How to Succeed in a Challenging Juice Market
Executive Summary

As the markets for fruit juices and juice drinks change, the challenges for manufacturers evolve, often quickly and in counterintuitive ways, leaving the less nimble struggling to survive, while those that have kept pace with or anticipated these changes have managed to maintain the status quo, even if they haven’t exactly thrived. Shifts in household composition, racial populations, and lifestyle factors all have their effects. So, too, do the still-reverberating economic downturn and subsequent, tepid recovery.

On the surface, the picture portrayed by the changing constellation of market drivers is troubling, but deeper inspection reveals a number of bright spots, opportunities that could make the coming years considerably more favorable for manufacturers than years past. This brief report will summarize the challenges facing fruit juice and juice drink manufacturers, as well as outline key opportunities, including catering to increasing interest in low-calorie juices, organic alternatives, and exotic flavors, as well as targeting key demographics whose demand is predicted to rise. With the landscape and its high points mapped, the paper will conclude with strategies calculated to help manufacturers capitalize on these opportunities.
The Challenges Facing Fruit Juice and Juice Drink Producers

Fruit juice and juice drink manufacturers have fought an uphill battle over the past half-decade or so, countering challenges that include decreasing numbers of children, rising numbers of solo households, skyrocketing body weights, and decreased purchasing power.

One of the biggest challenges facing beverage producers is the changing composition of the average US household. In the fruit juice and juice drink industry, children comprise a cornerstone demographic group. Yet despite the fact that the number of US households increased by more than one million during 2010-11, the number of households with children fell by almost half a million¹, a trend that threatens continued market growth and, if sustained, could result in significant market shrinkage.

Then there's average household size, an important correlate of increased juice and juice drink purchasing behavior and use. Simply put, more people in the same household means more juice consumption, particularly when households consist of five or more members, which tends to indicate the presence of children. However, as the number of households with children declines, so does the average population of those households. In fact, the number of households consisting of just one person increased by about one percent in 2011.² And those singleton households are consuming less: according to Mintel, in 2007-11, consumption fell by five percent overall in single-person households.³

As the number of household members declines, the weight of those individuals rises, prompting efforts by governmental and other bodies to promote healthier lifestyles. As a result, US consumers are more calorie conscious than ever before. In 2011, 51% of adults, amounting to 121 million consumers, were watching their waistlines,⁴ a clear challenge to manufacturers of juices and juice drinks high in naturally occurring and added sugars.

In addition to counting calories, consumers are also closely watching their budgets on the heels of the recent economic downturn and malaise, making the price of fruit juices and juice drinks a key concern, one that manufacturers can do little to counter: rising commodity prices, a still relatively weak US dollar, and climate instability indicate continued cost increases.

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The Opportunities for Success in Coming Years

The challenges facing fruit juice and juice drink producers are formidable, but there are silver linings in the clouds, including increases in teen populations, more Hispanic households, baby boomers seeking healthful choices, and consumers willing to spend more for premium products, particularly national brands and those with exotic flavors.

Though the overall growth in US child populations is predicted to decline in the years ahead, the number of teens present in US households will rise through 2016. Combined with an increasingly negative parental perception of sports drinks, this trend is favorable for fruit juice and juice drink producers.

Also favorable is the fact that children often accompany their parents on grocery shopping trips. Among kids aged six to 11, 33 percent shop for groceries with their parents most of the time, while 42 percent are present some of the time.

Another good sign for fruit juice and juice drink producers is increasing numbers of households identifying as Hispanic, a market segment that tends toward a greater number of children per household, as well as increased household size.

As the number of Hispanic households increases, so will the number of Americans aged 55+, a market keenly interested in preserving health and extending longevity with exercise and smarter dietary choices, including low-sugar, organically produced drinks containing antioxidants and all-natural ingredients and flavorings.

Along with a preference for fruit juices and juice drinks containing organic/all-natural ingredients and flavorings comes an increasing demand for premium brands. Despite economic pressures, a sizable segment of the market seems prepared to pay a bit more for exotic flavors or novel combinations of flavors, as well as the privilege of stocking their home shelves with

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5 Mintel/U.S. Census Bureau, interim population projections released 2008 (population in 2011 and 2016) and estimates of the population as of July 1 (population in 2006)
6 Mintel/ Experian Simmons Kids Spring 2011 Full Year—POP
7 Mintel/U.S. Census Bureau, interim population projections released 2008 (population in 2011 and 2016) and estimates of the population as of July 1 (population in 2006)
9 Mintel/U.S. Census Bureau, interim population projections released 2008 (population in 2011 and 2016) and estimates of the population as of July 1 (population in 2006)
well-known brands, with some 42% of juice buyers and 43% of juice drink buyers typically opting for national brands.\textsuperscript{10}

**10 Tactics for Thriving in a Complex and Changing Market**

With the preceding factors in mind, what can fruit juice and juice drink producers do to minimize the impact of unfavorable market drivers and capitalize on opportunities in the years ahead? At Symrise, we believe there are 10 tactics that can be employed alone or together as part of a cohesive, forward-thinking strategy that can lead to improved sales and better bottom lines.

1. **Position fruit juices and juice drinks as healthful substitutes for sports drinks.** In recent years, sports drinks have come under fire for contributing to a variety of health issues, including obesity, dental cavities, excess sodium intake, and the displacement of necessary nutrients. While all-natural fruit juices and juice drinks can contain a comparable number of calories and, in the absence of proper brushing, contribute to dental cavities, they tend to be more nutritionally dense and diverse and can offer more electrolytes, especially in the case of citrus juices.

2. **Emphasize the refreshment offered by fruit juices and juice drinks, in addition to their health benefits.** While they appreciate the nutritional and other health perks of fruit juices and juice drinks, Mintel research indicates that many consumers choose them for refreshment, rather than any particular health benefit.

3. **Offer fruit and vegetable juice blends.** In addition to lower total caloric content in most cases, the added nutritional benefits of fruit and vegetable juice blends make them a compelling alternative.

4. **Reinvent traditional flavors with exotic and/or unexpected pairings.** Tweaks to traditional flavors, such as Gala apple, Valencia orange, and Concord grape, help producers differentiate their products and attract discriminating buyers. Producers may also consider adding a hint of herbs, such as lemongrass, rosemary, basil, and sage, to create fresh takes on old favorites. Flowers, such as orange blossom, rose, and hibiscus, can also add a unique taste, as well as an aroma that serves to further differentiate products.

5. **Develop advertising that especially resonates with the Hispanic market and with teens.** Often boasting larger family sizes and more children per household, the Hispanic market presents a unique opportunity for fruit juice and juice drink producers.

\textsuperscript{10} Mintel
market will be an important factor is expanding market share in the years to come. Teens, too, will be a growing demographic.

6. Connect with baby boomers. The number of adults aged 55+ or older is projected to increase by six percent until 2016. This market, concerned as it is with longevity and quality of life in the retirement years, will be especially receptive to messaging emphasizing low-sugar, organically produced drinks containing antioxidants and all-natural ingredients and flavorings.

7. Offer a premium option. In addition to the "halo effect" generated by premium offerings, upscale fruit juice and juice drink products with "just-picked" flavor, exotic/unexpected ingredients, and other perks help producers to resist downward pricing pressures and leverage consumer interest in national brands.

8. Position carbonated fruit juices as an alternative to soda. As soda, both regular and diet, is increasingly vilified in the media, an opportunity exists to fill the void with a healthful and refreshing alternative in the form of carbonated fruit juices and juice drinks.

9. Blend tropical fruits with locally grown produce. By reducing the carbon footprint associated with fruit juices and juice drinks and supporting local growers, hybrid-sourced products appeal to eco-conscious consumers and those concerned about the erosion of local economies and livelihoods.

10. Combine smoothies and fruit juices. Featuring less sugar than traditional smoothies, smoothie/fruit juice blends appeal to consumers who want great taste and texture without unnecessary calories.

With the Right Strategy, Juice Producers Can Thrive

While the current competitive and market environment facing fruit juice and juice drink producers is challenging, there are also abundant opportunities for growth. Changing demographics, lifestyle preferences, and economic conditions, among other factors, threaten to overwhelm those who don’t respond quickly and appropriately. But with a strategy that includes product repositioning, better market targeting, and a product mix that incorporates novel blends, premium offerings, and high-quality flavorings, such as those from Symrise, producers can not only hold the line but also thrive.

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11 Mintel/U.S. Census Bureau, interim population projections released 2008 (population in 2011 and 2016) and estimates of the population as of July 1 (population in 2006)
For more information about Symrise and its complete line of taste solutions, please contact us:

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