

**Assessing Trends in the U.S. Fruit Juice Market:  
Opportunities for Mexican Fruit Juices**

by

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In the United States, a wider selection of fruit juice is available as a result of increased variety produced domestically and through trade in the NAFTA region. The removal of all tariff and non-tariff barriers to U.S.-Mexico agricultural trade, along with harmonization of sanitary and phytosanitary rules and marketing order requirements will boost Mexico's fruit juice export to the United States.

In the U.S. beverage market, fruit juice has increasingly been promoted on a health platform. Its consumption is encouraged as an important part of any diet leading towards good health. This promotion has rejuvenated and advanced the concept that food and beverages play a significant role in human health. While this concept is not new, it is effective as a marketing tool. It appeals to a growing number of American consumers aspiring to obtain and maintain good health.

The U.S. fruit juice business is a multimillion-dollar industry in the global marketplace. It is a growing category in the U.S. beverage market. In 2000, about 44% of all fruits in the United States were consumed as juice, and the figure continues to climb, as consumption of whole fruit drops. Orange juice, the most popular juice, accounts for 60% of all juice consumed. The market holds huge future promise for Mexican fruit juice producers that can capitalize on the trends and reconcile consumers' issues

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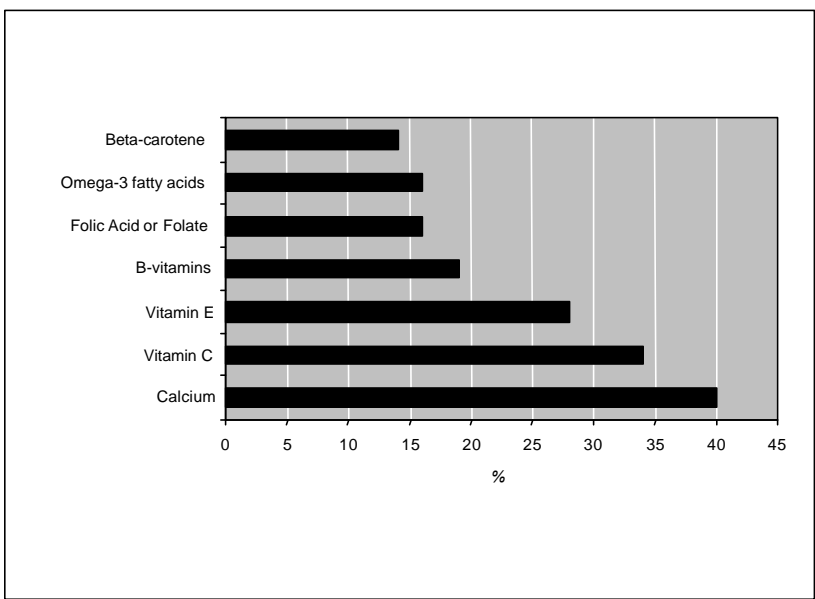
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### Functional Beverage: The Concept

U.S. consumers have undergone a radical progression to improve their health. In their quest for longevity and enhanced quality of life, they are consuming greater quantities of vitamins, minerals, and various other nutrients than ever before (Figure 1). Parallel to this trend is their search for a more proactive strategy for improving health through foods and beverages.

Figure 1

Increased Nutrients Use over Past Two Years



Source: Roche Vitamins, Beverage Industry Magazine, April 2001

Indeed, in the United States, certain beverages are increasingly being promoted and marketed as near miracle substances. The concept that there is a positive relationship between beverages and health is not new. Thus, a new category of classification in the beverage industry called “functional beverages” has arrived.

For decades, fruit juices have been popular as healthy drinks. However, increased consumer interests in fruit juices can be attributed to the addition of herbs, minerals and vitamins associated with health and vigor. This marks the entrance of fruit juices in the functional beverage category.

Today, the U.S fruit juice market is a completely different ball game from what it was a few years ago. Increased availability and convenience of these products are driving sales and better distribution is reaching a wider audience. As a result, more Americans are incorporating these drinks into their daily lives as a way to optimize their health without undergoing drastic lifestyle changes.

**Health in A Bottle: Promoting Fruit Juices**

The U.S. beverage industry is increasingly promoting beverages on a health platform and thereby rejuvenating the concept that they play a significant role in maintaining health. Even though there is nothing new in the idea, it effectively works as a marketing tool to the growing number of American consumers aspiring to good health.

Health has always been a selling concept. However, fruit juices have more to offer than just health. They also provide an easy gateway to a healthy lifestyle for consumers who find other alternatives a bit too far of a departure from their present lifestyle. Consuming fruit juices is almost an effortless switch compared to dieting or exercising and it does not require major behavioral change.

It is obvious that the U.S. consumers are receptive to the idea of health packaged in a bottle. Aggressive marketers quickly realize the potential of such concept and have been fine tuning the theme of “a bottle a day keeps the doctor away.” This promotion strategy has been very successful. One need only look at the sales of these fruit juices in the market to appreciate how favorably these products are accepted and even embraced by the consumers (Table 1).

**Table 1**

**Sales of Refrigerated Juices in Food Outlets  
(for the 52-week Period Ending April 22, 2001)**

<b>Category</b>	<b>Sales (\$ million)</b>
Apple Juice	11.6
Blended Fruit Juice	315.2
Cider	44.5
Cocktail Mixes	0.3

Cranberry Cocktail/Drink	2.5
Cranberry Juice/ Blend	0.7
Fruit Drink	684.4
Fruit Nectar	23.4
Grape Juice	0.4
Grapefruit Cocktail/Drink	0.5
Grapefruit Juice	130.1
Lemon/lime Juice	3.1
Lemonade	73.8
Orange Juice	3,078.9
Pineapple Juice	8.9
All Other Fruit Juice	8.6
<b>Total Category</b>	<b>4,493.6</b>

Source: Information Resources, Inc.

### **The Wish List: Consumers' Expectations on Fruit Juices**

At the consumer end, there is also a significant change. Active and health oriented people are no longer the primary consumer of fruit juices. Nowadays, the consumer base fruit juices is broader. These products attract a wide range of consumers ranging from those having specific health needs to those simply looking for healthy refreshments.

The availability of abundant information regarding nutrition and the diet-disease relationship has made U.S. consumers more knowledgeable than ever about health. In the next few years, the U.S. fruit juice industry will be challenged by these savvy, confident, and opinionated consumers. Taste, nutrition, and price are still the main selling points in the market. However, consumers have started to look beyond these three points. They are increasingly looking for "total value." They no longer see these beverages as simple thirst quenchers with health benefits. They see these products serving other needs that fit a simple and logical proposition, such as ease of preparation, high level of availability, ergonomic packaging, portability, and other factors that make up an individual's perception of value.

### **Pouring the Aisles: The Path to the Shelf Space**

As a growing category, fruit juices must fight the battle to win the shelf space. Hundreds of new beverages are introduced every year. Even though more supermarkets are being built in a larger size, their shelf space is still unable to accommodate all of these new beverages in the market.

Naturally, supermarkets are only willing to allocate their shelf space to products that will give them a higher profit.

Over the last three years, fruit juice manufacturers have developed a range of products that cross traditional product categories. Lost in the wilderness of new product types and overwhelmed by a dizzying array of new product introductions, category managers find it challenging to group these products so that consumers can easily find them in the store. Therefore they either commit very limited space for the products or charge the manufacturers slotting fees to put the products on the shelf. Existing category management cannot accommodate the products well and therefore leaves their full sales potential untapped.

### **Marriages of Convenience: Mergers, Acquisitions, and Alliances in the Industry**

Facing flat growth and market erosion from private label and value brands, major beverage manufacturers such as Anheuser Busch, Coca-Cola, and Cadbury Schweppes are branching into the market by rolling out their own line of fruit juices, forming alliances, or acquiring other companies. Such strategy enabled them to penetrate the market without going through the traditional route of product development, research, and market building.

The development of fruit juices as functional beverages will drive cross industry alliances. The need for product innovation, the pressure to build market share and grow the bottom line has led to partnership opportunities that would not have been considered not so long time ago.

Competitive positioning in fruit juices will not be tied solely to brands or ingredients, but rather will be linked to a willingness to harness core competencies to produce and market beverages that defy traditional category boundaries. Food, pharmaceutical, nutrition companies, and food additives companies are tying the knot and pooling their resources to develop, launch, and expand the market.

### **Too Many Followers, Too Few Innovators: The Quest for Innovations**

U.S. consumers are very trend-sensitive. What is popular in the market today can significantly change tomorrow. This keeps fruit juice manufacturers on their toes in terms of new product offerings. Unfortunately, there has been a tendency for beverage manufacturers to substitute real innovations with “me-too” products. Despite the vast number of product introductions, innovation plays second fiddle to opportunism. All too quickly, fruit juices have started to lose their identity. They seem to look the same and taste the same.

Simply repackaging fruit juices does not qualify as innovation. Instead, manufacturers must be creative in addressing consumer demands. With so many raw materials, flavors, ingredients, themes, and types of packaging to work with, juice manufacturers can come up with virtually unlimited innovations. Product development and positioning will need to become more targeted, shifting from the mass market to a mass customized approach in which particular audiences are identified by lifestyle, ethnic group, and other factors.

### **Fruit Juice Import from Mexico**

The U.S. imports various fruit juices from Mexico (Table 2). Frozen orange juice concentrated is the main juice product imported to the U.S. from Mexico. Grape juice is the second largest import. Mexico has always been a favorable juice importer to the U.S. due to its proximity and warm climate (enabling continuous supply).

**Table 2**  
**Selected Juice Imports from Mexico**  
**(1990-1996)**

<b>Product</b>	<b>Value/Volume</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
Grapefruit Juice	Value	846	633	2,446	640	242	71	11
	Volume	3,713	3,596	6,271	2,491	594	163	40
Grape Juice	Value	192	1,527	1,892	2,552	2,355	2,564	6,220
	Volume	1,321	2,195	2,326	4,638	3,851	4,462	13,772
Pineapple Juice, Concentrate, Frozen	Value	4,440	4,389	1,699	283	192	508	126
	Volume	12,124	10,421	4,657	134	356	1,978	2,424
Frozen Orange Juice	Value	65,971	41,524	6,178	13,738	40,584	57,489	50,176

Concentrated	Volume	169,659	176,026	22,043	76,910	164,972	240,748	174,667
Orange Juice, Not Concentrated	Value	22,606	3,487	848	527	2,438	5,181	4,531
	Volume	69,904	10,815	2,897	2,364	8,664	19,284	13,446

Source: United States Department of Agriculture. Value in \$1,000; volume in kiloliters

The U.S. juice market has historically been hard to predict. However, the market of particular juices such as orange and grape juices is showing an upward trend due to the aging population who are seeking out healthier products with more varied tastes, as well as changing social attitudes to drinking and driving. Creating a stable market, a balance in pricing and growing, is crucial for Mexican juice exporters. Therefore they are increasingly more aware that they should rely on the relationship with each of the processors and learning about the markets.

### **Future Stir: Opportunities for Mexican Fruit Juices**

The U.S fruit juice market is very lucrative. Among the market drivers are the increasing cost of healthcare, an aging population, government encouragement of self-health maintenance, consumer health awareness and choice, industry seeking new opportunities, scientific evidence of health benefits of certain ingredients, and improvements in technology (ingredients, product and process technology).

Beverages with health benefits will continue to be part of a new wave of product launches far into the next decade. Many of today's novel and premium features will be tomorrow's expected product traits. The industry will continue the effort to find common ground between the province of regulators and the interest of marketers. It is the job of manufacturers to be innovative and responsive to consumer demand, while still keeping up with the science and safety issues.