

SWOT ANALYSIS OF NON-ALCOHOLIC BEVERAGES INDUSTRY

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ABSTRACT

The non-alcoholic drinks market was valued at USD 834.3 billion in 2021 and is anticipated to grow at aCAGR of 5.8% from 2022 to 2030. The rising health consciousness among consumers is the key driver for market growth. Globally most consumers are shifting towards low and non-alcoholic beverages as they want to live a healthy life and explore booze-free drinks. Thus, manufacturers are exploring this segment and launching a new version of the drinks.

According to the IWSR report, non-alcoholic beverages have outpaced low-alcoholic beverages in 2019- 2020. Further, according to Bacardi Trends Report 2021, non-alcoholic drinks have been gaining more traction among consumers. These trends are expected to positively impact market growth.

The Asia Pacific led the market with a share of more than 30% in 2021. The region is driven by increasing product penetration and changing consumer preferences in economies such as India, Australia, China, and the Philippines. Moreover, increasing production plants by the key manufacturers in this region is also expected to positively impact the growth. Increasing product launches and expansion strategies by companies like PepsiCo, and The Coca-Cola Company is likely to boost the market in this region.

Key Words: Non-alcoholic, SWOT Analysis, India Growth, Beverages,

INTRODUCTION

Non-alcoholic drinks, also known as 'virgin drinks', 'mocktails' and 'near beer', refer to the beverages that comprise less than 0.5% of alcohol content by volume. Non-alcoholic drinks market encompasses a wide range of refreshment beverages, including energy drinks, juices, soft drinks, coffee & tea, bottled water, and pro-biotic. The beverage industry has faced spectacular transformation in consumer preferences in the past decade.

People are readily switching to a vegan diet due to increased health and sustainability concerns. According to the International Food Information Council's 2021 Food and Health Survey, more than 4 out of 10 buyers believe plant-based food and beverages are healthier than conventional ones even when two products have similar ingredients and provide similar nutritional benefits. The demand for dairy alternative beverages is increasing promisingly, due to the growing influence of veganism and the increasing lactose-intolerant population.

Therefore, beverage manufacturers are increasingly launching products with plant-based claims to meet the growing demand. For instance, in February 2021, Minor Figures, a UK-based beverage brand, launched a range of barista-quality canned tea and coffee with four different variants: latte, matcha latte, chai latte, and mocha. The products are made with oat milk and are certified vegan. Similarly, in October 2020, Sanitarium, one of the leading Australia-based health and nutrition companies, launched a dairy-free, gluten-free, and vegan-friendly breakfast drink under the brand name UP&GO. The product is made using soy milk enriched with protein, fiber, and calcium and has a low glycaemic index. Thus, the rising number of product launches under the plant-based beverage category is expected to drive the demand for non-alcoholic beverages over the coming years.

The non-alcoholic beverage industry is the sub-category of the Hospitality industry such as hotels and restaurants, where they serve their guests with a variety of food and drinks along with other services. When we talk about the food and beverage industry, then it relies on two major parts; production and distribution. However, production starts with the farmers and fields, then transported to industries. After the process, you'll get the distribution of your orders along with other stakeholders.

SWOT ANALYSIS OF NON-ALCOHOLIC BEVERAGES

SWOT Analysis of Non-alcoholic beverage comprises beverages containing less than 0.5% alcohol. They are served with cocktails and mock tails in the hospitality sector. Most beverages, including

energy drinks, juice, and soft drinks provide nutritional value and are used to improve health, hence consumed by a large set of people across the world. The Non-Alcoholic Beverage Market development rate is ascribed to the changing eating regimen examples to burn-through supplement rich items, rising worries over antagonistic wellbeing suggestions related with the utilization of alcoholic combined with the moving client center towards a sound way of life to upscale the utility of elective beverages including practical refreshments and soda pops.

The non-alcoholic beverage is a very competitive industry with a plethora of competitors in the market. The right SWOT analysis would help you to make good strategic decisions. Like how to identifies core strengths and weaknesses of the company, and to minimize threats and take advantage of the opportunities.

Here is a step-by-step SWOT analysis of the non-alcoholic beverage industry.

Strengths of Non-Alcoholic Beverage Industry

Some of the strengths of the food and beverage industry are as follows;

Strong Distribution Network

Hotels and restaurants offering specific drinks usually have chains and networks of hotels across the country. Some brands operate at a global level. However, they have a very good distribution system, which makes the products available to the customers regardless of their location.

Costing

Since the products of the non-alcoholic beverage industry produced at the economies of scale, therefore, the prices of them are low. Cheap prices make products affordable to customers.

Relations with Suppliers

The relationship between the non-alcoholic beverage industry has with its suppliers isn't temporary. Infact, it goes on for years supplying the same products day after day. When you have reliable suppliers, then you wouldn't face shortages and delays in the delivery of products.

Return on Investment Period

Hotels and restaurants in the non-alcoholic beverage industry require a huge investment to start, and the minimum profiting period comprises of 5 years. Initial years would cover all the basic costs and expenses,

the balance sheet would remain equal in the beginning. Once it starts profiting, you would earn a lot in the long term.

Diversity

The interesting thing about the non-alcoholic beverage industry is diversity. Its workforce usually comes from different social, cultural, racial, regional, and ideological backgrounds, but they work as one team under one roof. Diversity is not good for innovation and creativity, but it also boosts the team spirit.

Market Expansion

When you have a strong diverse team, and a diverse portfolio of products, then you can easily expand your business into different areas. That is how McDonald's has created a network of hotels across the world.

Influence of social media

We are living in the world of social media (Facebook, Instagram, WhatsApp, Twitter, etc.) if the non-alcoholic beverage industry effectively uses these platforms. Then they can reach a much bigger audience, and attract many new customers.

Weaknesses of Non-Alcoholic Beverage Industry

Less Research & Development

The non-alcoholic beverage industry usually doesn't allocate a specific budget for research and development. Chefs and cooks follow the specific cooking style and produce the same product repeatedly. One thing we all know is that customers usually get tired of the same taste. If you do not change or update your products' tastes, then they would go to the other brand.

Inventory cost

There should be a narrow margin between the supply of raw products, and consumption. It would only be possible if you have a punctual supplier. If you are unable to find one, then you would have to pay for the unnecessary inventory cost. If your business is big, then it would be high.

High Rental Expenses

You would need a crowded public location to attract new customers. Rents are usually very high at such places. Even a great portion of your business profit goes to the payment of rents.

Less Profit

Having discussed earlier those hotels and restaurant in the non-alcoholic beverage industry usually required a huge investment, and their profit margin is very low in the beginning. Therefore, you should not be completely reliant on one source of earning.

Limited Cash Flow

If you have started the business in the non-alcoholic beverage industry without having done sufficient planning in terms of profit period, inventory cost, and other miscellaneous expenses. It's highly probable that your business would end up limited cash flow and borrow from other loan agencies

Diversity

A diverse workforce is an asset to the company if people are educated, tolerant, and patient. If not, then diversity would create a conflict among workers that would affect their performance.

High Turn Over

Employees working in the non-alcoholic beverage industry usually rely on the tips of customers, because their hourly wages are very low. They are from the demographic of students and part-time workers.

Whenever they get a better opportunity, they leave it immediately.

High Market Share of some Products

When you have a diverse portfolio of non-alcoholic drinks, then not all the items in the menu list would attract a huge market share. Only some of the items on the list would become successful. In the end, your business would be relying on the few items to cover all the expenses.

Centralized System

The functionality and decision-making system of the non-alcoholic beverage industry is centralized. The management decides and the employees have to follow. Employees don't be involved in the decision-making process. Management remains unaware of the public interest and employee's lack of performance.

Opportunities for Non-Alcoholic Beverage Industry**Online Store & Delivery**

Most of the world-leading brands in the non-alcoholic beverage industry are converting their business online. Where people would have the option to choose any of their favorite food items and place their

order for delivery. Your store would receive the online order, process it, and deliver the required food items on the customer's address.

Technology to Reduce Cost

If the non-alcoholic beverage industry adopts technology in the maintenance of recording, smart broiler and ovens in the kitchen, and online ordering system. Then the whole business would become efficient, there won't be any delaying cost or kitchen-related safety incidents. Although these events happen rarely; but when they do, then they cost your business a lot.

Higher Income

The income of the ordinary working class has been increasing for the past few years, it's because of wage laws. When people have extra money, then they would spend by eating well. More sales mean more profit.

Higher Population

Population across has been increasing across the world. Although it has many disadvantages, it's beneficial for the non-alcoholic beverage industry. It is because a higher population means more people to feed, more people mean more sales.

Inflation and Interest Rate

Industrialization, mass production, and economies of the scale have lowered the per-item cost. More businesses are proliferating because of the lower interest rate. Consequently, people have more salaries and the products are getting cheaper. It is a win-win situation for the non-alcoholic beverage industry.

Tourism

The tourism industry is directly linked with hotels and restaurants, and hotels offer food and drinks. When the tourism industry has been increasing, more tourists are visiting different parts of the world, staying at the hotels, and enjoying different types of local non-alcoholic beverages.

Training the Employees

Training your employees may seem a waste of time and an expense. But it saves your business a lot of other costs like; proficient service, fewer incidents, and fewer turnovers. When you train your employees to perform better, you're investing it in the future of your business.

Threats to Non-Alcoholic Beverage Industry

Competition

Technology and online shopping have made the entrance into this industry quite easier. Resultantly, the non-alcoholic beverage industry has become very competitive. Now, customers have a plethora of choices to order one product. There are many brands offering the same product.

Fewer suppliers

Since the market is very competitive, but the supplying sources of raw material are limited. The functionality of your business depends on the good relations you have with your suppliers. If they supply you the raw products timely, only then you'd be able to complete the orders on time.

Customers' Changing Tastes

Since the market is crowded with many competitors and customers have many options to order the same product. In such an environment, you must be unique in terms of food taste. Only then you would be able to capture the market share. Now, customers want not only food but a unique and different taste.

OBJECTIVE OF THE STUDY

- India has abundance of raw materials used in non-alcoholic beverage processing.
- On the demand side, India is an attractive investment destination for beverage companies.
- Demand Factors: Large middle class; Young Consumers; Population willing to experiment with new products.
- There is hardly any study on the contribution of this sector to the Indian economy.

REVIEW OF LITERATURE

Senkarcinova et al., studied the growth characteristics of probiotic yeast in the presence of wort sugars and ethanol and iso- α -bitter acids were quantified. On glucose (0.44 ± 0.03 1/h at 30 °C), there was highest specific growth rate (μ) of probiotic yeast observed while on maltose and malt triose it was lowered by 34 and 89%, respectively. Ethanol (5% v/v) and iso- α -bitter acids (50 IBU) decreased μ on glucose (30 °C) by 20 and 23%, respectively. Effects of fermentation on the formation of esters and higher alcohols were identified by Response surface methodology.

Riu- Aumatel et al. compared the volatile profile of low-alcohol and alcohol-free beers with alcoholic beers. Headspace solid-phase micro extraction coupled to gas chromatography-mass spectrometry (HS- SPME-GC-MS) was used to analyze qualitative and quantitative differences. In alcoholic beers, fermentation compounds as esters

(isoamyl acetate, ethyl hexanoate), alcohols (1-octanol, decanoyl, isobutanol, is oamyl alcohol) and fatty acids (hexanoic and octanoic acid) were observed in higher quantities. Whereas in low-alcohol beers, compounds like pyrazines and furanes, and volatile compounds such as linalool, β -humulene and α -terpineol were observed that are derived from malt and the essential oil of hops, respectively. Benzaldehyde, acetylpyrrole, furfural and 2-furanmethanol were also observed in free alcohol beers. Alcohol-free beers produced by limited fermentation often suffer from a lack of volatile compounds, this can be improved by yeast selection and optimization of fermentation conditions.

Puerari et al. demonstrated the yeast selection by comparing traditional lager yeast with selected cachaçayeast strains. Response surface methodology was used to enhance the formation of the flavour- active volatile compounds by optimization of the fermentation conditions (original wort extract, fermentation temperature, pitching rate).

RESEARCH METHODOLOGY

Research has its special purpose to undertake marketing efficiently. In this competitive scenario, businesses need information across all industry verticals; the information about customer wants, market demand, competition, industry trends, distribution channels etc. This information needs to be updated regularly because businesses operate in a dynamic environment. Our organization, The Brainy Insights incorporates scientific and systematic research procedures in order to get proper market insights and industry analysis for overall business success. The analysis consists of studying the market from a miniscule level wherein we implement statistical tools which helps us in examining the data with accuracy and precision.

Our research reports feature both; quantitative and qualitative aspects for any market. Qualitative information for any market research process are fundamental because they reveal the customer needs and wants, usage and consumption for any product/service related to a specific industry. This in turn aids the marketers/investors in knowing certain perceptions of the customers. Qualitative research can enlighten about the different product concepts and designs along with unique service offering that in turn, helps define marketing problems and generate opportunities. On the other hand, quantitative research engages with the data collection process through interviews, e-mail interactions, surveys and pilot studies.

Quantitative aspects for the market research are useful to validate the hypotheses generated during qualitative research method, explore empirical patterns in the data with the help of statistical tools, and finally make the market estimations.

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