Society & Change
Vol. XV, No.4, October-December 2021
ISSN: 1997-1052 (Print), 2227-202X (Online)

Impact of COVID-19 on Non-Alcoholic Beverage Sector of India: A Systematic Review of Literature

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Abstract

To provide information on different types of non-alcoholic beverages and the impact of coronavirus outbreaks on the non-alcoholic beverage sector of India. The review of literature has been done using an electronic database. The articles were reviewed from Elsevier, Emerald, Pro Quest and Chadwyck-Healey, Scopus, Springer, Taylor and Francis, Web of Science, and Wiley. Search words; COVID-19, non-aerated drinks, fruit-based drinks, Juices, energy drinks, tax on non-alcoholic beverages, marketing strategies by the soft drink industry were used for this review. The Industry has suffered huge losses due to the limited shelf life of the products. The industry has also suffered due to the change in indirect tax structure, i.e., Goods and services tax implementation, which came into force in July 2017. However, the consumption of non-alcoholic beverages has been increased after the coronavirus outbreak, although in a very slight way. The main reason behind the increase in consumption of drinks is the different marketing strategies adopted by the industry. The COVID-19 outbreak has affected the non-alcoholic beverage sector of India, but the industry has managed to minimize the losses with its effective strategies.

Keywords: Non-alcoholic beverage, COVID-19, Tax, Marketing strategies.

Introduction

The coronavirus pandemic (COVID-19) was initially recognized in the city of Wuhan, China, in December 2019. Within a span of time, the disease spread throughout the world, became pandemic, and affected every part of the globe. The coronavirus outbreak has a significant impact on healthful living(Paul & Chowdhury, 2020). As of November 14, 2021, COVID-19 has led to more than 250 million cases and upwards of 50 lakh deaths (*Covid Stats Global Worldometer - Google Search*). Apart from the pandemic impact on healthful living, the covid-19 has influenced the supply chain's performance and the economic upswing(Paul & Chowdhury, 2020). The coronavirus outbreak had a significant impact on the economic condition of the globe. The pandemic led lockdown in almost every country

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of the world caused the shutdown of the factories, which further caused the disruption in the global supply chain. The COVID-19 pandemic has significantly affected many sectors, including tourism and hospitality, fashion, leather, food and beverage, and other retail industries. Among all the sectors, the food and beverage sector is distinctive as it satisfies part of the essential requirements of people (Chowdhury et al., 2020). The non-alcoholic beverage sector constitutes a significant portion of the overall food and beverage sector. Like other industries, the non-alcoholic beverage sector has been considerably affected by the C0VID-19 pandemic has caused losses to the economy. Therefore, it is necessary to find out the impact of the pandemic on the sector and take feasible steps for dealing with those impacts.

Beverages are liquids manufactured for the consumption of human beings. They cover a considerable share of the market as humans make their consumption throughout the day in different flavours (*Value-Added Ingredients and Enrichments of Beverages: Volume 14: The Science - Google Books*). Beverages can be classified into three groups, namely, alcoholic beverages, non-alcoholic beverages and dairy-based beverages (Rocha et al., 2017). The method for producing alcoholic drinks involve fermentation. On the contrary, non-alcoholic beverages don't involve any fermentation through the production process and are products not partaking of alcohol (Nanasombat et al., 2015). In the global economy, non-alcoholic drinks have a considerable impact. In 2020, it had a market value of 1.03 trillion USD and showed a decrease in revenue of 100 billion dollars from 2019 due to the Covid-19 pandemic and its restrictions on public life. However, it is estimated that the revenue of the non-alcoholic beverage market will increase to 1.44 trillion U.S dollars by 2025 (*The Statista*). The intake of non-alcoholic beverages is prevalent in modern liquid diets due to their various functions like refreshment, hydration and enjoyment; apart from this, non-alcoholic beverages have the role of convenience in consumption. Among the overall beverage category, non-alcoholic beverages are also more feasible (Piorkowski & McClements, 2014). Nowadays, people demand for both carbonated drinks as well as functional beverages. Soft drink sector of the world showed revenue of 823,558 million U.S dollars in 2021. In 2021, the average revenue per person in the soft drink sector is expected to be 47.18L. The market is expected to show a growth of 6.14%. The volume of out-of-consumption of soft drinks is expected to reach 14% of total soft drinks consumption by 2026. By 2026, the volume of soft drinks is expected to reach 385.135L(*Soft Drinks - Worldwide | Statista Market Forecast*).

Classification of Non-Alcoholic Beverages

The classification of packed non-alcoholic beverages is mainly based on the ingredients and manufacturing process (Rocha et al., 2017). When it comes to group packed non-alcoholic beverages industrially, it falls into two categories, i.e., ready-to-drink (RTD) and dilutable drinks (Brennan, 2006). Since packed RTD beverages overrule the market with a significant volume, this category is discussed in this paper.

Packed ready-to-drink beverages can be classified into four categories, namely carbonated soft drinks, still drinks, juices and bottled water. Carbonated soft drinks are those beverages that contain dissolved carbon dioxide (CO2) (Tireki, 2021). The added carbon dioxide provide a sparkling taste to the drinks and also prevent them from spoilage. Still drinks further sub-categories as flavoured drinks with the fruit content of less than 10%, fruit drinks with the fruit content of 10%-24%, fruit nectar containing 25%-99% fruit as ingredients, ready-to-drink tea and coffee, and flavoured water beverages. The juice category of non-alcoholic beverages includes all those products containing 100% fruit juice or vegetable juice as the ingredients (Tireki, 2021).

Market Share of Non-Alcoholic Beverages in India

With a population of over 1.39 billion(*India Population (2021) - Worldometer*), India has vast potential for the growth of both domestic and international beverage companies. India provides a considerable market to different beverage companies to build their brand. Over the few years, India has witnessed growth in the non-alcoholic beverage sector. Various factors that make the Indian non-alcoholic beverage sector one of the fastest-growing sectors globally include rapid urbanization, high disposable income, middle-class population. The current low per capita intake of non-alcoholic beverages among Indian consumers represents potential growth of the sector in future(Law et al., 2021). Varun Beverages Limited, one of India's leading non-alcoholic beverages companies, estimated that the per capita bottle consumption of non-alcoholic beverages would reach around 84 by 2021.

The non-alcoholic beverage industry is worth around 16 billion U.S dollars (Memon et al., 2021). The Indian non-alcoholic beverage sector has managed to generate a revenue of 10,498 million U.S dollars in the year 2021. It is estimated to grow at a (Compound Annual Growth Rate) CAGR of 4.57% from the year 2021 to 2026. In 2021, the revenue generated per person in proportion to the total population figure is 7.53 U.S dollars. Concerning the total consumption of non-alcoholic beverages in India, out-of-home consumption is 2%, which amounts to 7% of total spending on the segment. In 2022, the Indian non-alcoholic beverage sector is expected to show 5.6% volume growth, and by 2026, the market is expected to deliver volume growth to 36105.0ML. (*Statista Market Forecast*).

Carbonated drinks are acknowledged with different names worldwide, like sparkling water, soda, aerated drinks, etc., and also known as 'thanda' in India (*Value-Added Ingredients and Enrichments of Beverages: Volume 14: The Science*). Some of the carbonated drink's brands available to Indian consumers include sprite, Thumps up, Pepsi, Coca-cola, mountain dew. In India, the carbonated beverage sector generated revenue of 1967 million

U.S dollars in 2021. It is expected to grow at a CAGR of 5.03% from 2021 to 2026. In 2021, the revenue generated per person in the proportion of the total population figure is 1.41 U.S dollars. In 2022, the carbonated beverage sector is expected to show 5.8% volume growth. The industry is expected to show volume growth to 4626ML by 2026 (The Market Research.com).

In India still drinks sector (excluding non-carbonate tea and coffee products, non-carbonated sports drinks and energy drinks and non-carbonated water-based flavoured drinks) managed to achieve the sale of 2136.24 million U.S dollars in 2020.

The juice market is a ground-breaking product market in the food and beverage industry and is among the most competitive sector of the beverage industry. The rising health consciousness among Indian consumers has driven the demand for healthy drinks and expanded the market with innovative technology for processing and attractive packaging (Priyadarshini & Priyadarshini, 2018). Some of the key players of the juice market in India include Tropicana by PepsiCo, Paper Boat by Hector Beverages, Patanjali Fruit Juice, Safal by Mother Dairy, Real Fruit Juice by Dabour, Minute Maid by Coca Cola and many more. As of the financial year 2020, in India, the market size of packed fruit juice was approximately 357 million U.S dollars (*FNB News - Consumers Switching from Fruit-Based Beverages to Fruit Juices*). In 2021, the revenue generated from the juice market amounts to 1850 million U.S dollars. The segment is expected to show a CAGR of 3.57% from 2021 to 2026. Per person revenue generated from the sector concerning overall population is 1.33 U.S dollars. In 2021, the average volume per person in the juice sector is expected to be 1.1L.

Safe drinking water has turned to be a significant problem in India hence triggering the growth of the bottled water industry. Bottled water is available in India in several sizes, including 200 and 250 ml, 500ml, 1L, 2L, and barrels. Multiple factors that lead to an increase in bottled water growth in India are population growth, students from foreign countries and tourists from abroad. India has more than 150 domestic players of bottled water. The key brands in India in the bottled water segment are Kinley, Himalayan, Aquafine, Bailey, Rail Neer, Vedika, Oxyrich and Tata Water Plus. The value of the Indian bottled water market was estimated at 2.15 billion U.S dollars in 2018. Among different quantities available in bottled water, 1L constitute the largest market share of 42%, followed by 500ml bottles and 250ml bottles(*FNB News - Current Scenario of Water Bottling Companies in India*). In 2021, the revenue generated from the bottled water market amounts to 5388 million U.S dollars. The segment is expected to show a CAGR of 5% from 2021 to 2016. Per person revenue generated from the sector concerning overall population is 3.87 U.S dollars. In 2022, the bottled water sector is expected to show 5.7% volume growth. The industry is expected to show volume growth to 27947.7ML by 2026.

Impact of COVID-19 on Non-Alcoholic Beverage Sector

The coronavirus outbreak affected every sector of the economy. The pandemic forced many businesses to be closed, caused bizarre disruption in trade of most of the industry. Companies require effective strategies to deal with the situation (Donthu & Gustafsson, 2020). Similarly, it has affected the non-alcoholic beverage sector. Logistic interruption due to several restrict by the government disturbed the whole supply chain. The pandemic caused lockdown disrupted the transportation of packed non-alcoholic beverages, whilst every company of the industry had to be closed for several months (Telukdarie et al., 2020). In India, the carbonated beverage's consumption is predominantly out-of-home; the lockdown has severely affected the sector.

With relevance to the impact of COVID-19 on the carbonated beverage segment, it has been affected adversely. In 2015, the market value of the carbonated beverage sector was valued at 173 million USD. The sector witnessed a growth of 10.19% per year from 2015-2019. Due to COVID-19, the decreased growth with a CAGR of 7.60% is expected from 2020 to 2025.Nowit is estimated to reach 402.43 million U.S dollars by 2025 (*The Market Research.com*).

In India, COVID-19 has negatively affected the still drinks segment of the non-alcoholic beverage sector. Still drinks sector (excluding non-carbonate tea and carbonated coffee products, non-carbonated sports drinks and energy drinks and non-carbonated water-based flavoured drinks) showed a positive growth rate between 2015 and 2020, with a compound annual growth rate of 4.35%. Due to the pandemic, the sector witnessed a negative growth of 25.68% from 2019, with a sales value of 15593.59 million USD in 2020 (*Still DrinksMarket in India - Outlook to 2025; Market Size, Growth and Forecast Analytics*).

Among all the non-alcoholic beverages, the juice sector was hit by COVID-19 most severely. Although the juice sector of the non-alcohol beverage industry showed a negative CAGR of 3.30 from 2015 to 2020, the sector showed its worst performance in 2020 as it dropped by 32.09 by 2019. Its value of sales in 2020 was 38.99 million USD.

In 2015, the value of bottled water in India was 3.23 billion USD. The segment showed positive growth of 13.76 per year from 2015 to 2019. Due to an unprecedented coronavirus outbreak, the market value fell down in 2020. Now the segment is expected to show a slow growth of 7.58 per annum (CAGR). In 2015, the segment witnessed the average consumption per person at the value of 2.50 USD. It showed a growth of 12.48 (CAGR) from 2015 to 2019.But due to the pandemic outbreak, it is estimated to increase at a slow growth rate of 6.48 per annum (CAGR) (The *Market Research.com*).

Industry Response to Pandemic Induced Situation

No sector has escaped the impact of COVID-19, but every sector made all possible efforts to reduce its losses. Similarly, the companies under non-alcoholic beverages in India reshaped their strategies to deal with the situation as the pandemic caused a significant reduction in the demand for non-alcoholic drinks.

As with coronavirus outbreaks, people become more selective. So, the companies make innovations in their portfolios. They started to prioritize the fewer and strong offerings rather than spending on 'zombie' products(*www.coca-colacompany.com*). During the situation, the demand for 'immunity boosting products' increased. So, companies have diversified their brand with new products. For example, under the Minute Maid brand, Coca Cola launched Nutri Force (with soluble iron) and Vita Punch (with vitamin C). Dabour India launched Amla Plus juice, Aloe-Kiwi juice and Masala Sugarcane juice(*The Hindu BusinessLine*).

The non-alcoholic beverage sector is being swiftly digitalized, and this progression is improbable to decline. There is no doubt that businesses are embracing new technologies such as smart systems and Internet of Things (IoT) devices to upheave their operation (Telukdarie et al., 2020). The companies improved their digital shelf capability, as with the pandemic, people started to give more preference to home delivery or in-home consumption. To ensure wider availability of the products, new and innovative paths are adopted by the companies to reach customers through digital. They have been prioritized the packaging option that fit online sales—and introduced products with smaller sizes convenient for home delivery(*The Business Standard News*). Companies have made all possible steps to build a sizable presence of their products across the e-commerce marketplace. For example, to ensure delivery to rural areas, Coca Cola has listed all of its popular products on its Grameen e-store platform.

The pandemic causes behavioural shifts amongst customers and has disrupted their consumption patterns. To communicate in the way the consumer wants to consume, the companies reshape their marketing strategies. The companies have included the online platform as a marketing mix tool to engage with consumers (Telukdarie et al., 2020).

Conclusion and Recommendation

The study discussed the impact of the COVID-19 pandemic, the market share of non-alcoholic beverages in India, and industry response and strategies to deal with those impacts. It is revealed that the pandemic has affected several factors in the non-alcoholic beverage sector in India, for instance, disruption in the supply chain, which further cause a decrease in sales and revenue of the sector. However, the non-alcoholic beverage industry has been undergoing digital transformation. More customer-oriented services would be offered in future by the companies.

There are certain recommendations that would be beneficial to the industry. The companies could go for partnerships with other brands to leverage expertise to launch more effective and efficient products.

India is a country with approximately 320 million millennials. The per capita consumption of non-alcoholic beverages is much low in the country. The brands have the opportunities to grab this untouched market through innovative and effective strategies.

With the outbreak of the pandemic, the behaviour of the consumer has changed massively. People dependence on the online platform and digital market have increased widely. Companies need to have a better understanding of market communication. They must scrutinize customers online journey and identify where consumers are finding difficulties while ordering the product.

Although the industry worked a lot in the digital marketing of the product, it could use the social media platform more comprehensively. The promotion and marketing through social media are not reached so far.

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