SOLUTION CASE STUDY: Reaching ‘Sinks, Dinks and Millennials’ Worldwide

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Own solution based on teaching notes:

Principles and Practice of Marketing (2019)
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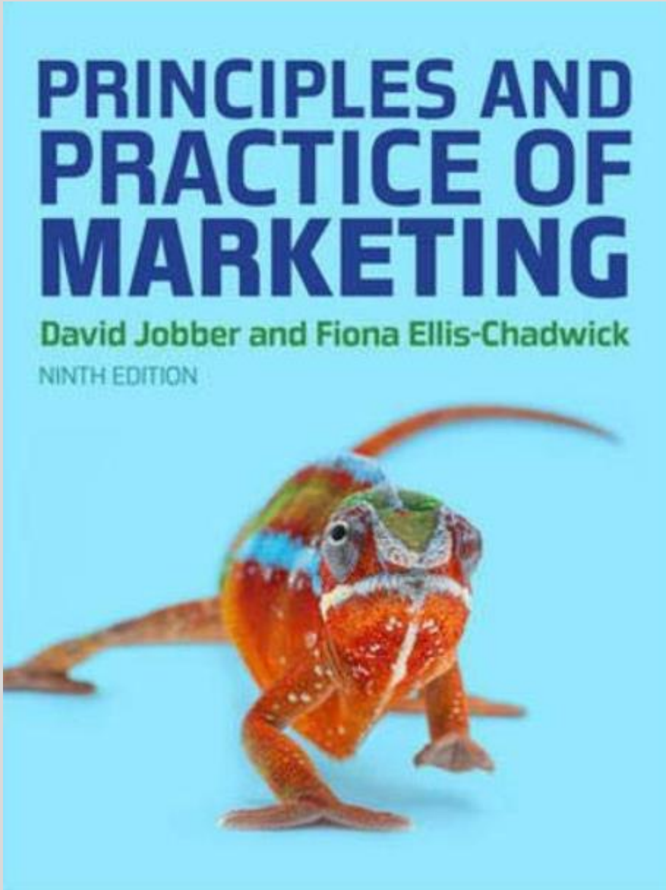

Reching “Sinks, Dinks and Millennials” Worldwide

1. **Do a SWOT analysis for SodaStream.**

   Strength

- **Strong Brand Portfolio:** Over the years SodaStream International Ltd. has invested in building a strong brand portfolio. The SWOT analysis of SodaStream International Ltd. just underlines this fact. This brand portfolio can be extremely useful if the organization wants to expand into new product categories.
- **Successful track record of developing new products:** product innovation.
- **Strong dealer community:** It has built a culture among distributor & dealers where the dealers not only promote company’s products but also invest in training the sales team to explain to the customer how he/she can extract the maximum benefits out of the products.
- Automation of activities brought consistency of quality to SodaStream International Ltd. products and has enabled the company to scale up and scale down based on the demand conditions in the market.
- **Reliable suppliers:** It has a strong base of reliable supplier of raw material thus enabling the company to overcome any supply chain bottlenecks.
- Highly successful at Go To Market strategies for its products.
- **Strong Free Cash Flow:** SodaStream International Ltd. has strong free cash flows that provide resources in the hand of the company to expand into new projects.
- **Good Returns on Capital Expenditure:** SodaStream International Ltd. is relatively successful at execution of new projects and generated good returns on capital expenditure by building new revenue streams.

Weakness

- There are gaps in the product range sold by the company. This lack of choice can give a new competitor a foothold in the market.
- Investment in Research and Development is below the fastest growing players in the industry. Even though SodaStream International Ltd. is spending above the industry average on Research and Development, it has not been able to compete with the leading players in the industry in terms of innovation. It has come across as a mature firm looking forward to bring out products based on tested features in the market.
- Organization structure is only compatible with present business model thus limiting expansion in adjacent product segments.

- The profitability ratio and Net Contribution % of SodaStream International Ltd. are below the industry average.
- Financial planning is not done properly and efficiently. The current asset ratio and liquid asset ratios suggest that the company can use the cash more efficiently than what it is doing at present.
- High attrition rate in work force – compare to other organizations in the industry SodaStream International Ltd. has a higher attrition rate and have to spend a lot more compare to its competitors on training and development of its employees.
- Limited success outside core business – Even though SodaStream International Ltd. is one of the leading organizations in its industry it has faced challenges in moving to other product segments with its present culture.

Opportunities

- Opening up of new markets because of government agreement – the adoption of new technology standard and government free trade agreement has provided SodaStream International Ltd. an opportunity to enter a new emerging market.
- Lower inflation rate – The low inflation rate bring more stability in the market, enable credit at lower interest rate to the customers of SodaStream International Ltd..
- New environmental policies – The new opportunities will create a level playing field for all the players in the industry. It represent a great opportunity for SodaStream International Ltd. to drive home its advantage in new technology and gain market share in the new product category.
- New customers from online channel – Over the past few years the company has invested vast sum of money into the online platform. This investment has opened new sales channel for SodaStream International Ltd.. In the next few years the company can leverage this opportunity by knowing its customer better and serving their needs using big data analytics.
- The new taxation policy can significantly impact the way of doing business and can open new opportunity for established players such as SodaStream International Ltd. to increase its profitability.
- Economic uptick and increase in customer spending, after years of recession and slow growth rate in the industry, is an opportunity for SodaStream International Ltd. to capture new customers and increase its market share.
- Stable free cash flow provides opportunities to invest in adjacent product segments. With more cash in bank the company can invest in new technologies as well as in new products segments. This should open a window of opportunity for SodaStream International Ltd. in other product categories.
- Government green drive also opens an opportunity for procurement of SodaStream International Ltd. products by the state as well as federal government contractors.

Threats

- Liability laws in different countries are different and SodaStream International Ltd. may be exposed to various liability claims given change in policies in those markets.
- As the company is operating in numerous countries it is exposed to currency fluctuations especially given the volatile political climate in number of markets across the world.
- The company can face lawsuits in various markets given - different laws and continuous fluctuations regarding product standards in those markets.
- Growing strengths of local distributors also presents a threat in some markets as the competition is paying higher margins to the local distributors.
- New technologies developed by the competitor or market disruptor could be a serious threat to the industry in medium to long term future.
- Imitation of the counterfeit and low quality product is also a threat to SodaStream International Ltd.'s product especially in the emerging markets and low income markets.
- Shortage of skilled workforce in certain global market represents a threat to steady growth of profits for SodaStream International Ltd. in those markets.
- Rising pay level especially movements such as $15 an hour and increasing prices in China can lead to serious pressure on profitability of SodaStream International Ltd.

2. What marketing challenges faces SodaStream?

- Environmental protection and sustainability
- Environmentally friendly reusable plastic bottles (if you want to do something for the environment and enjoy sparkling water at the same time, buy our products)

3. Apart from marketing, what other challenges is the company facing?

- Ever-present political challenges (Israeli-Palestinian conflict)
- Strategic challenges (reaching out to new demographics)

4. What strategic action is SodaStream taking in reaction to its current challenges? Do you think the company will be successful? Justify your answer.

- Reach out to new demographics including the ‘sinks and dinks‘ as well as the millennials category (they are the future because they are more engaged with the SodaStream products)
- Putting more emphasis sparkling water and focusing less on the making of flavoured water (from soft drinks to fizzy water in order to react tot he changed eating and drinking habits of consumers – lower sugar)
- Using the consumer psychology within the framework “SodaStream“ to extend customer loyality