

Case study: energy drink industry



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History of energy drinks:

Packed with caffeine, taurine and vitamins-B, energy drinks are the current fuel of choice of the today's generation. More energy mean for work and more productivity. So, life gets pace quickly and the energy drinks market expands . It all started in Japan when Taisho pharmaceuticals released a drink called Lipovitan-D in 1962. It contained a mix of b1, b2 and b6 vitamins, along with niacin and taurine all are concentrated and boost energy. “ Tonic drink” is popularly grown up in Asia. In 1987, an Australian named Dietrich Mateschitz took the same concept but added sugar and caffeine to it and formulated red bull, which quickly popular in the Europe.

Around the same time, Americans were accessorizing their all-night Atari marathons with Jolt Cola, which was advertised as having all the sugar and

twice the caffeine of Coke. When Red Bull hit the market in the U. S., they had to carve the niche alone, so traditional marketing and branding strategies wouldn't work. They started sponsoring non-traditional athletes (no, not in-line skaters; more like kite sailors and sky surfers) and began an annual event called Flug tag, in which amateur aviators build their own stylized aircraft and compete to see who can fly the farthest over water. And , when Red Bull started marketing their drink to bars as a cocktail mixer.

Red Bull remains the top name in energy drinks to this day, with global sales estimated at about \$2 billion annually. That's not to say there isn't competition. Dozens upon dozens of brands flood the energy drink market. It's hard to say how many, exactly, because upstart companies come and go, but heavy-hitters like Coca-Cola, Pepsi, and Anheuser-Busch have all developed their own energy drinks. Jolt Cola has been re-branded as an energy drink; it now comes in a can shaped like a big battery. Hansen, a natural soda company, entered the game with Monster Energy. Rockstar, the first energy drink to make itself available in 16- and 24-ounce cans, has been in third place behind Red Bull and Monster for a while, but Coca-Cola recently inked a deal to distribute the drink. Yes, Rockstar has finally signed with a major label.

All the marketing in the world, however, hasn't convinced the French, Danish, or Norwegian governments to legalize high caffeine energy drinks in their countries, and Argentina recently became the fourth country to outlaw such beverages. Other governments and food safety agencies have also raised concerns about whether the drinks pose health risks. To research such a matter is to wade through a scientific point/counterpoint debate so thick

that one would need a 24-ounce can of low-carb Monster just to read through all the applicable articles. While many are apprehensive about potential dangers, the bottom line seems to be that energy drinks are probably no worse for you than strong coffee, and should therefore be treated accordingly. Taurine, one of the main ingredients in most energy drinks, hasn't been the subject of any long-term studies, so the jury is still out on that one. On one hand, taurine is produced naturally in the body, so it should be harmless, but on the other hand it is possible that too much taurine could be a bad thing, and the effect of combining it with caffeine and other ingredients has yet to be fully explored.

But even if a major news story were to break tomorrow claiming that all energy drinks are made from the blood of orphans and that taurine cause's hair loss and acute leprosy, the stuff is undoubtedly here to stay. With any luck, they'll keep our nation's scientists awake long enough to finally give us our damn jet packs!

Porter's five forces for energy drink industry

The energy drink industry is very competitive for all corporations involved, with the greatest competition being that from rivalry sellers within the industry. All energy drink companies have to think about the pressures; that from rival seller within the industry, new entrants to the industry, substitutes of the products, buyers and sellers.

New entrant:

New entry is not a strong competitive pressure for the energy drink industry because; there are so many brand who are entering into the market such as cloud 9, xxx, phantom and so many.

Red bull and few other energy drinks are dominate the industry with their strong brand name and great distribution channels.

Energy drink is fully saturated and growth is low.

It is very difficult for new and unknown entrant to start competing against the existing firms.

Some another barrier are also their such as high fixed cost of warehouse and other so many expenses and economies of scale.

New entrant cannot compete in price without economies of scale.

These high capital requirement and market saturation make it extremely difficult for the new company to enter the energy drink industry.

Substitute:

Substitute products are those products competitors which are not present in the energy drink industry. Substitute of this industry are strong competitors. Such substitute of energy drinks industry products are fruit juices, water bottle, soft drinks, coffee and tea.

Substitutes are strong for energy drinks industry because;

Water bottle, soft drinks, fruit juices, coffee are increasingly popular with trend to be a more health conscious consumers.

There are progressively more varieties in fruit juices and coffee that appeal to different consumers tastes but appears healthier than energy drinks.

Coffee and tea are competitive substitute because they also provide caffeine that provided by energy drinks also. The consumer who consumes lot of energy drinks may substitute coffee because if they want to keep caffeine and lose the sugar and according to the taste.

Specially blend coffee becoming very famous and popular because of so many coffee café are opened and offers many different taste to the consumers.

Intake of coffee and fruit juices instead of energy drinks very healthier and very cheap in cost also.

Supplier's power:

Suppliers bargaining power is higher because there is huge number of firms present in the energy drinks industry. Supplier for the energy drinks industry holds much competitive pressures. The bargaining power of suppliers is higher because;

There is large number of energy drinks firms and most of them are using tin and aluminum mix cans for their packaging, which is not much availability because thousands of other industry are using tin and aluminum for their packaging the products.

Supplier of tin and aluminum are few so bargaining power suppliers is high.

It is difficult to switch other suppliers. Because it will take more time to supply and deals.

Buyer's power:

Bar gaining power of energy drinks industry are mainly large grocers, discount stores and restaurants. The energy drinks companies distributed to beverages to these stores for resale to the consumers. The bargaining power is very strong because large grocers and discount stores buy large numbers of energy drinks, allowing them to buy at lower price. There is another reason also that many number of firms are in the energy drink industry so, different brand of energy drinks are available in the market.

Rivalry:

The competitive pressure from rivalry sellers is greatest competition that faced by the firms present in the energy drink because red bull acquiring most of the market in this industry and few other companies are also growth at the faster rate because of that the rivalry competition will be more in this industry, red bull, cloud9, Gatorade, monsters, tab, Rockstar, these are major players in the industry. The rivalry will be higher because;

Brand name loyalty is competitive pressure because brand key customers loyalty survey shows that brand with the greatest customers loyalty in industry. Red bull, rockstar, monster, these drinks have greater loyalty than other energy drinks and famous brand name.

Distribution channels are very vast and because of this they are competing with each others.

Another companies are also growing and acquiring market share and increasing the distributing channels with variety in products so it the major competing thing in the industry.

Major players in market:

There are many players in the energy drinks industry worldwide red bull, monster, rockstar, amp and tab these are the rating series of energy drinks but in Indian market these are few major player who are playing vital role in Indian market by confidently except red bull because red bull is exceptional case because it is the oldest energy drink and very major player but other are try to competing with each other's and increasing their market share.

Major Players in Indian markets are:

Red bull: red bull is acquiring most of the market share among all other energy drinks and the market share of red bull in market of energy drink is 42.6 (based on dollar sales).

Cloud 9.

Gatorade.

Xxx.

Red bull: Red bull is the oldest product in the market and capturing the industry share almost half of the other products.

Logo: two charging bulls.

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Target market: long strenuous night shift audience.

Slogan: red bull gives you wings.

SWOT analysis of red bull company:

Strength: From this we can say that what the strength of the company is;

Fashionable brand image and image for high standard.

Oldest energy drink in the industry capturing the largest share of the industry.

High revenue as price is set 10% than other energy drinks, which increase the revenue of the company.

So many market shares are sold to different countries.

Famous for more caffeine and dangerous ingredient are added in it named “edge”.

Brand equity and brand loyalty.

Weakness: what are the weaknesses of the company due to?

Red bull may have lost its “edge” because of government accepted as being safe because many customers like strong ingredient and some are using light so its depend on person to person.

Lack of patent.

No campaign are organized, all the sales and revenue are getting by only the brand image.

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Very high price, low level of income cannot consume.

Opportunities: it can show us what are the opportunities of the company by which they can raise more in the market?

They have the opportunity to introduce more product variants or more flavor like others are doing to increase their consumers.

Expanding their brand into different countries.

Consumer recognize through sponsorship of sports and event.

They should increase their consumption by more advertising.

Threats: Threats of the company are;

Consumer purchases other illegal energy drink instead of red bull containing more taurine and caffeine.

Now a days “ safe” would be accepted by many of people instead of red bull “ edge” it may lost its consumers.

Market share would be decrease due to some many other substitute and competitors are available in the market.

New entrant is also coming in Indian market and other countries this may cause in the decrease in the market share.

Today’s new organic energy drinks market is coming into the market which may snatch the red bull market.

Substitute like soft drinks and fruit juices.

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Gatorade: First made in 1965, for the university of Florida football. It developed to replace the fluids and help prevent from dehydration.

Target market: athletes

Logo: lightning

Current slogan: Is it in you.

SWOT analysis of Gatorade Company:

Strength: It means what is the strength of the company by which company are getting benefit and got many benefits.

Loyal customers, we saw many players are using Gatorade while playing sports and doing activities.

Strong brand equity.

Innovations, we can say that Gatorade became famous by their flavors they introduced so many flavors such as berry, lemon, orange and black cherry.

Supply chain is very good of the company.

Unique products are also available such as Gatorade thirst quenchers, fierce, frost, xtremo.

Weakness: what is the weakness of the company due to that reasons company are not growing at much higher rate.

Non-diversified product line.

Poor exposure and promotion because its only promote in abroad such as in usa and it is known by in India but not much very less promotion campaign are settled by the company.

Distribution channel is not good enough if we comparing to red bull and other drinks.

Opportunities: what are the opportunities by which company can increase their growth?

Expand their brand by which people come to know because there are many region and areas where people don't know about the brand.

They should increase their product because many flavors are not available in all the places and they should increase their services also.

Threats:

Competitors are the major threat because many companies are present in this industry are large number of players are present in the market.

New entrant are interesting in the market and this will be the greater threat to the company because life becoming busy and everybody need drinks with full of energy which attracts other companies to attract toward the industry.

SJ xxx: A very new product in the industry of energy rinks and one of the most fast growing energy drinks in the market. It is the Indian product by JMJ GROUPS and introduced this year in the 4-5 state and the result in seen good for the product in the market. It was sponsored team Kolkata knight rides in

Indian premier league in 2010 which really works for xxx. They kept price in comparison to red bull and introduce two variants in same drink.

Logo: xxx in column wise.

Target market: people with age between 15-40.

Slogan: extreme drink for extreme people.

SWOT analysis of SJ XXX energy drink:

Strength: strength of the company;

Good reputation of the marketing group.

The entire launch is very successful for the brand.

Xxx seen as young and trendy look and motivate the teen and Youngers to go through.

Attraction design and name is very attractive.

Brand endorsed by very famous celebrity SHAHRUKH KHAN.

Weakness: weakness of the company;

Concentrate only on few states such as Goa, Mumbai, Hyderabad and Delhi.

Low investment on advertising promotion.

Very high prices at the starting knowing this that there are many present in the market.

Very less awareness among all the other products.

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Huge gap between existing firms takes much time to grow.

Opportunities:

XXX-nicofix variant of company reduces the tobacco craze in youngster and it may help in increase the favorability.

XXX-rejuve variant of company are good option to improve immune system which creates awareness of using xxx.

This new product in the market so it is the good opportunity for company to positioning and placing their product.

New events and sports events are yet to come in the market and by sponsoring them regularly they can build their image in the market.

Threats:

Existing firms who are well stabled in the market from last many of years like red bull, Gatorade and cloud9 and others also.

If they are thinking to launch in abroad so much higher threat are to company because many of strongest competitors are present already in the market and strong competitors and have brand loyalty.

Substitute is also present in the market so it also gives the competition.

Cloud9: it is manufactured by Goldwin healthcare Pvt. Ltd. This company is specialists in the manufacturing of 100% natural lifestyle energy drinks and caffeine free cola. In the future, cloud 9 plans, itself to the peak of the industry where the sky not finished. Cloud 9 grows its Indian presence all the expanding into the overseas market.

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Logo: Its name cloud9.

Target market: youth and athletes.

Slogan: heaven meets earth.

SWOT analysis of the cloud9:

Strength:

Good flavor taste, it is much better taste and comparative red bull bit same but not similar.

Good consumer awareness.

Sponsored in big events of India such as fashion events, sports.

Good investment on advertisement.

Well known parent company.

Availability in small cans also like other energy drinks are not available in small packing but this drink is available.

Low prices comparative to other energy drinks mostly than red bull , rockstar, Sj xxx.

Weakness:

Low area coverage by the promotional strategy.

Competition within its own variable brands.

Low level of distribution channels because not available in so many areas and cities.

Opportunities:

Only brand available in the market with the five flavor. No other brand is providing this kind of flavor only Gatorade does but not all available in Indian market.

Associated it in different award functions and organized itself in different event and parties.

It has brand ambassadors like shilpa shetty.

Being the first energy drink brand in the Indian market. It would b put positive effect on the Indian consumers.

Threats:

New entrants in the market the rapid growth of the market attracting so many companies to launching their drinks so it is the biggest threat of the existing firms to new entrants.

New favours from other brand which increase their growth rate by innovative the new flavor brand with different technology and ingredient like xxx-rejuve which improve the immune system.

So many brand which being global and some are coming toward our country which is also a threat and if we thought to launch our products in the foreign market this is also the threat because of globalization.