

STRATEGIES AND OPERATIONAL CHALLENGES OF SMALL BEVERAGE FIRMS: DEVELOPING A CONCEPTUAL FRAMEWORK AND STRATEGIC MODEL FOR SUSTAINABLE GROWTH

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Abstract—The global beverage industry has undergone major changes during recent years because of shifting consumer tastes and rising urban populations and their growing need for new and distinct products. The purpose of the study is to examine the critical obstacles that businesses face in the beverage industry as well as the impact of those challenges in their long term performance and growth. Additionally, it will look at how industry conditions, strategic activities and operational performance all connect in the beverage industry and how firms in this industry use these challenges to create a competitive advantage. The paper elaborates that the ability of firms to effectively manage these challenges plays a crucial role in determining their overall business performance. Companies that successfully solve their industry difficulties will experience better results through increased profits and market expansion and continuous competitive edge. The beverage industry requires companies to understand how industry conditions interact with their strategic decisions and operational difficulties in order to achieve long-term success.

Keywords: Beverage Firms, Strategic Model, Sustainable Growth, Supply Chain Issues, Business Performance.

1. Introduction

The global beverage industry has undergone major changes during recent years because of shifting consumer tastes and rising urban populations and their growing need for new and distinct products. The global market expansion has enabled small beverage markets to develop unique products which include localized flavors and alternative drink choices that meet modern consumer demands. The companies maintain their ability to adapt to market changes because they allow their employees to develop new products through unrestrained entrepreneurial activities. According to (Porter, 1985), the competitive structure of an industry plays a critical role in shaping firm strategies and long-term performance. Like wise (Grant, 2005) highlights that firms must continuously adapt their strategies to industry dynamics in order to sustain competitive advantage

In spite of these opportunities, small beverage enterprises face consequent challenges in achieving sustained growth. Unlike large multinational organizations that possess broad financial resources, established brand recognition and well-developed distribution networks, smaller firms often operate under conditions of limited financial resources, restricted market access and constrained operational capacity. Studies that examine beverage industry emphasize that competitive pressures, regulatory requirements and supply chain complexities often create barriers for smaller firms seeking to expand their market presence (Manuel, 2007)

Despite these opportunities, small beverage enterprises often encounter a range of operational and growth challenges when attempting to proliferate their operations along with the external factors internal factors such as managerial capabilities, innovation capacity, innovation, adaptability and strategic decision making play a crucial role in determining how effectively small firms respond to these challenges.

The relationship between strategic orientation and firm performance has been widely discussed. Research by (Gaetano Rubera, 2012), elucidates that organizational innovativeness and strategic capabilities can significantly influence business performance and long term competitiveness. Furthermore, studies on high growth firms suggest that sustainable growth is often achieved when firms successfully align their internal resources with external market opportunities (Johanna Demir, 2017-2021)

However, existing research in the beverage industry has mainly focused on large multinational firms. Not much attention has been given to small and medium sized beverage enterprises, which function under different constraints and challenges. Most of the studies examine growth strategies, operational challenges and business performance separately rather than in a combined manner. Because of this, there is a lack of understanding of how these factors interact within small beverage firms to influence their overall performance and long-term sustainability

2. Review of Literature

Variable- Beverage Industry

Grant, (2005) Contemporary Strategy Analysis: Concepts, Techniques, Applications According to Grant (2005), industries consist of firms competing to serve similar consumer markets with competitive intensity shaped by market concentration and access to critical strategic resources. Applying this perspective to the beverage industry, strong brand recognition and economies of scale enjoyed by incumbent firms can create substantial entry barriers for new entrants and reinforce existing competitive positions.

Manuel, E.G.(2007)Porter's Five Forces Analysis of the Global Non Alcoholic Beverage Industry-**Manuel (2007)** applies Porter's Five Forces framework to examine the competitive structure of the global non-alcoholic beverage industry and identifies it as highly competitive and concentrated, with dominant multinational firms such as CocaCola and PepsiCo exerting strong brand identities, extensive distribution network high fixed and variable costs, and strict regulatory requirements related to manufacturing, distribution and environmental compliance. Manuel further notes that buyer bargaining power is significant as both consumers and large retail buyers can easily switch between brands compelling beverage firms to pursue continuous product differentiation and competitive pricing. In contrast, the supplier power is generally low due to the availability of multiple input sources although reliance on specialized packaging or ingredients can occasionally increase supplier leverage. The study also elaborates the growing threat of substitutes, driven by changing consumer preferences towards alternative beverage categories such as bottled water, juices and energy drinks. While the analysis provide a strong industry level understanding of competition and regulatory influence, it does not examine how small beverage firms strategically respond to these forces, indicating a gap in firm level and SME-focused research within the non- alcoholic beverage sector.

Anilkumar, Rajendran & Sharma (2017)Global and Indian Perspectives on the Non- Alcoholic Beverage Industry- Anilkumar, Rajendran & Sharma (2017)Global and Indian Perspectives on the Non- Alcoholic Beverage Industry-Anilkumar, Rajendran and Sharma (2017) investigate both the international and Indian markets to assess how non-alcoholic beverage businesses operate and develop their market presence. The study identifies rapid industry growth driven by urbanisation, rising disposable incomes and changing consumer preferences. The authors demonstrate that the non-alcoholic beverage industry maintains extensive product variety which includes carbonated soft drinks and bottled water and fruit-based beverages and tea and coffee and milk-based drinks and ready-to-drink products because each product type generates separate market effects. The study shows that Coca-Cola and PepsiCo command market leadership through their strong brand recognition and their ability to produce goods at low costs and their vast product distribution systems. The study shows that new companies can find opportunities in developing markets which include bottled water and functional beverage and ready-to-drink product sectors. The authors show how different factors including regulatory frameworks and trade policies and tariff systems and food safety regulations shape market expansion and business entry decisions within the industry. The study provides an industry overview which covers all aspects but it leaves out the examination of specific company strategies and their growth results which creates a research need to study small and new beverage companies.

Tireki, S. (2021)- The article from Trends in Food Science and Technology The Review on Packed Non-Alcoholic Beverages presents a complete analysis of packed non-alcoholic beverages which the authors divide into five primary categories these categories include carbonated soft drinks and fruit based beverages and ready-to-drink teas and functional drinks and bottled waters. The study shows that the beverage industry has moved away from its traditional high-sugar beverage recipes to create drinks that contain less sugar and more health-promoting ingredients because health

awareness among consumers has increased and their product choices have changed. The review states that non-alcoholic beverage companies must develop innovative product formulations and ingredient selection methods and production technologies to establish their market competitiveness. While the study offers valuable insights into product trends and future development opportunities, it primarily adopts a technological and product- development perspective and does not address how small beverage firms strategically respond to these market shifts, competitive pressures, and non- alcoholic beverage industry, particularly concerning growth strategies adopted by small and emerging beverage companies.

Mititelu, M., et al (2023) The article from Trends in Food Science and Technology The Review on Packed Non-Alcoholic Beverages presents a complete analysis of packed non-alcoholic beverages which the authors divide into five primary categories these categories include carbonated soft drinks and fruit based beverages and ready-to-drink teas and functional drinks and bottled waters. The study shows that the beverage industry has moved away from its traditional high-sugar beverage recipes to create drinks that contain less sugar and more health-promoting ingredients because health awareness among consumers has increased and their product choices have changed. The review states that non-alcoholic beverage companies must develop innovative product formulations and ingredient selection methods and production technologies to establish their market competitiveness. Importantly, regular consumption of coffee and sweetened beverages. Although the study underscores public health concerns and policy responses such as increased taxation on sweetened beverages it primarily adopts a consumer- health perspective and does not examine how beverage firms strategically respond to these shifting consumption patterns, regulatory signals and competitive pressures thereby leaving a gap in firm- level strategic analysis within the non-alcoholic beverage industry.

Gupta, A., Sanwal, N., Bareen, M.A., Barua, S., et al (2023)-Trends in functional beverages: Functional ingredients, processing technologies, stability, health benefits, and consumer perspective (Food Research International)-**Gupta et al. (2023)** examines the rapid expansion of functional beverages within the non- alcoholic beverage industry highlighting this segment as one of the fastest growing categories driven by increasing consumer demand for health oriented products. The study emphasizes that functional beverages differ from conventional drinks by offering added psychological benefits through bioactive components such as probiotics, plant extracts, vitamins and antioxidants. The author further stress that product success in this segment depends heavily on ingredient stability, appropriate processing technologies, and the maintenance of sensory attributes that influence consumer acceptance. While the review provides strong scientific and technological insights into functional beverage development, it largely adopts a product centric perspective and does not explore how small beverage firms strategically manage these formulation, production and market challenges under competitive and regulatory pressures. This highlights a gap in understanding firm level growth strategies within the non-alcoholic functional beverage sector, particularly among small and emerging beverage companies.

Gazzola, P., Pavione, E, Amelio, S., & Mauri, M. (2024)-**Gazzola et al. (2024)** examines the strategic behaviour in the food and beverage industry and highlights the intensity of competition and the need for continuous strategic adaptation. The authors note that “food and beverage companies face a complex and competitive environment where strategic positioning are critical to long term value creation” (Gazzola et al.,2024). The study emphasises how the industry structure and competitive pressure significantly influence firm strategy; however, it focuses on the large established companies, indicating a gap in understanding how small beverage firms respond to similar pressures.

Variable- Strategic Responses

Porter, M.E. (1985)Competitive Advantage: Creating and Sustaining Superior Performance -Porter(1985) The framework establishes competitive force analysis as a basic method which organizations use to evaluate industry competition because their operational results depend on three elements. This framework has been widely applied to the beverage industry to explain how firms attempt to sustain competitive advantage under conditions of intense rivalry and market saturation. While Porter’s model offers strong theoretical grounding, it does not explicitly address the strategic constraints faced by small firms operating within highly regulated and competitive beverage markets.

According to **Grant, (2005)**, each industry is made up of various businesses that provide products for the same type of consumer market. Competitive intensity within an industry is determined by how concentrated a specific market is and the availability of critical strategic resources to those competing in it. In the beverage industry, many of the existing businesses enjoy strong brand recognition and loyalty from consumers, which, when combined with the economies of scale achieved by the size of their operations, creates a significant entry barrier for new players and cements the competitive position of the firms already in place.

The Relationship between Strategy and Competitiveness in Breweries – A Pilot Study

The Relationship between Strategy and Competitiveness in Breweries – A Pilot Study

Pilot empirical studies have examined how strategic decision-making affects beverage industry competition for small and medium-sized breweries. The study uses Porter's (1985) strategic framework to show that small brewers use differentiation and focus strategies to compete with large beverage companies. The research demonstrates that product uniqueness and branding together with strong local market orientation serve as essential strategic tools which help smaller breweries compete in markets with high concentration. The research establishes that small beverage companies achieve competitive advantage through their ability to create strategic plans which enable them to use resources efficiently while adapting to new market situations. The pilot study demonstrates that customized strategies help businesses improve their competitive edge while achieving sustainable growth. The study needs more research on different beverage market segments which require different strategies to improve their performance in various product categories and market environments.

Variable- Domestic and International Market Expansion

Mou (2023) Overseas Market Entry Strategies of New-Style Tea Beverage Firms: Evidence from Mixue- Mou (2023) investigates how contemporary tea beverage companies enter international markets through a case study of Mixue which demonstrates its rapid worldwide growth. The research uses SWOT and PEST analysis frameworks to demonstrate how cost leadership together with product standardisation and franchise-based entry methods and integrated supply chain management allows Mixue to achieve efficient market expansion throughout international territories. The study demonstrates that beverage companies require both affordable pricing and operational growth capacity in order to successfully expand their business operations internationally. The research mainly focuses on one rapidly expanding large enterprise which results in insufficient analysis of how small and mid-sized beverage firms face obstacles when developing international business strategies under challenges including regulatory issues and cultural variances and resource limitations. This indicates a gap in the literature concerning international expansion strategies of smaller beverage firms operating in regulated markets.

Spinola, L. J.-Internationalisation Strategies of Beverage Firms (Master's Thesis)

Spinola studies how beverage companies expand their operations into foreign markets by examining their methods for entering new markets. The research uses established internationalization theories to demonstrate that beverage companies expand their operations into foreign markets through incremental development which involves first understanding other markets before entering them through partnerships and distribution system development to decrease risks and uncertainties. The research shows how several factors affect international market expansion decisions through their impact on brand positioning and market intelligence and regulatory compliance and supply chain management. The research provides important evidence about how beverage companies expand into international markets but its main focus on large companies together with its dependence on theoretical models reduces its practical value. The relationship between international market entry for small and medium sized beverage companies and their response to regulatory uncertainty and competitive pressures remains unexplored because there is no empirical evidence available in this field of study.

Variable- Firm Growth and Performance Outcome

Firm Innovativeness and Performance Outcomes: A Meta-Analytic Review (Journal of Marketing) Rubera and Kirca (2012) conducted a comprehensive meta-analysis to study how different industries connect their business innovation activities to their operational results. Through their research authors discovered that innovativeness positively affects company performance across multiple areas which includes business growth and market share and financial success and corporate valuation. The study shows that contextual factors which include firm size and industry characteristics and market turbulence differentially affect innovation outcomes across different companies and industries. The research establishes that innovation functions as a main force driving business expansion and competitive advantages yet it provides insufficient information about small and medium-sized enterprises which operate in controlled markets like the beverage sector. Small beverage companies require dedicated research efforts to determine the connection between their innovation strategies and their business growth as well as their operational performance metrics.

The Strategic Management of High-Growth Firms (Demir, Wennberg & McKelvie, 2017)-Demir, Wennberg, and McKelvie (2017) synthesize three decades of research on high-growth firms to identify the key strategic drivers

underlying sustained firm growth across industries. The study identifies five main factors that lead to high growth which include human capital and firm strategy and human resource management practices and innovation and organizational capability. The authors contend that organizations achieve high growth through their strategic management of resources which includes their leadership choices. The research shows that organizations achieve their most effective growth when they combine skilled human capital with strategic direction that includes innovation and adaptable organizational designs and human resource management practices that can grow with the organization. The study provides important findings for research, yet it reveals major research deficiencies because it contains multiple definitions for high-growth firms and uses limited longitudinal data and it focuses more on growth results than the factors that create long-term success. Further research needs to investigate how strategic drivers develop through time especially in particular industrial environments and organizational contexts.

Firm and Industry Effects on Small, Medium-Sized, and Large Firms Performance (2018) BRQ Business Research Quarterly- The research investigates how particular company attributes and general market conditions impact company success in different business sizes through a statistical approach that measures their contributions to business outcomes. The research demonstrates that company-specific factors are responsible for a larger share of performance differences which exist across all business categories than industry-specific factors. The study demonstrates that internal aspects which include management choices and resource allocation and business direction decisions are essential for understanding performance variations in small and medium-sized companies. The industry structure of a company affects its operational results but this impact remains less significant and more constant throughout different business dimensions. The research shows that company-specific factors play a crucial role but it fails to examine how particular operational methods used by small and medium enterprises in regulated markets or changing industries lead to ongoing business development and success. The findings demonstrate the need for additional research that takes into account specific industry contexts especially in the beverage sector.

Vaz (2021) Firm Growth: A Review of the Empirical Literature-Vaz (2021) The study examines existing research about how businesses expand their operations to discover fundamental factors that drive their development across different sectors. The study classifies growth drivers into internal factors which include firm size age resource availability and innovation capability and managerial characteristics and external factors which include market conditions and industry structure and institutional environments. The results demonstrate that company growth presents itself as a complex process which shows different patterns because no single element exists that explains growth for all companies in every situation. The review shows that different research studies use different methods to measure growth and performance which leads to research findings that show different results in the existing literature. The research study presents an extensive analysis of factors which drive growth but it does not provide complete information about how small and medium-sized enterprises implement their strategic plans to achieve continuous development in their specific industry. The research indicates that researchers should investigate how companies grow in various industrial sectors including the beverage industry.

3. Purpose of the Study

The purpose of the study is to examine the critical obstacles that businesses face in the beverage industry as well as the impact of those challenges in their long term performance and growth. Additionally, it will look at how industry conditions, strategic activities and operational performance all connect in the beverage industry and how firms in this industry use these challenges to create a competitive advantage.

4. Objective of the Study

- To develop a conceptual framework illustrating the relationship between growth strategies, operational challenges and business performance of small beverage enterprises.
- To propose a strategic model that integrates internal capabilities and external environmental factors to support sustainable growth of the beverage industry.

5. Variables of the Study

The present study identifies the following variables based on the conceptual framework:

Independent Variables:

Growth Strategies, Industry Conditions. Growth strategies include actions such as market expansion, product innovation and branding while industry conditions refer to factors like market competition, consumer demand and availability of resources.

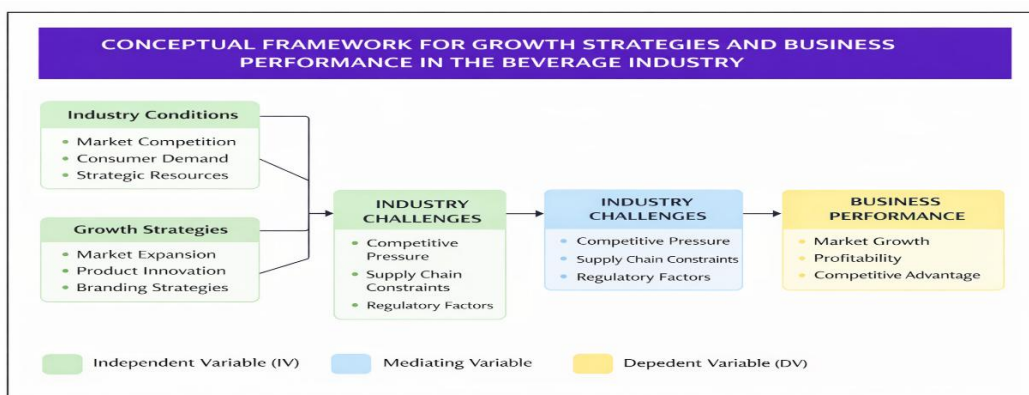
Mediating Variables:

Operational Challenges. The operational challenges include supply chain constraints and regulatory pressures and operational inefficiencies which affect strategy implementation.

Dependent Variables:

Business Performance. This refers to outcomes such as profitability, market growth and competitive advantage.

6. Conceptual Framework



The study's conceptual framework establishes how growth strategies and industry conditions and operational challenges combine to influence business performance in small beverage companies. The three growth strategies of market expansion and product innovation and branding will create a direct effect on business performance. The industry conditions which include competition and consumer demands and resource availability will determine how companies implement their strategic plans. The success of these strategies depends on operational challenges which include supply chain issues and regulatory requirements and operational inefficiencies. All business growth strategies depend on these challenges which determine their operational performance. The growth strategies depend on these factors because they function as barriers that determine operational effectiveness for all growth strategies. The framework establishes that business performance depends on companies' strategic decisions and their ability to handle operational difficulties which arise from their industrial operations.

7. Discussion

The industry is characterized by a competitive and dynamic environment that forces companies to adapt to changing conditions in the market. Beverage industry factors that influence companies' strategies include competition, consumer behavior, and availability of strategic resources. For companies to be competitive in the industry, strategies such as market expansion and branding are employed to improve their position in the market.

However, the application of the strategies is subject to a number of industry challenges. The beverage industry faces a number of pressures, including high competition, disruptions in the supply chain, and the effects of regulations. The challenges act as barriers to the application of the strategies, which might limit the success of the strategies and the ability of the firm to attain its strategic objectives. The challenges are more pronounced for small beverage companies, as opposed to large ones, due to the fact that small companies lack the resources, distribution channels, and brand names to help them implement the strategies more effectively.

Supply chain challenges also play an important role in affecting business performance. Problems associated with the procurement of raw materials, transportation, storage, and distribution are the major challenges that are faced by the business and have a direct impact on the growth of the business. In this regard, the differentiation strategies are followed by the small beverage companies to cope with the challenges of the business. In addition, the market-oriented approach also helps in improving the competitive edge of the business.

The study results demonstrate that a company's operational success depends on its ability to handle these challenges whenever they arise. The business will successfully reach its goals when it controls its challenges because this will result

in higher market share and increased profits and lasting market dominance. The beverage industry demands businesses to understand how industry conditions and growth strategies interact with their existing challenges because this knowledge will help them achieve better performance results. The above discussion, therefore, emphasizes the fact that while the strategies for growth are of critical importance for the firm's growth, the success of the strategies largely depends upon the firm's ability to tackle the challenges faced by the industry environment.

8. Conclusion

The beverage industry is characterised by intense competition changing consumer preferences and increasing operational complexities. This study examined the relationship between industry conditions, growth strategies, industry challenges and business performance in the beverage sector. Beverage companies use different strategies for market growth which include expanding their markets developing new products and building their brand identities to enhance their market competitiveness yet various factors such as competitive threats and supply chain limitations and regulatory requirements will determine how well these strategies succeed. The paper elaborates that the ability of firms to effectively manage these challenges plays a crucial role in determining their overall business performance. Companies that successfully solve their industry difficulties will experience better results through increased profits and market expansion and continuous competitive edge. The beverage industry requires companies to understand how industry conditions interact with their strategic decisions and operational difficulties in order to achieve long-term success.

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