The Orange Juice Distribution Channels: Some Characteristics, Opportunities and Threats

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1 – Problem Statement, Objectives and Procedures[3]

The fruit juices market is growing for several years, and will be continuing to expand, mainly because these products are aligned with general trends regarding to food and beverages consumption.

Several changes take place in the fruit juices distribution channels environment in Europe, a growing importance of foodservice, the penetration of the global beverage brands (mainly Coca-Cola/Minute Maid and Pepsi/Tropicana), the concentration in retailing and also in the FCOJ (frozen concentrated orange juice) supply. These changes are threatening and also bringing opportunities to companies.

This paper has two objectives. The first is to provide a general overview about the agents in the European marketing channels of the FCOJ, focusing the final juice consumers, retailing, foodservice and the beverage industry. The framework for this part is build up of the marketing channels concepts and functions (Stern et al., 1996; Berman, 1996; Rosembloon, 1999), and data was gathered from the literature about fruit juices and provided by European companies in interviews.

The second objective is to produce a strategic analysis of these agents in the channel, listing opportunities and threats for the following years, using the strategic SWOT (**s**trong and **w**eak points, **o**pportunities and **t**hreats) analysis (Johnson & Scholes, 1997). According to the authors, *"a swot analysis can be a useful way to summarize the relationship between key environmental influences, the strategic capability of the organization and hence the agenda for developing new strategies (p. 174)*". The analysis will not be done for a particular company, but for the whole

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industry, and further, as a suggestion, each company can use the listed points to evaluate itself.

This second objective was reached through qualitative interviews with the agents involved in the distribution channels in Europe, discussing their possible strong and weak points, and opportunities and threats for their position in the channels.

2. Understanding the European Marketing Channel of FCOJ

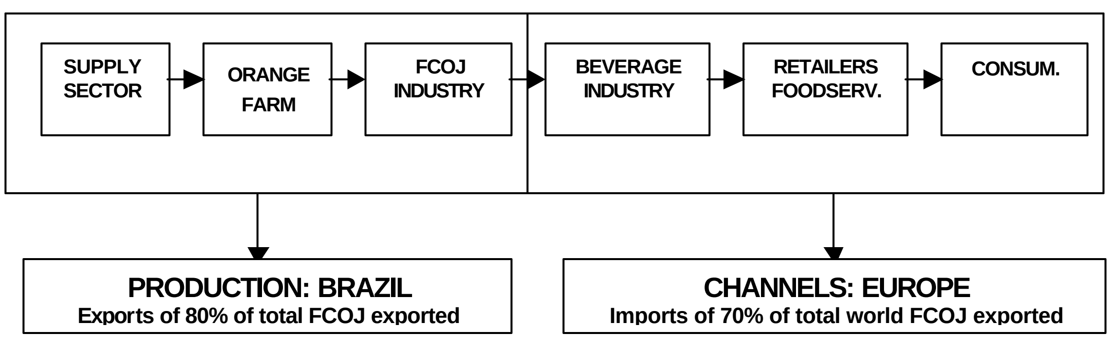
2.1. Which marketing channel to analyze?

First, a concept should be known. Marketing channels are defined as *"a set of interdependent organizations involved in the process of making a product or service available for consumption or use"* (Stern et al., 1996, p. 01). They are a part (see figure 01) of the whole food chain (in this case, orange chain), which also includes the supply sector, the producers and the industry (analyzed in Neves et al. 1998 and Neves 1999).

The overall orange juice chain is very complex, since the fruit is produced in several countries (but mainly in Brazil and USA) and the juice is consumed in almost all countries. Several by-products are also produced after crushing oranges (approximately 43% of FCOJ[4], 2% of essential oils, 3% of frozen cells, 49% of pulp and pellets, 1% of D'limonene and 2% of others), each of them with their specific distribution channels, which will not be analyzed in this article.

In order to focus this study, it is necessary to delimitate which channels to analyze and what products to consider. Brazil is the major supplier of the FCOJ to the world, which is the most important product of the chain, and Europe is the major importer of FCOJ. So this would be the most important international part of the chain. The focus will be on the distribution channels for the Brazilian FCOJ industry, mainly in Europe.

Figure 01: Description of the Simplified Orange Juice Chain



Source: authors

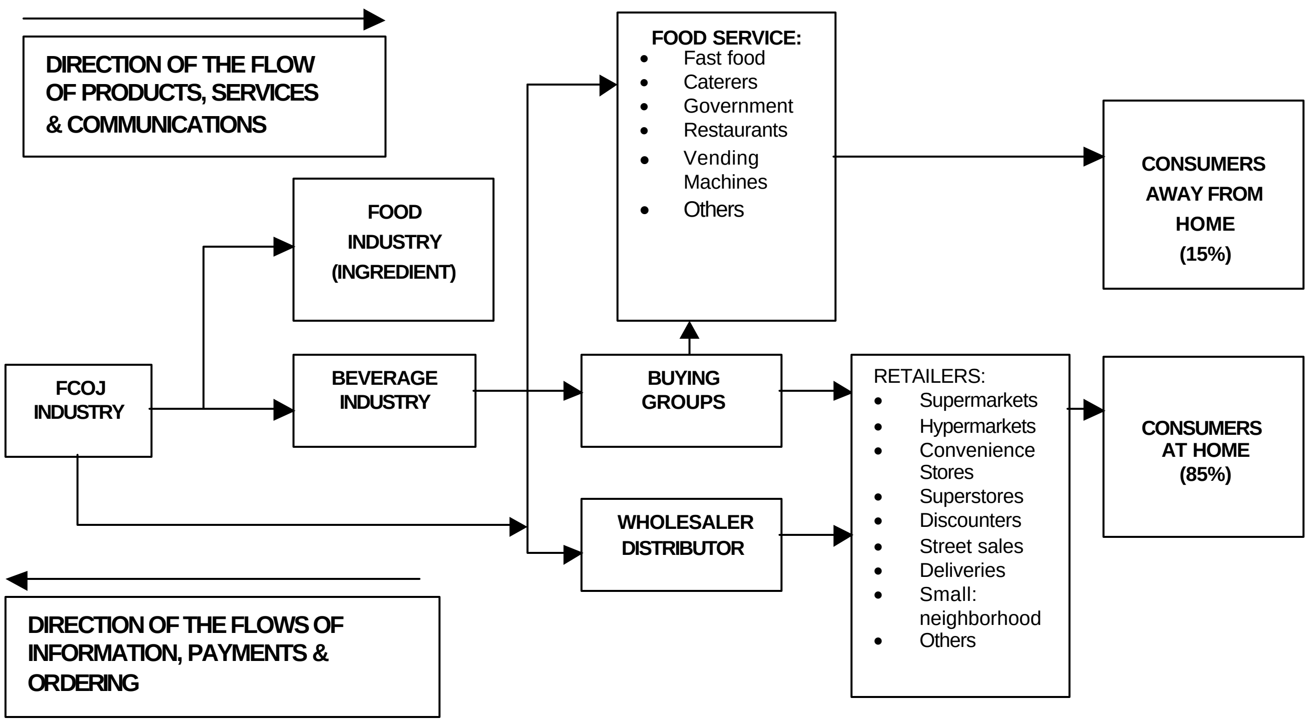
The FCOJ is exported from Santos (Brazil) in bulk systems (with dedicated vessels and port facilities at a cost of US$ 150/t) or in drums (cost of US$ 300/t). The main ports of arrival are Rotterdam (Cutrale and Dreyfuss), Amsterdam (Cargill), Antwerp (Citrovita/Cambuhy), Gent (Citrosuco) and Hamburg (Citrovita).

[4] FCOJ – Frozen concentrate orange juice

After leaving the facilities at the European ports, the juice is sold to bottlers (beverage industry), or can be used by the food industry, as an ingredient of flavored foods (not subject of this research). These agents sell the juice to several other agents, grouped in retailing and foodservice sectors, before the final consumption.

The marketing channels flows work in two way: from the FCOJ industry to the final consumers flows the *product*, *services* and *communications,* through different agents that perform negotiation functions and, from consumer to the FCOJ industry, the *payments, product ordering and information* flows (figure 02).

Figure 02: The General FCOJ Distribution Channels



Source: authors, based on interviews

2.2 - Characteristics of the Agents Who Form the Distribution Channels for the FCOJ Chain

This first section is addressed to discuss the European and world consumers, retailing, foodservice, and beverage industry (bottling) that are key components in explaining the distribution channels for the FCOJ chain in Europe. World consumption numbers were brought due to the possibility of reaching these through Europe, and to bring an overall picture of the consumption.

2.2.1 – The Final Consumers

Considering a potential drinking of 700 liters/person/year, the beverages are conquering space from tap water since a long time. In 1997, the estimates were of almost 550 liters coming from beverages (Table 01).

Table 01: Beverage Consumption, and Level of Saturation (maximum amount possible to drink per person/year), in 1950, 1975 and 1997 (liters/person/year)

Year	Beverage	Tap Water	Level of demand
1950	250	450	700
1975	460	240	700
1997	550	150	700

Source: Roads, 1998. (approximation)

In the beverages category (Table 02), the consumption of soft drinks grew, as an average, 22% from 1993 to 1997, and fruit juices 14%. FCOJ and diluted orange juice can be used in all categories, except mineral waters.

Table 02: World volume sales and growth of soft drinks by type, from 1993 to 1997

Product	1993 billion litres	1997 billion liters	% Growth
Carbonated Soft Drinks	131.1	158.6	21%
Mineral Waters	46.4	58.3	26%
Fruit Juices	37.0	42.0	14%
Niche Products	16.6	22.9	38%
Soft Drinks Total	231.2	281.8	22%

Source: Euromonitor

The total turnover on the world market for fruit juice (Table 03) was of US$ 30.9 billion in 1996 and growing at rates around 5%/year. When considering the general fruits, more than 60% is consumed "*in natura*" in the domestic market, around 30% of fruits are processed and the remaining 10% is traded in the international market (Heijbroek et al., 1998). The orange fruit shows a quite different picture, with more than 50% of total production being processed, 40% used for domestic consumption (fresh or as juice squeezed at home), and the remaining 10% goes to import markets. Orange reaches almost 50% of world's overall juice consumption.

Table 03 - The world market for fruit juices: volume and value, 1992- 1996

volume/value	**1992**	**1993**	**1994**	**1995**	**1996**
• Volume (million litres)	23,635.5	24,681.3	26,170.1	27,361.1	28,772.4
• % annual growth	-	4.4	6.0	4.6	5.2
• Value (US$ million)	25,318.8	26,033.4	27,390.8	29,134.0	30,910.8
• % annual growth	-	2.8	5.0	6.4	6.1

Source: Euromonitor

The major markets are the USA, Japan, Germany, United Kingdom, France and Russia. Western Europe has a market of more than 9 billion liters/year, almost 30% of the world's market. According to Veeneman (1999), on the average, consumers in Western Europe drink around 24 liters/person/year of fruit juices, while in Eastern Europe, the consumption is around 5 liters/person/year, with a growth of 80% from 92 to 96.

Countries in Western Europe still show differences in consumption "per capita", and growth is expected yet in these. Forecasts for 2020 show that these numbers could be 35 liters and 12 liters, for Western and Eastern Europe. Markets where fresh fruit and vegetables are most consumed tend to have lower consumption of juices. Greece, Spain, Italy and Portugal show the smallest numbers (table 04).

Some mature markets, like the USA, Australia and few countries of Western Europe show slower growth rates in consumption, and are considered stable markets. Even though they are seen as stable, they grew around 15% from 1992 to 1996.

Asia is also considered a promising market, with still very low per capita figures, but with big populations. Consumption in Asia grew 50% in the period 1992/96. South America is also bringing nice results. The consumption in the region grew 40% from 92 to 96. In Brazil, several production/distribution contracts between FCOJ industry and dairy companies like Nestlé, Danone, Parmalat, in order to produce NFC to internal market, are taking place and the market is showing one of the highest growth rates in the world, even with the habit of drinking freshly squeezed juices.

Table 04: Per Capita Consumption of Fruit Juices and Nectars (25 to 99% of juice) in litters/person/year, 1972 and 1992 to 1998.

Country	1972	1992	1993	1994	1995	1996	1997	1998
EU								
Germany	12	38.3	39.4	40.4	40.6	41.1	40.2	41.4
Austria	5	29.4	32.7	33.9	34	32.4	32.9	33.3
Sweden	10	25.1	25.7	25.7	25.7	25.8	-	-
Netherlands	3	25.5	23.5	25.2	25.9	26.3	26.7	26.7
Finland	2	20.2	22.9	24.1	24.6	25.1	23.1	22.9
Denmark	10	19.2	20.1	19.5	17.1	16.9	17.0	-
Belgium/Luxembourg	4	18	17.7	18.7	20.2	20.4	20.7	21.0
Greece	2	12.2	12.7	12.8	15.6	14.7	15.2	15.3
France	1	11.7	12.4	15	16.5	17.1	17.9	18.4
Ireland	3	8.5	9.1	10.8	11.4	11.7	12.3	-
Spain	2	12.0	11.7	11.6	11.7	11.7	-	-
UK	2	13.2	13.5	14.4	15.0	15.2	-	-
Italy	2	8.7	8.9	9.3	9.4	9.2	9.6	
Portugal	-	3.3	3.4	3.7	4.1	4.3	-	-
NON EU								
Australia	-	38.5	39.4	41.5	40.2	41.3	-	-
USA	21	36.8	37.7	38.0	39.0	40.1	-	-
Switzerland	15	31.0	30.6	29.0	29.0	29.7	30.1	29.3
Slovenia	-	-	-	15.7	18.7	19.7	19.5	20.5
Israel	-	20.1	20.5	21.0	21.3	21.5	-	-
Norway	2	14.6	16.8	18.1	18.6	20.5	21.1	21.2
Canada	-	14.2	15.2	16.8	18.4	20.5	-	-
Hungary	-	8.0	9.3	15.2	19.4	20.4	21.8	23.9
Colombia	-	8.1	8.6	13.3	11.9	10.9	-	-
Japan	-	14.7	14.3	15.0	15.4	16.0	-	-
Russia	-	3.7	4.9	5.5	6.1	6.9	-	-
New Zealand	-	9.6	9.7	10.1	10.3	10.3	-	-
Argentina	-	11.4	11.8	11.9	12.1	12.0	-	-
Chile	-	8.8	8.8	9.2	9.4	9.3	-	-
Poland	-	1.8	2.4	2.9	2.3	8.3	10.3	12.8
Slovak Rep.	-	3.4	4.1	5.6	7.7	10.0	-	-
Turkey	-	2.5	2.6	2.6	2.7	2.8	-	-
Russia	-	0	0.3	0.4	0.8	1.8	2.1	4.2
Mexico	-	8.0	8.0	8.3	8.0	8.0	-	-
Venezuela	-	7.9	8.0	7.5	7.3	7.1	-	-
Taiwan	-	4.4	4.9	6.2	6.6	7.0	-	-
Thailand	-	0.5	0.5	0.6	0.6	0.7	-	-
China	-	0.4	0.5	0.5	0.6	0.7	-	-
Czech Republic	-	3.9	4.2	4.4	4.6	5.0	4.9	6.9
Brazil	-	0.4	0.5	0.6	1.1	1.4	-	-
Egypt	-	2.1	2.2	2.2	2.2	2.2	-	-
Saudi Arabia	-	1.6	1.6	1.7	1.9	2.1	-	-
South Africa	-	0.3	0.3	0.3	0.3	0.3	-	-
Indonesia	-	0.9	0.9	1.0	1.0	1.0	-	-
Pakistan	-	0.1	0.1	0.1	0.1	0.1	-	-
India	-	0.1	0.1	0.1	0.1	0.1	-	-

Source: Wild Heidelberger Seminars, in Fruit Processing 3 / '98 * Forecast; Roads, 1998; Thompson, 1998 and Euromonitor (based on national statistics).

This consumption is being stimulated by several factors:

The beverage industry, through innovation, is ***launching several new products,*** like functional drinks (juice based) fruit flavored, iced teas, sport drinks, energy drinks, fruit flavored water, fruit based alcoholic beverages, fruit flavored milk drinks, fruit nectars, dilutables, fruit based carbonates, biological products, exotic flavors, freshly squeezed, fruit juice with juice bits, with yogurt, juice added with vitamins and others.

The main ***attributes*** being used in the development and communication of new products are fresh, nutritional benefits, functional (with calcium, vitamins), natural, low fat, low additives, fiber, country/region of origin and others. There is a segment that desires organic products, creating an opportunity to organize and coordinate "organic chains" to offer juices, perceived with a high value.

These new juices and juice-based beverages are ***targeted*** to specific groups and activities, like children, singles, physical exercise, health conscious, adventure, fun, authenticity, different drinks for different occasions and others. New ideas of stimulating consumption ***in other occasions*** than breakfast are in practice, trying to replace other beverages.

Also the ***packaging technology*** is contributing to increasing consumption, through convenient designs, practical, individual sizes and formats (carton cans), vending packs, ready-to-drink, multi-packs, ambient long shelf life juices, chilled and others also helping to attract consumers..

It is possible to say that the juice (and orange, as the most popular) consumption still have room to grow in the international market. Consumers buy these juices from retailers or from foodservice.

2.2.2 – Retailing and Foodservice

Where the juice is consumed will be considered as a form to separate retail and foodservice. Retailers are all stores where consumers buy orange juice to drink at home or other places, and foodservice are all places (or buyers) where juice is consumed at the buying-moment, like fast food chains, restaurants, caterers, industrial suppliers (for workers) and others.

It is important to understand that each of these agents have different specific needs regarding to packages, quality, frequency, delivery time, brands, sort and others. Another important difference is that in retail, consumers can choose among different brands, while in foodservice normally there is just one brand offered, sometimes not identified.

Tabela 05: Canais de Distribuição de Suco de Frutas em alguns países, em %, para 1997.

Países	Food Retailing	Super Lojas	Outros	Outdoors	Serviços e catering	Máquinas de vendas
EUA	71,8	5,1	5,8	-	14,4	3,0
Alemanha	**38,6**	**51,3**	**2,5**	**1,5**	**5,9**	**0,2**
Japão	44,0	8,8	8,0	0,3	14,0	24,9
Reino Unido	**82,0**	**3,0**	**3,0**	**4,0**	**6,0**	**2,0**
Brasil	90,5	1,3	2,3	1,3	3,9	0,7
França	**89,4**	**-**	**-**	**-**	**9,9**	**0,7**
Austrália	46,0	26,0	16,0	2,0	10,0	-
México	26,0	20,0	18,0	-	36,0	-
Colombia	24,0	3,0	47,0	7,0	19,0	-
Espanha	64,2	5,0	0,8	2,4	25,8	1,8
China	82,9	8,2	-	3,4	5,5	-
Canadá	67,1	4,1	13,4	4,5	7,0	3,9
Rússia	56,0	3,0	10,0	12,0	19,0	-
Arábia Saudita	48,0	6,5	6,0	4,0	35,0	0,5

Fonte: Euromonitor

Table 5 shows that foodservice account to different percentages of total juice distribution in several countries. According to interviews, these channels are responsible to around 15% of the total juice final consumption, as an average, for Western Europe.

a) Retailing: 85% of juice sales

Retailing in Western Europe sold more than US$ 900 billion in food and beverages in 1998. Retailing is growing more in Eastern Europe, while being more stable in Western Europe.

Food retailing is quite diverse. All kinds of stores are operating together in Europe, from superstores to hypermarkets, supermarkets, discounters, convenience stores, specialty stores and street markets. Their needs and focus diverge, making market segmentation, targeting and company/product positioning very useful strategies for the suppliers of these agents. The functions are shifting in the channel as powerful retailers try to transfer some of them to the beverage industry, and start doing others.

O ECR (resposta eficiente ao consumidor) é ainda uma ferramenta para reduzir todo tipo de custos nos canais e mudar o poder dentro deste. Os hiper/supermercados são o mais importante canal, contando com cerca de 80 a 85% do total de suco de laranja vendido no varejo na Europa Ocidental (tabela 06).

ECR (efficient consumer response) is also a tool to reduce all sort of costs in the channels and shift power within the channel. The hyper/supermarkets are the most important channel, accounting for around 80 to 85% of total retail orange juice sold in Western Europe (table 06).

Tabela 06, Distribuição de Sucos de Frutas no Varejo, em 1995

Canais de Distribuição	Volume de vendas
Grocery Stores/ Supermercados	82 %
Warehouse Clubs Atacadistas	7 %
Mass Merchandisers	5%
Lojas de Conveniência	1%
Outras	5%

Fonte: Euromonitor, 1997

Os maiores varejistas de alimentação operando na Europa são majoritariamente de origem francesa e alemã (tabela 07). Cadeias de varejo costumam comprar através de grupos compradores, aumentando o poder de negociação e eficiência.
The biggest food retailers operating in Europe are mostly from French and German origin (table 07). Retail chains use to buy through *buying groups*, increasing negotiation power and efficiency.

Concentração, expansão e operações globais, marcas próprias, administração de categorias e outros são assuntos relacionados a varejo. Reciclagem de embalagens é também , e em 2002, 15% dentre todas as embalagens de sucos terão que ser retornáveis à loja, para reciclar, e tornando-se necessário para organizar os canais reversos.

Concentration, global expansions and operations, private labels, category management and others are major issues regarding retailing. Recycling of packages is also a major concern, and in 2002, 15% of all juice packages will also have to be returned to the store, in order to recycle, making it necessary to organize the reverse channels.

Tabela 07 - 20 Biggest European Food Retailers: vendas na Europa, 1996.

Empresa	Origem	Food Sales US$ bilhões	Total de Vendas US$ bilhões	Participação de Marcas Próprias (%)
Intermarche	França	26.3	32.4	-
Rewe	Alemanha	25.0	30.8	-
Aldi	Alemanha	22.8	26.5	99%
Metro/Makro	Alemanha	22.4	49.2	-
Promodes	França	21.1	27.5	-
Edeka/Ava	Alemanha	20.7	24.5	-
Auchan	França	20.3	28.0	-
Tesco	Reino Unido	16.9	22.5	42%
Sainsbury	Reino Unido	14.7	17.3	57%
Carrefour	França	14.4	22.7	-
Tengelmann	Alemanha	13.1	17.6	-
Leclerc	França	12.4	23.4	-
Lidl	Alemanha	11.5	13.2	-
Casino	França	9.1	12.1	25%
Asda	Reino Unido	8.2	10.3	30%
Safeway	Reino Unido	8.2	9.6	41%
Systeme U	França	7.2	8.1	-
Cora	França	6.7	8.8	-
Coop	Suíça	5.9	8.3	-
Marks & Spencer	Reino Unido	3.9	9.7	100%

Fonte: M+M Eurodata, Rabobank, 1998.
Private Label shares from Financial Times, 1995

Os varejistas oferecem vários serviços para consumidores, como conveniência espacial, promovendo disponibilidade de produto, tamanhos menores do lote, , e menor tempo de entrega. Estes são os serviços gerais proporcionados. Dependendo do formato, mais serviços são oferecidos, tornando grande as variações de preço e serviço. Até o suco preparado na hora é vendido por varejistas, alcançando os maiores preços de sucos.

Retailers offer several services to consumers, like spatial convenience, promoting product availability, smaller lot sizes, assortment breadth, and lower delivery time.

These are the general services provided. Depending on the formats, more services are provided, making the price and service variation quite large. Even freshly squeezed juice is sold by retailers, reaching the highest juice prices.

Dependendo do tipo, os varejistas efetuam todas as funções de distribuição:

Depending on the type, the retailers perform all the distribution functions: product ownership, stocks, negotiation, promotion to final consumers, backward information flow (data and research), finance and they also take some risks.

b) Foodservice (food away from home: 15%)

The foodservice is made of several kinds of companies. Fast-food chains, industrial caterers (for workplaces, schools, hospitals, prisons) and restaurants. There are more than 1,5 million foodservice outlets in Europe. According to Euromonitor (for Germany, France, UK, Italy and Spain), catering (including contract and self-operated) had around 23% of market share in 1997, fast-food restaurants 4%, hotels/cafes and bars 41% and other restaurants, with 31%. The total foodservice market in each of these countries is around 40 to 60 US$ billion/year. The number of fast-food outlets is growing. Table 8 shows the major contract caterers and sales in Europe, for 1998.

Table 08 – Major Contract Caterers in Europe in 1998 and sales in US$ million.

NAME	Operating Countries (first=origin)	European Sales
Compass	UK and several other	3,784
Sodexho	France and several other	3,699
Granada	UK	1,127
Avenance	France, UK, Netherlands, Spain	976
Aramark	USA, Belgium, Germany, Spain, UK, Hungary	750
SV – Service	Switzerland, Germany	294
Pedus Service	Germany, Belgium, Lux., Italy	270
Grouppe Apetito	Germany, France, UK, Netherlands	243
Gruppo Onama	Italy	241
Sogeres	France	235

Souce: Rabobank, 1998.

In Western Europe, foodservice account to approximately 25% of total food and beverage expenditures by consumers, almost half of the percentage spent by Americans (50% in food away from home). Although, it is a growing market segment, due to the growing out-of-home expenditures, demand for convenience, increasing time pressure and desire for fun.
The needs of fast food chains are different from small restaurants, which even can buy the juice at the nearest supermarket and these are also different from restaurants with high-perceived value. Caterers also have different needs depending on where the meals are going to be offered, and brands can be of higher and lower importance (for instance, for airplanes or to workers meals). Caterers and fast-food chains have a growing international orientation and concentration is taking place.

Price comparisons are difficult, and due to the convenience offered to the consumers (environment, service), the product can reach the highest final prices for the chain. Sometimes a consumer can pay US$ 2 for a glass of 200 ml. of orange juice, more than the price of one liter in the supermarket.

Foodservice companies also perform several marketing channels functions, taking title and ownership of products, negotiating, promoting, gathering information, financial flows and other services. Mainly as service companies, their needs are also differing regarding to packages, quality, taste, brands, assortment, delivery and other services.

2.2.3 The Beverage Industry (Bottling)

The bottling industry buys the FCOJ mostly from the Brazilian production. Prices for bottlers fluctuated a lot in the last ten years (from US$ 900 to more than US$ 2000/t), bringing high uncertainty.

A large number of bottlers are operating, more than 400 companies in Germany and 600 in the rest of Europe, giving a total of more than 1000 companies (larger than 3 million liters/year). It is one of the most fragmented sectors of the soft drinks market, with low margins and general excess capacity of around 30% in Europe (source: *Flussiges Obst*)

According to Heijbroek et al. (1998), no individual company has more than 5% of European market share. Table 9 shows the major companies with activities in fruit juice in Europe and the main brands.

The juice companies are becoming part of bigger multinationals beverage companies (the food companies are not so active in beverage markets), with several acquisitions and mergers. Some examples: Eckes merged Granini in 1994, and is the larger European player, operating in Germany, Austria, Czech and Slovak Republic and Hungary. Seagram bought Tropicana in 1988 and Dole Juices in 1995, Coca-Cola bought Minute Maid in 1960, Pernod Ricard bought Orangina in 1981 and Pepsi bought Tropicana from Seagram in 1998 (US$ 3.3 billion).

Table 09: Major Manufacturers and Brands of Fruit Juices in Europe, in 1998

Country	***Producer***	Main Brands
Germany	**Eckes**	Granini, Hohes-C, Dr. Koch's, La Bamba
	Stute	Stute
	Dittmeyer (P & G)	Valensina, Punica
	Riha	Riha Richard Hartung
	Emig	Emig
France	Seagram	Maxime Delarue & Looza
	VJF Joker	Joker, Florida, Poupie, Super Poker
	Marie Brizard Hero	Cidou Les Verges D'Alsace, Rea
	JFA Pampryl (Pernod Ricard)	Pampryl, Bamba, Agruma
	Pepsi	Tropicana
UK	Del Monte Foods	Del Monte, Fruit Burst, Outspan
	Nestlé	Libby's C, Um Bongo, Moonshine
	Coca-Cola Gerber Foods	Five Alive Southern Delight, Sun Pride, Sunny Delight
	Mitsubishi	Prince's
Netherlands	Riedel	Appelsentje, Cool Best, Gondappeltje, Dubbel Drank
	Vrumona	Rivella, Sisi
	Hero	Hero
Italy	Massalombrada/Conserve Zuegg	Valfrutta, Yoga, Jolly Apply, Skipper, Frutta Viva, Soft
	Parmalat	Santal
	Confruit	Confruit
	Del Monte	Del Monte, Batik

Source: produced by the authors using data from Euromonitor/trade interviews Notes: * refers to pure juice only - "Others" include private label

With the entrance of the multinationals and the acquisitions, concentration is getting higher. The top 10 bottlers had around 28% of market share in 1992 and 36% in 1997 (table 10).

Table 10: market shares for the Top-10 juice companies in Europe, in 1992, 1994, 1995 and 1997.

Year	Market shares for the top 10 bottlers
1992	27,8 %
1994	29,1 %
1995	31,2 %
1997	36,2 %

Source: M + M Eurodata in Eckes, 1998

In the USA, where the multinational beverage companies dominate the market, the concentration is higher (3 biggest with almost 47%). Adding this share with the share of private labels, the 4 major brands have almost 80% of market share (table 11).

Table 11 – Market share of brands and private labels in 1997

Market Shares	USA	GERMANY	UK	FRANCE
% 3 Biggest	46.7%	31.5%	27%	27.6%
% Private Label	33.5%	31.5%	31%	33.8%
Other Brands	19.8%	37.0%	42%	38.6%

Source: Euromonitor, in Heijbroek et al, 1998.

Bottlers perform all the typical marketing (distribution) channel functions, taking physical possession and ownership of the product, reprocessing the FCOJ, transforming it in several types of products, providing inventory storage, product transportation, in most times adding a brand, providing information to consumers, adding a sales force, doing marketing research, packages, negotiating, financing (credit checks), takings risks, ordering and doing the payments.

Technological and capital entry barriers are not so high due to relatively low investments in packing lines (estimates indicate that US$ 1 million cost for a line with a capacity around 10 to 15 thousand packs/hour and also these companies can make free the investment for more future payments in packages material).

The *physical assets* of the bottling industry are not so specific, because they can be used for the bottling of other beverages and also be removed, with acceptable reallocation costs. Major package suppliers are *Combiblock* and *Tetrapack*. Some *location specificity* exists, mainly regarding to juice transport costs and the need to be near quality water supply. *Time specificity* exists due to the frequency of delivery desired by supermarkets with ECR and fast-food chains, and the product shelf life.

One of the most important specificities are related with *technology*, for instance the high quality ingredients monitoring process to bring uniform tastes during all year, research for new product development, requiring specific human assets. Brand is also an important and specific asset. Licensing and distribution agreements are also common in the juice industry, with specific relationship investments.

The needs of the beverage industry in the supply of FCOJ depend on their market positioning (in terms of quality, prices and brand). Due to delivery times (product comes in vessels from Brazil), stock costs (refrigerated) and seasonally supply, the logistical process is very important. Also blending and differentiation through adding frozen cells and other attributes is an important alternative. The more differentiated companies regarding to quality also have strong coordination efforts monitoring the fruit production and crushing.

The second objective of the article is to discuss the “swot” analysis produced by the authors based on the interviews.

3 – Strategic Analysis: Discussion of Managerial Implications

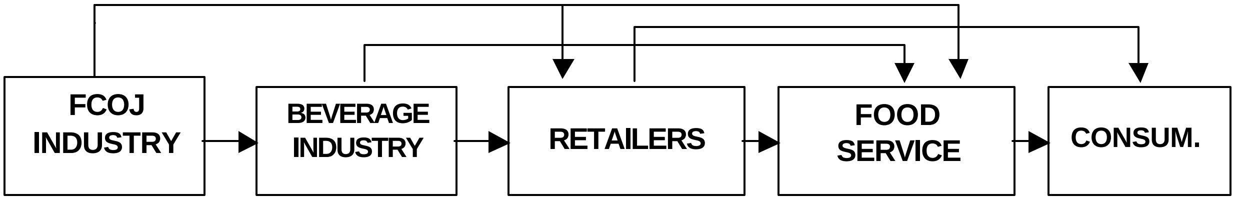
Several changes impact the food chains. Consumers sending messages of needs and desires, an increasing number of innovative new products launched by the food industry, a general concentration in almost all industries/sectors involved, and a strong movement towards reducing transaction costs, mainly due to the lower margins in the chain. All these changes have a high impact on the channels.

Analyses of the strong and weak points for each individual case (company in the channel) is necessary, in order to access competitiveness.

The discussion of what could be strong and weak points in each of the channel parts is summarized in Figure 03. These listed points can be sources of strong points and power for the companies. The same analysis relating to the weak points.

Figure 04 lists the opportunities and threats for the companies involved in the orange juice distribution channels. The companies in this juice chain which have less of the possible strong and desired points listed and have more of the weak points listed, are more subject to the threats listed.

Figure 03: The Distribution Channels: Analysis of Possible Strong and Weak Points



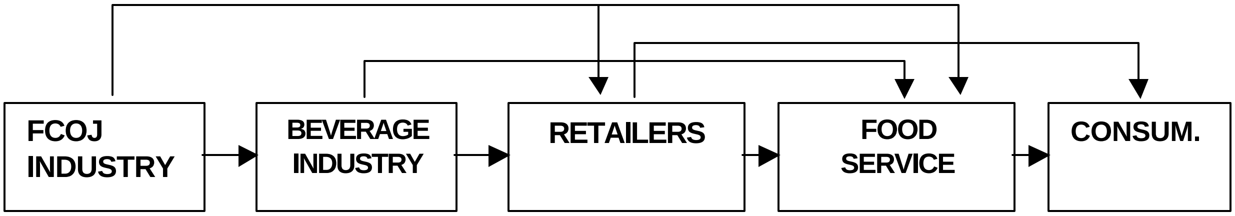
POSSIBLE SOURCES OF STRONG POINTS FOR EACH COMPANY:

• The quality and tradition of the source in Brazil • Consolidation: 6 companies have 80% of market share • Global scale, operating in São Paulo and Florida • Logistics: dedicated vessels, harbor facilities • Low costs • Some control over fruit supply through backwards vertical integration • Other management practices	• Positioning: strong traditional and desired brand or a low cost supplier • Tradition • Full range of beverage products offering "solutions" to retailers: category supplier • Creative advertising and promotions • Physical distribution network • Negotiation power • Strong and successful R&D: product innovation • Linked ECR/EDI • Good relationship with FCOJ industry • Correct use of consumer information • Other practices	• Size and scale: buying power • Offer convenience • Assortment • Geographical and global coverage • ECR/EDI: well build efficient supply chains • Desired private labels by consumers: well known brands and company names • Technological innovations • Human resources • Other differentiation strategies • Other management practices	• Size and scale • Offer convenience • Assortment • Geographical coverage • EFR/EDI: well build efficient supply chains • Buying power • Reasonable price • Nice ambience • Good location • Assortment • Delivery systems • Brand • Human skills and competencies • Well built contracts (caterers and fast-food chains) • Other differentiation strategies • Other management practices	• See opportunities

POSSIBLE SOURCES OF WEAK POINTS FOR EACH COMPANY:

• Deal with commercial and other barriers • Volatile fruit prices • Low control over fruit supply • All the opposite of strong points	• Low market share • Regional basis • Fragmented industry • Family owned • Not so many new products • Overcapacity • Low entry barrier • All the opposite listed as strong points	• All the opposite of strong points	• All the opposite of strong points	• See threats

Figure 04: The Distribution Channels: Analysis of Possible Opportunities and Threats



COULD BE OPPORTUNITIES

• Advance in chain incorporating bottling • Supply directly to retail or foodservice • Coordinate full juice supply range for beverage industry • Alliances with other worldwide juices suppliers • Improve logistics and services • Build strong and reliable relations (contracts) • Global operations: investing in Florida and other producing countries	• Supply to private labels • Develop alternative and diversified channels • Alliances with other beverages suppliers • Better logistic • Outsource bottling, adding only the brand and coordinating the chain • Develop niche markets, innovation • European brands • More fresh products • Lower FCOJ import tariffs • Harmonization of Institutional environment	• Increase of private labels share • Efficient Consumer Response - Chain management • Harmonization of institutional environment • Electronic commerce • Category management • Fast food inside retail • Euro currency - more cost and price comparisons • Buying groups of retailers • Internationalize • Open new formats • Traceability	• Worldwide growth • EFR – Efficient Foodservice Response - Chain management (mainly fast food and caterers) • Harmonization of institutional environment • Euro currency and cost comparisons • New formats: fun, convenience • New ethnic foodservice companies • Urbanization of population • Higher place usage: frequency/day (other hours) • Traceability • Buying groups	• More price comparison due to Euro single currency • Cheaper orange juice • Mixed orange beverages • Well- informed • Environmental concern: organic • Labour concern: labour friendly • Healthy diet juices • Higher incomes • Wants convenience • Quality assurance

COULD BE THREATS

• Other sources: Mexico, Israel, Spain, Florida, Poland, Hungary • New products and juices that contain less orange • Fruit growers organization (pools) increasing power • Increase in protectionism • Lack of knowledge at final consumers about the Brazilian origin of the FCOJ • Orange fruit diseases	• Growth of private labels • Be "jumped" by FCOJ industry • Concentration: be squeezed in the chain • Growth of Brazilian internal market and others, competing for supply • Orange fruit diseases • Entrance of multinational brands • Inst. environm. packages laws • Low entry barriers	• New entrants in local markets • The Euro and price comparison by consumers • Growth of foodservice • Electronic commerce • Institutional environment (legislation and restrictions), regarding packaging, size, competition, and others.	• Other formats gaining market share • "Home meal replacements" sold by retailers • Globalization and consolidation: new entrants • Highly dependent on economic factors • The Euro and price comparisons by consumers	• No more orange juice to drink

5 – Final Considerations

These lists of possible strong and weak points, opportunities and threats are far away to be exhaustive. Other factors can be listed. But a major lesson is that several opportunities exist. Recognizing market segments and their respective needs, and organizing vertical coordinated chains (agri-systems, as proposed by Zylbersztajn & Farina, 1998) is a major issue. These specific chains, for example, could be organized to satisfy the very specific and different needs of discounters, full service retailers, or fast-food chains, or organic juices segments, among others.

A reduction in transaction costs through these more "contract stable" agri-systems (chains), taking advantage of aspects like lowering stocks, better financing, more connected logistics and smoother flow of products, faster information flow, more creative promotions and fast adaptability to external impacts are important actions for the companies.

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