

Innocent drink analysis | swot and pestel



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1. Introduction

This report shall analyse Innocent Drinks, which has been cited as one of the fastest growing British companies on record (Phelvin and Wallop, 2008;

Reynolds, 2013). This shall be done by giving a brief overview of the Innocent Drinks, carrying out a SWOT analysis in order to determine its prospects and

potential challenges, as well as conducting a PESTEL analysis in order to determine the impact its various environments have had and will possibly have in

the future. A cultural analysis shall also be performed, as culture has been proven to have an influence on a company's performance (Kotter and

Heskett, 1992). Based on these analyses, recommendations for Innocent Drinks shall be suggested and conclusions drawn.

2. Overview

Innocent Drinks was founded in 1999 by a group of three friends – Adam Balon, Richard Reed and Jon Wright – following a positive reception to

the sales of their smoothies at a music festival (Innocent Drinks, 2014a; Rubin, 2010). It has grown since then from its small start as a stall set up at

the Jazz on Green festival in London to become Europe's best selling smoothie, with its products being sold in several European countries, a revenue

of over £213.5 million as of 2012, and a consistent increase in market share over the years (Innocent Drinks, 2014a; Reynolds, 2013; Rubin, 2010). Its mission is “to make it easy for people to do themselves some good – and that doing so should taste good too” (Rubin, 2010, p. 1). Its values are to be natural, entrepreneurial, responsible, commercial and generous (Innocent Drinks, 2014d). The innocent promise is that it “tastes good; does good”, and this is fulfilled through its use of tasty healthy products which are sustainably sourced, and through giving 10% of all its profits to charity (Innocent Drinks, 2014c, n. p.). The company’s product range is divided into four categories: smoothies, juices, kids’ products (including kid’s drinks and fruit tubes), and foods (Innocent Drinks, 2014b).

3. SWOT Analysis

The SWOT analysis below highlights the strengths and weaknesses of Innocent Drinks, as well as the opportunities available to the company and the potential

threats it could face.

Strengths

Innocent Drinks has experienced strong consistent growth over the past years. According to Reynolds (2013), Britvic Soft Drinks reported that Innocent

Drinks was one of 2013's big winners, with a growth in its annual value sales by more than 35%. It was also a sponsor of the London 2012 Olympics,

and following this, its sales volume experienced a significant increase of more than 60%. It also has a wide range of products and is continuously

increases the number of products in its range (O'Reilly, 2014), and this expansion strategy helps increase its customer base and sales volume. Its

recent partnership with Coca-Cola, which involved Coca-Cola buying the majority of its shares, has also enabled it to leverage on Coca-Cola's

marketing, buying and media power, as well as its wealth of experience and available capital. It was also through this partnership that it was able to

become the official smoothie of the Olympics (Neate, 2013). Innocent Drinks has also won several awards, including an award from the Healthy Food Guide in

2011 for its Caribbean veg pot, another from the World Juice Award in 2011 for the best new product (its Apple Juice), and another for best packaging (for

its carafe), various awards from the Brand Index Buzz, CoolBrands Award, and the Grocer Gold Awards (Innocent Drinks, 2014e). These awards greatly enhance

brand awareness and customer perception. It is also seen as a company with strong ethical values, and topped the list of Social Brands in 2012 (Innocent

Drinks, 2014e). This is also very beneficial for the company, because strong ethics and environmentally-friendly policies and actions can be a source of reputational, financial and competitive advantage for companies (Markley and Davis, 2007). The ideas, skills, commitment and dedication of the founders as

well as the staff of the company is also a key strength of Innocent Drinks, and is one of the reasons behind its growth and expansion over the years.

Weaknesses

Innocent Drinks is still a growing brand, and has relatively less visibility than other fruit juice brands. It also faces strong competition from Tropicana

Products, a division of PepsiCo which is more popular, being the UK's number one juice brand. When PepsiCo launched its smoothies range in 2008,

Richard Reed, one of Innocent Drinks' founders, stated that their competitor " is regarded as one of the most ferociously competitive on the

planet. They have launched smoothies this year and we are their target"

(Sibun, 2008, n. p.). Tropicana also has the advantage of " 60 years of

experience in fruit selection and excellent blends" (PepsiCo, n. d., p. 1).

Innocent Drinks' prices are also higher than that of other brands,

and this can prevent some segments of the market from purchasing their products, and also give competitors an upper hand. Additionally, there have been

criticisms regarding its ethical claims (Phelvin and Wallop, 2008; Sibun, 2008). Furthermore, Innocent Drinks major market is the United Kingdom, and the

strong reliance on this market leaves it susceptible to economic as well as other challenges faced by this market. Although it has expanded across Europe,

its expansion was reported as “ an expensive decision”, with the company recording considerable losses from 2008 to 2011 following the expansion

(Anderson, 2012, p. 1).

Opportunities

A growing interest in healthy eating and healthy lifestyles in general; and campaigns such as the five a day campaign present significant opportunities

from Innocent Drinks, particularly as their products are mainly made from fruits and vegetables (Bainbridge, 2013; Briggs, 2014). Bainbridge (2013) notes

that as fruit juices and smoothies count towards the target of consuming 5 fruit and vegetable portions a day, they create a marketable health benefit.

The

fruit juice and smoothies market is also a popular and mature one, with a study by Marketing Week revealing that 88% of respondents had drunk fruit juice

or smoothies within the previous six months (Bainbridge, 2013). Bainbridge (2013) also notes that growths in the demographic (families, ABC1s and 16-34

year olds) which are above-average consumers of such drinks also lend support to the growth of this industry in general.

Threats

Reynolds (2013) reports that increases in raw material prices have particularly affected the juice industry. Climate change issues can also have a

considerable impact on the supply of fruit, which in turn can affect Innocent Drinks' juice and smoothie production. Barron (2009, p. 2) notes that

Innocent Drinks “ has been made increasingly aware of extreme weather conditions such as higher than average temperatures, drought and

hurricanes”. These seriously affect its ability to, and ease of, sourcing particular fruits. There have also been questions regarding the purported

health benefits of its juices and smoothies, and these doubts can have an impact on customer perception and sales volumes if not effectively addressed

(Hodgekiss, 2013; Mintel, 2010).

The information from this SWOT analysis, as well as the PESTEL analysis below, shall subsequently be used as a basis for recommendations for Innocent

Drinks.

4. PESTEL Analysis And Analysis Of Innocent Drinks' Competition

The PESTEL (Political, Economic, Social, Technological, Environmental and Legal) framework is framework for analysing the macro environment in which an

organisation operates. Analysing an environment using this framework enables an organisation to identify, understand and adapt to relevant external

factors, and to plan for any effects environmental trends can have on its strategies and activities (Johnson, Whittington and Scholes, 2012).

Political

Political factors which affect Innocent Drinks include rulings and guidelines by the Department of Health, the Advertising Standards Authority, Trading Standards and the Office of Fair Trading. For instance, the Department of Health changed the 5-a-day guidelines to allow smoothies which contain all edible

parts of the fruit used, or which contain 100% pure juice to count as two portions of the 5-a-day (The Telegraph, 2009). The guidelines by these bodies also

affect even seemingly minor details. For instance, Innocent Drinks had to fight with trading standards when it wanted to change 'use by' to

'enjoy by' on its products, as part of the image they aimed to depict (Gubbay, 2011).

Economic

There are several economic factors which influence Innocent Drinks. These include the economic situation in the countries it operates in, particularly United Kingdom as well as some European countries, tax policies, and other market and industry factors. For instance, Levy (2011, n. p.) reports that smoothie sales fell by a third as they were deemed "too expensive for credit-crunched Brits". The Food and Drink Innovation Network (FDIN) (2010) also report that following the recession, Innocent Drinks suffered significantly, with the sales of its smoothies falling by 29% in 2008 and 2009.

Social

Social factors which affect Innocent Drinks include consumer attitudes and buying patterns, the growth of its target demographics, and various health campaigns such as the 5-a-day campaign. A growing interest in healthy eating and projected growth trends for its main demographic present considerable

opportunities for Innocent Drinks in the United Kingdom as well as in Europe in general.

Technological

Technological factors include innovation regarding new production methods and products, as well as the packaging for its products, recycling, and other

trends and advances in manufacturing. For instance, Innocent Drinks had been working on increasing the percentage of recycled plastic used to manufacture

its bottles (as it was previously made from 50% recycled plastic). It increased this to 100% in 2007, and is continuously looking for new ways in which it can minimise its impact on the environment through technological advances in manufacturing its packaging (Innocent Drinks, 2007).

Environmental

Innocent Drinks is affected by various environmental laws such as those regarding the carbon impact of its packaging components, the use of recyclable/renewable material, etc. Innocent Drinks has focused on discovering ways in which it can reduce wastage and its carbon impact on the

environment, in terms of packaging, transportation of goods etc. Although it has faced some challenges regarding this, as reported by Phelvin and Wallop (2008) and discussed below under the cultural analysis, it nevertheless makes considerable effort to reduce any negative impact it has on the environment.

In 2013 for instance, Innocent Drinks save over 1000 tonnes of plastic by putting its juice carafes on a diet, and also makes use of 100% Forest Stewardship Council certified material for its cartons (Innocent Drinks, 2014f).

Legal

Innocent Drinks has to comply with various laws including consumer protection laws, industry regulations (such as those outlined above). Legal issues such

as competition laws also influence factors such as mergers and acquisitions, as in the case with Innocent Drinks' partnership with Coca-Cola

(Macalister and Teather, 2010).

Table 1 below shows Innocent Drinks' performance compared with other leading drink companies.

TABLE 1: THE BRITVIC SOFT DRINKS REPORT: TOP GROCERY, CONVENIENCE AND IMPULSE BRANDS

Source: Reynolds (2013, p. 1)

It can be observed that Innocent Drinks recorded the highest percentage increase in the group, thus showing a strong growth potential. However, it should

also be noted that Innocent is a relatively new company and is also in a rapid growth phase. It may therefore be somewhat challenging to maintain such high

growth levels over time.

5. An Analysis Of Innocent Drinks' Organisational Culture

A number of studies have revealed that there is a significant relationship between an organisation's culture and certain aspects of its performance

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(Kotter and Heskett, 1992; Rashid, Sabasivan and Johari, 2003). According to Kotter and Heskett (1992), organisations with cultures where emphasis was on

leadership at all levels and key managerial constituencies (i. e. employees, customers and shareholders) performed considerably better than companies who

did not have such cultural traits (the former experienced a 682% revenue increase on average over a period of 11 years, while the latter experienced 166%).

It is therefore important to consider the culture of a company when evaluating its performance. In order to evaluate Innocent Drinks' organisational

culture, Deal and Kennedy's (1999) typology of corporate cultures shall be used. Deal and Kennedy (1999) outlined four main categories of company

cultures based on the degree of risk involved in the activities of the organisation, and the speed at which the organisation and employees obtain feedback

regarding the success of their strategies/ventures. They note that these two factors have an impact on the development of cultural elements in an organisation and how these influence the company's employees. The four categories are: the process culture, bet-your-company culture,

work-hard/play-hard culture and tough-guy/macho culture (Deal and Kennedy, 1999; Mullins, 2010). Figure 1 below illustrates these categories:

Source: Revenaugh (1994, p. 20)

The process culture is characterised by low risk and slow feedback, and this leads employees to focus on how they do things (i. e. the process), rather than

what they actually do. Although quite bureaucratic, it can actually be effective when order and predictability is needed (Mullins, 2010). The

bet-your-company culture is characterised by high risk and low feedback. In such organisations, due to the nature of the feedback, it can take a long time

before the success or failure of decisions becomes apparent. Examples of companies with such cultures are oil companies and investment banks. The

tough-guy, macho culture is one which is characterised by high risk, quick feedback regarding actions taken, high financial stakes, and intense pressure

and speed. Examples of such organisations with this type of culture include police departments, hospitals and the entertainment industry (Deal and

Kennedy,

1999; Mullins, 2010). The work-hard, play-hard culture is few risks, quick feedback and fun and action. In such a culture, there is a “ high level of

relatively low risk activity” (Mullins, 2010, p. 741). Deal and Kennedy (1999) point out that a considerable number of sales-driven organisations

have this culture. Such organisations are highly dynamic, customer-focused, and place a high emphasis on team work, as it is the team that produces the volume (Deal and Kennedy, 1999; Mullins, 2010). It is important to note though that not all companies will fall strictly into these four categories, and some may be characterised by a blend of more than one, such as banks for instance. Nevertheless, it still provides a useful guide for understanding the culture of an organisation, and taking steps to maximise the benefits of such a culture, as well as handle the challenges such a culture poses.

Having briefly described these four categories and based on the information available on Innocent Drinks, the company can be said to have a work-hard, play-hard culture. While it is characterised by a high level of activity, much of it is low risk. It is also sales-driven, has a strong team culture, and a fun, informal approach to carrying out its activities and relating with the public (Innocent Drinks, 2014a). However, a key challenge of this type of culture is that employees can possibly rely on the good performance of a team to hide weak personal performance. Another challenge is that a focus on volume can have a negative impact on quality (Mullins, 2010). Innocent Drinks has consequently been accused of making misleading claims regarding its

environmental and ethical credentials (Phelvin and Wallop, 2008). Phelvin and Wallop (2008) reported that while Innocent Drinks leads its customers to believe that it imports the fruit and then makes the drinks in the UK, and that its fruit is always transported by road or rail because this uses less fossil fuel than air/road transport. This is not the case, as the drinks are actually made elsewhere in Europe, and transported in lorries to the UK for bottling. Innocent Drinks however argued that the company had not deliberately attempted to mislead customers, but had simply stopped publicising where its drinks were made since it moved its production abroad, and had failed to update this information on their web page.

6. Recommendations And Conclusion

Having carried out these analyses of Innocent Drinks from various aspects, this section shall use the results of these analyses to offer recommendations to

Innocent Drinks. Subsequently, conclusions shall be drawn.

From the SWOT analysis, it can be seen that Innocent Drinks needs to work on changing their sourcing strategies, particularly from areas affected by such

adverse weather conditions. Innocent Drinks could also work with its suppliers to carry out certain farm practices that will minimise the impact of these

conditions such as reforestation, mulching techniques, shade management, improved drainage systems etc. (Barron, 2009).

Innocent Drinks' partnership with Coca-Cola was a good strategy, considering the competition it faced from PepsiCo and the need for enhanced

marketing in order to boost its brand visibility and market share. It is nevertheless important that it preserves its key values which have endeared it to

customers, and also maintains its reputation as an ethical, environmentally friendly, social brand. This issue of Innocent Drinks maintaining its brand

values has been a particular concern for customers following its takeover by Coca-Cola (Cohen, 2011; Macalister and Teather, 2010). As such, efforts need

to be made to convince their stakeholders that they will remain loyal to their values.

Based on the analysis of Innocent Drinks' culture, it can be observed that there is a need to pay attention to not just team performance, but the

performance of individuals as well. This can be done by ensuring that team leaders allocate specific tasks to various members of the team and hold them

responsible for each of these tasks. Furthermore, in reports on the team's activities, the contribution of each individual member can also be

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highlighted, in order to avoid social loafing.

There also needs to be an increased emphasis on transparency. This is because the discovery that Innocent Drinks is not doing what it claims to be doing

can lead to feelings of distrust from customers and other relevant stakeholders. As such, it is necessary to keep the information open to the public on

their websites or other similar places up-to-date, and ensure that efforts are made to do what the company claims it will do. It should also aim to

effectively address the accusations that its smoothies are high in calories/sugar and are not necessarily as healthy as they are purported to be, due to

the processing methods used.

Innocent Drinks can also look into the possibility of expanding into other continents such as Asia and Africa, in order to negate the effects of possible

adverse market conditions in Europe. However, a comprehensive cost-benefit analysis would need to be done first, in order to determine how feasible this

would be.

In conclusion, it can be observed that Innocent Drinks has considerable potential to grow and be a market leader in the industry. However, there are a

number of weaknesses and threats which need to be managed and possibly overcome. The recommendations outlined above, while not exhaustive, can serve as a

guide for Innocent Drinks decision makers and could potentially enhance its customer base, market position and its overall profitability.

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