

**MSU Product Center – Strategic Marketing Institute**

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**The Market for Orange Juice – Challenges and Opportunities**

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## **Sales and consumption patterns**

Juice is consumed in many households, with orange juice being the most popular at 75% penetration. In recent years, the orange juice market has been adversely affected by the popularity of low-carb diets. In 2000-2004 sales in constant prices have declined by 15%. Sales in 2005 are expected to show a slight increase. Growth has been observed in the healthy and functional orange juice product line. Consumers are currently looking for healthy and natural juices and juice drinks. Recent Mintel survey results show that about 90% of the consumers look for 100% juice when purchasing fruit juice products. Vitamin or nutrient enhancement is important to 65% of the consumers, while about 50% and 25% of the consumers look for low-sugar and low-carb fruit juice products respectively. Organic fruit juice products are important to 20% of the consumers.

Consumption of orange juice is relatively high in households with children and high income, as well as in households headed by younger adults. Overall, households with children show a higher consumption rate of orange juice than households without children, emphasizing the importance of children to the orange juice market. Households with income below \$25K have lower consumption rate of orange juices showing that these households may not be able to afford orange juice. Rather they may be opting for other cheaper juice drinks. In terms of the ethnic market, black households are more likely to drink juices other than orange relative to other ethnic groups. Hispanics are much more likely to drink orange juice than either whites or blacks.

The orange juice market is highly segmented. Over 40% of the market is held by refrigerated juices and this segment showed a 4.2% increase in 2002-2004. The gains by refrigerated juices have come at the expense of canned, frozen, and shelf stable juice drinks. These three categories have seen decreases in sales and market share in recent years partly due to the perceived freshness of refrigerated juice that is preferred by an increasing number of consumers. Convenience is another factor that affected the frozen orange juice market. With the increase in sales of ready-to-drink options, and as more drinks are being packaged for consumption on the go, frozen orange juice has become less appealing to some consumers. Single-serve drinks in plastic containers are particularly attractive to younger consumers. However, the most popular container type

for households that drink orange juice is still carton followed by plastic. Only one in five buy orange juice in bottles and fewer than 10% buy cans. Larger households and households with children tend to buy orange juices in plastic containers.

### **Manufacturing and retail outlets for orange juice products**

PepsiCo and Coca-Cola are the two leading manufacturers of orange juice products. Medium size and regional players in the juice market include Kraft, Nestle, Welch, and Cadbury Schweppes. There are also many private label juice products. Sales of fortified private-label juices declined by 18% in 2001-2003, while branded juices in the same category were down 4% during the same period. The complexity of the process required in assembling and formulating fortification ingredients, consumer loyalty to brand products, and the relatively narrow price difference between branded and private-label products might have affected the market for private-label juice products.

The main retail outlet for fruit juice and juice drinks remains to be the supermarket with a two-third market share. But the channel has lost significant market share to mass merchandisers, warehouse clubs, convenience stores, drug stores and vending machines in recent years. In 2002, sales of orange juice at Wal-Mart grew by 25% and Wal-Mart has expanded sales of private-label products in recent years. However, with limited refrigerator space in many stores (except for supercenters), mass merchandisers are most likely competing with shelf stable juices. Young adults and male juice buyers are most likely to purchase juice products through convenience stores, gas stations, and vending machines. But, traditional juice drinks at convenience stores are facing high competition from soft drinks, coffee drinks, bottled water, and above all, new crossover products such as herbal and energy drinks that are increasingly available through these channels packaged in individual or convenience sizes.

### **New product development trends**

Overall, the juice sector has seen a tremendous growth of new products in recent years. The number of juices and juice drink introductions rose by over 100% from 2002 to 2004. Many of the new innovations included light versions of juices with lower calorie and carbohydrate content and an increase in the variety of juices that are used. More exotic flavors (e.g., mango, passion fruit) have become common in juice blends. Fruit

juices blended with soy and dairy products have also been increasing in popularity. New fruit smoothies are currently entering the market as a healthy, nutritious complement or alternative to snacks. Fortification with vitamins and minerals is also being used to attract consumers with specific health concerns. Juices and juice drinks in this product line are aimed at children, women and older adults. Orange juices for heart health and some varieties with antioxidants for increased immunity are some of the new product examples reaching the market. Manufacturers have also focused on using health-oriented product or brand names to promote health benefits associated with juice drinks. Ingredients such as ginseng, and kava root are increasingly added in juice drinks. There are also some juice-based drinks that are coming as alternatives to alcoholic beverages. Packaging innovation in the juice sector continued to focus on convenience and portability. Resealable, easy-to-shake, easy-to-grip and easy-to-drink features are constantly being added to existing packaging. A better image has also been given to juice packaging through the use of different types of containers. One of the recent product innovations in the juice beverage sector is the introduction of cosmeceutical beverages that provide cosmetic benefits to the consumer.

### **Orange juice faces high competition from other beverages**

Beverage choices show a dramatic increase in recent years. This allows consumers to switch between a wide range of non-alcoholic beverage segments. The increasing number of options also lead consumers to switch between brands within the same segment as they want to try new products replacing their old favorite. As a result, orange juices and juice drinks are competing with a wide variety of beverages in the majority of households. The bottled water market is especially one of fierce competition, as consumers continue to see water as a healthy alternative to juices and some carbonated drinks. Orange juice as a traditional breakfast beverage has also lost market share to other drinks such as non-carbonated drinks, isotonic, hot drinks (coffee and tea), smoothies, and other meal replacement beverages. In addition, Mintel consumer survey results indicate that those who do not eat breakfast are less likely than others to drink orange juice. Among this group, those choosing orange juice are more likely to consume on the go or in the car.

However, as consumers try beverages at varying occasions throughout the day, they may be attracted to drinks that replace traditional breakfast drinks including orange juices.

### **Innovation is key for success in the orange juice market**

Given the introduction of a wide variety of juice products to the marketplace, orange juice suppliers should understand that the present consumer coming to juice shelves in retail stores is looking for the most innovative juice product. Innovations in product development, packaging and marketing are thus key factors that play a significant role for success in the orange juice market. As the lines between non-alcoholic beverage categories blur, innovative orange juice products that offer added benefits to the consumer help suppliers to strengthen, solidify and grow market share. Efforts should focus to strengthen the product's position by shifting focus beyond marketing orange juice on the basis of taste or as a breakfast beverage. Following are some of the specific innovation areas that may need closer attention by orange juice suppliers and manufacturers.

**Innovation in wellness-oriented juice products:** The popularity of healthy juice drinks will continue to drive the market. Reaction to this trend through continued innovation will be important to raise sales from orange juice products. As the market trend shows, orange juices targeting specific health issues have better opportunities to penetrate the wellness market segment. Others include natural products or those mixed with some herbal ingredients. Some recent trends show that orange juice suppliers who developed different product line extensions to fill this gap have benefited from the trend. Innovation in crossover products and mixes is also becoming a key product innovation component suppliers need to consider in their effort to develop new products. For example, some carbonated soft drinks are introduced as crossover products with added fruit juice and vitamins to appeal to health conscious consumers.

**Convenience and packaging innovations:** The convenience of single-size and easy-to-open juice drinks will also help increase sales from orange juices. Canned juices will continue to lose ground to easy-to-pour containers that do not require a can opener. However, the introduction of individual sized canned juices may keep this product line from declining to a greater degree. Here are some examples of convenience-related juice

products introduced in recent years. Tropicana introduced a single-serve bottle Pure Premium pasteurized orange juice that fits into a car cup holder. Tropicana also launched a new line of single-serve Tropicana smoothies (juice and yogurt blend) fortified with vitamins and minerals. Ocean Spray introduced new packaging by adding an easy-open cap on bottles and a new label design.

**Innovations focusing on demographics:** An increasing number of older adults, concerned with staying young, healthy, and fit, will help to grow the orange juice market if suppliers can develop orange juice blends, mixes and formulations that are appealing to this consumer group. Also, orange juice products that provide children with a healthier alternative to other beverages may do well with concerned parents. In particular, suppliers who can sell juices as a combination of fun and healthy products in single-serve and easy-to-open packaging designed for young adults and children will gain from sales in this market segment.

Suppliers of orange juice products could also target different ethnic groups. The Hispanic community, with an increasing per capita income in recent years, is becoming a significant market segment that can be targeted to raise sales from orange juice products. The market could also be expanded to other ethnic groups, if suppliers pay attention to the special needs and preferences of these consumers.

**Innovative partnerships and distribution networks:** Currently, there are different forms of partnerships and networks that are being used to raise shares in the orange juice market. Some suppliers have, for example, established partnerships with cities to provide fruit drinks for school vending machines. Companies have also signed agreements with fast food chains to supply juice beverages. Some juice suppliers are working closely with non-food companies to expand sales from their juice products. Other suppliers introduce juice products targeting specific market channels. For example, in 2003, Cadbury Schweppes introduced a lighter version of Hawaiian Punch with distribution limited to Wal-Mart stores until January 2004. Small independent suppliers can expand their presence in the marketplace by forming partnerships with large companies that have established distribution infrastructure and networks.

## **Concluding remarks**

Suppliers and manufacturers should be innovative to be successful in the orange juice market. Innovation cannot just be adding new flavors, but rather adding value to products through more inventive combinations of various ingredients that fits into the continuing wellness trend and new consumer lifestyles. Phrases, names and labels on packages are also increasingly playing a role in raising sales. Consumers' attention on low-carb products appears to change with the focus being on low or no added sugar. Suppliers should also note that, although fortifications with vitamins and minerals have experienced growth in recent years, there are now signs of slowing growth in this product line. Increasing preference appears to be given to products that are natural and to products that provide specific additional health and lifestyle benefits. So, orange juice suppliers need to focus on emerging trends and consumer perceptions in developing new orange juice products. Also creating crossover juice products such as caffeinated orange juice drinks or alternatives to water and alcohol drinks can help to grow the market share and to better compete with these beverages. Growth is also expected in beverages that offer cosmeceutical benefits in the coming years. Product innovation that allows the use or addition of some other fruit ingredients possessing the highest lifestyle and health benefits in orange juices could open a new path to success.

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