A Marketing Strategy For Innocent Smoothies UK
Business Report

1. Introduction
Following a 30% downturn in the UK smoothies market and a significant decline in market share, Innocent have commissioned a report evaluating the UK smoothie market that recommends a marketing plan for the Smoothies product range in the UK for the next two years.
The objective of this report is to inform Innocent of the status of the current climate, and propose options to grow sales and market share.

2. Methodology
This report is compiled primarily from secondary research. Quantitative data will be sourced from business databases such as Mintel and qualitative data will come from sources such as BBC Online.
A wide range of comparative data will be used to ensure a balanced report. A PESTEL analysis will be used, however not in the acronymic order. A SWOT analysis of the current Innocent business will be used.
*The Analysis of data will inform the recommendations given.*

3. Analysis & Findings (Part 1)
3.1 Economic Factors
Gross Domestic Product (GDP) 2004 – 2009
The graph below shows the development of GDP for the period Q3 2004 to Q3 2009.
GDP fell from a steady 2 – 3% into a rapid decline in 2008 and to a low point of -5.5% in 2009. This decline in GDP reflects the reduced demand for goods and services both in the UK and worldwide. The resulting increase in unemployment and decline in consumer confidence had an adverse impact on business performance.

Consumer confidence is a key indicator for any business as this will impact buying decisions. The luxury goods sector will be impacted harder as consumers focus on essentials such as fuel, food and clothing. Personal debt levels have reduced as a consequence of the consumers lack of confidence in the employment market. To stimulate growth in the economy the Bank of England has reduced interest rates (see appendix 2) to the lowest levels for decades however, consumer confidence still remains low as unemployment continues to grow (see appendix 1) and consumers are unwilling to spend on the high street.

**Key Points**

- Consumer confidence is low in spite of actions to stimulate recovery
- Unemployment levels remain high
- Interest rates are low are will remain low for the foreseeable future

**How does this relate to Innocent?**

The recession is one of the main reasons why Innocent is losing sales and market share. High unemployment levels and low consumer confidence has caused consumers to switch to cheaper brands, e.g. own brand supermarket smoothies, or even juices so that they are still able to obtain their fruit, but cheaper.

Premium high street brands such as Waitrose are introducing own label lower costs competing products.

As Innocent is a premium brand, a review of the sales and marketing strategy is key to growing sales and market share, in a changing market environment, where Innocent are the key market leaders.

Innocent will also have to consider to what extent their target consumers (ABC1’s) are being affected by the recession.

Consumer confidence is forecast to steadily increase as we gradually head towards positive GDP.
3.2 Ageing UK population
The graph below shows the 2009 age distribution of the UK.

In mid-2008 the average age of the population was 39 years, up from 37 in 1998.” (Direct Gov, 2009)
The graph above visually demonstrates the age structure of the UK in 2009.

“The number of 45-54-year-olds is set to rise, underlining the importance of extending the appeal of smoothies beyond the core range of 16-34s.” (Mintel Group, 2008)

As smoothies are predominantly a ‘younger product’, the strategic importance of broadening the age range of consumer is clear. The future market segmentation and product range of Innocent should include a strategy to attract these consumers, who typically have more disposable income.

Ageing population is not a fast moving process, but is something that Innocent will have to deal with at some point. Innocent may have to re-asses their brand image to focus on the right segments. It must also be considered that in the long run, consumers who have grown up with smoothies may continue consuming throughout their life.

3.3 Sociocultural Shift Towards Healthy Eating
The last few years has seen a major media push and government campaigns regarding the benefits derived from a healthy lifestyle. Consumers are becoming increasingly educated, and demanding of healthy options, Innocent’s products are suited to meet these needs.

“80.6% of respondents agreed that over the next 5 years consumers will increase their uptake of functional health products, but will also continue to indulge.” (Kemsley, 2006)
Marketers need to look at the opportunities that maybe present with the psychographic subsection that are switching from an unhealthy lifestyle to a healthy one, their needs should be looked at from different perspective than the more educated consumer, e.g. packaging may need to be clearer.

3.4 Coca Cola Investment

“Innocent, the defiantly non-corporate maker of fruit smoothies, juices and veg pots, has finally lost its innocence after selling a stake to US giant Coca-Cola for £30m.” (Sweney, 2009). Innocent’s brand ethics are at stake due to this take over, as Coca-Cola are an aggressive and predatory conglomerate that is not recognized as having complementary values as Innocent. Any adjustment to product line up, pricing, or marketing must be considered in the context of the Coca Cola investment to ensure that they are not perceived by the consumer as a sell out of an Innocent’s values.

3.5 UK Smoothie Market

UK original and re-forecast retail sales of smoothies, by value, 2003-13. (Mintel Group, 2009)

This graph demonstrates the impact of recession on sales across the UK smoothie market. The projection is for a return to slow growth in 2010.
3.6 Competitor Analysis

Below is a comparison of key brands within the market.

<table>
<thead>
<tr>
<th></th>
<th>2006 £m</th>
<th>2007 %</th>
<th>2008 (est) £m</th>
<th>%</th>
<th>% change 2006-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innocent</td>
<td>96</td>
<td>59</td>
<td>141</td>
<td>66</td>
<td>154</td>
</tr>
<tr>
<td>PJs</td>
<td>23</td>
<td>14</td>
<td>25</td>
<td>12</td>
<td>27</td>
</tr>
<tr>
<td>Tropicana</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Own-label</td>
<td>41</td>
<td>25</td>
<td>44</td>
<td>21</td>
<td>46</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>163</td>
<td>10</td>
<td>214</td>
<td>101</td>
<td>246</td>
</tr>
</tbody>
</table>

*According to recent reports, Innocent now has around an 80% market share (IRI Infoscan, 2009). Whilst market share for Innocent has declined, revenues are up year on year. Sector growth for Innocent is very strong in spite of the prevailing market conditions. A growth of 60% 2006 vs 2008 compares to their nearest rival of only 17.4%. The competitors are relatively few with only PJs and own label delivering any material volume into the market. Tropicana are small at present but if focused on growth will present themselves as a serious competitor in the segment in the medium term due to their retail reach in the premium juice segment.

3.7 Internal (SWOT) Analysis

Strengths

- **Market Share** – Innocent currently controlling 80% of the market (IRI Infoscan, 2009)
- **Friendly & Ethical Brand Image** – customers know what they are getting and where it came from, with minimal external impact. Globally known and respected. This is could be considered Innocent’s greatest strength.
- **Smoothies Still in Growth Stage of Product Lifecycle** – therefore there is still good scope for growth of smoothies, but line extension is also a possibility.

Weaknesses

- **Relatively Price Inflexible** - due to high production costs and sourcing logistics, making reduction of production costs unlikely, either from negotiation or sourcing new supplies. Innocent is currently seen as a premium brand, by lowering price consumers may not think of it as a premium brand any longer, or Innocent may only be able to sell at the reduced price.
Opportunities

- **Government Policy** – Promoting 5 a day campaign, therefore could generate interest in Innocent as a healthy alternative
- **Growing market** – 09 – 10 growth predicted at 6.6% (Mintel Group, 2009) adjusted for economic downturn

Threats

- **Competition** – has increased a lot, with particular pressure from own label brands such as Tesco and Asda. These brands are positioning themselves as low cost alternatives, thus a major threat to Innocent’s premium position that consumers may not be able to currently afford.
- **Economic Factors** – Due to the recession and declining consumer confidence, disposable income has decreased, therefore sales have been affected negatively.

3.8 Key points from analysis for implementation into marketing strategy

- Current brand image needs to be retained through recessionary marketing strategy.
- Consumers have lower disposable income due to recession, and are much more price sensitive. Value for money needs to be pushed.
- Strong competition from own-label brands, mainly competing on price but possibly trying to replicate the Innocent brand image.
- UK Smoothie Market is still growing despite recession.
- Ageing UK population. The older generation has the lowest smoothie usage so this needs to be targeted.
- Growth increase trend still continuing within online advertising.
- Consumers are becoming more health conscious than ever.

4. Marketing Proposal (Part 2)

4.1 Tactical Offers, Instead Of Price Strategy

Due to consumers having lower disposable income, value for money will be a major issue for them. Therefore Innocent should consider using a BOGOF (Buy One Get One Free) strategy.

A BOGOF strategy may help Innocent avoid commoditisation, but is able to offer value for money and reduce the price sensitivity currently being felt within the market place.

4.2 Sell A Unique Smoothie Flavour Exclusively To An Premium Supermarket (Premium Volume Channel)

Innocent could develop a new flavour of smoothie as a limited edition product. Then Innocent should negotiate an exclusivity deal with an premium supermarket, e.g. Waitrose. As Waitrose has an exclusivity deal, Innocent can demand better product placement within the shop e.g. end of isles to maximise sales.

This strategy would enable Innocent to drive sales of their exclusive product, but at the same time increase awareness of the innocent brand and existing products due to Innocent being prominently displayed throughout the store. Therefore Innocent sales should increase throughout the store, pushed by the exclusivity deal.
Sales are more likely to increase in a store like Waitrose due to Innocent’s target market of ABC1’s (ABC1’s are increasing by 19.6% from 2008 – 2013 (Mintel Group, 2008) ) are more likely to shop at Waitrose, therefore they are still likely going to be able to afford Innocent’s products.

4.3 Innocent Traditional For Older People

Innocent could develop a new range of smoothies targeting the older generation.

“The number of 45-54-year-olds is set to rise, underlining the importance of extending the appeal of smoothies beyond the core range of 16-34s.” (Mintel Group, 2008)

Therefore if Innocent were to develop a new range of smoothies, targeted towards the older generation, in terms of both flavours and branding, Innocent could potentially tap into the older consumer within the smoothie market.

For example, the range could be called Innocent ‘traditional’ and use flavours that the older generation can relate to, maybe from their younger years, or reminders of home cooked recipes or teas, e.g many of the ingredients that are used in herbal teas could be transferred into the smoothie market, such as artichoke, ginger, rosemary, sage. As herbal teas are popular with this age range, Innocent ‘traditional’ could be seen as a breakfast drink, possibly alongside herbal tea, or an alternative to it.

4.4 Getting Innocent On A Restaurant Menu Such As Tgi’s

Another consideration for Innocent is to get the smoothies into the restaurant market. Innocent could do this by negotiating an exclusive contact with a restaurant (e.g TGI’s) to put Innocent smoothies on the menu to accompany meals. They could even consider offering special combo deals for ordering meals that reflect innocent’s brand morals, e.g. offering a half price smoothie with a salad. This could be a powerful technique as the consumer who orders a salad is also likely to be health conscious, and would therefore consider the smoothie, especially due to the price promotion, but more importantly may incorporate an Innocent smoothie into their weekly shopping list.

Therefore this strategy will drive sales through restaurant chains, but more importantly promote through restaurant chains, and driving sales within out outlets e.g. supermarkets due to the cues imposed within the restaurant.
4.5 Innocent Alcohol Free Cocktails
Innocent could consider launching a smoothie range that is a direct replacement for non-alcoholic cocktails. The product will still be a smoothie, however just in cocktail flavours such as Pina Colada, or Woo Woo.

However positioning of this product maybe difficult, is it a cocktail replacement, or is it a smoothie? This needs to be decided as the products literal positioning within store will be determined from this, i.e. does it line up next to the other smoothies, or is it placed within the party beverages section?

Innocent would also have to consider the impact that alcohol free cocktails could potentially do to the Innocent brand. As Innocent is a ethic and health focused company, being associated with cocktails could potentially damage these associations. One possible options is to rebrand the cocktail range to try and keep association away from Innocent.

4.6 Marketing Strategy, Through The Marketing Mix
Price
Pricing strategies have not been used to avoid commoditisation, which would ultimately damage the brand irreparably.

Product
Innocent Alcohol Free Cocktails
Here we are creating a new range of smoothies in the style of cocktails. By changing ingredients and flavour to replicate famous cocktails, we are creating alcohol free alternatives that are also good for you.

Innocent Traditional
Innocent smoothies targeted at the older generation. This range will use ingredients and packaging that the older generation can associate with.

Unique smoothie flavour to an super market (premium volume channel)
A new flavour that will either be limited edition or only sold through one outlet, must have a mass appeal.
Promotion

*Unique smoothie flavour to an supermarket (premium volume channel)*

Exclusivity should give Innocent prime positioning instore, e.g. end of isle. This will not only drive sales of the exclusive product but also sales of other smoothies and products due to the brand being prominently displayed.

**Innocent on a restaurant menu**

This uses in store promotion within restaurant i.e. on menu. This should also increase awareness about the product, and lead to repeat sales not only from restaurant but also from supermarket sales. Innocent could use a ‘meal deal’ incentive e.g. ‘when you buy a salad you get an Innocent smoothie half price’ this drives sales but also creates a healthy association between Innocent’s products and salad.

**BOGOF strategy**

Using a BOGOF (Buy One Get One Free) strategy enables Innocent to give the consumer more value for money, should not tarnish Innocent’s brand image at that same time, due to the price being the same.

Place

*Unique smoothie flavour to a supermarket (premium volume channel)*

Exclusivity will grant premium shelf placement. Supermarket must be popular with the ABC1’s who are more resilient to the recession, and willing to spend money on Innocent’s products. E.g. a supermarket like Waitrose might be good, as they serve the right customer base for this strategy to work.

**Innocent on a restaurant menu**

Will distribute from restaurants, either at the bar or with a meal. Can be freshly made on premises, however deliveries of premade smoothie may warrant less risk in terms of quality. This will be very much a selective channel strategy.
4.7 Recommendations

The table below summarises the key facets of each of the proposals and measures them against key criteria the results are derived from the analysis carried out in this paper and lead to the recommendations detailed below.

<table>
<thead>
<tr>
<th>Idea</th>
<th>Ethics</th>
<th>Scale</th>
<th>Ease</th>
<th>Speed</th>
<th>Cost</th>
<th>Profit</th>
<th>Strategy</th>
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</thead>
<tbody>
<tr>
<td>1.Tactical Pricing</td>
<td>No</td>
<td>Yes</td>
<td>Easy</td>
<td>Easy</td>
<td>Low</td>
<td>Yes</td>
<td>Deterrent</td>
</tr>
<tr>
<td>2.Innocent Traditional</td>
<td>No</td>
<td>Poss</td>
<td>Hard</td>
<td>Long</td>
<td>High</td>
<td>Yes</td>
<td>Medium</td>
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<tr>
<td>3.Premium Volume</td>
<td>No</td>
<td>Yes</td>
<td>Med</td>
<td>Med</td>
<td>Med</td>
<td>Yes</td>
<td>Cut</td>
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<tr>
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<td>4.Innocent Cocktails</td>
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<td>Med</td>
<td>Long</td>
<td>High</td>
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<td>Possible</td>
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<td>5.Restaurant Menu</td>
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<td>Med</td>
<td>Low</td>
<td>Yes</td>
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</tr>
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</table>

Therefore in terms of short-term strategy, I would recommend idea 3 (premium supermarket) and idea 5. I would recommend these ideas because they would be quick to employ, but will also reach new markets with existing products, potentially expanding Innocent’s customer base, driving sales & growing market share.

For long term strategy idea 2 would be best as it approaches a relatively untouched demographic segment. This strategy would take longer to implement, however in the long run could be highly profitable, in line with the company’s objectives of growing profits and market share.

I would recommend dropping idea 1 and idea 4 as they are potentially damaging to Innocent’s respected ethical brand image. Idea 1 would head Innocent towards commoditisation, and would leave them competing with own label brands. Idea 4 would associate the brand with alcohol consumption, as Innocent is a health based products this would generate conflicting messages.
5. Conclusion

Innocent is still the market leader and must look for partners where their ethics and branding are corresponding, with the aim of reaching consumers with more disposable income.

Innocent must also look at targeting segments currently not being catered for and could do this with Innocent Traditional. This must be branded distinctively from existing Innocent products in order to retain existing customers.

These strategies should grow both sales and market share, whilst retaining Innocents core values in the long term, driving Innocent beyond 2009.

6. Bibliography

7. Appendix

Appendix 1

[Graph showing working age employment rate and unemployment rate from June-Aug 2007 to June-Aug 2009.]

Appendix 2

[Graph showing Bank of England interest rates from August 2008 to March 2009, with a historic low of 0.5% in March 2009.]

SOURCE: Bank of England
Appendix 3
UK Smoothie Market Advertising Spend

Above shows the distribution of UK spend in advertising within the smoothie market. TV is the most popular, followed by press and outdoor. This shows use that there maybe scope to exploit relatively untapped advertising areas within the market.

This is an example of a typical marketing based business report.

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