

# Complement products of 2kg milo marketing essay



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Nestle's commitment to providing quality products to Malaysians dates back almost 100 years ago. Nestle began in Malaysia in 1912 as the Anglo-Swiss Condensed Milk Company in Penang and later, growth and expansion made a move to Kuala Lumpur necessarily in 1939. Since 1962, with its first factory in Petaling Jaya, Nestle Malaysia now manufactures its products in 7 factories and operates from its head office in Mutiara Damansara.

The Company was publicly listed on the KLSE (now known as Bursa Malaysia Berhad) on 13 December, 1989. Today, the Company employs more than 5000 employees, manufactures and markets more than 300 Halal products in Malaysia. Its brand name such as MILO®, NESCAFÉ®, MAGGI®, NESPRAY® and KIT KAT® have become trusted household names and enjoyed for generations.

Nestle Malaysia was the first to voluntarily request for Halal Certification of all its food products when it was first introduced in 1996. This does not imply that Nestle products in Malaysia were not halal prior to that. The certified Halal status for all Nestle Malaysia products provides assurance that Nestle products are manufactured, imported and distributed under the strictest hygienic and sanitary condition in accordance to the Islamic faith.

As part of journey towards healthiness, Nestle, through its vision of Nourishing Malaysia, continues to invest in R&D, innovate further and renovate existing products to ensure they are more nutritious and healthier by reducing salt, sugar, and fats content to complement the Government's efforts via the 10-Year National Plan of Action for Nutrition to create a healthier Malaysian society.

Nestle reaches out to the community everyday and in multitude ways. From helping single mothers to underprivileged children, nourishing budding athletes to mentoring programmes, and bringing nutrition awareness through various activities – Nestle is firmly committed to its promise of Nourishing Malaysia. Today, as it continues growing with the nation, Nestle actively seeks avenues in which it can promote healthy lifestyles and wellness in Malaysia as part of its promise of Good Food, Good Life.

## **1. 2Product brand line**

Nestle Company has introduced many types of products into the market with different brands. The products include junior foods, milk, breakfast cereals, hot cereals, creamers, beverages, coffee, culinary products, chilled dairy, ice-cream, confectionary and chocolate, health science and performance nutrition.

The junior food is known as Cerelac. The milk products are Everyday, Lactogen 3, Mom & Me, Nan Grow 3, Nan Ha 3, Nan Kid 4, Nespray Cergas, Nespray Full Cream, Nestle Low Fat Milk and Omega Plus Adult Milk. The types of breakfast cereals include Cookie Crisp, Corn Flakes, Finesse, Honey Stars, Koko Krunch, Koko Krunch Duo, Milo Cereals and Multi Grain Cheerios. The hot cereals are Nestum Mixed Cereal and Nesvita 3 in 1 Cereal Drinks. The creamer is known as Coffee-Mate.

The beverages are Milo with different kinds of packing, Milo Sejuk and Nestea. The brand name of coffee is Nescafe. Maggi 2-Minute Noodles, Maggi culinary sauces, Maggi flavour solutions, Maggi Mi Goreng, Maggi recipe solution and Maggi Soakable are the culinary products of Nestle Company.

While the chilled dairy includes Bliss, Fat Free Yogurt, Natural Set Yogurt and Smooth and Fruity Yogurt.

The health science products are Nutren Fibre, Nutren Junior, Nutren Optimum, Nutren Untuk Diabetik, Peptamen and Peptamen Junior. The performance nutrition products are Powerbar Beverage System, Powerbar Gel, Powerbar Performance Bar, Powerbar ProteinPlus and Powerbar Triple Threat.

### **1. 3Product introduction**

A package of 2 Kg Milo is a milk beverage with chocolate and malt. Milo is very popular in Philippines and Malaysia, where the brand name is synonymous with chocolate flavoured drinks, Malaysians were said to be the world's largest consumers of Milo. This is because Milo was once used as a nutrient supplement when it was first introduced in the country, and has thus gained a reputation as a must-have drink for the elder and the younger generations.

Milo manufactured in Malaysia is made to dissolve well in hot water to produce a smooth hot chocolate drink, or with ice added for a cold drink. A package of 2 Kg Milo in Malaysia is served in coffee shop and mamak stalls offering different versions such as "Milo Dinosaur", a cup of Milo with an extra spoonful of powdered undisclosed Milo added to it, "Milo Godzilla", a cup of Milo with ice cream or topped with whipped cream and the combination of Milo with Nescafe powdered coffee called "Neslo". Besides, a package of 2 Kg Milo can consume in many other ways. It can be added to hot or cold milk to give it a malt chocolate flavour and extra texture. When

combined with cold milk, it retains the gritty texture of its raw state. Milo can be stirred into steamed milk or hot water to create something similar to hot chocolate or cocoa. Sugar can be added to the Milo beverage, but many people enjoy it without the addition of sweeteners, appreciating it for its subtle chocolate flavour. Another popular use is to sprinkle it on ice cream, especially vanilla ice cream. Moreover, Milo can also be sprinkled on breakfast cereals.

### **1. 4A package of 2Kg Milo as a normal goods**

A package of 2 Kg Milo is categorized as a normal good because as individual receives more income, they tend to increase their purchases on this product. As income rises, consumers shift to purchase their initial preferred brand which is normal good and decrease their demand for the inferior good. The income of each consumer will affect the demand of 2 Kg Milo. When the income of consumers increases, the purchasing power of consumer will increase as well and thus they will buy more units of the Milo beverage. As a result, its demand will increase. This indicates that the income of consumers influences the demand of Milo beverage and determines that Milo 2kg pack is normal good.

### **1. 5. 1 Complement products of 2Kg Milo**

Complement goods are the goods that must be used together or simultaneously. One of the complement products of Milo is sweetened beverage creamer. It is a creamy and tasty milk product prepared from dairy cow's milk, refined sugar, milk fat and vegetable oil. It is filled with vitamins A, D, and B1 and is ideal to use in making beverages and foods to enhance the taste and smoothness. People usually add some sweetened beverage

creamer into Milo beverage and it makes the Milo tastes sweet and enhances the aroma of Milo. In term of complement goods, an increase in the price of one good will cause a decrease in the demand for the other good. Therefore, if the price of Milo increases, the demand for sweetened beverage creamer will decrease or vice versa.

Another complement product of Milo is cream cracker. A cream cracker is a flat, dry, crunchy biscuit and is light brown in colour usually square savoury biscuit. They are made from wheat flour and yeast. Most of the people dip the cream cracker into the Milo beverage before putting it into their mouths. Since it is complement good of Milo, the increase or decrease of price of Milo will has impact on the demand of cream cracker. So, if the price of Milo decreases, the demand of cream cracker will increase.

### **1. 5. 2 Substitute products of 2Kg Milo**

A package of 2 Kg Milo has its substitute products or competitors. The most famous substitute products of Milo drinks are Vico and Ovaltine. According to the law of demand, when the price of a product is higher than the substitutes, consumer will buy more units of substitutes. However, Milo which has higher price than its substitutes, Vico and Ovaltine, actually has better sales than them. This is surprising because it is not following the law of demand. This clearly shows how much effort Milo's company has put in to build up the reputation and confidence from the consumers.

## **1. 6Market structure**

**A package of 2 kg Milo is a coco-based beverage in monopolistic competition market. In this market, coco-based beverage has the characteristics of many sellers and buyers, differentiated product, price makers and spend money in advertisements to convince consumers.**

**Other than Milo, there are many sellers in this market such as Vico and Ovaltine because of the easy market entry and leads to the increase in the number of competitors which will compete with Milo. Therefore, the company spends a large amount of money in differentiating itself from competitors which are also selling similar products. Its effort can be seen in the product of 2 kg Milo. Milo is action packed with the natural goodness of malt, skimmed milk and cocoa and improved with ACTIGEN-E, a unique combination of 8 vitamins and 4 minerals, which helps in optimal release of energy from food. Therefore, this product is popular among elder and younger generation.**

**As a monopolistic competitive firm, Milo is a price maker company that set its own price for its products. Milo charges higher prices compared to its competitors because it develops varied products by recognizing different types of chocolate beverage. For example, Milo with PROTOMALT contains malt extract which is a mixture of different types of carbohydrates that provides energy and nutrients the body needs which is safe to be consumed by consumers from different ages. Therefore, the products are sold at higher prices for the unique benefits of products and the cost of producing it.**

**In addition, Milo also spends money in advertisements to convince their consumers. Every year, it will advertise its products in different channels such as newspaper, television and internet. By promoting its products through advertisements, Milo has attracted new customers bases who do not know its products well before and promote its unique formula and benefits of their products to the consumers.**

## **Part 2**

In the market, the price of 2kg pack Milo is RM31. 29 while the price of one of its competitors, Vico is RM30. 79. The price of Milo is slightly higher than Vico. There are three main reasons why Milo selling price are higher than Vico, which are the effort on advertisements, different taste and preference and the production and cost of Milo.

First and foremost, to make Milo more well-known and to increase the demand of Milo all over Malaysia, Milo make a lot of promotion compare to the competitors, Vico. However, Vico make less effort on advertising its product. Milo makes sure that the advertisements are attractive through all the possible media. Milo makes promotion and advertising through television, internet, newspaper, radio station and leaflets. These promotion activities cost a lot. For example, advertisement of a mother give her children a cup of Milo beverage before going to school will charge with high energy and get enthusiasm. It is effective because many buyers spend money to buy Milo since the advertisements have successfully attracted their attention. Milo firm need to pay extra cost for its advertising cost to sell more Milo. Therefore, the price of Milo is higher compare to Vico.



Another reason why Milo can sell higher price compare to Vico is because of the taste and preference. Milo is one of the most recognizable brands in Malaysia. Milo brings the nostalgic taste compare to Vico. Milo captures all the features and nutritional benefits of Vico. Milo contains PPROTOMALT, a malt extract found only in Milo, but not Vico. PROTOMALT provides complex carbohydrates, a good source of energy for a balanced diet. Furthermore, Milo has constantly improved the nutritional values of Milo by making it more wholesome and nutritious while ensuring that every delicious mug of Milo delivers the same energy goodness.

Moreover, the production and cost of Milo differentiated it from its competitors, Vico. To produce one product, the firm need a good raw material. For Milo, it needs to get raw material such as cocoa from cocoa supplier. If the supplier increases the cocoa price, it will also affect the price of Milo because the Milo's cost of production will increase. In Malaysia, Milo needs to import cocoa. The suppliers for basic ingredients like cocoa can increase price resulting in high price for Milo in comparison with Vico.

Hence, Milo is a beverage for everyone which suitable for all income level since the price that set by the company is affordable. Although the price of Milo is slightly higher compare to its competitor, Vico, it does not affect the market demand of Milo. Instead, Milo is very competitive since the price is high in quality and most of the consumer does consume the beverage for the taste and preference not the matter of price.

## **Part 3**

### **Firm Advantages**

#### **Differentiated Products**

Milo's company runs in monopolistic competition market where Milo is a differentiated product. Milo is said to be differentiated from other competitive product because Milo is actually different enough compared to other substitutes although they are similar. As mentioned previously, Milo do contains PROTOMALT and ANTIGEN-E which are not available in the substitutes. This is what makes Milo so different compared to other coco drinks. Besides that, because of doing a lot of advertisement, its green-coloured package is widely recognised in the society compared to other coco drinks. Therefore, even Milo is slightly more expensive than the competitors, Milo is still the primary choice of most consumers.

#### **Engagement in advertisement**

In accordance to what is mentioned above, Milo's company does advertisement very frequently in every form of mass media to promote Milo. Because of this, Milo became very well-known to every consumer in the market. The engagement also strengthens Milo's differentiation in the market as consumers know how special Milo is compared to other substitutes. Furthermore, consumers will be fed with information of the special features of Milo in terms of how Milo affects one's energy level and health and what special nutrition Milo contains and even special offers. This ensures the consumers are kept informed on every new features and breakthrough of Milo so that they will continue their support toward Milo. As a result, this indirectly maintained or even improved the sales of Milo.

## **Firm Disadvantages**

### **High Expenses**

Milo's company has quite high expenses to operate in monopolistic competition market. A big portion of expenses are actually used in marketing and advertising as they are always renewing and revising their contents in advertisements. The work to come out with new advertisement needs cost as well. Besides that, the cost in researching new formula for enhancement of Milo's taste and healthiness could not be neglected as well. Apart from that, costs of designing and implementing new appearance of packages have also contributed a lot in the total expenditure. Yet, these expenses could not be ignored as the company need to ensure Milo's differentiation within the market or other competitive companies might take over their status in the market.

### Threat of competitors

One of the characteristics of monopolistic competition market is the entry and exit of new firms are free. Therefore, Milo's company which operates in this market will face many competitors and each of them will somehow have their own special features in their respective product. Because of that, Milo's company will need to put extra effort to maintain its status in the market and not being replaced by the other competitive companies. They need to always revise and come out with new features install in Milo. For example, they have just come out with a new feature called the Milo Sejuk, which consumers can straight away mix cold water into the Milo powder instead of hot water.

## **Consumer Advantages**

### Informational advertisements

Milo, a product from monopolistic competition market, is often being seen on advertisements from television, radio and signboards. Because of the regular advertisements made by the company, consumers are always kept informed on the uniqueness of Milo, likely the types of ingredients used, instead of other substitutes. Therefore, consumers always know the benefits they will probably get after purchasing Milo, either benefits on health or implicit benefits. Therefore, consumers need not to worry on the quality of Milo and can have full confidence on it.

### Enjoy new features

As consumers of Milo in monopolistic competition market, they can enjoy frequent update from Milo in terms of the product's features. As mentioned above, Milo's company who faces many competitive forces needs to always revise and renew Milo's feature. As a result, this actually gives consumers an opportunity to enjoy more new features from Milo. For example, when Milo is added with new nutrition, consumers enjoy the healthier Milo. When Milo Sejuk is introduced, consumers enjoy more convenience in consuming Milo.

## **Consumer Disadvantages**

### **High price**

Because of the nature of monopolistic competition market, Milo which is categorised in this market is sold in a relatively higher price. As mentioned, Milo's company has put many efforts to ensure the excellence of its product in many aspects, such as the nutritional value, recognisable packaging and <https://assignbuster.com/complement-products-of-2kg-milo-marketing-essay/>

most importantly the informational advertisements and these uses a lot of money. Therefore, Milo's company has no choice but to increase the prices of Milo to cover the expenses made in the production of Milo.

## **Part 4**

Our research product Milo was introduced in Malaysia in 1950 and has won the affection of many Malaysians. Milo 2kg is Malaysian's much-loved beverage. Milo 2kg is not just an ordinary coco malt drink. It contains PROTOMALT, a malted barley extract that supplies complex carbohydrates, the preferred, recommended source of energy in a balanced diet. It also has a good part of the nutrients naturally present in barley. Milo 2kg contain nutritional icon on each pack reinforces the nutritional properties that consumer can get from every cup of nutritious and great-tasting Milo.

Milo 2kg packaging is the most direct and largest communication vehicle that the organization had with the most impressions they can deliver. Its distinguishes its product through easily recognizable packaging which is its green colour packaging. The firm also makes some effort in the advertisement to convince the consumer or potential consumer to purchase and consume their product. Advertising such as creates a creative slogan in order to make sure consumer will remember Milo. Example of slogan is Buy Milo 2kg free 200g. To make Milo 2kg more interesting to buy, the firm adds some cereal. The cereal will increase the cost of production and at the same time, the price of Milo will also increase. That is why quality factor can affect the price of Milo.

After our research for the assignment, we found that the assignment was useful for us. From the assignment, we know more about four market structures. Our research product, Milo 2kg pack, had certainly assist us for a better understanding on the monopolistic competition market. We knew that monopolistic competition market is a market which is characterized by many small sellers, a differentiated product and easy market entry and exist. We understand that the many-sellers condition is met when each firm is so small relative to the total market that its pricing decisions have a negligible effect on the market price. We comprehend that when a product is differentiated, buyers are not indifferent as to which seller's product they buy. Besides, we knew that different kind of product will have distinguished level of demand from the communities. If a product has a high demand, it will attract other producer to produce the same or even better product. As a result, there will be a lot of competitors and competition. All the producers will make their product popular and more favourable.

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Our empirical findings in this research had fulfilled our expectations regarding economics.

In the short run, Milo's company in monopolistic competition able to make economic profits, but in the long run these will be competed away and the Milo's company will only be able to make normal profit. In the short run and long run, Milo's company will maximise their profit by maximization rule where marginal cost equal to marginal revenue ( $MC = MR$ ). In the short run, <https://assignbuster.com/complement-products-of-2kg-milo-marketing-essay/>

price (Demand Curve) is exceeding the ATC (Average Total Cost ) curve and Milo's company can make economic profit.

However, in the long run, new firms will be attracted into the industry by the economic profits. The entry of new firms leads to an increase in the supply of differentiated products, which causes Milo's company market demand curve to shift to the left. As the entry of the market increases, Milo's company demand curve will continue shifting to the left until it is tangent to the average total cost curve at the profit maximizing level of output. At this point, Milo's company economic profits are zero, and there is no longer any incentive for new firms to enter the market. Thus, in the long-run, the competition brought about by the entry of new firms will cause each firm in a monopolistic competitive market to earn normal profits.

If we intend to establish a company, we will choose monopoly market which is large in size, to enter. We choose monopoly market because monopoly is a market structure characterize by single seller, others are impossible to entry our market, a unique product and most importantly, we will be the price makers.

Firstly, in monopoly, a single firm is the industry. This is because we will be the only one producer or seller exists for a product. Because of single firm in the industry, we will produce output at lower per unit cost than two or more firms. Our monopoly firm will provides the total supply of a product in a given market. For example, we can run as the only Mexican Food in Kampar area.

Secondly, there are barriers to entry into monopoly market that prevent competition. In comparison to perfect competition, there are no constraints to prevent new firms from entering an industry. Barriers such as legal barriers, economies of scale, network good and ownership of an essential resource. These barriers are so high that prevent any other firm from entering the market we chosen that is monopoly market. This will certainly give us incumbent advantages. We will earn normal profit in the short run too.

Next, we will have a unique product. A unique product means there are no close substitutes for the monopolist's product. Thus, we face little or no competition. In reality, however, there are few, if any, products that have no close substitutes.

Lastly, we will be the price makers. Price makers means we will have to power to control the price. Sometimes, we as a seller can charge different customers, different prices, for the same good or service when the cost of providing the good or services does not differ among customers. We choose monopoly market because the price discrimination is possible only with monopoly or where members of a small group of firms follow identical pricing policies.

In a conclusion, we will choose monopoly market as monopoly is a market structure characterize by single seller, others are impossible to entry our market, a unique product and most importantly, we will be the price makers.