



# Orange juice on the Brazilian market: A viable alternative in the face of declining demand in Europe and the United States

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# MARKESTRAT



# AGENDA:

- Introduction
- Research Questions and Objectives
- Method Used
- Literature Review
- Results
- Conclusions and Managerial Implications
- Major References





# Introduction

- In nearly 50 years: **US\$ 60 billion** to Brazil;
- Brazil is responsible for **53% of world production** and exporting roughly **98% of this production**;

- Exports from the Brazilian citrus complex in 2011:
  - ✓ **2.4 million** tonnes of product
  - ✓ **US\$ 2.7 billion** in revenue
  - ✓ Representing about **3%** of Brazilian agribusiness exports



- Europe - absorbs roughly 70% of Brazil's export volume – reduce 5% in 8 years
- USA - absorbs roughly 70% of Brazil's export volume - reduce 21% in 8 years





# Research Questions and Objectives

## Research question:

- Which **business model** and **go-to-market strategies** could be used to increase the consumption of orange juice on the **Brazilian domestic market**?

## Objectives of the study:

- To present information clearly and objectively about the **current situation** of the Brazilian citrus-growing sector
- To analyze an **alternative** to the current **crisis of international consumption** of orange juice faced by this sector





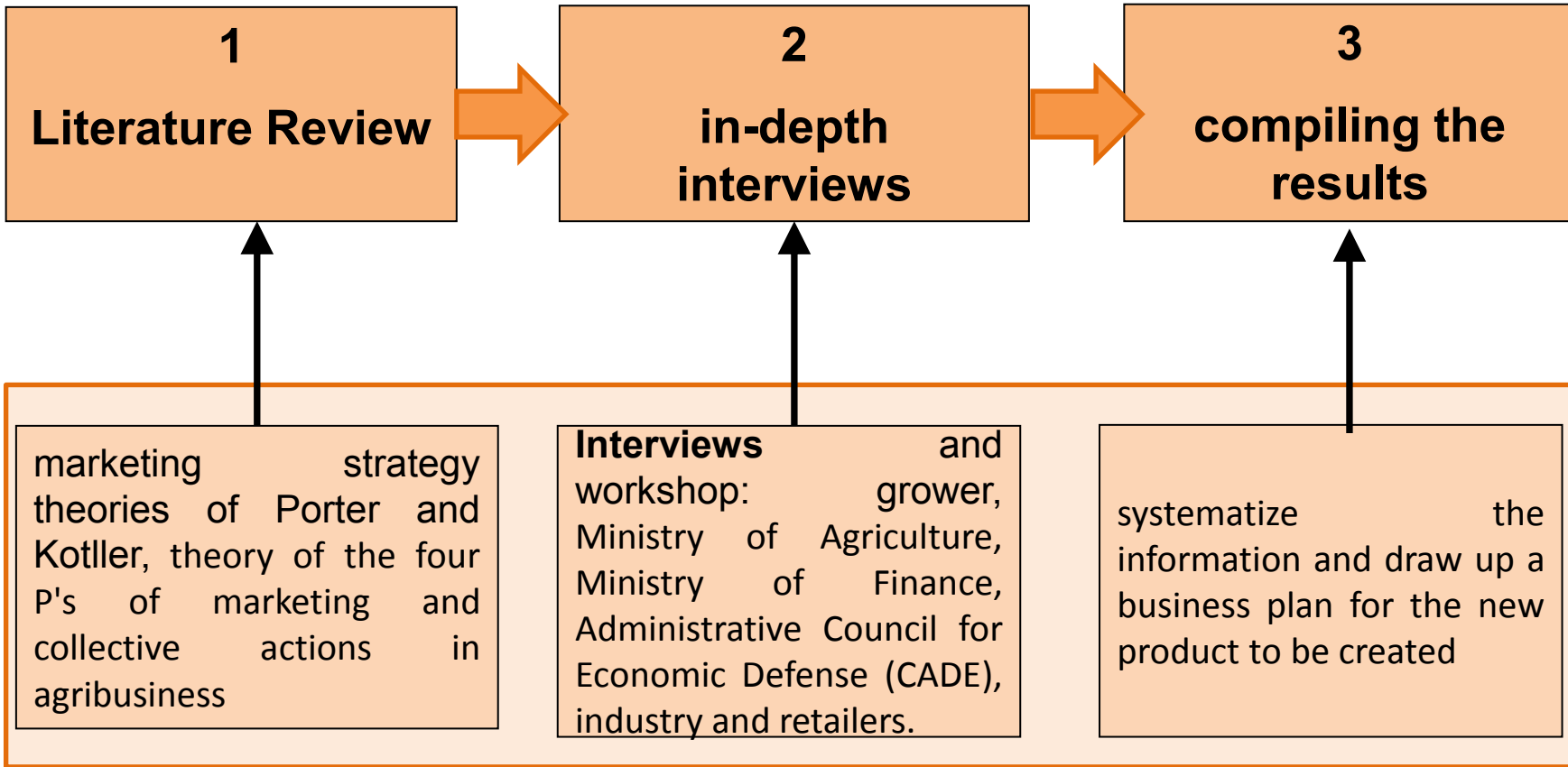
# Literature Review

AUTHOR	YEAR	CONTRIBUTIONS
Frezza	1998	Concept of Business model
Hax & Majluf	1991	Segmentation
Kotler	1996	Segmentation, differentiation and positioning
CZINKOTA et al.	2001	Mix marketing
Stern et al.	1996	Distribution channels
Saes	2000	Collective actions
Sheth	2011	characteristics of emerging markets





# Method Used





## 2003 – 2010:

- Global consumption of orange juice fell **5.3%**
- The most significant drop was in Germany, at **22.8%**
- U.S. with a decrease of roughly **20%**
- US and Germany corresponded to a decrease of **363,000 tonnes** of FCOJ equivalent in annual sales = **90 million boxes** of orange per year
- In just one year, emerging markets consumed **42,000 tonnes** more FCOJ



# Results:

## Analysis of Consumption

Consumption of orange juice in the 40 top markets, grouped by continent

Continent	2003	2010	Variation (2003/2010)
North America	1,117	930	-15.3%
Europe	910	903	-1.4%
<i>Western Europe</i>	797	746	-7.0%
<i>Eastern Europe</i>	113	157	38.2%
Asia	232	268	15.4%
Central & South America	88	108	16.0%
Oceania	45	47	5.6%
Africa	23	33	40.3%

Source: Prepared by Markestrat based on data from Tetrapak and Euromonitor.

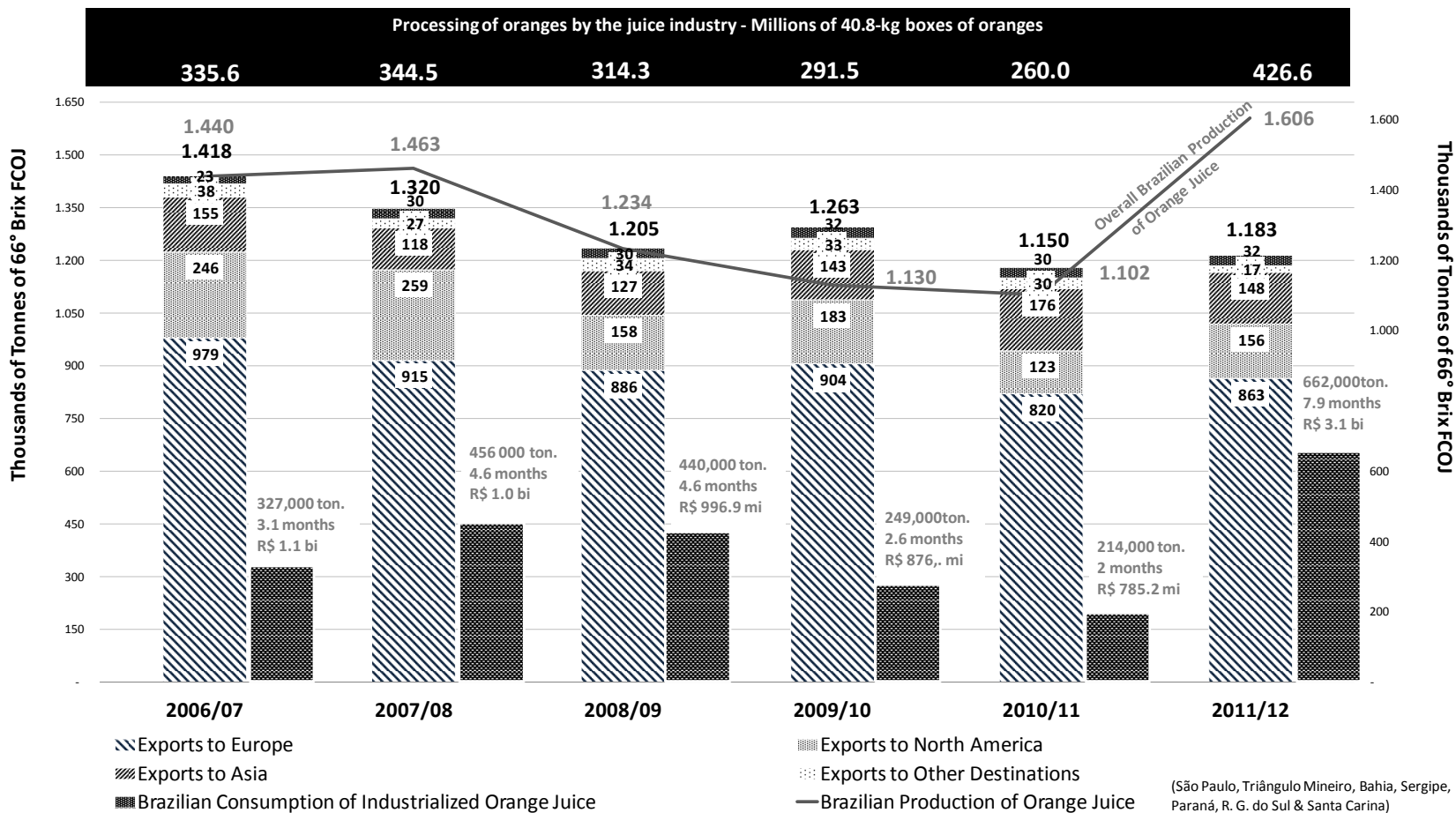
- The consumption in the **next year?**
- **Europe** is again facing a severe **crisis**
- The stable **price** of concentrated juice at levels above the previous year





# Results:

## Current situation of supply, demand and carry-over stock of Brazilian orange juice







# Results:

## Product



- 100% orange juice
- Not from concentrate (NFC) or reconstituted (FCOJ)
- The juice will be packaged in 1-liter, 330 ml and 200 ml Tetra Paks
- The brand to be created, "Consortium-Consecitrus,





# Results:

## Price

### Unit Cost – 1 liter

#### Breakdown of the recommended price of 100% reconstituted orange juice

R\$ per Liter – Orange juice reconstituted to 11.8º Brix

Final price of frozen concentrated orange juice delivered to the packaging plant FCOJ 66º Brix - including INSS (Social Security contributions) Agribusiness R\$ 0.7588

Final Price of frozen pulp - U\$ 800/ton - 11.8º Brix - 6% Dosage - including INSS (social security contributions) of agribusiness R\$ 0.0951

Aroma – U\$ 151/pound to 2 pound per 20,000 liters R\$ 0.0320

Loss of 1.5% of Orange Juice during the packaging process and industrial CIP R\$ 0.0114

Cost of packaging the juice - Co-packing - Full service R\$ 0.2900

Cost of packaging materials: Tetra Pak cartons, tray, shrink wrap, and cardboard boxes R\$ 0.4072

**Total Operating Cost of packaged orange juice delivered to the CD of the retailer R\$ 1.7968**

Overhead R\$ 0.0250

Investments on promotional marketing of orange juice R\$ 0.1914

**Final Cost of packaged Orange Juice delivered to the CD of the retailer R\$ 2.0132**

Agreed funds "Big Chains" - 15% R\$ 0.5060

Recommended Retail Price of packaged orange juice, free of taxes - "Big Chains" R\$ 2.5192

ICMS on retail sales R\$ 0.3023

Tax Substitution Cost R\$ 0.1300

PIS / COFINS on final operation R\$ 0.2610

Mark-up of the Business - Break Even Point - 5% R\$ 0.1606

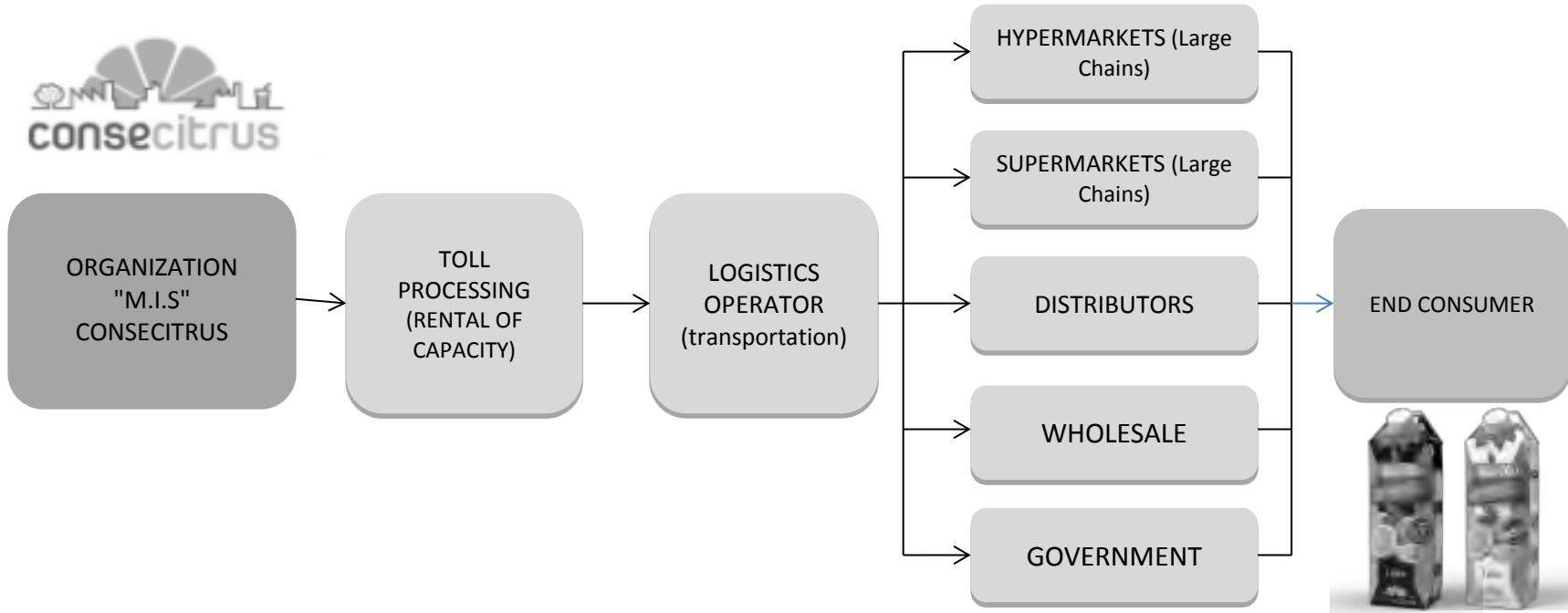
**Recommended Retail Price of packaged orange juice with taxes - " Big Chains" R\$ 3.3731**

Mark-up "Big Chains" - 30% R\$ 1.0119

**Recommended Retail Price of packaged orange juice on the shelf "Big Chains" R\$ 4.3850**



# Results: Market



**Figure 2. Network of Sales and Distribution channels**

*Source: Prepared by the authors.*





# Results:

## Promotion

Target publics	Objectives	Communication mix	Budget	Measuring	Management
<ul style="list-style-type: none"> <li>End consumer</li> <li>- Parents</li> <li>- Children and teenagers</li> <li>- Singles</li> <li>- The elderly</li> <li>- Athletes</li> <li>- Classes: A, B, C</li> </ul>	<ul style="list-style-type: none"> <li>- Try the product and understand the difference (compared to other beverages)</li> <li>- Try it</li> </ul>	<p><b>Message: placement Advertising</b></p> <ul style="list-style-type: none"> <li>- TV concept</li> <li>- Digital media (gaming sites, Concecitrus with new concept)</li> <li>- Interviews</li> <li>- AM and FM radios: functional and economic arguments</li> </ul> <p><b>Sales promotion and point-of-sale promotion</b></p> <ul style="list-style-type: none"> <li>- text explaining the concept</li> <li>- tasting and sampling</li> <li>- sporting events</li> <li>- push Marketing at points-of-sale</li> </ul> <p><b>Public relations and advertising (press office)</b></p> <ul style="list-style-type: none"> <li>- News in newspapers and magazines</li> <li>- Government announcements</li> <li>- TV explaining the concept: Globonews, Globe reporter, Youtube and digital media.</li> </ul>	<p>R\$ 20 million in 2013 (R\$ 0.19 per liter)</p> <p>R\$ 25 million/year, from 2014 to 2020</p>	<ul style="list-style-type: none"> <li>- Recall research</li> <li>- Access site</li> <li>Buzz marketing</li> <li>- Degree of knowledge</li> <li>-</li> <li>Acceptance of the idea</li> <li>- Sales</li> </ul>	<ul style="list-style-type: none"> <li>Arrange the steps in order</li> <li>Thinking of and strengthening the document</li> </ul>
<ul style="list-style-type: none"> <li><b>Opinion leaders</b></li> <li>-Health: doctors and nutritionists</li> <li>- Government</li> <li>- Union</li> <li>- NGOs</li> <li>- Production chain</li> <li>- Retail self-service</li> <li>- Producers</li> <li>- Facilitators</li> <li>- Associations</li> </ul>	<ul style="list-style-type: none"> <li>- Expansion of existing demand</li> <li>Recommendation and endorsement by healthcare professionals</li> </ul>				



# Conclusions and Managerial Implications

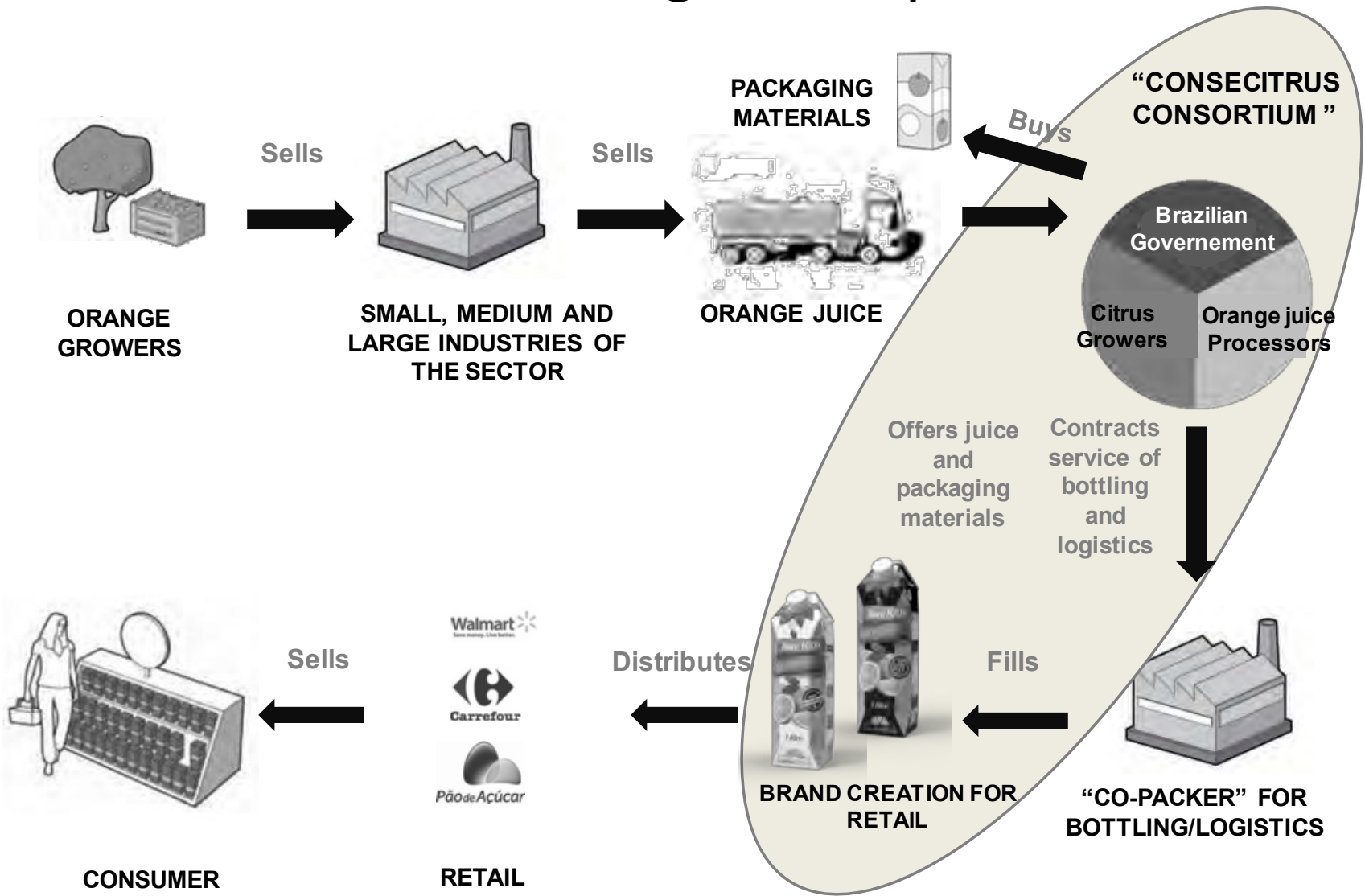


Figure 2: Representation of the business model for the development of the domestic market.

Source: Developed by the authors.



# Conclusions and Managerial Implications

- Can see that the Brazilian citrus chain has a **viable alternative to reduce the effects of the consumption crisis** in the main consumer markets
- The solution to the current crisis in the Brazilian citrus sector necessarily **depends on aggressive public-private policies**
- In this paper, with the strategies operationalized, we estimate a market of **984 million liters of 100% orange juice** in 2020, which will require **50 million boxes of oranges**.
- This initiative will help ensure that this production chain can remain competitive, providing better quality of life for society and further development for Brazil.





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Thank You

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