Alternative beverage industry essay

1. What is competition like in the alternative beverage industry? Discuss fully. There is tremendous growth and competition in the alternative beverage industry. Both large and small marketers are launching new products and fighting for limited retail shelf. More and more consumers are moving away from traditional soft drinks to healthier alternative drinks. Demand is expected to grow worldwide as consumer purchasing power increases. PepsiCo was the worldwide leader of alternative beverages with a global market share of 26. 5% and a 47. 8% share of the U. S. market in 2009.

Coca-Cola held a global market share of 11. 5%. Although Coca-Cola was the worldwide leader in carbonated soft drink sales, they trailed PepsiCo in alternative beverage sales. Fast on the heels of the larger marketers are Red Bull, Monster, and “ other” mainly consisting of privately held bottlers. Red Bull was the world’s number one seller of energy drinks which made it the third-largest producer of alternative beverages worldwide and the number two seller of alternative beverages in the U. S. and Europe. In 2009, Monster was the second-best-selling energy drink brand in the U. S. ith revenues growing to more than $1. 3 billion. There are hundreds of regional and specialty brands of energy drinks, sports drinks, and enhanced beverages in the U. S. and internationally. Of these, Rockstar was the most noteworthy privately held alternative beverage company. Which of the five competitive forces is strongest? Competitive pressure from rival sellers is high in the alternative beverage industry. The number of brands competing in sports drinks, energy drinks, and vitamin-enhanced beverage segments of the alternative beverage industry continue to grow each year.

In 2009, 231 new vitamin-enhanced beverages were introduced in the U. S. PepsiCo, Coca-Cola and Red Bull are the three main competitors worldwide with “ other” taking 55% if the worldwide market. PepsiCo takes the lead in the U. S. ; however, the “ others” group leads the market in Asia Pacific and Europe. Even with a -2. 3% growth rate, carbonated soft drinks are the leading category of beverages with a market share of 48. 2%. Companies are competing with new favored drinks and increasing their selection of alternative beverages in order to try and apture a larger portion of the market. Which of the five competitive forces is weakest? The competitive threat of supplier bargaining power is weakest within the alternative beverage industry. The suppliers to the alternative beverage industry include makers of nutritive and non-nutritive ingredients such as sugar, aspartame, and fructose to name a few. Suppliers also include manufacturers of aluminum cans, plastic bottles/caps. With numerous suppliers of these materials, suppliers have competed aggressively for the business of large alternative beverage producers.

While unique drinks ingredients and supplements might be available only from a few suppliers, most packaging supplies needed for the production of alternative beverages are readily available from a large number of suppliers. What competitive forces have the greatest effect on industry attractiveness and the potential profitability of new entrants? The relative strength of the alternative beverage segments will likely attract new entrants over the next several years. Smaller companies are competing in the distribution area. Hiring large distributing companies to deliver their products to various customers, i. . convenient stores and grocery stores is a barrier for new entrants. Brand name recognition is a barrier for new companies when entering the market of alternative beverages. Coca-Cola has been called the world's most valuable brand. Brand loyalty increases profits and market shares. There are loyal consumers of PepsiCo and Coca-Cola products that would be hard to convince to switch products. However, consumers have control over brand loyalty. If the price is right, they may switch. Buyers' bargaining power is greater when their cost of switching to competing brands or substitutes is relatively low. . How is the market for energy drinks, sports drinks and vitamin-enhanced beverages changing? What are the underlying drivers of change and how might those forces individually or collectively make the industry more or less attractive? As the lifestyles of the consumer change, the alternative beverage industry must change. People are becoming more aware of obtaining and maintaining a healthy lifestyle. In increasing numbers, consumers are consuming more vitamin waters and less carbonated soft drinks. And due to the economic downturn, consumers are spending less for wants vs. eeds. The current economy has caused a decline in the volume sales of carbonated soft drinks. The U. S. Food and Drug Administration does not regulate the amount of caffeine in the energy shots and energy drinks. The high caffeine content of these products has created concerns in the medical profession with regard to the effects on individuals, especially children. High caffeine has a significant risk of heart arrhythmia and insomnia. Physicians are also concerned with the mixture of energy drinks and over-the-counter drugs or energy drinks and alcohol.

The attorney general claims the combination of caffeine and alcohol mask a drinker's level of intoxication. This could potentially lead to an increase in risk taking behavior, traffic accidents, violence, sexual assault, and suicide. There have also been concerns with relaxation drinks and their association with prescription cough syrup. The use of a product called “ purple drank” or “ sizzurp” has caused problems in professional sports leading to the arrests of some professional ball players. Computer technology can affect the distribution of products through internet orders and companies using the JIT inventory process.

Sellers lose money if they have too much inventory due to the cost of carry excess inventory. Low inventory causes stores to lose sales. Technological advances in assembly line processing can also affect the retail price of products along with the profit margins of the companies. Global sales of alternative beverages increased by more than 13% annually between 2005 and 2007; but global sales slowed to 6% annually between 2007 and 2009. Dollar value and volume sales of the global market were $40. 2 billion and 12. 7 billion liters in 2009. The U. S. numbers were $17. billion and 4. 2 billion liters, European numbers were $9. 1 billion and 1. 6 billion liters, and Asia-Pacific numbers were $12. 7 billion and 6. 2 billion liters. According to the numbers, a trade barrier of cost in distributing to other countries exists. The rate of economic growth for all but ready-to-drink and energy drinks has declined over the last few years in the U. S. The market for premium-priced beverages has been hit hard due to the lingering U. S. economic downturn. Between 2008 and 2009, sports drinks declined 12. 5% and energy drinks increased in sales by only 0. %. Market maturity may have contributed to these figures. Unemployment rates have been down substantially over the last several years which has contributed to the decline in sales of some of these products. 3. Prepare and attach a graphic file of your strategic group map of the energy drink, sports drink, and vitamin-enhanced beverage industry. Which strategic groups are in the best positions? The worst positions? The strategic group map shows alternative beverage participants competing in multiple geographic distribution areas and multiple brand offerings.

Alternative beverage producers who compete internationally and offer a broad line of products are positioned most favorably in the industry. However, Red Bull has successful marketing in Europe and U. S. Hansen Natural, a multi-brand producer, should be considered a best-seller brand since Monster accounts for 90% of its sales. Hansen’s success is a part of result of its distribution agreements with Anheuser-Busch and Coca-Cola which give it broad retail that cover across the U. S. and parts of Europe. Similarly, Rockstar Inc. s success is heavily dependent on distribution by PepsiCo. Companies with a single brand and regional or national distribution only (e. g. , Living Essentials) seem to be positioned most poorly in the industry. The current level of competition makes it harder for smaller regional and specialty producers to survive over the long-term unless acquired by a larger international producer. 4. What key factors determine the success of alternative beverage producers? Four factors are necessary for competitive success in the alternative beverage industry.

The first is access to distribution which is regarded as the most important industry success factor due to the fact that most brands of alternative beverages cannot achieve good sales volumes and market shares unless they are widely available in stores. There are also too many brands for all to be included on store shelves. Popular brands that enjoyed first mover advantages such as Red Bull and 5-Hour Energy and brands offered by Coca-Cola and PepsiCo were assured of consistent access to distribution. Some distribution methods include high fixed costs from warehouses, trucks, inventory, labor and tracking devices.

The second factor is product innovation. Alternative beverages were different from traditional beverages based upon product innovation. Continuing product innovations were essential to developing additional volume gains from product line extensions and entry into new categories like energy shots. The third one is image which was also a critical factor in choosing a target market. The image presented by the product's name and emphasized in advertisements, endorsements, and promotions created demand for one brand over another.

Brand image was also a result of labels and packaging that alternative beverage consumer found appealing. Image was enhanced through clever ads, celebrity endorsements, sports athletic endorsements and sponsorships of sports events and music concerts. Small producers with poor image building capabilities found it difficult to compete in the industry unless the product enjoyed a first-mover advantage similar to that achieved by 5-Hour Energy. Last but not least, keeping marketing expenses at acceptable levels per unit in order to achieve sufficient sales volume is also an important driver.