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Marketing 460

True Fruit Case Study Analysis

1. **How attractive is the smoothie industry? How is True Fruits positioned?**

The smoothie industry is attractive due to its high growth potential. It does pose some negative aspects due to its high competition and price sensitivity. It is important to look at how Porter's 5 forces can show how attractive this industry is to the market. First, the threat of new entrants is high. There is relatively low capital intensity in the industry which makes it easier for new competition to enter. The case notes that there are thousands of smoothie companies that exist in the market currently and new entrants such as Starbucks entered in through acquisitions. Next, one can see that the bargaining of buyers is high since buyers are price sensitive. This is because customers can easily buy ingredients and make smoothies at home. This in turn limits a company's ability to increase overall prices. When one looks at the bargaining power of suppliers, they can see supplier power is moderate due to the fluctuation of fruit prices. There is a large amount of packaging suppliers who provide similar products which reduces the supplier power. The threat of substitutes is very high due to the presence of homemade smoothies and juices. The case follows consumers that switch to different and cheaper options when the price of smoothies increases. Lastly, one should look at the highly competitive rivalry. This is due to the thousands of companies that exist globally such as Jamba Juice and Smoothie King. Although there is strong competition, the smoothie industry has high growth potential. The world market for smoothies was $9 billion in 2015 and was projected to grow to $15.8 billion in 2022. This growth is connected to consumers who seek health conscious and convenient lifestyles and overall makes the industry very attractive. While looking at True Fruits positioning, it is shown that there are many strengths, weaknesses, opportunities, and threats. The company has strengths due to its premium branding. For example, they have glass packaging, premium ingredients, and innovative marketing. This helps differentiate it from its competitors and it allows them to raise their prices. Their weaknesses come from the general concentration of revenue in Germany, which creates a sole dependence on a single market and can limit growth. There are opportunities in the fact that there is a demand for premium and healthy drinks. The main threats come from the fluctuation of fruit prices and high competition. In conclusion, the smoothie industry is attractive due to its growth potential caused by health trends. However, the industry is very competitive, with high buyer power, high threat of substitution, and low barriers of entry. Overall, True Fruits is strongly positioned due to its premium and strong branding which differentiates it from other companies in the industry. Although most of True Fruit's revenue is in Germany, there is opportunity to expand and grow.

2. **How should Daniel Aminati Bilzerian, the strategic manager in charge of True Fruits international expansion, conduct a market search? How did he get from 192 to 32 potential new markets? Which criteria/variables seemed more important in his decision making? Which criteria/ variables, whether mentioned in the case or not, do you think are important and might have been useful? Why?**

Daniel Bilzerian should conduct a structured market screening. First, he should start out relatively broad with many countries. Then, he should look and see what region he is considering and then evaluate certain aspects about the economy and demand, so he is able to eliminate weaker markets. After all of this, he will rank the remaining markets from strong to weakest by his previous model. Bilzerian oversaw international expansion and was tasked to pick the top three countries where the company should expand to next. He got from 192 to 32 by evaluating which countries were most viable for expansion by possibly using geography and strong data sets. Based on the data set in the case study, he chose eight factors that he deemed most important to evaluate all the countries on. The most important factors for specifically True Fruit are disposable income per capita, juice expenditure per capita, urban population, ease of doing business, and population/GDP. This tells the company whether consumers can afford premium smoothies, are already spending on premium drinks, premium groceries in the city, risk level, and market scale. It could have been useful to look at the competitive intensity and market saturation. It is important to look at each country to see how competitive it would be to expand their market into. According to Harvard Business Review, companies will wait to enter the market until they evaluate the preexisting demand. This can reduce uncertainty avoidance and allow them to know the demand in that area. By using this strategy, they will be able to see how competitive a market already is and enter it with mitigated risk and high demand.

3. **Given the 32 countries being considered as potential new markets to enter, what are your choices for the top three countries you recommend for True Fruits international expansion? A supplemental spreadsheet is part of the Harvard**

Course Pack for this case. So, use Excel and the information provided in the case and your research in choosing your top three countries to recommend. (True Fruits domestic market or other countries in which they are already active are not options). What equation or approach did you use to reach that conclusion and why?

My choices of the top three countries that I recommend for True Fruits international expansion were the United Kingdom, Turkey, and Norway. First, I chose to evaluate all eight categories to gain a stronger general knowledge of where all the countries stand. Then, I decided to evaluate which categories were most important in relation to international expansion for True Fruit. I chose ease of doing business, consumer expenditure on Fruit and Vegetable Juices per capita, disposable income per capita, total population, and urban population. The first one that I chose was disposable income because a premium product such as True Fruit requires those with a higher income. Second, I chose consumer expenditure on Fruit and Vegetable Juices per capita because it reveals if there is already a market for smoothies in that country. Third, I picked ease of business which shows if the country was easy to enter into the business with. The fourth one I chose was total population because if there is a higher population there are more customers. The final category I did was urban population because True Fruits will sell in cities premium grocery stores. My information that came out was validated by spherical insights. It showed that there is a high market of smoothies in the UK due to its high nutritional content and its side drink replacement. The other countries hold similar markets and credentials as those of the UK.

4. **Bilzerian focused on exporting as his mode of entry. Is that the only or best way to enter new international markets? Do the selection criteria and key success factors change if a different mode of entry is employed (e.g., licensing, franchising, joint-ventures, and/ or direct investment [company-owned stores])? What approach do you believe makes the most sense and why?**

   Exporting is a good mode of entry, but in my opinion, there are other productive ways to enter new international markets. First, it is important to look at the advantages of exporting. Because True Fruit is a smaller firm, this is an ideal mode of entry. It also allows True Fruit to have full control over the quality of their product, which poses as an advantage to their premium product. This is also an easy entry for the United Kingdom and Norway, which have been ranked high in disposable income and demand for premium beverages. The disadvantages included high transportation cost and limited control over distribution channels. It also might be difficult if the market is further because it can make the logistics more intricate. Because True Fruit is a premium, quality product, exporting can open risk for possible error with the freshness of the smoothies.

Yes, the selection criteria and key success factors change if a different mode of entry is employed. When True Fruit is looking at licensing, it is an advantage that it requires minimal investment and is low control. The disadvantage is that licensing can reduce True Fruits control over the quality of their product and their overall brand image. This can add a lot of risk because True Fruit is a premium brand that values their quality. Next, one should look at franchising because it allows independent companies to sell products under True Fruits brand. That being said, there is still mid-level risk involved and not total control since it is being sold through someone else. There are many advantages to joint venture because it can reduce entry risk and allow the firm to adapt to the market. There is a disadvantage because it gives up total control and profits of True Fruit. Lastly, foreign direct investment establishes their production aspects into foreign markets. The advantage to this is that it allows the company to have full control over their brand which is important for True Fruits premium branding. The disadvantage is that it may not be feasible in the short term due to True Fruits small company size. After evaluating all the different modes of entry, I believe that exporting is the best strategy. It can be used in my two top countries which are the United Kingdom and Norway because they are high disposable income and lower risk. They have a strong demand for premium beverages such as True Fruit and have good business environments for this company to enter the market. It allows them to expand internationally to the three countries I provided, because it is lower risk but still allows them to maintain their quality.

5. **What are some of the internal and external challenges True Fruits will face in moving from a list of countries to actually launching its products in your recommended host countries?**

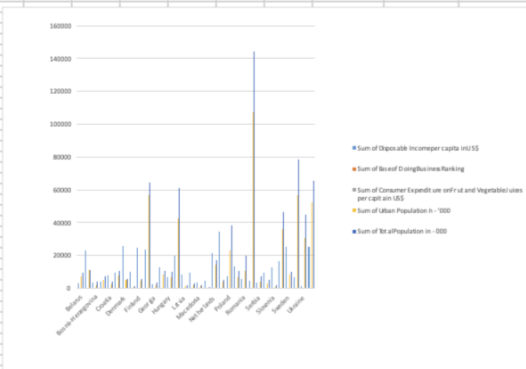
After selecting the top three countries, I realized that True Fruits will encounter several internal and external challenges when moving from a list of countries to launching its products in my recommended host countries. The internal challenges that they will face are limited size and resources. In 2016, they only have 25 employees which can prevent them from going into international expansion. Because of limited resources and staffing, expanding into different countries might strain operations. True Fruit relies on fresh ingredients and refrigeration to maintain their premium quality so international expansion increases these challenges. This is due to the risk of spoilage and longer transportation times. A few external issues they could run into would be legal barriers and competition pressure. True Fruit could run into legal barriers due to general food safety standards and import restrictions in different countries. These regulations could increase costs and make things more difficult for them to enter the market. Another issue is that there is competition pressure from large companies such as Smoothie King and Innocent Drinks. Because these competitors have larger finances and strong brands, this poses as a large external issue for True Fruit. Overall, True Fruit will experience internal issues such as limited resources and company size, and external issues such as legal barriers and competition pressures.

Question 3 Excel Sheet:

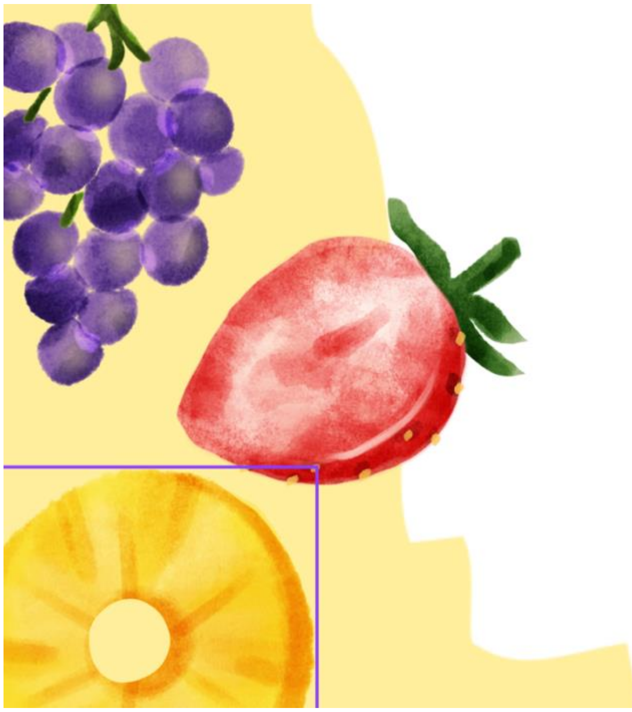
W32

ry s	Ease of Doing Business Ranking	GDP per capital in US$	GDP in billion in US$	Consumer Expenditure on Fruits per capita in US$	Consumer Expenditure on Fruit and Vegetable Juices per capita in US$	Disposable Income per capita in US$	Total Population in - '000	Urban Population in - '000
	37	5,013.50	48	61.9	8	2,987.70	9,487.50	7,379.30
n	42	41,348.90	466	194.8	180.5	23,115.60	11,267.90	11,030.80
-Her	81	4,281.00	16	84.7	80.8	3,554.50	3,816.20	2,004.70
ia	39	7,285.60	52	46	86.7	4,126.50	7,153.80	5,227.20
	43	12,004.40	50	137.7	89.3	7,658.30	4,190.70	2,484.70
Repu	27	18,342.10	194	135	89.1	9,481.90	10,553.20	7,727.30
rk	3	53,838.50	306	157.6	180.3	25,780.70	5,687.60	5,004.70
	12	18,136.00	23	121.3	106.2	9,888.90	1,267.70	888.6
d	13	43,124.90	237	280.5	194.1	24,565.20	5,487.30	4,629.00
	29	38,137.80	2,460	172.3	165	23,658.20	64,496.20	56,988.90
ia	16	3,810.90	14	23.3	14.3	2,643.90	3,720.40	2,148.10
	61	18,080.50	195	174.9	90.7	12,523.20	10,793.50	8,454.00
ary	41	12,673.50	125	69.4	105.1	6,566.20	9,830.50	6,929.80
	50	30,406.70	1,854	227.2	126.7	19,709.60	60,986.80	42,556.50
	14	13,917.50	27	126.1	79.6	8,332.60	1,969.00	1,339.70
nia	21	14,766.00	43	149.8	88.8	9,387.30	2,888.60	1,943.20
onia	10	5,225.00	11	55.6	81.9	3,523.40	2,067.90	1,240.90
negr	51	6,888.10	4	64.8	39	4,631.50	617.2	409.7
lands	28	45,402.20	771	151.4	128.8	21,618.00	16,978.00	14,422.80
ay	6	70,294.40	367	244	379.8	34,640.40	5,214.00	4,209.30
l	24	12,228.70	470	57	66.2	7,144.60	38,437.20	23,166.40
al	25	19,755.90	204	182.8	62.9	13,240.50	10,341.30	6,619.50
ia	36	9,469.80	187	90.3	76.9	5,482.50	19,774.90	10,683.60
	40	8,627.00	1,244	116.2	80.2	4,778.90	########	########
	47	5,328.10	38	51.9	69.1	3,794.10	7,074.10	4,112.00
ia	33	16,514.20	90	83.1	72.9	9,532.90	5,423.20	2,944.00
ia	30	21,294.70	44	126.6	103.2	12,761.70	2,064.30	1,029.20
	32	26,578.50	1,233	170.1	117.1	16,474.00	46,374.40	36,251.20
n	9	51,833.80	511	210.6	197.7	25,055.80	9,851.00	8,468.30
y	69	10,617.80	834	164.9	85.7	6,806.00	78,505.10	56,806.50
e	80	2,032.50	91	32.5	29	1,566.00	44,934.10	30,956.00
Kin	7	39,988.10	2,615	173.3	171.3	25,467.10	65,382.60	52,495.00

Country (values 2016)	Ranking Ease of Doing Business Ranking	GDP per capital in US$	GDP in billion in US$	Consumer Expenditure on Fruits per capita in US$	Consumer Expenditure on Fruit and Vegetable Juices per capita in US$	Disposable Income per capita in US$	Total Population in - '000	Urban Population in - '000	overall rank
Belarus	20	29	23	26	32	30	17	15	
Belgium	24	6	10	5	4	7	11	10	
Bosnia-Her	32	30	29	22	21	28	25	26	
Bulgaria	21	25	21	30	18	26	18	18	
Croatia	25	21	22	15	15	19	24	24	
Czech Repu	13	13	16	16	16	16	13	14	
Denmark	1	2	12	12	5	2	20	19	3
Estonia	6	14	28	19	11	14	31	31	
Finland	7	5	13	1	3	5	21	20	3
France	15	8	2	9	7	6	4	2	2
Georgia	9	31	30	32	31	31	26	25	
Greece	29	15	15	7	14	13	12	13	
Hungary	23	19	18	24	12	22	16	16	
Italy	27	9	3	3	9	9	5	5	
Latvia	8	18	27	18	23	18	30	28	
Lithuania	10	17	25	14	17	17	27	27	
Macedonia	5	28	31	28	20	29	28	29	
Montenegro	28	26	32	25	29	25	32	32	
Netherlands	14	4	7	13	8	8	10	9	
Norway	2	1	11	2	1	1	23	21	4
Poland	11	20	9	27	27	20	8	8	
Portugal	12	12	14	6	28	11	14	17	
Romania	19	23	17	21	24	23	9	11	
Russia	22	24	4	20	22	24	1	1	2
Serbia	26	27	26	29	26	27	19	22	
Slovakia	18	16	20	23	25	15	22	23	
Slovenia	16	11	24	17	13	12	29	30	
Spain	17	10	5	10	10	10	6	6	
Sweden	4	3	8	4	2	4	15	12	2
Turkey	30	22	6	11	19	21	2	3	5
Ukraine	31	32	19	31	30	32	7	7	
United King	3	7	1	8	6	3	3	4	9



Presentation:



TRUE FRUIT

A case study analysis

by: Lucia Klatt

SMOOTHIE INDUSTRY ATTRACTIVENESS

- Global smoothie market: $9 billion (2015) - $15.8 billion (2022)
- Growth Driven by...
    - health conscious consumers
    - convenience trends
    - demand for healthy beverages

PORTERS 5 FORCES

High threat of new entrants
- low capital requirements
- thousands of global competitors
- large firms entering the market

High buyer power
- price sensitive consumers
- making smoothies at home is easy
- limits price flexibility

Moderate supplier power
- fruit prices fluctuate
- packaging suppliers lower supplier power

High threat of substitutes
- juices, homemade smoothies
- price increase=consumer switch

High competitive rivalry
- many competitors

MARKET POSITION

Strengths
- Premium brand positioning
- High-quality ingredients
- Sustainable glass packaging
- Innovative and creative marketing
- Strong differentiation from competitors

Weaknesses
- Heavy dependence on Germany for revenue
- Limited international presence
- Smaller company with fewer resources

Opportunities
- Growing global demand for healthy beverages
- Increasing health-conscious consumer trends
- Expansion into international markets

Threats
- High industry competition
- Price-sensitive consumers
- Fluctuating fruit prices affecting costs

MARKET SCREENING PROCESS

192 – 32 countries

Step 1: Broad Screening

- starts with broad list of countries
- focuses on most viable countries

Step 2: Evaluation

- disposable income
- juice expenditure
- population
- ease of doing business

Step 3:

- select top countries based on these categories

KEY CRITERIA SELECTION

Disposable Income
- ability to afford premium drinks

Juice Expenditure per capita
- shows current demand for smoothies

Ease of doing business
- indicates risk level and expansion opportunity

Population Size
- larger population = more customers

Urban Population
- premium grocery stores in cities

3 RECOMMENDED COUNTRIES FOR EXPANSION

United Kingdom
- high disposable income
- high juice demand
- large population
- easy business entrance

Norway
- high disposable income
- demand for premium beverages

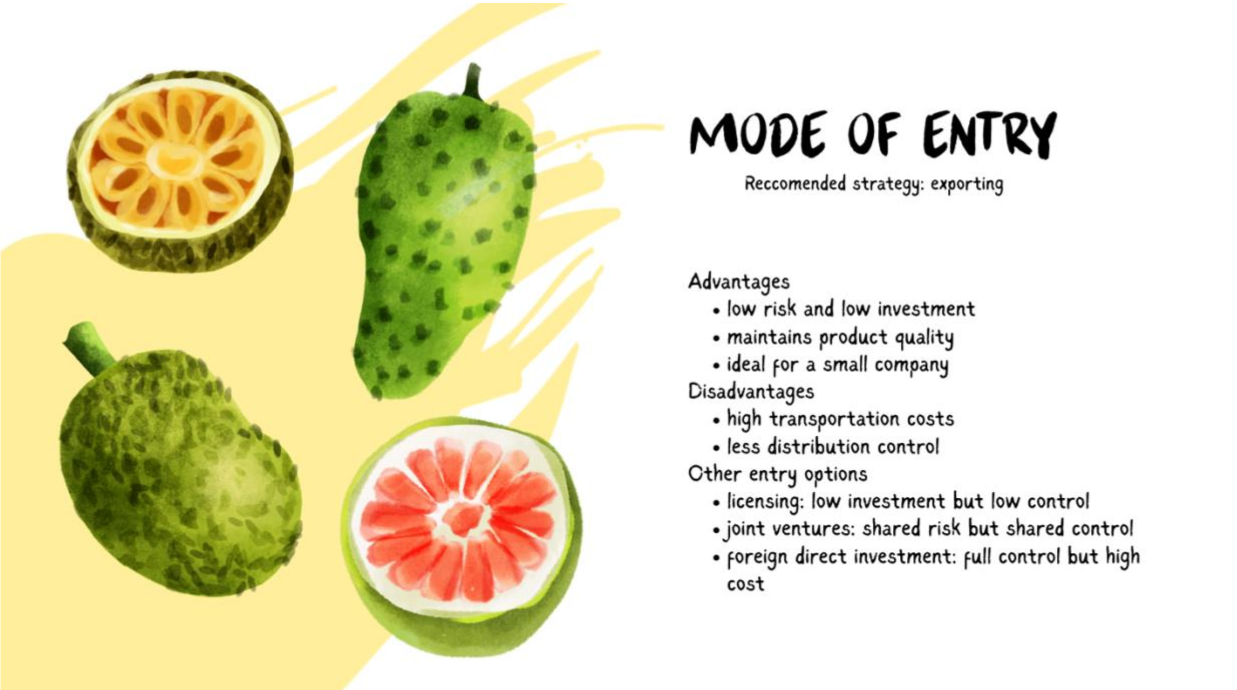
Turkey
- large population
- large urban population
- strong growth potential

ADDITIONAL MARKET CONSIDERATION

competitive intensity
- evaluate current competitors

market demand
- companies enter markets with current demand
- reduces risk and uncertainty

infrastructure and distribution
- cold supply chain to maintain quality


MODE OF ENTRY
Reccomended strategy: exporting
Advantages
• low risk and low investment
• maintains product quality
• ideal for a small company
Disadvantages
• high transportation costs
• less distribution control
Other entry options
• licensing: low investment but low control
• joint ventures: shared risk but shared control
• foreign direct investment: full control but high cost


CHALLENGES OF INTERNATIONAL EXPANSION
Internal challlenges
• small company
• limited resources
• supply chain and refrigeration problems
External challenges
• legal barriers
• strong competition from large brands
• distribution challenges

Citations

The five competitive forces that shape strategy. (2008, January 1). Harvard Business Review. https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy

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