Memo

To: Miranda Priestly

From: Patrick Fleming

- Pf9771a@student.american.edu

Date: Feb-10-23

Re: Market Analysis for Carbonated Soft Drinks

Carbonated Soft Drinks (CSD) are still a growing market, but with an uncertain future

Compared to the twentieth century, younger demographics are starting to be more conscious about what they consume, and how it affects the world around them .With CSD health concerns starting to create negative influences, the market needs to either adapt or will continue to experience slower sales growth patterns. High fructose corn syrup, citric acid, and extreme amounts of Caffeine are making consumers uneasy about products that are predicted to decrease in sales. Further emphasis on natural ingredients and corporate social responsibility are being increasingly incorporated into marketing plans in order to stop the bleeding of these new demands by a more conscious demographic. Attached is a list of issues at a Macro level that are both positively and negatively affecting the CSD market. This market analysis focuses on the global market.

Executive Summary

This report of both the macro analysis of the CSD industry and microanalysis of the brand Fanta goes into detail about the prominent and distinct issues that face them and the possible recommendations that can help Fanta in increasing its competitive advantage amongst its other competitors in its specific market. One of the factors being addressed in this report is the promotion of the Fanta brand, an in-depth analysis of the recent rebrand, and potential promotional opportunities that accompany it. Secondly, a recommendation facing the factors of Fanta's place of sale and continued pricing of the product address what demographic groups should be targeted by Fanta, with a possible point of sale that would increase Fanta's control over these suggested demographic groups of interest. Finally, a recommendation regarding the potential addition to Fanta's current product line assists in adding newer flavor profiles that can provide Fanta with new promotional opportunities.

Consumer Responsibility is Driving Change in Preference

Health Risks Give the CSD market a Stomach Ache:

With targeted demographics for CSD's today being made up of mostly Generation Y and Z, we're seeing more conscious consumers who care about what ingredients they're consuming in their everyday lives. Compared to previous generations, ingredients in CSD's are starting to be scrutinized for being both unhealthy and artificial. According to Roberts (2022), "two thirds of all CSD consumers agree that they are too unhealthy for consumption on an everyday level, and that more than half of CSD consumers want to reduce their consumption levels in the future"(P.21). With this level of uncertainty translating into reduced future consumption of CSD's, we see the direct correlation between the decrease in market sales and the deleterious effects that certain ingredients in CSD's cause.

Adapt or Die: CSD's Take on Darwinism:

We have seen firsthand the heat that CSD's have taken as of recent years due to **a changing consumer environment and desires**. Most CSD companies have done **market research** and taken different paths to try to create an acceptable alternative to consumers. We've seen the adaptability of the CSD market to **consumer needs and desires** through a multitude of ways that have increased environmental sustainability. Many consumers believe that with a CSD that is in line with the consumer demand, would be a great product to have. According to Roberts, "a healthier CSD alternative with better attributes like lower sugar levels, and a natural sweetener would actually attract additional consumers to these new healthier CSD's. Roberts continues to give specific attributes that can potentially help older demographics more connected with CSD's" (P.21). If CSD's are still able to push the same products and brands, just under a healthier and more consumer desirable format, we can see additional growth in the market, and potentially stop the decrease of future sales. Since we know that a more health conscious CSD can generate further profits from conscious consumers, we can evaluate how the market has adapted to the challenges that were faced through technological advancements to the sales of these companies products. According to Roberts, one way that brands have been able to do this is through a further emphasis on environmental benefits. Roberts elaborates by saying " reusable plastic can be used and then returned to the point of sale, which then gets cleaned and reused for future sales. With practices like this reducing carbon emissions by forty seven percent, and water consumption by forty five percent, Roberts makes a direct correlation between these environmentally friendly statistics and consumer loyalty (fifteen percent increase)" (P.20). Obviously, another technological perspective to this issue is altering the actual formula of these CSD's. According to Roberts, "Half of CSD drinkers believe that vitamin/mineral fortification would make a soft drink a healthy drink option. Furthermore, functional attributes that boost gut health, brain health or even that aid workout recovery could provide consumers of all ages a reason to remain engaged with CSDs" (P.21). From a technological viewpoint, these problems that the industry is facing can be solved with a revamp in the formulas and ingredients that are in CSD's. A CSD that helps benefit the health of a consumer is unheard of, with technological solutions of new and healthier ingredients in the CSD's, the worries of a more conscious consumer can be solved.

Current Events and Trends are Creating Economic Benefits

Covid 19: A Friend of the CSD Market?

The Pandemic which ensued for the entire world because of Covid-19 was something the world has not seen since the Spanish Flu pandemic almost a century ago.The effects of the pandemic contributed to the United States and world GDP being hurt. However, with everyone being forced into lockdown, consumer changes occurred which can be seen as a huge boost for the CSD market. An example of this can be seen contributed to remote working in the United States alone. According to Roberts, " remote and hybrid working environments have helped change consumer habitual and workday consumption patterns, with a third of hybrid workers saying that they are drinking more soda than a year ago. With forty five percent of those asked saying that there was no change in their soda consumption at all over the past year"

(P.20). Although the pandemic was hard for everyone to experience, the consumer changes that were molded because of these remote and hybrid working environments were beneficial to the CSD market (at least in the US). With consumers having a greater demand for CSD's in lockdown, and there being no drop off in consumption for CSD's as well, has created this obscure dynamic where CSD consumption patterns somewhat increased during the pandemic of Covid-19.

The Gates Reopen: Consumers Want to Spend After the Pandemic

Imagine a Dam holding back a rushing rapid river that only continues to build up over time, and the dam finally breaks after almost two years. Now let's apply that analogy to **Consumer spending** after the pandemic restrictions end. With the pandemic making the majority of the world eager to be outside again, stores have reopened and consumers haven't wasted a second to start their purchasing habits of old, especially in the CSD market. Combine this eagerness to spend with a decrease in spending power for most of the world, and markets like this CSD market are going to experience profits. A Market line report on global soft drinks in 2023 confirms this narrative. According to "*Global Sports Drinks"*(2023) " As a direct effect of both the global outbreak of Covid-19, and a decrease in global consumer spending power, the CSD market has received moderate growth, and is forecasted to receive accelerated growth in upcoming years". Not only has the CSD Market received moderate growth, but it's receiving massive amounts of market growth that have been some of the highest in recent years. According to "*Global Sports Drinks"*(2023) " compared to a compound annual growth rate of 3.5% from 2016-2021, the compound growth rate of 2021 alone is 10.2%, helping the CSD market reach a value of **893.7 Billion**"**.** This massive growth will help the CSD market recover after the pandemic, and show the effects of this dam finally breaking, and consumers flooding the market with spending.

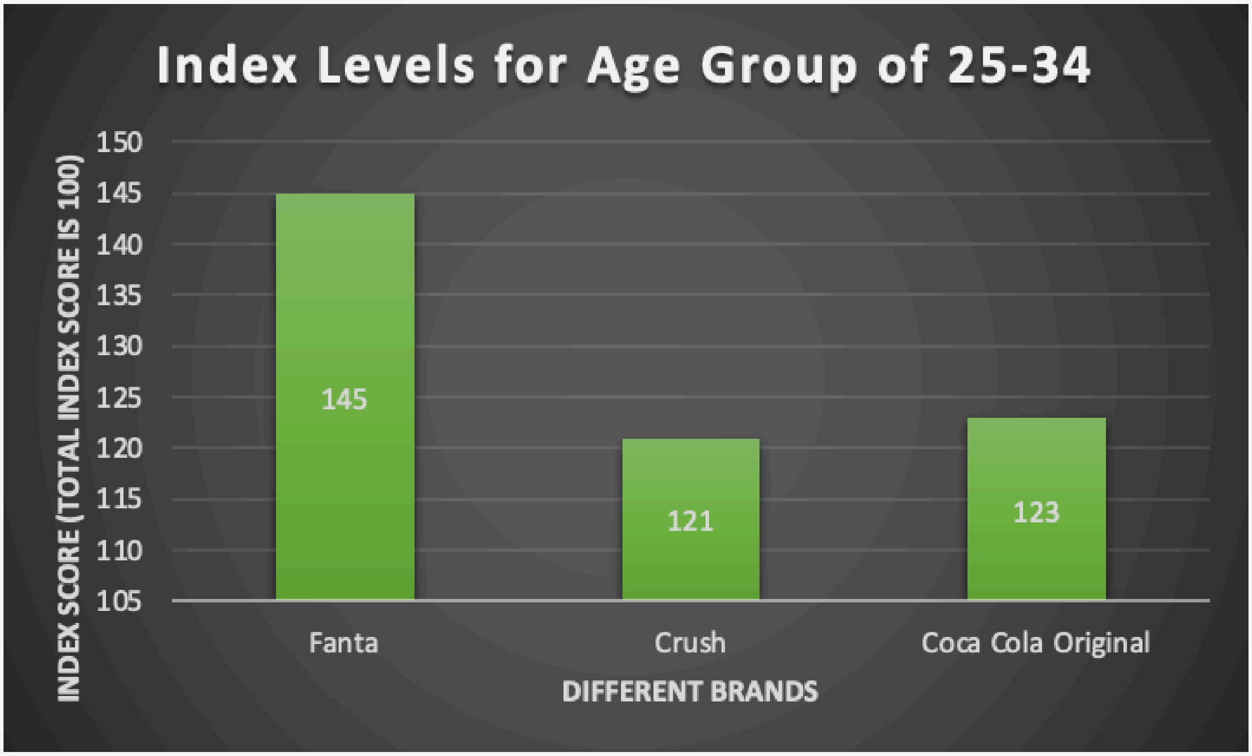
CSD Industry Segmentation: Fanta

Fanta Segmentation and Targeting

Fanta: Fun For All Ages

We see from data that Fanta is performing at high index levels for multiple index age demographics, with index strength increasing from the age of eighteen to forty-four. This range of over twenty-five years shows the majority age demographic for the purchase of Fanta, which can yield future opportunities that can be pursued. Specifically, the older demographics of twenty-five to thirty-four, and from thirty-five to forty-four have especially strong index levels. These specific age groups created a higher index level in Fanta than Coca Cola original, which is the number one overall seller that the Coca-Cola company produces. This allows Fanta to have the potential for extremely profitable opportunities within these older demographics.

Figure 1: Non-Alcoholic Index levels Of Age Group 25-34 For Three Non Alcoholic Beverages



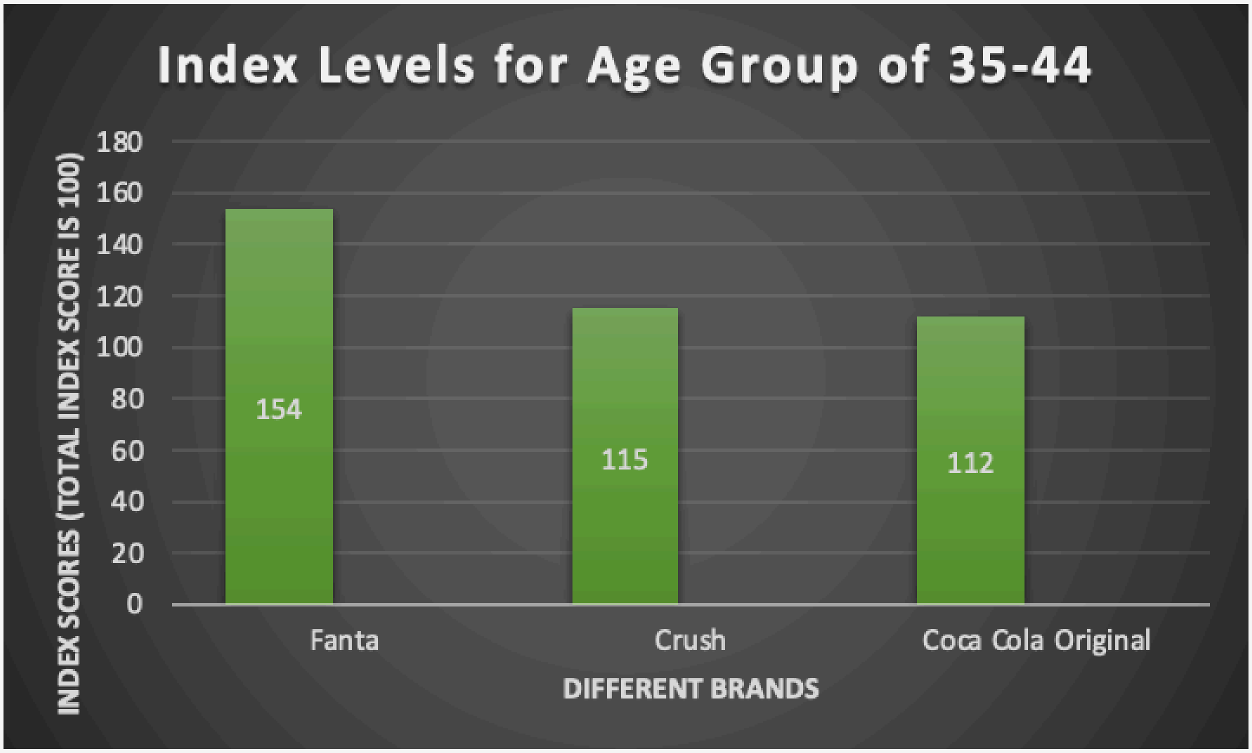


Figure 2: Non-Alcoholic Index levels Of Age Group 35-44 For Three Non Alcoholic Beverages

Fanta Quenches Thirst In Hotter Climates:

Another group of consumers that have the greatest propensity to purchase Fanta is those geographically located in the South of the United States. Out of all the respondents who selected Fanta as their non-alcoholic beverage of choice, almost half of consumers said they were geographically located in the southern part of the United States. This information suggests both deficiencies and opportunities for Fanta. With the southern geographical area of the U.S. almost making up the same amount of Fanta consumers as the northeast, midwest, and west geographical areas combined, this shows an extreme drop off of Fanta consumers by region. With areas like the Northeast only accounting for only 14.7 percent of all Fanta Drinkers in the nation, an increased effort in marketing and consumer targeting needs to occur in major cities in the Northeast for that percentage to rise in the future, or an increased deficiency in Fanta consumers in these regions will occur. On the other hand, the southern demographic of the U.S. shows the potential for exponential growth and a plethora of future opportunities for Fanta. This region is extremely popular with Fanta consumers, and again boasts a higher volume of consumers than the Coca-Cola Company's main product, “Coca-Cola Original”.

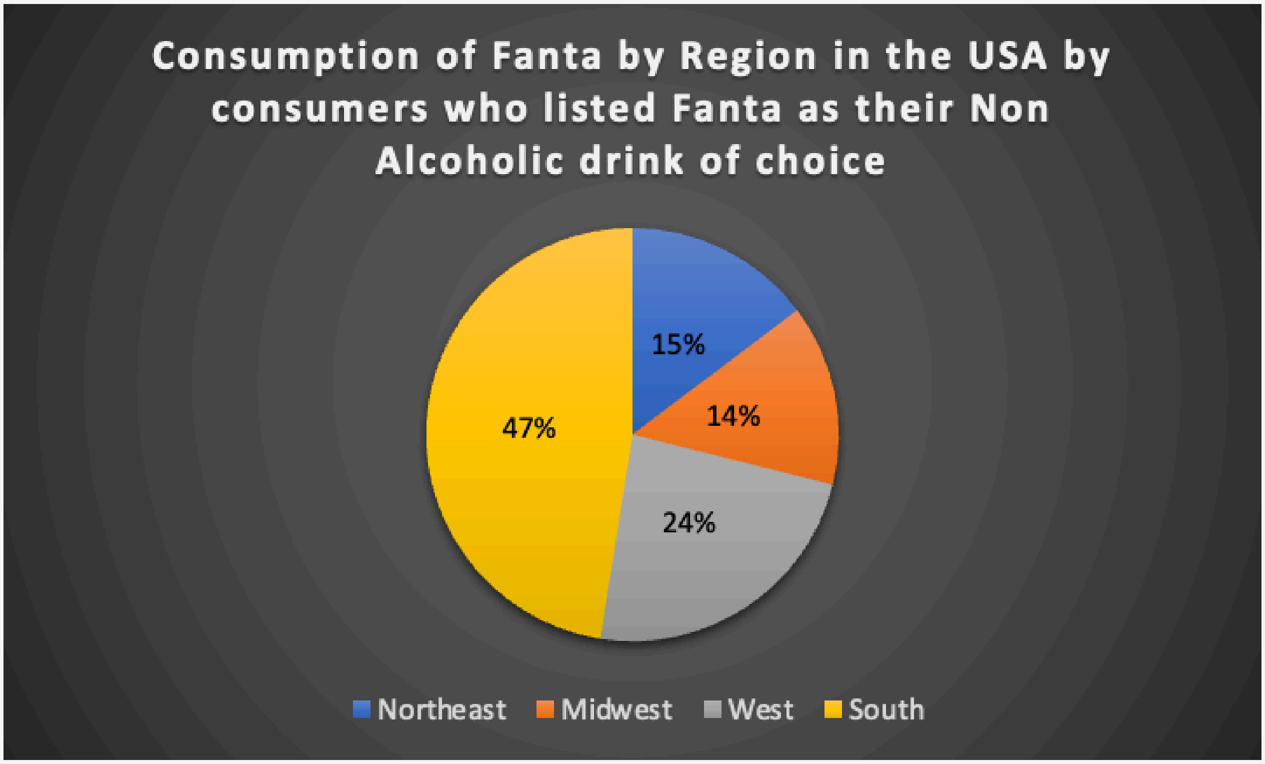


Figure 3: Pie Chart Indicating Total Fanta Consumption In Different Regions Of The United States By Consumers Who named Fanta as their Non Alcoholic Beverage Of Choice

Fanta Positioning Statement

To both consumers who are newly fledged adults or adults with experience in life, who are looking for a crisp and refreshing carbonated non-alcoholic beverage to help quench their thirst and reward them for a hard day's work, Fanta is the enjoyable and thirst-quenching treat to brighten your mood and refrigerator with the colorful and tasty fruit flavored carbonated beverage. The fizzy taste helps satisfy your taste buds and its enriched fruity flavor helps you decompress after a long day.

Brand Analysis Of Fanta

Analysis of Fanta's Marketing Strategy

Issues Facing Fanta Currently:

Price:

Meet The Competition Pricing:

Fanta and the rest of the Coca-Cola brand apply its pricing strategy of "Meet the competition pricing", which is another term for using the at pricing strategy. However, when entering new markets that are hyper-elastic in price, the Coca-Cola brand uses a penetration pricing strategy so they can establish a foot in the market and seem like a unique brand at an affordable cost. Fanta shares this same strategy and is priced in the U.S. at a common price ranging from $1.75-$2.25 for a common 20oz bottle. Although the price of Fanta is ok now, a possible issue for Pricing is the idea that increased production costs can lead to higher prices for Coca-Cola brands like Fanta. Fanta and most of the brands in the CSD market use high fructose corn syrup in their products to add sweetness and flavor to their beverages. High fructose corn syrup is a byproduct of ethanol fuel production. With ethanol fuel production being limited and costly as of recently, we can see these high ethanol prices translate to higher Fanta prices as well. According to a report done this year, "ethanol is primarily made using corn and sugar, so rising demand for ethanol has caused the prices of corn and sugar products, such as high fructose corn syrup, to increase as well. Since products, such as high fructose corn syrup, are some of the primary ingredients in soft drinks, these trends have also resulted in rising prices for many carbonated soft drinks" (IBISWorld,2023).

Product:

Consumers Want New Tastes:

Fanta prides itself on producing a traditional fruit-flavored CSD. The same product has been produced since 1955, and with the brand becoming Coca-Cola's second-highest seller worldwide, there is no reason for Fanta to change its product or its business model. While Fanta has created new fruit flavors like strawberry, grape, and even pina-colada, we have seen the same type of product be produced for the past sixty-eight years. While this product has grown worldwide and has earned millions of dollars in sales, it has stayed sedentary in terms of developing its flavors. According to Roberts, “While CSD brands have a host of takes on familiar beverage flavors and texture, recent launches have taken a bolder, if not mysterious, approach with intense flavors, new forms of carbonation and limited-time and seasonal offerings (Roberts, P.28). With an aspect of mystery and new flavor descriptions seeming to drive consumer engagement, we don't see Fanta taking the next step in their product description. Understandably, Fanta is a brand that has found so much success because of its original flavors and tastes, but if Coca-Cola is finding success in flavor innovation for other products, it's time to do the same for Fanta as well. Figure four demonstrates this as well, with the drop off from consumers being aware of the Fanta (92%), to the brand’s actual popularity amongst consumers in the study (38%). The main reason why we see his massive drop-off can be attributed to a lack of new flavors and tastes for consumers to try.

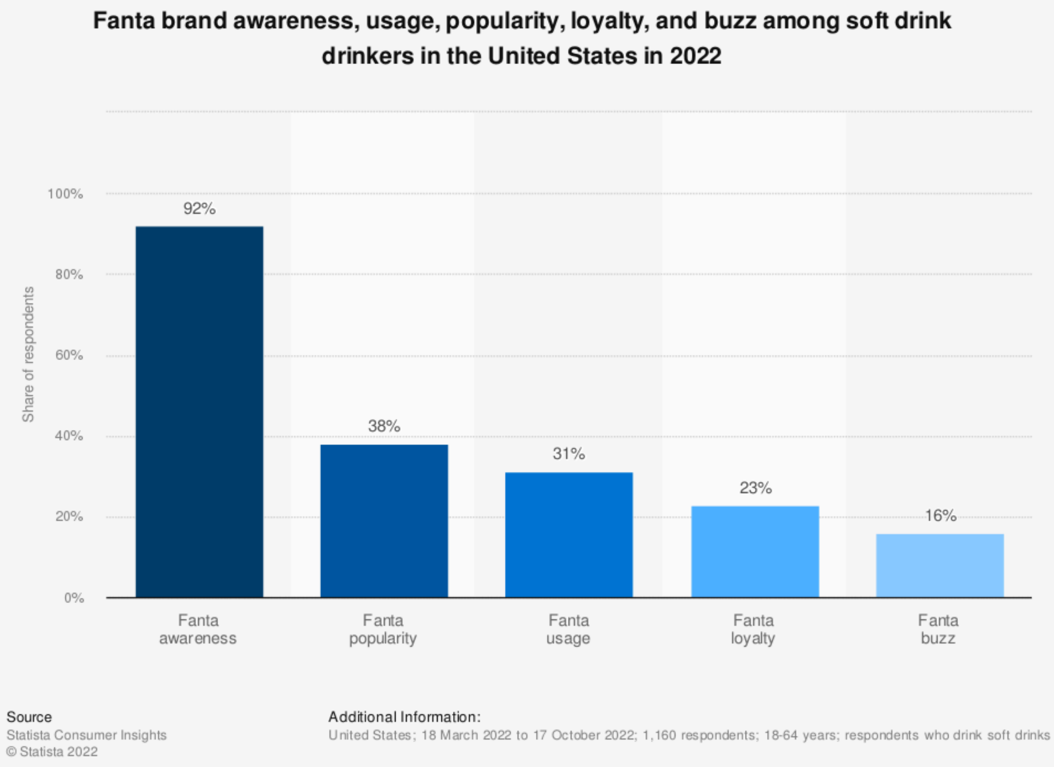


Figure 4: Bar Chart Showing Awareness, Usage, Popularity, And Buzz Among Fanta Drinkers In The United States In 2022

Place:

Fanta Can’t Handle The Cold

As previously mentioned, figure 3 shows that Fanta sells better in the southern region of the U.S., with the South accounting for almost half of all sales. The fall off of sales from the southern region to other regions of the U.S. is intense, with regions like the northeast and the midwest only accounting for fourteen and fifteen percent of sales for consumers who have said that Fanta is their non-alcoholic beverage of choice. This massive drop-off in sales between regions is also confusing due to the locations of the manufacturing plants of most CSDs. According to a report done by First Research, “In the US, soft drink manufacturers tend to be located near large population centers to reduce transportation and shipping costs to get products to retailers. California, Texas, Florida, New York, and New Jersey have the most soft drink manufacturers” (Soft Drink Manufacturing,2023). With the Northeast and the Midwest having massive population centers of millions of people as well, this piece of information creates further perplexity as to why there's such an immense drop off in Fanta Sales in different regions of the U.S.

Promotion:

Fanta Has Stingy Pockets?

Compared to its other brands under its parent company, Fanta gets feeble amounts of funds for promotion and advertising. According to Redbooks, in 2022 Fanta spent under fifty thousand dollars on its advertising efforts. With the majority of the money being spent on radio promotion, it is perplexing why a multi-million dollar company is spending so little on its brand for its first three quarters of 2022. This becomes even more perplexing after realizing that Fanta underwent a new branding campaign shortly after as well. According to Bamford, "The Coca-Cola Company's global vice president of design Rapha Abreu says the new branding aims to "revitalize Fanta's brand assets and reclaim play as something that people of all ages can embrace and benefit from" (Bamford,2023). If Fanta wants to create a brand that benefits everyone, then eh promotional efforts need to vastly increase so the new branding approach can be seen by consumers.

Distribution Methods And Issues:

Coke (And Fanta) Loves Their Bottlers:

The Coca-Cola brand uses the same distribution system for most of its products. The main distribution system being used is a vertical contractual system between the Coca-Cola brand and the independent bottler partners who help assemble the product. Because Fanta is part of the Coca-Cola company, it uses this system of distribution as well. According to the Coca-Cola brand, "The primary way that our products reach the marketplace starts with Coca-Cola, which manufactures and sells concentrates, beverage bases and syrups to bottling operations" (Coca-Cola Brand,2023). The independent bottlers then assemble the product. The Coca-Cola brand explains this process by saying "Our bottling partners combine the concentrates with still and/or sparkling water, and/or sweeteners, depending on the product, to prepare, package, sell and distribute finished beverages" (Coca-Cola Brand,2023). Some of the independent bottling companies that Coca-Cola has partnered with include Atlas Bottling Company helping distribute Coca-Cola products in Africa, and Carlsberg Breweries which helps assemble and distribute Coca-Cola products in Europe. Because of all these independent bottling companies pushing Coca-Cola products around the world, the Coca-Cola brand uses an indirect form of distribution where multiple businesses sell their products. This can be seen with the Push strategy that Coca-Cola uses where the Coca-Cola products are pushed from the Coca-Cola brand to the independent bottlers and then to the intermediaries that sell the Coca-Cola products.

Fanta Loves Mass Marketing:

Mainly because the brand's parent company is Coca-Cola, when Fanta does put out an advertisement, it markets it to the public and is designed to get attention. An example of this is the Fanta T.V. ad "Dancing in the street", where there is a dance party in the street while everyone is drinking different Fanta flavors. The Ad is basic but does its job of informing the viewers and all viewers can decode the message that Fanta was trying to produce. Although in this past year Fanta hasn't spent that much money on advertisement, we have seen in the past a huge portion of Fanta's budget being spent on broadcast and digital media where these attention-getting non-personal ads are airing. Redbooks confirms this with over half of Fanta's budget being spent on digital and broadcasting forms of advertising.

Fanta SWOT Analysis

Brand Recommendations For Improvement

Strategy Statement:

With these recommendations, I am focusing on continuing to push Fanta forward. Instead of relying on what has worked previously in the brand's history, Fanta should continue to evolve and adapt to new consumer demands and trends. With continued product development, Fanta can continue to have the same successful products now, but also position itself to succeed in the future. By continuing to establish further comparative advantage, Fanta can continue to grow as a brand to all consumers.

Recommendation One: Flavor Innovation

In the United States, Fanta has limited the line of products it makes to the same basic flavors for the past twenty-five years. With market research showing that consumers now are searching for something new, it's time Fanta starts producing new flavors to make consumers excited again. Roberts continues to agree with this idea, by saying how "New flavors serve a variety of occasions, encourage trial and increase consumption – especially among younger adults"(Roberts, P.14). We have seen Fanta's parent company Coca Cola do this already, creating new flavors such as coca cola starlight. Additionally, Fanta's main rival (Pepsico) has started to use new flavor innovations as well for some of their products.

With new products like Pepsi nitro and peep-flavored Pepsi being released this year, it's time for Fanta to start attempting this new type of flavor innovation as well. With Fanta's product line being fruit-themed, maybe a new flavor can incorporate an exotic fruit that hasn't been created before, such as Lychee or Dragon fruit. Fanta participating in this idea of flavor innovation creates new advertisement possibilities to promote this new flavor and can lead to more sales for the Fanta brand as well.

Recommendation Two: Target Younger Adults

According to a study done by the CDC, "Overall, regular soda and fruit drink consumption ≥1 times daily was most common among persons aged 18–34 years (24.5% and 16.6% for daily regular soda and fruit drink consumption, respectively)" (CDC, 2012). With Fanta already possessing a strong market share in the age range of eighteen to thirty-four, Fanta should continue to pursue that demographic who already likes their product. A recommendation that can help Fanta further pursue this demographic is to target college campuses. If college campuses are only selling Coca-Cola products, then it will increase consumption and increase the market share for Coca-Cola (Fanta included). To pursue this recommendation, Coca-Cola (and Fanta) would have to compete with one of their main rivals, Pepsi. According to The Eagle, the official student-run newspaper of American University, "Pepsi already partners with more than 800 universities, colleges and community colleges nationwide, according to Friday's email"(The Eagle,2021). If Coca-Cola can increase its share of partnerships with U.S. universities, it can yield greater consumption of Coca-Cola products and increase market share for this vital demographic according to the CDC. Using American University as an example, the Pepsi partnership has been extremely profitable for Pepsico, with vending machines being located in most dorms, buildings, and cafeterias. With thousands of students walking past and purchasing Pepsi's products, the partnership creates hundreds of thousands of dollars in sales and a massive amount of brand awareness. With one of the Pepsi products being sold at American University being Crush, Fanta missed out on thousands of dollars in sales and potentially millions of dollars of brand awareness. By securing these college campuses, Fanta can additionally maintain a "meet the competition" pricing strategy that is beneficial to college students who are frugal in their spending. This emphasis on securing the greatest amount of partnerships with U.S colleges can be further described by Figure 5, which shows you how close consumption is between Fanta's two biggest rivals. With Fanta needing this vital demographic to continue to be successful as a brand, this recommendation is a great solution to help further increase Fanta's comparative advantage in the market.

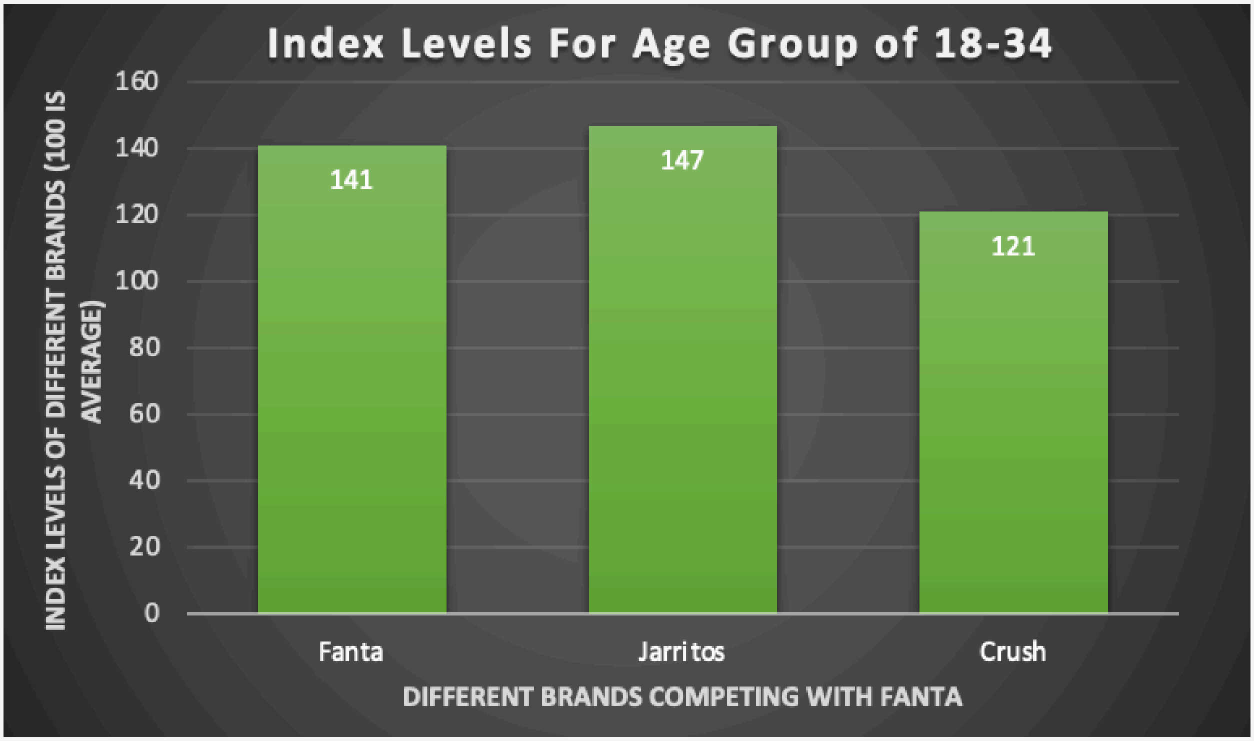


Figure 5: Different Index Levels For Fanta And Its Two Main Competitors In Its Market

Recommendation Three: Prioritize The Rebrand

As previously mentioned, Fanta has rebranded for the first time in the brand's history, pushing for a more fun and upbeat logo. JKR global executive creative director Lisa Smith explained the rebrand to have "been designed to represent the drink's reinvigorated personality"(Bamford,2023). With Fanta trying to reinvent itself to reinvigorate the brand to the market of CSD drinkers, we have seen little to no emphasis on this rebrand by Fanta in its promotional efforts. According to Redbooks, in 2021 Fanta spent over $375,000 on advertising, while this is minuscule compared to Fantas parent company flagship product Coca Cola Original, it's still an admirable effort by Fanta to get some exposure to consumers about its brand. With Redbooks then revealing that Fanta only spent a fraction of that already limited amount of money on advertising the following year, no evidence shows that Fanta's new rebrand was acknowledged by consumers. With Fanta taking a step in the right direction by rebranding to incorporate"bright and eye-catching colors mixed with playfully exaggerated shapes"(Bamford,2023), for this transition to a new and modern brand appearance, Fanta needs to fully commit to this rebrand. With Fanta having what seems only one foot in the door ever since their announcement of a rebrand, a key recommendation to help make this rebranding known is to spend more money on promoting it. It's not an issue of a lack of money to promote it, because Fanta's parent company is one of the richest companies in the world. Fanta simply needs to put in more effort to promote this new rebrand. This prioritization of the rebrand won't only help people learn of the new face of Fanta but also create a new competitive advantage by allowing for new product packaging and a new unique style that will catch consumers' attention.

References

Roberts, W. (2023). (rep.). *CARBONATED SOFT DRINKS US, 2022* (pp. 1–65). London: Mintel. Retrieved February 12, 2023.

Market line LC. (2023). (rep.). *Global Soft Drinks* (pp. 1–47). Minneapolis , Minnesota. Retrieved February 12, 2023.

Per capita soft drink consumption. (2023, January). Retrieved February 12, 2023, from https://my.ibisworld.com/us/en/business-environment-profiles/f421/business-environment-profile#outlook

Insights platform. MRI. (2022). Retrieved March 8, 2023, from https://www.mrisimmons.com/tools/insights-platform/

Kunst, A. (2022, December 13). *Fanta Brand Profile U.S. 2022*. Statista. Retrieved April 25, 2023, from https://www.statista.com/forecasts/1352610/fanta-soft-drinks-brand-profile-in-the-united-states

Soft Drink Manufacturing. First Research. (2023, April 17). Retrieved April 25, 2023, from https://mergent.firstresearch-learn.com/industry_detail.aspx?pid=480&chapter=1

Bamford, A. (2023). How JKR designed a global identity to give Fanta back its “pop.” *Design Week (Online Edition)*, 1.

Coca-Cola Bottlers & Coke System. The Coca-Cola Company. (2023). Retrieved April 25, 2023, from https://www.coca-colacompany.com/company/coca-cola-system