SodaStream: Carbonated Soft Drink Competition

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Taste and Sample

http://www.youtube.com/watch?v=qdIKIFkiHw0

What do you think?
Issue Statement

• SodaStream’s issue is their entrance into the United States carbonated soft drink industry.

• There is also an issue of their position towards a certain market segment in a political, social, and environmental stance.
SWOT Analysis

Strengths:

• “World leader in home carbonation”
  - products sold in 60,000 stores worldwide
• Innovative product - delivers customers unique benefit
• Technology - one of a kind carbonator
• Position as healthy & environmentally friendly
• Flavors partnerships with name brand companies

Weaknesses:

• Controversy surrounding employment practices in Israel
• Actual taste & essence of product
• Marketing strategy of “asymmetrical warfare”

(Subramanian, 2014, p. 3-7)
(SodaMix Flavors, 2014)
SWOT Analysis

Opportunities:
• Open additional manufacturing facilities to meet demand
• Expansion in the US market
  - Increase unaided product awareness
  - Increase environmental awareness
  - Expand through marketing & distribution strategies

Threats:
• Competition within industry:
  - Primo Water Corporation & Cuisinart’s home carbonation machine
  - Green Mountain Coffee Roasters & Coke’s at-home soda machine by 2015
  - Pepsi & Dr. Pepper Snapple Company

(Subramanian, 2014, p. 1, 3-8)
(Woodruff, 2014)
# Financial Analysis

*Based on USD Millions ("SodaStream Key Ratios," 2014)*

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<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
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<tr>
<td>Current Ratio</td>
<td>2.23</td>
<td>2.17</td>
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<td>Quick Ratio</td>
<td>1.16</td>
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<td>Debt-to-Total-Assets Ratio</td>
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<td>Operating Profit Margin %</td>
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<td>Net Profit Margin %</td>
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<tr>
<td>EPS</td>
<td>1.96</td>
<td>2.09</td>
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Competitive Analysis

Threat of new entry:

• Current competing CSD companies use bottling plants for their products

• Agreements with CSD companies and bottling organizations

• High brand loyalty in the industry

(Avizenis, n.d.)

Competitive Analysis

Intra-Industry:

- Rich history of Coca-Cola and PepsiCo
  ("Breaking Down the Chain: A Guide to the Soft Drink Industry.")

- “Pouring rights”
  (Nestle, 2000)

- New flavors, same brand
  ("Who Makes What?", 2014)
Competitive Analysis

Bargaining power of suppliers:

- Suppliers do not offer anything of rare finding
- Water, sugar, caffeine, and flavor
- CSD companies can easily switch to a new supplier

(Avizienis, n.d.)

Competitive Analysis

Bargaining power of buyers:

- Buyers can easily switch from one brand to another
- Vending does allow the company to bypass the buyer
- Buyers have the power to produce the product themselves

(Avizienis, n.d.)

Competitive Analysis

Threat of substitution:

- Large quantity of substitute products; beer, wine, water, coffee, tea, milk, etc.

- Diversification of brands

- Easy to obtain products; for consumer.

- Advertising

(Avizienis, n.d.)

Competitive Analysis

• At the beginning of this year, Coca-Cola and Green Mountain Coffee (Keurig) announced their partnership for the creation of the new “Keurig Cold Machine.”

• Coca-Cola purchased a 10% ownership at $1.25 Billion

• “Keurig Cold” is rumored to be released in 2015

(Sharf, 2014)
Macro-Environmental Analysis

Political:

- SodaStream’s headquarters in Israel in the West Bank

- Their presence is considered “a “violation of human rights and international law and complicity with the Israeli occupation of the occupied Palestinian territories” (Submaranian, 2014, p. 47).


- Management Ethics: Tempered Radicals:
  - Strategic Alliance Building
Macro-Environmental Analysis

Economical:

- Products of Soda maker, bottles, carbonator and flavorings.
  - “Razor and Razor Blade” Business model.
- Presence at the NASDAQ in 2010.
- Managerial Economics:
  - Costs: Fixed Costs + Variable Costs
Macro-Environmental Analysis

Social:

- Competitors: Coca Cola Company and Pepsi Co.
  - All manufactured based carbonated soft drinks.

- Green Mountain Coffee Roasters:
  - Keurig
  - Coffee making

- Principles of Marketing: Human Characteristics
  - Conative
Macro-Environmental Analysis

Legal:

• Super Bowl 2013 Commercial:
  • [http://www.youtube.com/watch?v=68al-o2XSpE](http://www.youtube.com/watch?v=68al-o2XSpE)

• Super Bowl 2014 Commercial (Banned):
  • [http://www.youtube.com/watch?v=nORgzCgQgDk](http://www.youtube.com/watch?v=nORgzCgQgDk)

• Integrated Marketing Communications: Message Relaying
  • Demonstrative Advertising: “offers an effective way to communicate the benefits of a product to viewers” (Clow, Baack, 2012, p. 177).

• Informative Message: “presents the information to the audience in a straightforward manner” (Clow, Baack, 2012, p. 178).
Macro-Environmental Analysis

Ecological:

- United States social contract vs. European social contract:
  - There is a fair bit of social pressure to behave in an environmentally responsible manner in places like Sweden, where such behavior is now simply a part of the social contract . . . If nearly everyone is carrying a plastic bag (as in New York City) you don’t feel so bad (Submaranian, 2014, p. 50).

- Pinterest:
  - [http://www.pinterest.com/search/pins/?q=SodaStream%20infographics&term_meta%5B%5D=SodaStream%7Ctyped&term_meta%5B%5D=infographics%7Ctyped](http://www.pinterest.com/search/pins/?q=SodaStream%20infographics&term_meta%5B%5D=SodaStream%7Ctyped&term_meta%5B%5D=infographics%7Ctyped)

- Consumer Behavior:
  - Ideology: “the mental characteristics of a people and the way they relate to their environment and social groups” (Solomon, 2011, p. 543 – 544).
Internal Analysis

• **Core Competencies:**
  - The company’s sustainability movement.
  - Their followers of this movement (European consumers).
  - Product differentiation

• **Generic Strategy:**
  - Focus Strategy with a concentration on differentiation.
  - Narrow segment with a unique product that entails “a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly” (Porter, 1998).

• **Risks:**
  - Fierce competition from SodaStream
  - CEO Daniel Birnbaum
  - Brand loyalist outbursts.
  - Legal Environment Studies: Tort of Defamation
    “An untrue statement of fact . . . intentionally published to the third party (Stein, 2014, slide 5).
Solution Statement

• Reposition themselves as providers of a carbonated soft drink machine company.

• Utilize existing carbonated soft drink companies to create partnerships.
Implementation

Reposition themselves as providers of a carbonated soft drink machine company.

• Focus more on the distribution side of the product in the United States rather than the competition.

• Completely move the main manufacturing plant from Israel to the United States.

• Create an industrial size machine for retail companies similar to the existing home systems.
Implementation

Utilize existing carbonated soft drink companies to create partnerships.

- Create a partnership with companies like Coca-Cola, PepsiCo, Cadbury, and Dr. Pepper.

- SodaStream may lose revenue in their syrups, but see major gains in system sales.
Impact Analysis

• These are ethical actions, it would benefit all stakeholders.

• It has the potential to increase shareholder’s earnings.

• It could also increase consumer buying power, potentially lowering industry prices.

• Shows a clear segment division and gives consumers an additional substitution of products.

• Continue to promote their sustainable movement in the country.
Vision Statement:

- One global community, celebrating the bold achievement of a cleaner, healthier planet, made possible by each of us embracing simple, fun, responsible consumption ("Our Vision & Mission," 2014).

Mission Statement:

- Revolutionize the beverage industry - empowering people with simple, creative, fun ways to make and enjoy better-for-you, bottle-free bubbly beverages ("Our Vision & Mission," 2014).

Our recommendations align with the company’s Mission Statement. Our recommendations mainly address the corporation’s distribution of the product. Since the company does already practice sustainability, the Vision Statement is already addressed.
Concluding Statement

Issue Statement:

- SodaStream’s issue is their entrance into the United States carbonated soft drink industry.
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SodaStream faces many challenges and opportunities ahead. Their successes will depend on their decisions in regards to partnerships, competition, and distribution.
Questions? Comments?


