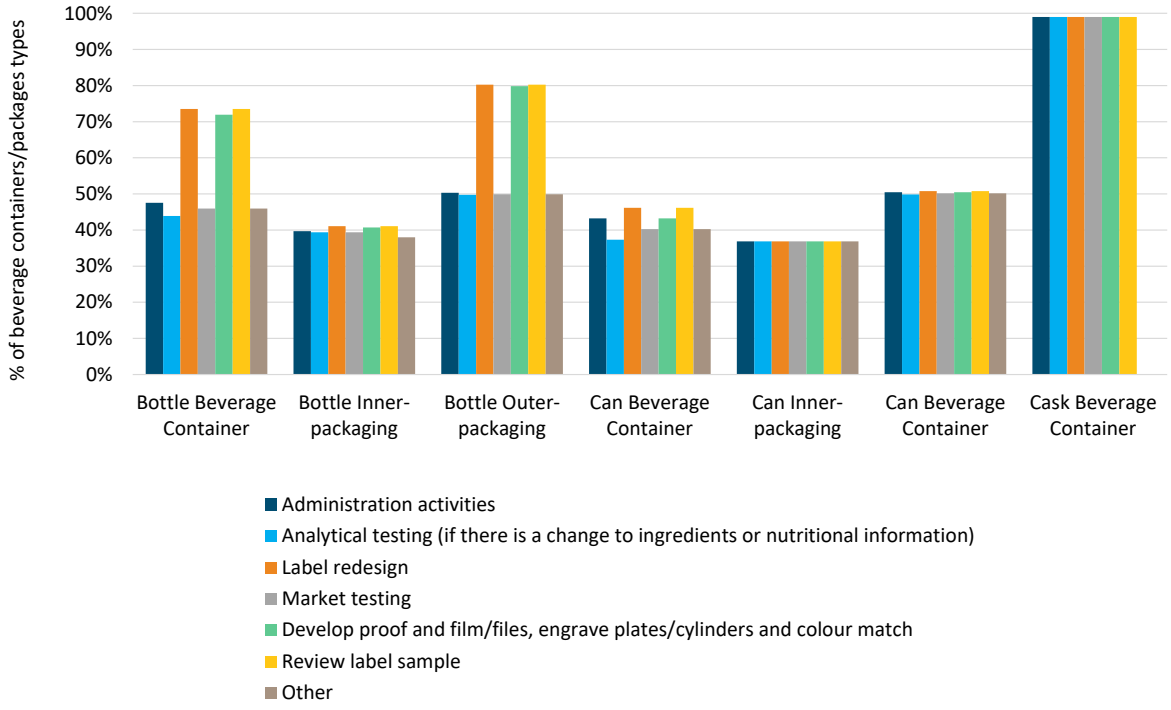


Figure 19: Additional costs that would be incurred even with a change in normal course of business (proportion of beverage container/package types) - Substantive additional content which do require changes to both label layout and label shape/size.



Appendix 1. Survey of alcohol businesses

FSANZ is undertaking a survey of food manufacturing firms to understand the likely cost impacts of changes to food labelling requirements. We would appreciate you helping us so that government can understand the likely impact of changes on the alcohol sector. We are seeking feedback on the cost of changes to labels in general, rather than because of a specific proposed change to labelling requirements.

Note: when we refer to 'labels' it can either refer to labelling information that is directly printed onto a package or is pre-printed and placed onto a material used for packaging.

1. About you and general questions about labelling of your products

Note: all questions related to sales units refers to sales in Australia and New Zealand

<table>
<tr><td>Q1. What is the name of your organisation?
(noting that the name of the organisation will be kept confidential)</td><td>Name:</td></tr>
<tr><td>Q2. What proportion of your products (in terms of sales litres) fit into the following:
Note: Only includes sales in Australia and New Zealand</td><td><table><tr><th></th><th>%</th></tr><tr><td>Beer</td><td></td></tr><tr><td>Wine</td><td></td></tr><tr><td>Spirits</td><td></td></tr><tr><td>Cider</td><td></td></tr></table></td></tr>
<tr><td>Q3. What proportion of your products are own-branded (in terms of total sales units) vs contracted?
Note: Only includes sales in Australia and New Zealand</td><td>Own-branded %:
Contracted %:</td></tr>
<tr><td>Q4. How many bottles, cans and casks are sold annually (in terms of number of sales units) that require FSANZ standard labelling?
Note: Only includes sales in Australia and New Zealand</td><td><table><tr><th></th><th>Number per annum</th></tr><tr><td>Bottles</td><td></td></tr><tr><td>Cans</td><td></td></tr><tr><td>Casks</td><td></td></tr></table></td></tr>
</table>

Q5. What proportion of your products (bottles, cans and casks) are sold within the following labelled packages?

Note: the total percentage allocated to product and packages should add up to 100%

Note: Only includes sales in Australia and New Zealand

Product and packages	**%**
Single bottles	
Single cans	
Cask	
3 pack bottles	
4 pack bottles	
6 pack bottles	
12 case bottles	
15 case bottles	
16 case bottles	
18 case bottles	
24 case bottles	
4 pack cans	
6 pack cans	
10 pack cans	
12 case cans	
16 case cans	
24 case cans	
30 case cans	

Q6. When you are faced with a regulated labelling change, approximately how many product and package types do you have that require a separate labelling change (e.g., plates, label redesign) across all your products?

Note: Only includes sales in Australia and New Zealand

Product and package type	**Bottles**	**Cans**	**Casks**
Number of product types with different labels (e.g., number of bottle types with different labels)			
Number of inner packaging types with different labels (e.g.,			

	paperboard cartons, plastic wrap)			
	Number of outer packaging types with different labels (i.e., boxes)			

Q7. How many stock-keeping units (SKUs) do you have across your business?

Note: Only includes sales in Australia and New Zealand

	Bottles	**Cans**	**Casks**
Number of SKUs			

Q8. What proportion of your products (in terms of number of sales units) have an inner package (e.g., on a six pack) that is paper/cardboard vs plastic?

Note: Only includes sales in Australia and New Zealand

Paperboard %:
Plastic %:

Q9. What proportion of your bottles, cans and casks (in terms of number of sales units) are low carb or low sugar (or labelled as lighter in calories and sugar)

Note: Only includes sales in Australia and New Zealand

	Bottles	**Cans**	**Casks**
Proportion of sales units that are low carb or low sugar			

Q10. How many of your bottles, cans or casks (in terms of number of annual sales units) have low carb and/or low sugar?

Note: Only includes sales in Australia and New Zealand

	Bottles	**Cans**	**Casks**
Annual sales units of low carb or low sugar			

<table>
<tr><td></td><td></td></tr>
<tr><td>Q10a. How many stock keeping units (SKUs) have labelling for low carb and/or low sugar?</td><td><table>
<tr><td></td><td>Bottles</td><td>Cans</td><td>Casks</td></tr>
<tr><td>SKUs with labelling for low carb and/or low sugar</td><td></td><td></td><td></td></tr>
</table></td></tr>
<tr><td>Q11. What is the proportion of bottles (in terms of number of units) that have a plastic or paper label?</td><td>Plastic%
Paper%</td></tr>
<tr><td>Q12. Do all cans have labelling directly printed on to the can?</td><td>Yes /No
If no what is the proportion?:</td></tr>
</table>

2. Cost of labelling changes

We would like to ask about the costs of label changes.

The 'Cost of labelling changes' section 2 can be completed separately for Beer, Wine , Cider and Spirits.

Note: This section only includes sales in Australia and New Zealand that require FSANZ labelling.

Q13. Which product is chosen to be selected to answer questions on the costs of labelling changes?

- ☐ Beer
- ☐ Wine
- ☐ Spirits
- ☐ Cider
- ☐ Beer, wine, cider and spirits combined

BOTTLED PRODUCTS

We want to start with bottled products.

Q14. What is the approximate number of bottled units sold per year?

Q15. What is the approximate number of bottled litres sold per year?

Q16. Are you answering questions in this section for own-branded and contracted product or just own-branded products?

- ☐ Own-branded only
- ☐ Both own-branded and contracted

BOTTLE ITSELF

Q17. We will start with the cost of a change to labelling requirements to the **bottle itself**, assuming that the labelling change is only to the back label (or the label that normally contains voluntary or involuntary labelling requirements such as Drinkwise, the pregnancy graphic and the standard drink graphic).

Note for this question we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per bottled product type. This assumes that each bottled product type has a distinct label.

BOTTLE ITSELF – BACK LABEL

	Minor change	Medium change	Major change
Type of additional cost for a bottled product	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.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$

Q18. What would be the average cost (proof and film/files, engrave plates/cylinders and colour match) per bottled product of a labelling change that involves one additional colour?

Q19. Still focusing on the bottle itself, we would like to ask about a change to the front label where you may be required to remove labelling referring to a low alcohol or calorie claim. Note: this question is only relevant where the claim is on the front label.
Note that for this question we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like the answer to relate to the average cost per bottled product type. Each bottled product type will have a distinct label.

BOTTLE ITSELF – FRONT LABEL

Type of additional cost for a bottled product	Removal of text or other information related to low carb or low sugar content
Administration activities	$
Analytical testing (if there is a change to ingredients or nutritional information)	$
Label redesign	$
Market testing	$
Develop proof and film/files, engrave plates/cylinders and colour match	$
Review label sample	$

Q20. How many bottles (in terms of number of sales units) are likely to require a change to a front label change if there is a requirement to remove labelling referring to low alcohol or calorie claims?

Q20a. In addition to the bottle, do you products typically contain information about low alcohol or calorie claims on the inner and/or outer packaging?

BOTTLE - INNER PACKAGING

Q21. We also want to ask about the cost of a change to labelling requirements to the **inner packaging** (e.g., the paper/cardboard or plastic wrap on a six pack).

Note for this question we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per inner package type. Each inner package type will have a distinct label.

INNER PACKAGE – (e.g., the paper/cardboard or plastic wrap on a six pack)

	Minor change	Medium change	Major change
Type of additional cost for an inner package	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.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$
Other	$	$	$

Q22. What would be the average cost (proof and film/files, engrave plates/cylinders and colour match) per inner package type of a labelling change that involves one additional colour?

Q23. What is the approximate number of inner package units per annum for all bottled products?

BOTTLE - OUTER PACKAGING

Q24. We also want to ask about the cost of a change to labelling requirements to the **outer packaging** (e.g., the box that contains four six packs).

Note for this question we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per outer package type. Each outer package type will have a distinct label.

OUTER PACKAGE – (e.g., the box that contains four six packs)

	Minor change	Medium change	Major change

Type of additional cost	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.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$
Other	$	$	$

Q25. What would be the average cost (proof and film/files, engrave plates/cylinders and colour match) per outer package type of a labelling change that involves one additional colour?

Q26. What is the approximate number of outer packaging units per annum for all bottled products?

CAN PRODUCTS

We now want to talk about can products.

Q27. What is the approximate number of can units sold per year?

Q28. What is the approximate number of can litres sold per year?

Q29. Are you answering questions in this section for own-branded and contracted product or just own-branded products?

☐ Own-branded only
☐ Both own-branded and contracted

CAN ITSELF

Q30. We will start with the cost of a change to labelling requirements to the **can itself.**

Note that for this question we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per can product type. Each can product type will have a distinct label.

CAN ITSELF

	Minor change	Medium change	Major change
Type of additional cost	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.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$

Q31. What would be the average cost (proof and film/files, engrave plates/cylinders and colour match) per can product type of a labelling change that involves one additional colour?

Q32. Still focusing on the can itself, we would like to ask about a change to the label where you may be required to remove labelling referring to a low alcohol or calorie claim.
Note that we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like the answer to relate to the average cost per can product type. Each can product will have a distinct label.

CAN ITSELF

Type of additional cost	Removal of text or other information

	related to low carb or low sugar content
Administration activities	$
Analytical testing (if there is a change to ingredients or nutritional information)	$
Label redesign	$
Market testing	$
Develop proof and film/files, engrave plates/cylinders and colour match	$
Review label sample	$

Q33. How many cans (in terms of number of units) are likely to require a change to a front label change if there is a requirement to remove labelling referring to low alcohol or calorie claims?

CAN - INNER PACKAGING

Q34. We also want to ask about the cost of a change to labelling requirements to the **inner packaging** (e.g., the paper/cardboard or plastic wrap on a six pack) for cans.

Note that for this question we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per inner package type. Each inner package type will have a distinct label.

INNER PACKAGE – (e.g., the paper/cardboard or plastic wrap on a six pack)

	Minor change	Medium change	Major change
Type of additional cost	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.

Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$
Other	$	$	$

Q35. What is the approximate number of inner packaging units per annum for all can products?

CAN - OUTER PACKAGING

Q36. We also want to ask about the cost of a change to labelling requirements to the **outer packaging** (e.g., the box that contains four six packs) for cans.

Note that we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per outer package type. Each outer package type will have a distinct label.

OUTER PACKAGE – (e.g., a box which holds four six packs)

	Minor change	Medium change	Major change
Type of additional cost	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.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$

Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$
Other	$	$	$

Q37. What is the approximate number of outer packaging units per annum for all can products?

CASK PRODUCTS

The third product we want to start is cask products.

Q38. Are you answering questions on the costs of labelling changes for own-branded and contracted or just own-branded products?

☐ Own-branded only
☐ Both own-branded and contracted

Q39. What is the approximate number of cask units sold per year?

CASK ITSELF

Q40. We will start with the cost of a change to labelling requirements to the **cask itself.**

Note that we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per cask type. Each cask type will have a distinct label.

	Minor change	Medium change	Major change
Type of additional cost	Slight change to existing text and **no** change in label's internal	New text or adding or subtracting logos which does	Substantive additional content which does require

	layout, shape or size	require changes in the label's internal layout, but not the label's shape or size.	changes to both label layout **and** label shape/size.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$

Q41. We also want to ask about the cost of a change to labelling requirements to the **outer packaging** (e.g., wrapping or box) for casks.

Note that we are only interested in the costs associated with redeveloping the label at the time of the change (i.e., one-off costs).

We would like to go through some scenarios with you to obtain approximate costs. These scenarios are a minor change, medium change and major change. These scenarios do not involve a colour change.

We would like the answer to relate to the average cost per outer package type. Each outer package type will have a distinct label.

OUTER PACKAGE – (e.g., a box which holds four six packs)

	Minor change	Medium change	Major change
Type of additional cost	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.
Administration activities	$	$	$
Analytical testing (if there is a change to ingredients or nutritional information)	$	$	$
Label redesign	$	$	$
Market testing	$	$	$
Develop proof and film/files, engrave plates/cylinders and colour match	$	$	$
Review label sample	$	$	$
Other	$	$	$

Q42. What is the approximate number of outer packaging units per annum for all cask products?

Q43. What is the approximate number of outer packaging units per annum for all cask products?

3. More general questions

Q43a. If the outermost package is a box, does the box contain FSANZ labelling on it (as per the bottle, can or cask)?

Q44. For the bottle, cans and casks, what printing technology is typically used for labelling?

Bottles	Cans	Casks
☐ Flexography ☐ Digital ☐ Offset lithography ☐ Rotogravure Other, please specify ……	☐ Flexography ☐ Digital ☐ Offset lithography ☐ Rotogravure Other, please specify ……	☐ Flexography ☐ Digital ☐ Offset lithography ☐ Rotogravure Other, please specify ……

Q45. After a label change has been implemented, how much would the cost per label be expected to change in the normal course of business with extra text or a new graphic applied to the label (but no change to colours)?

Bottles	Cans	Casks
☐ No or minimal change ☐ Other please specify (% increase) ……	☐ No or minimal change ☐ Other please specify (% increase) ……	☐ No or minimal change ☐ Other please specify (% increase) ……

Q46. After a label change has been implemented, how much would the cost per label be expected to change in the normal course of business with one additional colour?

Bottles	Cans	Casks
☐ No or minimal change ☐ Other please specify (% increase) ……	☐ No or minimal change ☐ Other please specify (% increase) ……	☐ No or minimal change ☐ Other please specify (% increase) ……

Q47. How often is the labelling design or shape on your products changed in the normal course of business?

Bottles	Cans	Casks
☐ <=3 months	☐ <=3 months	☐ <=3 months
☐ <=6 months	☐ <=6 months	☐ <=6 months
☐ >6 months and <=12 months	☐ >6 months and <=12 months	☐ >6 months and <=12 months
☐ > 12 months and <=18 months	☐ > 12 months and <=18 months	☐ > 12 months and <=18 months
☐ >18 months and <=2 years	☐ >18 months and <=2 years	☐ >18 months and <=2 years
☐ >2 years and <=3 years	☐ >2 years and <=3 years	☐ >2 years and <=3 years
☐ >3 years and <=5 years	☐ >3 years and <=5 years	☐ >3 years and <=5 years
☐ >5 years	☐ >5 years	☐ >5 years

Bottles – inner package (e.g., cartons)	Cans – inner package (e.g., cartons)
☐ <=3 months	☐ <=3 months
☐ <=6 months	☐ <=6 months
☐ >6 months and <=12 months	☐ >6 months and <=12 months
☐ > 12 months and <=18 months	☐ > 12 months and <=18 months
☐ >18 months and <=2 years	☐ >18 months and <=2 years
☐ >2 years and <=3 years	☐ >2 years and <=3 years
☐ >3 years and <=5 years	☐ >3 years and <=5 years

☐ >5 years	☐ >5 years

Bottles – outer package (e.g., box)	**Cans – outer package (e.g., box)**
☐ <=3 months	☐ <=3 months
☐ <=6 months	☐ <=6 months
☐ >6 months and <=12 months	☐ >6 months and <=12 months
☐ > 12 months and <=18 months	☐ > 12 months and <=18 months
☐ >18 months and <=2 years	☐ >18 months and <=2 years
☐ >2 years and <=3 years	☐ >2 years and <=3 years
☐ >3 years and <=5 years	☐ >3 years and <=5 years
☐ >5 years	☐ >5 years

Q48. With respect to the previous question, is the timeframe for changing labels in the normal course of business different for inner and outer packaging as against the bottle/can itself? How is it different?

Q49. Governments often allow for a transition period allowed between when a label change takes effect in standards and when they need to comply with the change. If a labelling change (arising from a change in government requirements) is able to be coordinated with a regular label change (in the normal course of business) what additional costs would be incurred over and above what would have occurred in any case?

Cost type	**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.**
Administration activities	Y/N	Y/N	Y/N	Y/N
Analytical testing (if there is a change to ingredients or nutritional information)	Y/N	Y/N	Y/N	Y/N

Label redesign	Y/N	Y/N	Y/N	Y/N
Market testing	Y/N	Y/N	Y/N	Y/N
Develop proof and film/files, engrave plates/cylinders and colour match	Y/N	Y/N	Y/N	Y/N
Review label sample	Y/N	Y/N	Y/N	Y/N

Q50. How long is label stock for products typically held in storage before it is used?

Bottles	Cans	Casks
☐ <=3 months	☐ <=3 months	☐ <=3 months
☐ <=6 months	☐ <=6 months	☐ <=6 months
☐ >6 months and <=12 months	☐ >6 months and <=12 months	☐ >6 months and <=12 months
☐ > 12 months and <=18 months	☐ > 12 months and <=18 months	☐ > 12 months and <=18 months
☐ >18 months and <=2 years	☐ >18 months and <=2 years	☐ >18 months and <=2 years
☐ >2 years and <=3 years	☐ >2 years and <=3 years	☐ >2 years and <=3 years
☐ >3 years and <=5 years	☐ >3 years and <=5 years	☐ >3 years and <=5 years
☐ >5 years	☐ >5 years	☐ >5 years

Bottles – inner package (e.g. cartons)	Cans – inner package (e.g. cartons)
☐ <=3 months	☐ <=3 months
☐ <=6 months	☐ <=6 months
☐ >6 months and <=12 months	☐ >6 months and <=12 months
☐ > 12 months and <=18 months	☐ > 12 months and <=18 months
☐ >18 months and <=2 years	☐ >18 months and <=2 years
☐ >2 years and <=3 years	☐ >2 years and <=3 years
☐ >3 years and <=5 years	☐ >3 years and <=5 years
☐ >5 years	☐ >5 years

Bottles – outer package (e.g. box)	Cans – outer package (e.g. box)
☐ <=3 months	☐ <=3 months

☐ <=6 months ☐ >6 months and <=12 months ☐ > 12 months and <=18 months ☐ >18 months and <=2 years ☐ >2 years and <=3 years ☐ >3 years and <=5 years ☐ >5 years	☐ <=6 months ☐ >6 months and <=12 months ☐ > 12 months and <=18 months ☐ >18 months and <=2 years ☐ >2 years and <=3 years ☐ >3 years and <=5 years ☐ >5 years

Q51. With respect to the previous question, is the timeframe for holding labels in storage different for inner and outer packaging as against the bottle/can/cask itself? How is it different?

Q52. What is the average cost per label of purchasing new label stock (in the normal course of business – i.e., assuming no changes to label)? [approximate cents per label]

Bottle label cost per label: ……

Can label cost per label: …….

Cask label cost per label: …….

Inner packaging (e.g., paperboard or plastic) cost per label:……..

Outer packaging (e.g., box) cost per label:……..

Q53. How is surplus label stock disposed? [landfill/recycled]

Bottle label: ……

Can label: ……

Cask label: ……

Inner packaging (e.g., paperboard or plastic):……..

Outer packaging (e.g., box):……..

Q54. What is the cost associated with label stock disposal? [approximate cents per label]

Bottle label cost per label: ……

Can label cost per label: ……

Cask label cost per label: ……

Inner packaging (e.g., paperboard or plastic) cost per label:……..

Outer packaging (e.g., box) cost per label:……..

MARSDEN JACOB ASSOCIATES

Contact us

Gavan Dwyer
Associate Director

gdwyer@marsdenjacob.com.au
61 438 389 597

Marsden Jacob Associates Pty Ltd

03 8808 7400
Marsden Jacob Associates
economists@marsdenjacob.com.au
www.marsdenjacob.com.au