A Complete Market Research on the Cold Drink Industry in India

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ABSTRACT:

The soft drinks category is growing and gaining share from other categories including beer, hot drinks and wine; however, there are significant market changes occurring within soft drinks sub-categories notably carbonates losing share to fruit juices and bottled waters. In response Coca-Cola and PepsiCo are dramatically modifying their portfolio and Cadbury Schweppes has divested their European soft drinks business. This is a new management report published by Business Insights that provides key soft drinks market value, volume and share of throat data and analyses NPD and innovation data to identify how manufacturers are adapting to changes in this market. It also examines the key trends evolving in the soft drinks market across health, convenience and indulgence and the strategies of innovative leading manufacturers that are driving these changes. Improve your growth strategies using these new reports analysis of the leading soft drinks innovators, the most successful categories and future growth opportunities in the soft drinks markets.

INTRODUCTION:

The term soft drink originally applied to carbonated drinks and non-carbonated drinks made from concentrates, although it now commonly refers to almost any cold drink that does not contain alcohol. Beverages like colas, sparkling water, lemonade, and fruit punch are among the most common types of soft drinks, while hot chocolate, tea, coffee, milk and milkshakes do not fall into this classification.

Fizzy drinks (carbonated beverages) are produced by injecting carbon dioxide into the drink at a pressure of several atmospheres. Carbon dioxide dissolves readily at normal atmospheric pressure, particularly in cold beverages, but far more so at high pressure and large volumes of gas can be dissolved. When the pressure is released the carbon dioxide comes out of solution forming numerous bubbles and begins releasing the carbon dioxide back into the atmosphere. After many minutes most of the carbon dioxide has been released and the drink is said to be “flat”.
The chemical phenomenon whereby carbonated drinks taste fizzy is due to carbonic acid inducing a slight burning sensation, and is only indirectly related to the bubbles- both phenomena are caused by the carbonic acid concentration. Carbonation can also be produced by partial fermentation in a sealed container.

DIET SOFT DRINKS :

In recent years, there has been a growing demand for alternatives to sugar-heavy soft drinks. "Regular" soft drinks today contain high fructose corn syrup, and have been blamed in recent years for contributing to obesity. Sugars, like other carbohydrates, stimulate the production of the hormone insulin, which causes the body to store fat rather than burn it. "Diet" soft drinks are sweetened with chemicals, usually aspartame, saccharin, sucralose, acesulfame potassium, or a combination of those, which are perceived as sweet by most people, yet does not stimulate insulin production or have any food energy or nutritional value. These artificial sweeteners are also controversial, as many of them are subject to claims that they may cause cancer or other illnesses.

TYPES:

Soft drinks are available in glass bottles, aluminum cans and PET bottles for home consumption. Fountains also dispense them in disposable containers Non-alcoholic soft drink beverage market can be divided into fruit drinks and soft drinks. Soft drinks can be further divided into carbonated and non-carbonated drinks. Cola, lemon and oranges are carbonated drinks while mango drinks come under non carbonated category.

The market can also be segmented on the basis of types of products into cola products and non-cola products. Cola products account for nearly 61-62% of the total soft drinks market. The brands that fall in this category are Pepsi, Coca- Cola, Thumps Up, diet coke, Diet Pepsi etc. Non-cola segment which constitutes 36% can be divided into 4 categories based on the types of flavors available, namely: Orange, Cloudy Lime, Clear Lime and MangoSoft.

SOFT DRINK AREA PRODUCTION

The market preference is highly regional based. While cola drinks have main markets in metro cities and northern states of UP, Punjab, Haryana etc. Orange flavoured drinks are popular in southern states. Sodas too are sold largely in southern states besides sale through bars. Western markets have preference towards mango flavoured drinks. Diet coke presently constitutes just 0.7% of the total carbonated beverage market.

MARKETING

Sales earn a significant amount of money for the producers and distributors. Most famous name-brand soft drinks are produced and bottled by local or regional independent bottling companies. These companies license the name and are usually sold the main ingredients, with syrup made by the main manufacturing plants of the trademark holders. In the past, most cola-flavoured and other soft drinks were sweetened with ordinary sugar (sucrose), but to save on production costs in some markets, HFCS (high fructose corn syrup) is now commonly used as a sweetener.

MARKET SHARE

Initiatives such as the rural market thrust, introduction of 200-ml bottles, lower price points, improving the affordability factor and the beefing-up of the distribution network to improve the availability of products have contributed to the higher growth.

In the non-carbonated soft drinks category, CCI's fruit juice-based drink, Maaza, has a 42.7 per cent share of the market.

Fanta Orange has 7.1 per cent, Limca's share is 10.8 per cent, Sprite's market share is 3.5 per cent, and Kinley Soda is 33.7 per cent. The release adds that Coca-Cola and Thums Up have a combined market share of 39 per cent.

CONTROVERIES RELATED TO SOFT DRINKS

NUTRITIONAL VALUE

Soft drinks obtain nearly all of their food energy in the form of refined cane sugar or corn syrup. While the USDA recommended daily allotment of added sugars is 10 teaspoons for a 2,000-calorie diet, many soft drinks contain more than this amount. Unless fortified, it also contains little to no vitamins, minerals, fiber, protein, or other essential nutrients. Many soft drinks contain food additives such as food colouring, artificial flavouring, emulsifiers, and preservatives, which some consumers find objectionable. Some also argue that caffeine-containing soft drinks are not a valid source of dietary fluids because of the diuretic properties of caffeine.

Soft drinks may also displace other more nutritional food choices in people's diets, such as water, milk and fruit juice.

SOFT DRINKS LINKED TO WEIGHT GAIN AND TYPE 2 DIABETES

In 2004, an eight-year study of 50,000 nurses showed a correlation that suggests drinking one or more sugar-sweetened beverages (such as soft drinks and fruit punches) per day increases one's risk of developing diabetes by 80% versus those who drink less than one such drink per month. Higher consumption of sugar-sweetened beverages is associated with a greater magnitude of weight gain and an

increased risk for development of type 2 diabetes in women, possibly by providing excessive calories and large amounts of rapidly absorbable sugars.

SOFT DRINKS AND TEETH

A large number of soft drinks are acidic and some may have a pH of 3.0 or even lower. Drinking acidic drinks over a long period of time and continuous sipping can therefore erode the tooth enamel. Drinking through a straw is often advised by dentists as the drink is then swallowed from the back of the mouth and does not come into contact with the teeth. It has also been suggested that brushing teeth right after drinking soft drinks should be avoided as this can result in additional erosion to the teeth due to the presence of acid

SOFT DRINKS AND OBESITY

People who drink soft drinks loaded with sugar tend to eat much more food than those who avoid soft drinks. Either those taking sugared drinks lack the same restraint on foods, or sugared drinks cause a rise in insulin that makes people more hungry, causing them to eat more. Soft drinks (including diet soft drinks) are also typically consumed with other high-calorie foods such as fast food. Children who drink soft drinks regularly are therefore fatter on average, in addition to being more likely to develop diabetes later in life.

CARCINOGENS IN SOFT DRINKS

Benzene is a known carcinogen, or cancer-causing agent. Major soft drink companies have had documentation of benzene contamination in soft drinks since at least 1990. In 2006, the United Kingdom Food Standards Agency published its survey of benzene levels in soft drinks, which tested 150 products and found that four contained benzene levels above the World Health Organization (WHO) guidelines for drinking water. The agency asked for these to be removed from sale. The United States Food and Drug Administration released its own test results of several soft drinks and beverages containing benzoates and ascorbic or erythorbic acid. Five tested beverages contained benzene levels above the Environmental Protection Agency's recommended standard. As of 2006, the FDA believes that "the levels of benzene found in soft drinks and other beverages to date do not pose a safety concern for consumers".

OBJECTIVE:

- To find out the key players in the Indian market and their respective market shares
- Analysing how the companies have used their Brand Ambassadors and Advertisements to create a better image of the company in the market.
- What are the kinds of promotional offers given to the retailers and how have they helped the companies to increase their sales and create a better reputation of the company.
- What is the brand loyalty of customers of every soft-drink after the pesticide controversy and if the price changes. Also what approach have the companies used after the controversy and how successful have they been.
- Which company is doing good in the rural segment of India.
- Which company provides its customers with quality information and gives them assurance of safety.

RESEARCH METHODLOGY:

My research was done for the main objectives as listed below:

- To find the major players & their respective market share in the industry.
- Role of promotional offers
- Effect of the pesticide controversy
- Awareness in the market regarding the brands
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My sample size for the survey was 100 out of which I had ratio of 3:2 of consumer and retailers. The survey undertaken by us took around 3 days. The questionnaire was circulated among people of all age,

be it the youngsters, the adults or the old aged consumers. People were quite patient to listen and the questionnaire was filled by the retailers also where the sample size was 40 out of 100. In the survey of soft drinks, for our sample, we covered the retail outlets of Vasant Kunj (South Delhi), Janak Puri (West Delhi), and Saket (South Delhi).

I converted the information collected into % terms (DATA ENTRY) using Microsoft excel. I made use of the graphs and bars to make the data look simpler and easier for the person reading the report. With this we came to an end with our primary research and worked our secondary research. I collected all important data related to the soft drinks industry on the internet on topics such as how are the soft drinks manufactured, what were the controversies related to the soft drinks, market share and steps taken after the pesticide controversy etc.

KEY FINDINGS:

CONTROVERIES RELATED TO SOFT DRINKS

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GROWTH BACK ON TRACK

Soft drinks emerged stronger than ever from the pesticides contamination controversy in late 2003, and the early monsoons in mid-2004 in many regions of India, that at one point threatened to derail growth in 2004. Responding to a series of initiatives throughout 2004, such as reducing pack sizes, introducing new flavours, increasing points of sale, positioning on the current health boom and taking advantage of changing consumer preferences, the total volume of soft drinks sold in 2004-2005 exceeded four billion litres, registering a robust growth rate of 16%.

CARBONATES STILL DOMINANT

The pesticides controversy notwithstanding, small pack sizes and the intensifying of rural distribution that increased opportunities to buy ensured that carbonates products maintained their status as the largest category in soft drinks in 2004. The Rs5 strategy for small packs delivered significant off-trade volume growth and opened new possibilities in rural India, but proved to be unviable in the long run, with Coca-Cola India Pvt Ltd and PepsiCo India Holdings Pvt Ltd both raising prices to Rs6 in the latter half of 2004.

HEALTH TAKES CENTRE STAGE

Health and wellness were in sharp focus in 2004, and soft drinks products were quick to capitalize on this trend. Fruit/ vegetable juice and bottled water, pitching heavily on the purity and health positioning platforms, gained sharply in both total volume and value in 2004, partly at the cost of carbonates and juice drinks and partly by expansion through new launches and inducing trial.

The combination of increased awareness of contamination in carbonates, a trend towards healthy consumption, rising disposable incomes in the hands of young people exposed to western lifestyles, and aggressive promotion resulted in fruit/vegetable juice climbing to over 100 million litres in off-trade volume sales in 2004.

With increasing acceptance of bottled water as a necessary expense, greater tourism movement within India and activity by all companies, bottled water in particular gained 22% in off-trade volume sales, making bottled water the second largest category in soft drinks.

NEW AGE BUSINESSES MAKE THEIR IMPACT FELT

Call centres, business process outsourcing centres, software, retail and telecom, all new-age businesses as opposed to manufacturing, began to make their impact in 2004 by placing more disposable income in the hands of younger people who are willing to spend and are exposed to Western lifestyles in their work. The rapid spread of chained Western-style supermarkets in malls and multiplexes increased points of sale, combining ambience with affordability. These new-age businesses stabilised in 2004, which resulted in a greater comfort about spending on expensive consumer products such as fruit/vegetable juice.

STRONG GROWTH FORECAST IN SOFT DRINKS

The total off-trade volume of soft drinks is forecast to grow by a compounded average of 11% over the forecast period. Total value growth is expected to track total volume growth closely because intensifying competition in carbonates, which dominate in both total volume and value sales, is expected to keep prices per litre under check. However, 100% juice is forecast to experience price per litre increases as the pitch on the health platform is expected to enable manufacturers to keep their products relatively price-insensitive. With increases expected in tourism, distribution and a changing lifestyle, bottled water is the one to watch in the forecast period, with an expected CAGR of 15% in off-trade volume sales growth.

RESULT:

The Centre for Science and Environment has reported pesticides in soft drinks for the second time in three years and states like Karnataka and Kerala have banned cola drinks in educational institutions and government offices. CNBC-TV18 looks at how soft drink makers are coping with the controversy.

Kerala has even called for a ban on soft drink output. The Centre for Science and Environment has opened an old issue, with the same old allegations it made three years ago. It says that Coke and Pepsi contain 24 times more than the permissible amounts of pesticide in them.

This time the Indian Soft Drink Manufacturers Association, ISDMA, is the mouthpiece for Coke and Pepsi and it responded to the Kerala ban saying, "Our products manufactured in India are absolutely safe and meet every safety standard set by food, health and regulatory bodies in India and all over the world."

Almost a week after the ban, Coke and Pepsi ran advertisements to educate consumers on these issues. Coke has even asked customers to contact them, while Pepsi claims that soft drinks are safer than many essential food items like eggs, rice and even apples.

Industry watchers expect the companies to use this as the plank to their counter attack. In addition to assuring their trade partners, both players are looking for third party endorsements as well and doctors might be roped in. And last time's experience has also taught them that public and media memory is short, so it pays to keep quiet.

Consultant, MarketGate, Sharda Agarwal said, "The first time they were caught off guard, this time I guess, they were expecting it due to the third anniversary of the controversy. I think, companies should instead wait and watch and then take the issue head on."

Some experts also say that this time, people are fed up with the pesticide controversy. They feel soft drink makers have become soft targets. Company officials can't believe their bad luck, just as sales had begun to pick up, the pesticide issue has raised its head. Coke and Pepsi hope they will be able to put a lid on the issue as soon as they can.

CONCLUSION:

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Soft drinks emerged stronger than ever from the pesticides contamination controversy in late 2003, and the early monsoons in mid-2004 in many regions of India, that at one point threatened to derail growth in 2004. Responding to a series of initiatives throughout 2004, such as reducing pack sizes, introducing new flavours, increasing points of sale, positioning on the current health boom and taking advantage of changing consumer preferences, the total volume of soft drinks sold in 2004-2005 exceeded four billion litres, registering a robust growth rate of 16%.

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