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Case 1 – SodaStream International, Ltd.

SodaStream is an international company that manufacture, distribute, and market home carbonation systems which enables consumers to transform ordinary tap water into flavored carbonated beverages. Founded in 1903, its initial product was a machine that butlers would use in order to produce soda water for upper-class families. The company made its first home carbonated drinks system in 1955, and its products became popular in Europe and the UK between 1970 and 1980. However, its popularity faded shortly after. In 2010 SodaStream re-launched its products in the UK market and went on to introduce its products in other major markets, especially in the US.

The marketing department in SodaStream played a huge role in the company's success during its relaunch in the UK by re-using its nostalgic “Get busy with the fizzy” slogan that used to be popular 20 years prior. However, they could not rely on their nostalgia while trying to appeal to other markets in the American region. In 2013, SodaStream aired a controversial commercial during the Super Bowl as an attempt to target the US market. Although, the company’s originally planned commercial was rejected by CBS--due to the fact that it directly referenced Coca-Cola and Pepsi--the second commercial that was aired still delivered the company’s intended message. At the conclusion of this commercial, the company released the slogan it will use in the US, “if you love the bubbles, set them free.” Furthermore, the banning of the initial commercial (which was later posted on SodaStream’s website) was considered a huge success in terms of raising awareness of SodaStream because it attracted a lot of media attention. Therefore, it would not be inaccurate to conclude that SodaStream’s strength lies in its marketing model.

The company’s weakness is that its products have high price tags. When compared to other brands of soda, SodaStream is more expensive for consumers to purchase. Unlike other brands like Coca-Cola and Pepsi whereby consumers only have to make one purchase in order to consume the product, multiple purchases have to be made before consuming SodaStream products. Consumers have to pay up to $153.14 for the branded syrup annually, they also have to pay at least $79.99 for the soda maker, and they have to pay $14.99 per 60 liters for gas canister refills. Therefore, they do not offer consumers cheaper soda.

The global market for carbonated soft drinks has continued to grow with steady increase in market's volume and steady increase in consumption rate. The US market for carbonated soft drinks is by far the largest single market in the world. However, in recent years, the soda industry has faced massive criticism due to its relationship with health problems, such as obesity and diabetes. Also, due to its major forms of distribution (plastic bottles and aluminum cans), several environmental concerns arose. In a response to these major trends, players in the soft drink industry are working towards developing healthier soft drinks with more sustainable packaging.

Considering the recent trends in the soda industry, SodaStream is able to play into their strength by placing emphasis on healthy lifestyles and nutrition, as it looks to capitalize on consumer movement away from conventional plastic/can packaged soda products. Through the use of SodaStream home soda maker, plastic bottles and cans wastes are reduced significantly because all you need is just one reusable glass or plastic bottle. Also, SodaStream consumers are able to pick and choose exactly what flavorings are in their drinks, alongside their preferred quantity. Luckily for SodaStream, their environment creates opportunities for them because their products are naturally appealing to environment conscious consumers and consumers who value their health and wellbeing.

The main threat to SodaStream are the major players in the US soda market—Coca-Cola and PepsiCo. Both companies account for 74.4% of the US market value, therefore leaving very little market space for other soda companies to compete for. Considering the fact that SodaStream products costs more, consumers are more likely to choose between Pepsi and Coca-Cola products. Also, if SodaStream's revenue continues to expand, it could become an attractive acquisition target for Coca-Cola and Pepsi. As both companies look to safeguard their future operations, they have been linked with potential take-over bids, and an acquisition could lead to a change in the company's mission.

SodaStream operates a razor/razor blade business model "whereby sales of SodaStream devices (the razor) serve as a driver for recurring sales of affiliated consumable products, such as flavoring syrups, carbon dioxide refills and carbonation bottles (the razor blades)." The consumable products are very important for the company's profitability, and they are directly dependent on initial sales and purchases of the SodaStream device. At the peak of its initial popularity in the UK, SodaStream's initial mission was to create a fun device; however, after its launch in the US soda market, the company claims to focus on making environmentally friendly and cost-effective products, which promotes health and wellness, and are customizable and fun to use.

Given the current environment surrounding soda distribution and production, it is appropriate that SodaStream aligned its goals and mission alongside the trends in the market. Their mission changed over time from being a company that produces "fun" products to a company that produces healthy and environmentally friendly products due to the change in values demanded by the consumers. A change in its corporate-level strategy gave the company an edge in targeting customers that are health and environment conscious, especially in the US market.

Through the company's business strategy, they formed a number of partnerships with existing brand power to promote its own brand. Initially, in the 1960s and 1970s, SodaStream partnered with two popular UK-centric brands of soda, Vimto and Tizer, to offer its consumers wider range of soda syrup flavors. Recently, partnership with Kraft Foods, Inc. and Campbell Soup Company is a key part of its strategy in order to increase the syrup options for its consumers. As seen in its 2012 20-F document, "We have recently entered into strategic co-branding transactions with Kraft Foods, Inc. relating to Crystal Light lemonade, Country Time lemonade and Kool-Aid, with Campbell Soup Company relating to V-8 Splash and V-8 Fusion and Ocean Spray Cranberries Inc. relating to cranberry-based beverages, among others."

Partnership with these companies gave SodaStream the opportunity to promote its products alongside soft drinks that are already popular in the market.

Furthermore, beside its partnership with established soft drink makers, SodaStream also formed partnerships that aided with the design of its machines. Such partnership includes its recent deal with Samsung to produce fridges containing SodaStream soda makers. This partnership with Samsung will help encourage prolonged and frequent use of the machine by making it an integral part of its consumer's kitchen. Also, with Samsung being a reputable manufacturer, SodaStream's brand appeal is further strengthened. Moreover, SodaStream collaborated with award winning designer Yves Béhar to produce a premium metal version of its soda maker, the SodaStream source. Coincidentally, Yves Béhar is an advocate of sustainable environmentalism, which aligns with SodaStream's environmental marketing strategy. Due to the company's business strategy, consumers will be more likely to use their products on a recurring basis, which is vital to the company's on-going profitability.

Over the years, the company has been subjected to a number of acquisitions. Cadbury Schweppes first acquired the company in 1985 from its founder, Gin distillery W&A Gilbey. During Cadbury's control, they had a workforce of around 170 employees, and their annual turnover was $26.9 million. However, the company was later sold to Soda Club Enterprises NV, in 1988. After that, Fortissimo Capital Fund acquired the SodaStream in 2007 by investing in the company over couple of years until they gained control of the company. Considering these acquisitions, one could predict that the future of the company might not be too far from another acquisition. In recent years, Coca Cola and Pepsi have been linked with potential take over bids, and if SodaStream continues to gain market share in the US space, they might be acquired by one of the soda maker giants.

Based on my analysis, I recommend that SodaStream should reduce the costs of its machine or offer significant discounts to potential new consumers. In order for its razor/razor blade business model to be successful, more SodaStream machines will have to be purchased or owned by consumers. The sale of these machines is critical to the company's future profitability because the sale of consumable products depends on it.