



Research on the Market Situation and Positioning of the Tequila Industry: A Case Study of Teremana Tequila

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Abstract. The purpose of this report is to investigate the market situation of Teremana Tequila and evaluate its positioning strategy. This report gets more accurate analysis through product life cycle analysis, target market analysis, market segmentation, competitor analysis and SWOT analysis. Due to the lack of disclosure of financial information, future investigators should collect raw data for research, as this will provide detailed information about the research topics.

Keywords: Market situation · Market positioning

1 Introduction

According to Euromonitor [1], the global market for luxury spirits is expected to grow from US \$64 billion five years ago to over US \$100 billion by the end of 2020. Teremana Tequila, as a powerful emerging company in the industry, its market positioning and marketing strategy are worth analyzing. The remainder of this report is divided into two sections: firstly, a detailed analysis of Teremana's market situation; secondly, an introduction to the company's existing positioning and a dialectical assessment of these strategies.

2 Market Situation Analysis

Market situation analysis aims to determine the market gaps that the company can fill, promote new technologies, and respond to changes in competitors [2]. The situation analysis in this part will be divided into product life cycle analysis, target market analysis, market segmentation, and competitor analysis.

2.1 Product Life Cycle Analysis

The product life cycle model can be divided into four stages: introduction, growth, maturity, and decline [3]. According to the characteristics of the four life cycle stages,

it is found that Teremana is in the growth stage of the product life cycle. Growth-stage companies reach expected sales levels more quickly than introductory or mature companies, and is more responsive to perceived product quality [4]. First of all, there are relatively few competitors and acquirers in the market, and the number of spirits brands created by star founders is also growing. Second, due to COVID-19 and changes in consumer habits, the demand for tequila is soaring. As a “Tequila of the People” brand, Teremana’s brand culture is constantly accepted and favored by consumers. Additionally, due to the small output and high production quality, the technical requirements are very high. However, in order to obtain greater investment and wider production, its production technology needs to be further upgraded to meet more needs.

Although they have reaped more sales than expected, the production process has not yet reached the mature stage of overcapacity. At this stage, R&D costs are relatively low, while marketing, competition, and production costs are in the middle. Teremana needs to develop new products to attract more customers, while maintaining the production of existing products, reducing production costs, improving profits and production efficiency, and increasing market share.

2.2 Target Market Analysis

The PEST strategic framework is used in this section to further decompose the opportunities and threats into political, economic, social, and technical aspects [5].

Political Factors

The partnership between Teremana and German wine giant Mast-Jagermeister is based on the long-term goal and strategy of developing the global market. By expanding its product range, the company has improved its sensitivity to the political environment of different countries. Therefore, the key to their success is to decentralize systemic risks. In strategic planning, enterprises need to consider the following factors: on the one hand, political stability. A high degree of political stability provides a favorable business basis and predictable market trend for enterprises to expand globally. A tense and unstable political environment could limit Teremana’s growth in international transportation, taxation, and trade restrictions. On the other hand, the uncertainty brought by policy changes between countries and regions will affect the financial performance of enterprises.

Economic Factors

First, the growing economy provides Teremana with a wide range of market and sales growth opportunities. Second, high GDP means that more consumers have enough budget to buy their products. Teremana should also consider the impact of interest rates on borrowing and investment. Higher interest rates will attract more capital investment from investors, so that enterprises get more development opportunities. In addition, because

Teremana's product technology is superb, the manufacturer needs to master the transmission process. The company needs to forecast the labor market situation, attract competent workers, and use their skills to improve financial performance or labor productivity.

Social Factors

The use of social and environmental information can help Teremana target consumers and make its products more attractive to potential consumers in the market. Understanding demographic trends and age distribution helps the company position its products in the right market segments. Additionally, because of Johnson's social influence, the enterprise should measure the influence of fans' effect on brand image and product sales to select appropriate marketing methods. In addition, COVID-19 has changed people's consumption habits and lifestyles. Individuals are increasingly shopping online and living at home, which requires companies to develop online shopping and use social media to attract customers.

Technical Factors

First, in the context of the rapid development of the Internet, social media marketing and Johnson's celebrity prompted Teremana to take advantage of the opportunities provided by the media to improve her performance. It has led companies to develop online brand communities and explore more prosperous social media activities. Secondly, Teremana has always pursued high-quality traditional technologies in the production of tequila. In order to shorten the product life cycle, new products need to be developed rapidly to increase product diversity. In particular, technology R&D has prompted enterprises to adjust their cost structure to maximize profits.

2.3 Market Segmentation

Market segmentation enables organizations to use their limited resources in the most promising areas [6]. Tequila is a product segment of the spirits market, which can also be segmented by type, grade, and distribution channel.

Segmented by Type

The types of Tequila include Reposado, Blanco, or Anejo. Blanco is widely sold because of its taste and wide availability. Among the products sold on its website, Teremana has the highest proportion of Blanco, with 35 varieties.

Segmented by Grade

Tequila can be divided into value, premium, high-end, and super-premium. High-end tequila is expected to take the largest share of the market, as consumers seek high-quality hand-made spirits. The preference of young people and millennials for high-end drinks has driven the market. Teremana's rapid growth confirms this.

Segmented by Distribution Channel

According to Statista [7], the United States imported more than 288 million liters of tequila from Mexico, 44 times more than Germany, Mexico's second-largest tequila export partner. Tequila is the fastest-growing beverage category in the United States and

Mexico [8]. With the introduction of new flavors and the growing interest of celebrities in tequila, it is expected that this will have a positive impact on the demand of the region. Europe will occupy the second largest market share in the global. Besides, the increased demand for tequila by the millennials in China, Australia and other countries has boosted imports and supported the sustained growth of the market.

2.4 Competitor Analysis

Porter's five forces model is beneficial to the construction of marketing strategy [9], which help Teremana understand its position in the competitive market.

Threats of New Entrants

First, entering the industry requires a large amount of capital and resource investment. If the products are highly differentiated, the threat is relatively small. Second, if market regulations encourage the development of new entrants, the barriers to entry will be greatly reduced. Hence, Teremana needs close customer relationship management to enhance customer loyalty, establish long-term relationships with dealers, and expand access to the target market.

Threats of Alternative Products or Services

For Teremana, the conversion cost of alternative products is very high, and customers cannot obtain the same utility and consumption experience from alternative products in other industries. Therefore, Teremana can reduce the threat of alternative products by emphasizing the uniqueness of products and services, improving quality and cost-effectiveness, and creating highly differentiated products.

Competition Between Existing Companies

Assuming that the number of market participants is large, in this case, the degree of product differentiation is low, the conversion cost of consumers is low, and the barriers to launch in the industry are low, so the competitive pressure will increase. Due to the differences in the original regions, the products of Tequila are relatively different. With the star power of founder Dwayne Johnson, Teremana is one of the most competitive brands in the industry.

Suppliers Bargaining Power

For Teremana, the raw material of their Tequila mainly come from Mexico. The substitutability of suppliers is relatively low, which makes their bargaining power relatively high. Teremana should establish long-term cooperative relationships with suppliers in different regions, which can not only reduce their bargaining power, but also improve the efficiency of the enterprise's supply chain.

Buyers Bargaining Power

Teremana can reduce the bargaining power of buyers by increasing and diversifying its consumer base. They can reduce their bargaining power by introducing new products, diversifying their product base, and increasing the geographic dispersion of their customer base.

3 Explanation and Evaluation of Positioning

3.1 Brand Positioning

Price-Based Positioning Strategies

Teremana adopts a pricing strategy based on customer value, considers how customers perceive value, and strives to provide customers with high-quality products at the most affordable prices, so as to attract more consumers with different income levels in the market and improve the market competitiveness of products [10]. However, it also raises questions about product quality. Currently, the brand sells two varieties: Blanco with a retail price of \$30 and Reposado with a fresh price of \$33 [11].

Quality-Based Positioning Strategy

Companies will produce high-quality and reasonably priced tequila in small quantities, and are committed to becoming “The Tequila of People”. The quality of the products is demonstrated through excellent traditional techniques, small batch production, and high-quality Mexican-origin agave. Therefore, consumers can obtain high-quality products at the most affordable price. The income and consumption habits of target customers determine the rationality of this brand positioning.

Differentiation-Based Positioning Strategy

Dwayne Johnson, one of the company’s founders, has positioned Teremana as a celebrity tequila, highlighting the uniqueness of the brand. In other words, the liquor brands created by Hollywood stars are very different from other industries. The Rock, for example, used its influence and partnered with brands like Salt and Straw to launch a limited edition of Teremana Tequila flavored ice cream for The holiday season. He also regularly shares his Teremana-related content with his 270 million followers on Instagram.

3.2 Strategy Evaluation

In view of Teremana’s great success in the United States, the partnership with Master-Jagmeister has proved very successful. They will become one of the six brands that sell millions of cases of tequila in the future to retailers and customers worldwide. When comparing Teremana’s performance record with that of other industries, Celebrity Net Worth are estimated to be worth about \$3.5 billion. Due to the lack of relevant financial data, the SWOT model is used for qualitative analysis of the internal and external development environment and discussion of strengths and weaknesses, opportunities and threats to assess the effectiveness of positioning strategy implementation.

Strengths

Teremana sold more than 600,000 cases of 9-L tequila in 2021. As a new enterprise established in 2020, it has consolidated its position as “the fastest-growing Tequila in the history of all spirits”. Firstly, Johnson’s influence in the entertainment industry and his commercial advertisements in films and recordings have made his tequila popular with fans and other consumers. That fully reflects the brand’s success in establishing

celebrity endorsement and differentiation strategy. Secondly, the production place built in a small town in Mexico, and the marketing method of producing tequila in the country of origin has been adopted. Traditional technologies are used to produce high-quality tequila in small batches to attract consumers who pursue quality. Meanwhile, Teremana distribute premium flavors at affordable prices, which also helps build brand awareness and increase demand. Furthermore, Johnson provides a large amount of financial support for the operation.

Weaknesses

Teremana is ultra-advanced and defined as a small-batch tequila. High cost, complex process and geographically limited raw materials hinder large-scale production. As a result, the company's long-term financial performance was questioned. Second, if they want to expand globally, they must spend more money and train more qualified workers. Therefore, the positioning of high quality and small-batch production seems not suitable for a large number of product needs.

Opportunities

In 2020, the global tequila market was \$9.41 billion. According to the Tequila Regulatory Board, the production increased by 3.8% compared with that before the pandemic. The pandemic has led consumers to drink at home and businesses to expand globally. Teremana Tequila's cooperation with German wine giant Mast-Jägermeister provides an opportunity to expand its market share. The growing popularity of artisanal spirits among consumers worldwide has boosted the demand for tequila. In recent years, high-end has become a trend, as consumers favor quality over quantity in their buying habits. According to DISCUS, the strong revenue growth in the alcoholic beverage industry was primarily attributed to the increased demand for high-end premium and ultra-premium spirits. The rising urbanization and the increase of disposable income of middle-class consumers have affected their changing consumption preferences. Therefore, new consumption habits and concepts have promoted the development of high-end liquor category and the market's growth. This shift in consumer attitudes dovetails with Teremana's strategy of producing high-end tequila in small batches.

Threats

Due to the limitation of age and gender, Teremana may lack young people, which is the most important potential consumer group. Additionally, as the worldwide acceptance of the liquor industry increases, more competitors want to enter this industry, which causes enterprises to face increasing competitive pressure and challenges in market share. As more and more consumers realize the harm of alcohol to their health and pursue a healthy lifestyle, the demand for low-alcohol and non-alcoholic beverages has increased, limiting the growth of the market for spirits such as tequila. There were almost 7,551 alcohol-related deaths in the UK, according to 2018 statistics from the Office for National Statistics. On top of that, global alcohol consumption fell 1.8% in 2018 as consumers turned to healthier drinks. Investors in many industries also choose to invest in low-alcohol drinks to attract consumers, which has brought resistance to the development of the entire spirits industry. Meanwhile, due to the impact of Covid-19, sales of alcoholic beverages decreased and sales channels were restricted. As people travel and party less

across regions, there is less demand for alcohol. But with the easing of epidemic control policies and government support for the economy, business conditions for the alcohol industry have improved.

4 Conclusion

To summarize, the first part of the report analyzes the market situation of the tequila industry. This paper uses the theory of product life cycle, which refers to the cyclical process of commodities from boom to decline in the market that will be affected by consumers' consumption mode, consumption level, consumption structure and consumer psychology. Generally, it can be divided into four stages: introduction period, growth period, maturity period and decline period. According to the product life cycle model and the attributes of the enterprise and the actual operation situation, Teremana's existing products are in the growth stage and need to continue to develop in terms of cost control, technology, production processes. Market segmentation is a classification process that divides the whole market of a product into several different consumer groups according to the different factors such as consumer demand, consumption behavior and consumption habits. It enables organizations to allocate their limited resources rationally. Meanwhile, the company divides different market segments according to different classifications, which is conducive to adopting accurate marketing methods in different markets. In addition, Porter's five forces model comprehensively analyzes the existing competitive pressure of Teremana. The second section describes the positioning strategies based on price, quality, and differentiation, and uses SWOT model to critically evaluate these strategies. In general, Teremana's current positioning is relatively reasonable. However, when a company faces a global market, they need to reposition their operations and marketing strategies to better match their expansion [12]. In this case, small-batch production cannot meet more demands. Therefore, they need to adjust their strategy when expanding their global market share in the future. Due to the lack of financial data of the target company, quantitative analysis is lacking in the strategic evaluation stage. Strong subjective analysis brings limitations. After obtaining reliable financial information disclosure, it is hoped that the current positioning can be more detailed to provide practical reference for marketing strategies.

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