

Dr pepper snapple case study essay



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Dr. Pepper Snapple Group is a major brand owner, bottler, and distributor of nonalcoholic beverages. However, it is now the only major beverage company without a branded energy drink. The problem at hand is whether or not Dr. Pepper Snapple should enter the energy drink industry. If so, several other factors must be addressed, such as to whom they should target, what would their retail price be, and how they should package/distribute the product.

In 2006, carbonated soft drink (CSD) sales amounted to \$72 billion with a yearly growth rate of 2.5%, while energy drink sales were only \$2.6 billion but with projected annual growth rates of 10.2%. The energy drink market is a high-growth industry in comparison to the maturing CSD market. It is in the corporate culture of Dr. Pepper Snapple to invest in growing markets and focus on profitable emerging categories of beverages, and it's clear that the energy drink industry exemplifies such a category.

Not entering this industry can serve as a major disadvantage. The top five energy drink companies make up 94% of the industry's market share, but they all target the same segment, 12-34 year old males. This lack of differentiation can serve as an opportunity for Dr. Pepper Snapple. By creating an adult energy drink, they could capture the 35-54 demographic. This segment may not constitute the heaviest users but their consumption is moderate and they make up 29% of the US population.

To cater to this adult segment, Dr. Pepper Snapple should position itself has a healthy energy drink, using a beverage formula similar to Snapple, but enhanced with caffeine and vitamin B to stimulate energy and mental

alertness. Also, since the sports drink and energy drink industry are comparable to one another, using the Accelerade RTD launch as a paradigm can be helpful. Similar to Accelerade, the energy drink can be priced at a premium due to its unique positioning as a healthy energy drink for adults with the suggested retail price of \$2. 50.

To differentiate the product even further, a resealable cap should be incorporated and served in the 16-ounce container since that size represents about 50% of case sales. Finally, the launch of the energy drink should initially be introduced exclusively to convenience stores since they comprise 74% of off-premise retail sales. The strengths of Dr. Pepper Snapple as an organization align with necessities of launching a successful energy beverage, and this fast growing market is a profitable direction for this organization to pursue.