Environmental Scan Project

SHOCK ENERGY DRINK

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Marketing I
Today’s society is becoming more and more fascinated and addicted to energy drinks. Companies have high profits and extreme levels of interest throughout the market. Since the energy drink market is new, consumers are willing to try different brands in order to determine their favourite. We are now seeing energy drink companies becoming more than just a beverage, the companies are becoming sponsors for many athletes. Having seen that the energy drink market is very successful even with the various health concerns, companies such as Red Bull are still making exceptional profits. With all of this positive information, and high number of consumers, we have decided to create our own energy drink called SHOCK. Our company would have various flavours such as; Crushing Cherry, Buzzing Blueberry, Stinging Strawberry, etc.

After graduation we would like to start our company, but in order to do this we need to determine all the benefits and liabilities of going into this market. We have chosen to do an environmental scan project which allows us to research on various statistics based upon owning your own company. This allows us to get a feel for the market and figure out how we will be able to work under today’s challenging economy. We will be able to determine the costs of owning our own company as well as the amount of profits we could make in this market. This environmental scan is giving us a chance to learn about how the energy drink market works, and the different ways to advertise our company. With all the different companies in this market we are able to teach ourselves different ways to gain our own consumers, so we can have one-to-one marketing.

**Economic Forces:**

The main trends for the economic forces that are seen to best help determine if we should continue to create our product or not are as follows: consumption rate, consumer’s income, and inflation rate. Firstly, consumption rate is the amount of the product that is being consumed in a certain period of time. The more consumed the better opportunity our product will have. The next trend is consumer’s income. Consumer income is the amount of income you are receiving yearly. The higher the consumer income the better our product will do in today’s economy. The last trend for the economic forces is inflation rate. Inflation rate is the percentage rate of which the price of goods and services increase. For us to be able to launch our product we are hoping the inflation rate will be low.

- From a study in October 2007, it is seen that 51% of college students drink 1-4 times a month.
- When these energy drinks contain alcohol, the students tend to drink 3 or more.
- From 1996 to 2006 the average consumer income in Ontario has increased from $65,330 to $72,734, this is seen in Appendix A.
- Consumer income is rising, but it is starting to rise at a lower rate.
- Throughout past years the inflation rate has increased and then decreased.
- From 2008 to 2009 the inflation rate increased from 2.10% to 2.40%, this is seen on Appendix A.

It is seen that the consumption rate is high, especially among young adults, such as college students. With the amount of energy drinks they drink monthly this could create an opportunity for our product. The consumer’s income has been increasing over the years, and we believe that it will continue to increase, just at a lower rate. In that case, this would also create an opportunity for our product because people use energy drinks to get energy. Lastly, the inflation
rate fluctuates greatly over the years and at this point we are seeing increases in the inflation rate. Having a high inflation rate will create a threat towards our product. Based on the majority of our trends, the economic factors overall would be an opportunity for our energy drink, SHOCK.

Key social, cultural, demographic variables:

The life-styles topic deals with the habits, attitudes, tastes, moral standards, and the economic level. This will cover everything from the popularity, health problems, the growing popularity of energy drinks, and most importantly the social trends.

- Consumers downed 1.9 billion cans of red bull last year, generating just about $2 billion in revenue
- Sales are growing annually at a 40% clip. Last year Red Bull sold 700 million cans in the U.S.; this year it hopes to sell 1 billion.
- Energy drinks are sold in over 130 countries
- In 2006 Red Bull, the biggest energy drink on the market today, made a revenue of €2.6 billion, an operating cost of €1.3 billion, and there for a net income of €650 million. And the numbers keep going up and up
- With less than 20 years in the marketplace the category already accounts for 4% of the total Canadian soft drink market (and 7% of the american market). Energy drinks are projected to lead the beverage sector in growth in per capita purchases, volume consumption and total value through 2011.
- an average annual growth rate of 5.7% from 2001 – 2006
- Forecasts suggest that energy drinks will see an average annual growth rate in value terms of 5.5% from 2007 – 2011
- energy drinks are the second largest segment in the functional beverages market in terms of volume sales and consumption volume.

All the information shown in this paragraph proves how well energy drinks are doing in sales, they are making great amounts of profit and also the numbers are going up and are expected to go up even more in the future. This is why I believe that it is an opportunity, showing all the positive sides of the energy drink. Knowing all of this it makes me even more confident that we will be able to pull the positive numbers, also the fact that energy drinks are still new so there is competition, but not as much.

Attitudes toward product quality, this deals with the quality, health concerns of our product, it is very important to know about the importance’s of the quality of health, and the product because people are willing to pay more for a product that is healthier and good quality. That is why we also offer a sugar free energy drink in every flavor.

- For every 20oz. energy drink you drink it takes 6.3 gallons of water to flush it out of your kidneys. The average person drinks 6.3 gallons of water in 23 days.
- The average energy drinker drinks 2 energy drinks a day to equal the sugar in 2 Monster you would have to eat 13 scoops of ice cream a day
- Was originally used to cure jetlag, by giving you that extra energy when you were feeling sleepy
• According to regulatory guidelines, bottles and cans of regulated energy drinks must bear warnings that no more than 500 millilitres of the product be consumed in one day, and that it should not be mixed with alcohol or consumed by children or pregnant women.

There are threats, as there is with every company, showing all the bad side but it is good to know it up front, and even with all the bad health problems, there are still great amounts of profit. Yes there are health concerns with energy drinks as there is with pop and chocolate bars and lots of food products. That is why it is good to know about them before hand, so you know what we are up against and some of the challenges we will have to over come, and even with there health concerns they are still making great amounts of profit and keep getting more and more popular.

Political Forces:

The main trends for the political forces that are seen to best determine whether we should continue to launch our product or not. The trends are as follows: protests, regulations, and taxes. First up are protests. A protest occurs when people feel strongly in favour, or against a certain situation, usually against it though. Having protests against energy drinks will not help our product. The next trend is regulations. Regulations are rules that control human and societal behaviours. As long as there are no strict rules saying our consumers cannot drink energy drinks than our product will be fine. And lastly are taxes. Taxes are seen on almost every product and we need to try and keep our taxes low, or consumers will not want to purchase our product.

• A study from 2008 showed that people want to ban energy drink from children.
• The protesters argue that energy drinks are disturbing the children’s blood pressures.
• Energy drinks have to have regular reviews and make sure their products are safe.
• Regulations state that energy drinks must have cautions on all levels.
• Regulations state that energy drinks must have all warnings and side effects as well.
• Taxes are divided into many different sections; this is seen in Appendix A.
• The US senate is trying to create an Energy Drink Tax, to help create healthier choices.

After looking into all of the data, it is seen that protests are going on, but not enough to harm our product. This is a threat towards our product, but not a big one. The regulations that energy drinks contain are not a threat towards our product. It is understandable to have cautions and warnings on the labels of the energy drinks. I believe that this would be an opportunity because we would be able to show that our product is safe, as long as you follow our warnings. And lastly taxes as of now would not be harming our product. Yet if the US senate created the Energy Drink Tax, this would be a threat towards our product. Looking at all of these political forces will overall create a threat towards our product if we were to launch it.

Competitor Forces:

For the competitor forces there are three main competitors for our product. The top three are as follows: Red Bull, Monster and Rockstar. Having competitors can be a good thing, but if the competitors are running the energy drink market it may be difficult to have an opportunity for our energy drink SHOCK.

• Red Bull’s slogan has really become stuck in many people’s head; it is “Red Bull gives you wings”.
• Red Bull sponsors many athletes, which gives them an advantage in this market.
- The sales for Red Bull and Monster are much higher than other energy drinks.
- Rockstar is behind them, but still is doing better than others. This is seen in Appendix A.
- Monster also uses a slogan to gain consumers; it is “Unleash the Beast”.
- Rockstar does not have a slogan, yet they have created the Rockstar alcoholic beverages.

There are many energy drinks in the market, but only few are running the market, such as, Red Bull, Monster and Rockstar. All of these brands have good sales practices as well as good profits that keep their companies strong. Competition plays a huge role in a well developed market and we believe that a little competition will not ruin our product, SHOCK. The only threat of the competitor forces is that Red Bull sponsors many athletes and this would be very difficult to compete against. But looking at it as a whole, this gives our product and opportunity.

**Technological Forces:**

- Miracle drugs, fiber optics this is the most important thing to an energy drink, that miracle drug, each energy drink has a “special ingredient” that makes there product better than the rest, most of the miracle drug is caffeine and sugar, but here a few of the ingredients in the drink:
  - Caffeine, the most common ingredient, the average can contains 160 mgs. Of it, and you could get most of the side effect from this, like sleeplessness, headaches, nausea and the most common; the jitters.
  - B vitamins, the vitamin that helps your body convert food to energy.
  - Ginseng, known to increase energy, memory, and relieves stress.
  - Taurine, the acid that regulates your heartbeat, muscle contractions and energy levels is said to help in stressful situations and helps with excitable the brain.
  - Guarana, from a plant in South America and is said to increase alertness and energy.
  - Ginkgo biloba believed to help with memory retention, concentration, circulation, acts as an anti-depressant, and even shows signs of helping people with Alzheimer’s.
  - Sugar, the bodies preferred fuel, has lots of energy and calories.

There is opportunities and threats because some of the ingredients are good because they help give you energy, and to relax, but some of them are bad and they give you side effects. There are many, many more and different ingredients in different energy drinks, but these are the main ones, it shows everything it does and how it makes sense that they are in that drink, most of them are to boost energy. But it does come with a few side effects.

After going through all the research and determining all the needed facts to see if it would be a good investment to create our own energy drink called SHOCK, we have found many opportunities and very few threats. When it comes to the economic forces we have found that the consumption rate of energy drinks is very high in college students. Many people enjoy using energy drinks as a source of energy, and we have found that the consumption rate has been very steady, which would be a great opportunity for us to create our product. Over the years consumer’s income has increased greatly. Having a high consumer income will benefit our profits. People will be more willing to purchase energy drinks with the few extra dollars that they earn. This adds another opportunity for the economic forces. Due to the challenging economic times, the inflation rate is higher than we would like in order to create our product. These high inflation rates would be a threat to our product. Overall for the economic forces, creating our product would allow us to have great profits and have many opportunities.
From the information we have gathered in the social, cultural and demographic category, it is easy to see why the energy drink business is such a good investment, it proves how well they are doing like the profit for the energy drink Red Bull is €650 million, and that is only for one company, sure it is the most popular and has the biggest market share, but for being in the business for only a little over 20 years, that is still a great amount of profit. Also as you can see in that paragraph that form 2001 to 2006 the annual growth was a rate of 5.7%, and even better is that forecasts suggest that energy drinks from 2007 to 2011 will have an annual grothe of 5.5%, which is amazing statistics. The energy drink business is deffiently growing more and more popular, the average size of the can is less than that of a coke or pepsi, and usually is sold for about 3 to 4 dollars, also since energy drinks are not that old of a product so there is competition( Red Bull being the main one) but not as much as a lot of other products, there are threates as there is in every company, and that is shown in the attitudes towards product quality, it has all the facts about the heath it could have, and some of them are pretty scary but that is why it is on the bottle to not drink more than two a day, because it does have a lot of ingridents in it. but even with those threats there are still millions and millions sold.

Aftering discovering all of the major problems with the political forces, it is seen that they would be a threat towards our product. The US Senate is trying to create a new tax, called the Energy Drink Tax, this would definitely hurt our product. Also there are many taxes on all products, and this would not benefit our product either. Lastly the only thing that would benefit our product, is to show that we are able to produce an energy that is safe and we have to prove this by putting the cautions along with all the warnings that our energy causes. Overall the political forces would be a threat towards our product.

There are many energy drinks in this market and there are 3 that are running the market. Red Bull is the top producer, they have extreme profits and they also sponsor many altheletes which helps make them even better. Monster is also right up there with Red Bull, but they do not sponsor anyone. The other enery drink that is running the market is Rockstar. Rockstar is one of the only company’s that makes an alcoholic beverage with their energy drink. Having all of these different competitors will be good for our product because it is always good to have competition. Overall we believe that the competitor forces would be an opportunity for our product.

The final paragraph, is about that mirical drug, and energy drinks are all about those special secrets that give you more energy then the next. But there are ingridents that are in every can of energy drinks, and that what we put in that topic, the main ones and we also expain what they are, where they come from and why they are put in the drink, most of them give you energy, make you relax, calm down and other things but of course that come with a few side effects like headaches, lack of sleep etc. all the ingridents are fine for you, if you do not consume more than two cans of it a day.

After extensive amounts of research we have concluded that it would be an opportunity for us to create our product SHOCK. We would be able to have great profits, and learn for our competitors how to start running this market. Energy drinks have not been around for very long, so there are not too many competitors. Our product would be a great investment upon our graduation.
Appendix A

Canadian Median Household Income – Middle Class Family

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2006</th>
<th>2001</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>66,343</td>
<td>64,004</td>
<td>58,984</td>
<td></td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>89,865</td>
<td>82,252</td>
<td>70,425</td>
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<tr>
<td>Yukon Territory</td>
<td>78,583</td>
<td>72,265</td>
<td>69,699</td>
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<tr>
<td>Alberta</td>
<td>76,536</td>
<td>69,561</td>
<td>61,327</td>
<td></td>
</tr>
<tr>
<td>Ontario</td>
<td>72,734</td>
<td>71,177</td>
<td>65,330</td>
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<tr>
<td>British Columbia</td>
<td>65,787</td>
<td>64,607</td>
<td>62,386</td>
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<tr>
<td>Nunavut</td>
<td>62,592</td>
<td>52,617</td>
<td>49,941</td>
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</tr>
<tr>
<td>Manitoba</td>
<td>60,754</td>
<td>58,388</td>
<td>54,435</td>
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<tr>
<td>Saskatchewan</td>
<td>59,998</td>
<td>56,340</td>
<td>53,485</td>
<td></td>
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<tr>
<td>Quebec</td>
<td>59,734</td>
<td>57,410</td>
<td>53,223</td>
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<tr>
<td>Nova Scotia</td>
<td>57,078</td>
<td>53,820</td>
<td>50,502</td>
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<tr>
<td>Prince Edward Island</td>
<td>56,207</td>
<td>53,908</td>
<td>51,259</td>
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<tr>
<td>New Brunswick</td>
<td>54,520</td>
<td>52,602</td>
<td>49,457</td>
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<tr>
<td>Newfoundland and Labrador</td>
<td>51,791</td>
<td>48,370</td>
<td>46,131</td>
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</tr>
</tbody>
</table>

Reference: StatCan

Here’s where the Canadian tax dollar goes

Federal Government’s Budgetary Expenditures

[Diagram showing budgetary expenditures]
<table>
<thead>
<tr>
<th>Product</th>
<th>Sales per Point (min)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monster regular 16 oz.</td>
<td>$1.157</td>
<td>7.5%</td>
</tr>
<tr>
<td>Red Bull 8 oz.</td>
<td>$1.110</td>
<td>-14.6%</td>
</tr>
<tr>
<td>Rockstar 16 oz.</td>
<td>$0.439</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Amp 16 oz.</td>
<td>$0.305</td>
<td>5.0%</td>
</tr>
<tr>
<td>NOS 16 oz.</td>
<td>$0.225</td>
<td>6.1%</td>
</tr>
<tr>
<td>Full Throttle 16 oz.</td>
<td>$0.251</td>
<td>-12.8%</td>
</tr>
<tr>
<td>Monster Lo-Carb</td>
<td>$0.436</td>
<td>8.0%</td>
</tr>
<tr>
<td>Monster Java</td>
<td>$0.232</td>
<td>40.2%</td>
</tr>
</tbody>
</table>

Nielsen - Sales per Point Data - 13 weeks ending August 23rd 2008
References


