Assessing Trends in the Fruit Market: Opportunities for Fruit Juices

by

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Background on Fruit Juice Market Issues

- Total Market Size since 1993
- Imports and Exports since 1993
- Health and Phytosanitary Requirements
- NAFTA Labeling Requirements
- Distribution Channels and Issues
- Other Comments
Fruit Juice Import Market has grown for Mexico

- 1993 Total Mexican Imports reached $12.8 Million
- Imports was 7.34% of consumption
- 2000 Total Mexican Imports reached $30.8 Million
- 80 Percent of this from US. Other include Spanish, Chilean, Brazilian and other imports
Total Mexican Fruit Juice Market has grown from $76 Million in 1993 to $235.2 in 2000 - a 209 % Increase
Breakdown of Total Market

Growth in Mexican Economy and Food Beverages and Tobacco Sectors
Study Findings

- 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. Health is an Important Part of the Juice Market

- 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.
U.S. Fruit Juice is a Multi-billion 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.
Orange Juice in all categories is a major component of the Market
The Concept of “Functional Beverages”

- 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 in Juice.
- Parallel to this trend is their search for a more proactive strategy for improving health through foods and beverages.
Increased Nutrient Use in Fruit Juices

![Bar chart showing the percentage increase in various nutrients in fruit juices.](chart.png)
Functional Beverages is a New Category of Fruit Juices

- 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.
Functional Fruit Juice Beverages

Today, the U.S fruit juice market is a completely different “Value-Added Product” from what it was a few years ago.

Increased availability and convenience of Fruit Juice 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: Fruit Juices
Fruit Juice is “Health in a Bottle”

- 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.
## Sales of Refrigerated Juices in Food Outlets

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple Juice</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Blended Fruit Juice</strong></td>
<td><strong>315.2</strong></td>
</tr>
<tr>
<td>Cider</td>
<td>44.5</td>
</tr>
<tr>
<td>Cocktail Mixes</td>
<td>0.3</td>
</tr>
<tr>
<td>Cranberry Cocktail/Drink</td>
<td>2.5</td>
</tr>
<tr>
<td>Cranberry Juice/ Blend</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Fruit Drink</strong></td>
<td><strong>684.4</strong></td>
</tr>
<tr>
<td>Fruit Nectar</td>
<td>23.4</td>
</tr>
<tr>
<td>Grape Juice</td>
<td>0.4</td>
</tr>
<tr>
<td>Grapefruit Cocktail/Drink</td>
<td>0.5</td>
</tr>
<tr>
<td>Grapefruit Juice</td>
<td>130.1</td>
</tr>
<tr>
<td>Lemon/lime Juice</td>
<td>3.1</td>
</tr>
<tr>
<td>Lemonade</td>
<td>73.8</td>
</tr>
<tr>
<td><strong>Orange Juice</strong></td>
<td><strong>3,078.9</strong></td>
</tr>
<tr>
<td>Pineapple Juice</td>
<td>8.9</td>
</tr>
<tr>
<td>All Other Fruit Juice</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Total Category</strong></td>
<td><strong>4,493.6</strong></td>
</tr>
</tbody>
</table>
Consumer Preferences for Fruit Juices

- Consumer Preferences are changing. Active and health oriented people are no longer the primary consumer of fruit juices. Nowadays, the consumer base for fruit juices are broader.

- Today Fruit Juices attract a wide range of consumers ranging from those having specific health needs to those simply looking for healthy refreshments.
Fruit Juices Have the Right Stuff!

- Taste, nutrition, and price are still the main selling points in the market, but......
- The availability of abundant information regarding nutrition, labels, and the diet-disease relationship has made U.S. consumers more knowledgeable than ever before about health.
- In the next few years, the U.S. fruit juice industry will be challenged by these savvy, confident, and opinionated consumers.
NAFTA Fruit Juices mean …… total value!!
**Total Value Means ……..**

- NAFTA consumers 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. They want to pour ease of preparation, high level of availability, ergonomic packaging, portability, and other factors that improve an individual's perception of value.
Fruit Juice must Fight for Shelf Space

- Hundreds of new Beverages are introduced each year
- “Profitability” continues to be important for Retailers
- Continued High Quality Supply
Another Factor in the Industry are Mergers, Acquisitions, and Alliances

- Major Beverage companies such as Coca Cola, Anheuser Busch, and Cadbury Schweppes are expanding into other beverage categories to increase market share.
- Low Stock Evaluation and earnings are forcing additional consolidation in the industry.
Traditional Product Categories are blurring as:

- Food, Pharmaceuticals, nutrition, and Health are merging products and markets.
- Additives are providing bridges to other categories such as Calcium Orange Juice.
**Functional Fruit Juices mean:**

- The development of fruit juices will drive cross industry alliances. The need for product innovation, the pressure to build market share and grow the bottom line has lead 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.
**New Companies, Brands, and Combinations in NAFTA**

- Food, pharmaceutical, nutrition companies, and food additives companies are strategically aligning
- pooling their resources to develop, launch, and expand the market.
NAFTA has had too few innovators and too many followers

- U.S. consumers are very trend-sensitive. What is popular in the NAFTA Juice 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.
Innovation in NAFTA Fruit Juice Markets Mean:

- 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.
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).
New Opportunities that…….

- will grow as beverages with health benefits will continue to be part of a new wave of product launches far into the next decade.
- Means that 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 remains the job of manufacturers to be innovative and responsive to consumer demand, while still keeping up with the science and safety issues.
Questions???