

Tropicana: Will it emerge as a serious Challenger?

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Overview of the Food and Beverage Industry

The economic growth of a country results in the improvement of the food supply both qualitatively and quantitatively. India is no exception to this matter.

There are many reasons that can be attributed to the development of the food and beverages industry in India, a few of them are liberalisation of the foreign direct investment (FDI) policy and strong macro-economic indicators. All this has benefitted India in several ways such as transfer of the technical know-how of food processing due to the foreign direct investment, availability of food through e-commerce, research and development in the food and beverage industry to enhance the health benefits and cater to the local tastes and preferences. Some of the reasons for food companies to target emerging markets are:

Why do food companies get attracted to the emerging markets?

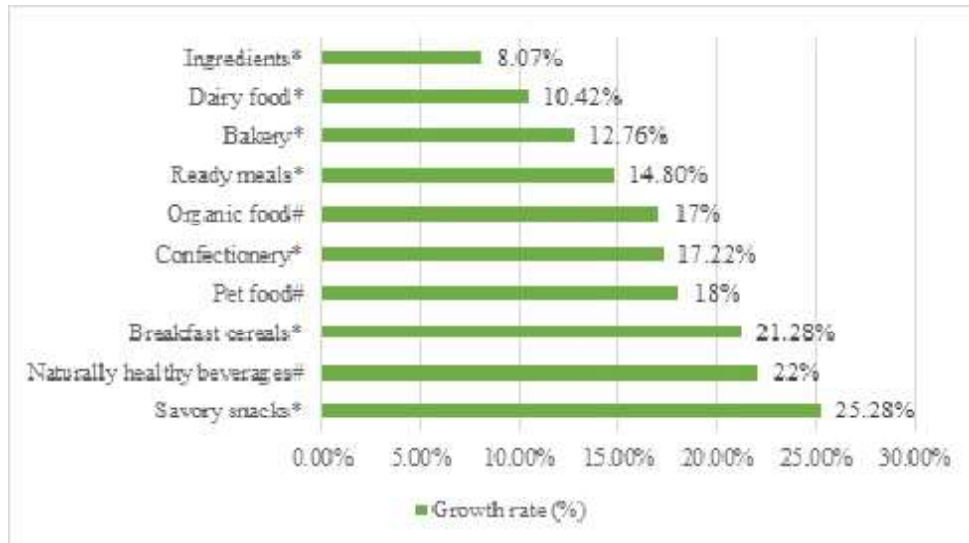
- 82% of the world's population lives there.
- 92% of the world's births occur there.
- 4-5% higher GDP growth.
- 93% of the world's middle class will live there by the year 2030.
- The emerging markets will contribute 70% of the world's GDP.

There are ten segments within the domestic F&B industry that have gained increasing acceptability among the Indian customers, and they are:



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Source: Global Data research reports and Passport by Euro - monitor international

A report by the ministry of food processing industries of India, CII and EY on 'High growth segments of Indian food and beverage industry', states that apart from the macro-economic indicators, there are seven other factors that have resulted in the rise in the consumption in these segments in the F&B sector.

- 1) Increase in the disposable income of the working population.
- 2) Increase in the urbanization.
- 3) Changes in the tastes and the likings of the Indian consumers.
- 4) Increase in the use of ready to eat meals in India.
- 5) Products becoming accessible due to the boom in the e-commerce and also creating awareness among the consumers.
- 6) Promised health benefits and increase in the quality of standards.
- 7) Consumption of F&B products increase drastically during special occasions and festivals.

The raw materials required for the F&B industry in India are easily available. For example, India is the largest producer of milk in the world, second largest producer of wheat, fruits and vegetables, sixth in the meat production and third largest of eggs.

India is one of the fastest growing economies of the world, India has also jumped 30 spots to 100th rank in the ease of doing business, India therefore will see a tremendous rise in the investments in the food and beverage industry.(EY, 2017)

Overview of the Beverages market

The beverages market contributes to around 8-9% of the total FMCG products in India and with the entry of international players the industry has evolved and has witnessed a number of different products in this space which have been developed keeping in mind the preferences of Indian customers.

Market Size and Growth

According to the India Food Report 2016, the market for beverages in India is close to 1,95,000 crores and it is growing at a rate of 20-23 percent and at this rate the beverages sector will grow at three and a half times of the present size.

All of the constituting segments are growing at the rate of 20-25 percent which is the maximum among all the food groups. This development can be accredited to the point that the market for beverages is getting more segmented and niche than ever before.

Market Consumption

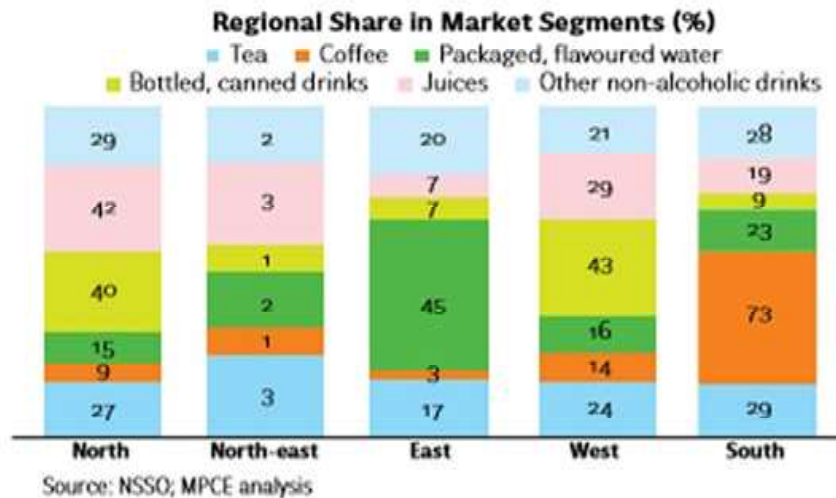
Beverages can be divided into four major categories, they are as follows, Tea and coffee, occupying the largest share in the market, juices and flavoured drinks, packaged drinking and flavoured water, other non-alcoholic drinks like cocoa, chocolate etc.

It can be noted that India is still inclined towards traditional drinks like coffee and tea and hence they have a lion's share in the beverage industry.

After the traditional segment, the other segment which has a significant share is the juices

with its canned and bottled beverage options. Despite having huge distribution networks and financial backing large multinationals are able to hold up just 5% in this category.

Regional Consumption



The above diagram shows the regional composition in the market segments of the beverage industry. The eastern and the southern region have the highest share in the beverage market and together they hold a share of 73%.

Consumption Trends in Soft Drinks

The consumption of soft drinks has increased tremendously as the culture of eating outside has taken precedence. Soft drinks is no longer treated as a drink that is consumed only during summers, but, it is now consumed whenever people eat food outside. The biggest achievement of the soft drink manufacturers has been their penetration in the rural areas. The consumers of soft drinks can be divided into public (movie theatres, railway station, restaurants) and household. Public consumption amounts to 80% and household consumption accounts to 20%.

Consumption Trends in Juices

Juices segment contributes approximately 4% to the total beverages market. The juice segment is fast growing at a rate of 20-25% and it is said to increase at least by four times in the next

five years. On an average an Indian is spending approximately 6 rupees every month for buying a juice, which is comparatively lesser than what an average Indian spends on other beverages.

Emergence of flavoured drinks has impacted the juice segment. A large amount of concentration of juice market is in the urban areas. The reason for high consumption of juices in these urban areas is the result of increased health awareness, availability of brands, mall culture, urbanised lifestyle etc.

Juice segments can be divided into packaged juices and fresh juices. The packaged juices can be divided into fruit drinks, juices and nectar drinks. Fruit drinks (one-third fruit content) claims to dominate with 60% of the packaged juices segment, Fruit juices (100% fruit content) claims to have 30% of the market share and nectar drinks (25-90% fruit content) have 10% of the market share.

Players in the Juice segment

Hector Beverages-Paper Boat:

Paper Boat is a non-carbonated drink. It is produced and marketed by Hector Beverages, which is situated in Bangalore, India. Paper Boat believes in the idea of making people taste memories.

Paper Boat is a brand of Hector beverages. Paper boat is run by industry professionals like Neeraj Kakkar, James Nutall, Neeraj Biyani and Suhas Misra.. These four are the driving force behind this innovative drink; Paper Boat. Paper Boat has Manufacturing facilities located in Mysore and Gurgaon. Mysore facility is the largest facility. Paper Boat has 14 variants in the category.

The price range is around 24 rupees for a 250 ML pack and 84 for a 1 litre pack, “Drinks and Memories”(Traditional Indian drinks which trigger childhood memories) is the promotional tagline of paperboat and it has over one lakh retail points.

Its market share in terms of volume is 1.8% and in terms of value it is 2.2% as of Jan 2017.
(Paper_Boat)(EY, 2017)

Dabur - Real and Real Active

Dabur is the market leader in India, with its brands Real Active and Real. They are the market leaders with a 55% market share in the non-carbonated sector. The brand has won the award for “Highest sales growth achieved by a brand” in the non-dairy category. Real Fruit Juice is a packaged, 100 per cent preservative-free fruit juice brand offering consumers the great taste and nutrition of freshly squeezed juice in a hygienic and appealing pack Real Fruit Juice. Real offers the wide variety of fruit juices, which are an assortment of international flavours and traditional Indian -orange, mango, tomato, pineapple, mixed fruit, grape, guava, litchi and cranberry. Dabur Foods has continually been introducing innovative variants like Real Activ Orange Carrot – India’s first fruit-vegetable juice. It has around 25 variants, and the price varies from 20 rupees for a 200 ml pack and 99 rupees for a 1 litre pack. It promotes itself as a fruit juice made from real fruits, without any additives and has 2.8 million retail outlets across India.

PepsiCo- Tropicana

Tropicana was first established by Anthony.T.Rossi and Bradenton Florida. It is an American Multinational Organization which manufactures natural drinks. Tropicana was launched in India in the year 2004. It was acquired by PepsiCo in the year 1998. Tropicana products do not carry any preservatives or additives. There are 12-14 variants of Tropicana. It is sold in almost 60+ countries across the globe. Its price varies from 20 rupees for a 200ml tetra pack to 120 rupees for a 1 litre pack. It promotes itself as an addition to breakfast “Let’s make breakfast 100% is its tagline”, It has third party dealer networks and direct delivery to retail outlets and other retail points. It has a market share of 28% as of Jan 2017.

B-Natural (ITC)

ITC Ltd., acquired Bangalore based fruit juice manufacturing company B naturalas a part of diversification strategy in 2014. Eventhough its market share is miniscule it will definitely pose threats to other established players in this segment in future. Currently in its product portfolio it has nine variants. Recently it released a variant called ‘Punjab Da Kinnow’ partnering with Punjab Agro Juices Limited (PAJL) to source and process oranges after procuring directly from farmers. Its 200 ml pack costs 20 rupees and a 1 litre pack costs

100 rupees. It promotes itself as a 100% juice with no concentrate and it is sold in retail outlets across India and effectively utilizes the distribution network of ITC. As of Jan 2017 it's volume market share is 7.7%

For the Indian Taste Buds				
Juices & Nectars	Value Market Share (%)		Volume Market Share (%)	
	April 2015 - Jan 2016	April 2016 - Jan 2017	April 2015 - Jan 2016	April 2016 - Jan 2017
Real (Dabur India)	54.0	56.7	52.8	55.4
Tropicana (PepsiCo)	32.9	28.0	33.4	28.0
B-Natural (ITC)	6.7	7.2	6.6	7.7
PaperBoat	1.6	2.2	1.4	1.8
Del Monte	0.8	0.9	0.6	0.7

SOURCE: Industry quoting Nielsen data

Tropicana (PepsiCo) – The Challenger?

As the lifestyle of the consumers around the world have majorly shifted towards being health conscious, this change will severely impact the consumption trends on food and beverages. PepsiCo sees this change in lifestyle as the primary reason for falling of sales of aerated drinks. Keeping this in mind, the company has decided to focus on Tropicana and aims to double their sales by 2020.

Tropicana was first launched in India in the year 2004. It was launched in India as a Juice based drink and it was later extended to other juice based drinks.

PepsiCo wants to make Tropicana available across 2,50,000 retail outlets, from 1,00,000 outlets currently. Tropicana is currently available in less than 100 towns and the company plans to increase its presence in about 300 towns in the near future. The company also says that it will utilize its existing coolers at the retail stores to serve chilled Tropicana juices in these towns. Interestingly, the company is following a state-specific marketing approach, wherein they will target specific states with the specific variants of Tropicana. PepsiCo has entered into an

agreement with their bottling partners Varun Beverages Ltd for distribution of Tropicana in the North and East of India. For the other parts of the country, PepsiCo will rely on its existing strong distribution network of carbonated drinks.

Famous Hindi movie actress Katrina Kaif is the brand ambassador for Tropicana, She endorses their mango drink brand, Tropicana Slice.

But despite having maintained a strong and a tighter grip over the market share, PepsiCo Tropicana doesn't seem to beat their rivals and the market leaders Dabur India's Real fruit juice. The gap seems to keep widening every quarter. New entrants like PaperBoat are adding woes to PepsiCo's existing problems.

The market share of PepsiCo has slipped 10% in three years, while the market leader, Dabur, seems to hold on the top position. In 2014, PepsiCo's Tropicana was 14 % behind the market leaders, Industry experts had predicted that PepsiCo will narrow down this market share, however their market share has been on a constant decline.

While Dabur still holds half of the market, Tropicana is at 28%. Is it the positioning that is hurting PepsiCo or is it simply not able to match the number of variants Dabur has to offer is the question (Dabur offers 25 variants).

Tropicana positions itself as a breakfast drink, whereas Real juice positions itself as an all-day drink. Historically, brands positioning as an alternative to breakfast has never really succeeded in India. Will PepsiCo throw a surprise? Only time will tell, they haven't been able to surprise the industry yet.

Although, the number of variants of Tropicana is comparatively lesser than Real, Tropicana has products like Tropicana essential which appeals to the premium, core-nutrition segment. Will this help to beat Dabur in the long run remains to be seen.

PepsiCo is also facing tough challenge from new competitors like PaperBoat. Will brands like PaperBoat present a major challenge to PepsiCo? Is it disruptive? Let us look at it briefly.

Will PaperBoat – Be a disruptive newcomer?

PaperBoat is an Indian drink which has functional benefits attached to it and does not use any preservatives. They claim that their drinks are not only healthy but also have a natural taste when compared with the other drinks.(Paper-Boat-sails-ahead-on-Indian-drinks, 2017)

Strategic tie-ups

PaperBoat tied up with **Indo-Nissin Foods Pvt Ltd**, the Japanese company which makes top ramen noodles. It is looking at utilizing the existing distribution network of Indo-Nissin and expand to tier II cities and some rural markets. The promoters expect that at least 60% of the business will come from this tie-up.

PaperBoat has tied up with institutions like Indian railways and an airlines which sells their products. (how-paper-boat-rowed-against-the-tide-to-find-success, 2017)

It believes in making people taste memories. It's the only brand which offers varied ethnic flavours. There are a few things which make Paper Boat stand out in comparison with its competitors, they are:

- 1) **Innovation:** Paper Boat has ensured that it constantly innovates and the process of new product development takes place continuously.
- 2) **Hedonic value to the customers:** Paper Boat has tried to build an emotional connect with its customers by trying to appeal to its nostalgia and the childhood memories.
- 3) **Constant customer engagement:** Paper Boat has been extremely responsive and very efficient. They are present in all major digital media platforms and have a lot of followers.
- 4) **Strong Distribution Network:** The company has a distribution network of 1,00,000 retail distribution points. The company follows a differential pricing policy, i.e they sell the same product at different places and at different rates
- 5) **Packaging:** Paper Boat has done a lot of research w.r.t. packaging for the products, that are environmentally friendly. The pouches are lighter which help the company in reducing the cost during transportation.

- 6) **Story telling approach:** Paper Boat built their brand, by connecting to the audience easily by sharing their memories and experiences which people could easily relate to. (/paper-boat-business-secret-to-success, 2016)

The company also has carried out a series of TV advertisements, Print Ad and Digital marketing initiatives. The strategies of PaperBoat seems to be connecting very well with the consumers, but, it remains to be seen whether it can take on the might of challenger PepsiCo and market leader Dabur in the long run.

The per capita consumption of fruit juice industry is very less in the country. What should this industry do to encourage fruit juice drinking culture? What should Tropicana do differently in order to increase their market share and take on the market leader? Is PaperBoat a serious threat to Tropicana if yes? What should Tropicana do to ward off any threat from PaperBoat?

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