

Marketing strategy of fiji water company

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Introduction

Fiji Water LLC is a U. S. based company, that market its famous brand in more than a dozen countries out of its bottling plant located in the Fiji Islands. The product concept was developed in the early nineties by David Gilmour, the Canadian-born owner and founder of Fiji's renowned Wakaya Island Resort. 1 As of 2008, Fiji Water marketed its bottled mineral water in about a dozen countries in North America, Asia, Europe and the Middle East. It was marketed as Fiji Natural Mineral Water in Europe and as Fiji Natural Spring Water in Australia.

The two main markets for the product were the United States and Australia. At the same time, the company's relationships with the Fiji government were at the lowest point. The government accused Fiji Water of transfer price manipulations and seized hundreds of containers carrying Fiji brand. The company's tax- free concession granted by the Fiji government for 13 years in 1995 came to an end in October 2008 and the company will be required to pay corporate tax in Fiji. The new water resource tax, although much lower than the draconian 20-cents-a-litre excise, still will adding about FJI\$1 million to its cost every year.

In other hand, the company was making efforts to live up to its good corporate citizenship claim by focusing on its contributions to the local communities. In the following report you will find my selected analysis of the Fiji Water Case Study. I have chosen to respond to Question 2: What factors contributed to the marketing success of Fiji Water? And Question 5: Are the

Fiji government's concerns about the "negative" contribution of the Fiji Water to the local environment justified?

Does the company do enough to improve its relations with the Fiji government and the local community? What else should it do to improve those relations? What factors contributed to the marketing success of Fiji Water? 1 James McMaster and Jan Nowak, "Natural Waters of Viti Limited- Pioneering a New Industry in the Fiji Islands," Journal of the Australian and New Zealand Academy of Management, 9: 2, 2003 (Special Edition on Management Case). Fiji Water's International Market Expansion Fiji Water global trends in bottled water consumption and demand were very important.

Since more than 90 per cent of all the Fiji Water was exported, the sales of Fiji Water in the domestic market were very small. In 2007, Europe and North America were the biggest regional markets for bottled water, accounting for 30.9 and 30.7 per cent of the world's sales volume, respectively. Asia accounted for 24.3 per cent and the rest of the world accounted for 14.1 per cent. 2 Fiji Water had made its strategy revolve around capturing international market opportunities and strongly positioning the brand in large and growing markets for bottled water.

Conquering the U. S. Market The United States is the very first and important international market that Fiji Water launched. Due to its light mineralization, Fiji Water was characterized by a smooth taste and no aftertaste. The light mineralization also gave the water a clean, pure taste. Many U. S. consumers instantly liked the taste of the water and, having tried it, repurchased the product in preference to the more mineralized waters. Also the company

continued to educate the consumer about main advantages over other bottled water brands. 3

The successful marketing equation plays an important role in the product content. One of the important elements was packaging. The packaging is the first thing that comes to the customer's eye. For many years, all bottles containing natural water were the same—round, with paper labels. Packaging, one of the most fundamental ways to differentiate a product, was not used as such a tool in bottled water markets. Over the last decade, both companies and consumers had discovered the power of packaging in bottled water brand positioning and imagery.

Similarly to packaging, FIJI Water's price was higher than that of most brands offered to U. S. consumer; people all believe that a premium-price policy reinforced the product's high-quality image. Another important factor that had contributed to FIJI Water's success in the U. S. market was its distribution. Having good distributors was important in that it enabled the brand to be well placed in and readily available to the market. Building an image of the high quality, uniqueness and class of the product was another aspect of this successful marketing campaign.

The successful launch of FIJI Water in the United States was attributed to a skilful marketing strategy and the high quality of the people who drove the initial marketing campaign. 4 The company made people believe that FIJI Water was much more than just pure, good-tasting liquid; it was also a promise of good health, refinement, status, and exclusivity. It evoked images of unspoiled natural beauty and purity. It was a tropical paradise captured in a bottle. 2 “ The Global Bottled Water Market. Report 2007,” Beverage

Marketing Corporation, January 2008. www.fijiwater.com. 4 Paul Yavala, “Fiji Water Travels,” *The Fiji Times*, November 2000, P. 4. Relations with the Fiji Government The “negative” contribution to the local environment---Tax Issues Fiji Water appeared to provide little direct benefits to government revenue because of the tax-free status granted by earlier governments The success of FIJI Water was very evident to all citizens of Fiji as they observed the large number of trucks transporting containers of bottled water to the ports of Lautoka and Suva using the Queens highway.

One could argue that the damage caused to the national roads and bridges by the huge number of heavily laden trucks carrying FIJI Water might have exceeded the road and fuel tax, and that the citizens of Fiji were subsidizing FIJI Water. Based on FIJI Water’s export levels, the new export tax would result in the company paying many millions to the government coffers. In 2006, FIJI Water exported 119, 000, 000 litres of bottled water to the United States. Applying a tax of 20-cents-per-litre, FIJI Water will be paying the government FJ\$24 million just for its exports to one market. FIJI Water and the nine other companies immediately mounted a campaign against the new tax. They first threatened to cease production and to lay workers off. They argued that this sudden decision by the Cabinet was made without thorough analysis of the economic costs and benefits. They also pointed out that it would undermine the government’s economic development strategy that was based on increasing the level of investment and export-oriented growth. A critical issue was the likely impact of this new tax on both foreign and local investment.

Behind the scenes, the bottlers were very active in seeking the support of the media and key decision makers, trade unions, village leaders and local chiefs as well as lobbying interim ministers and members of the Military Council. On July 25, 2008, the Fiji government made an announcement that it had decided to drop the new tax. Immediately after the announcement of the repeal of the tax, the major bottled water-exporting companies resumed production and re-employed the hundreds of workers who had been laid off. In November 2008, the Fiji government re-introduced the disputed water tax as part of the 2009 budget in a different form. It was called “water resource tax” and was progressive depending on the amount of water extracted. Fiji Water’s tax-free concession granted by the Fiji government for 13 years in 1995 came to an end in October 2008, and the company will be required to pay corporate tax in Fiji. The new water resource tax, although, much lower than the draconian 20-cents-a-litre excise, is nevertheless likely to erode the company’s profitability by adding about FJ\$1 million to its costs every year.

This is expected to coincide with a slow-down of growth or even stagnation of Fiji Water sales in its main markets due to the global recession. In January 2008, the government became concerned that Fiji Water was engaging in transfer price manipulations, selling the water shipments produced in Fiji at a very low price to the company headquarters in Los Angeles.

A press release by FIRCA, issued in January 2008, noted that Fiji Water had received advice from international law firm Baker ; McKenzie, which conducted an economic study on transfer pricing and declared what the company was doing in Fiji was fair. FIRCA rejected the claim by stating that:

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“ FIRCA will not passively accept the verdict of Baker ; McKenzie without itself having access to the information on which same is based, and to the instructions on which same is based, and without the opportunity to conduct its own transfer pricing study based on such matters and upon the profitability of Natural Waters of Viti Limited. 6 Relations with the local community Establishing and maintaining good relations with the five neighboring Fijian villages that were the traditional landowners of the Yaqara basin, where the bottling plant was located is very important. FIJI Water had established an excellent work environment with good interpersonal relationships among the workforce. In other hand the company also supported children’s education, provided the pre-schools with equipment, educational material, teacher training and other support.

In March 2002, the company voluntarily established an independently administrated community development trust fund and allocated FJ\$275, 000 to it. The Trust provided funds for developing the infrastructure, expertise and skills needed to supply clean, safe and sustainable water to more than 100 communities, schools, health centers and nursing stations throughout Fiji. 7 Maintaining good relations with the Fiji government will be vital. A series of ads sponsored by FIJI Water, placed in the popular daily Fiji Times in late 2008 and early 2009, was focused on letting the public and the overnment knows how good a corporate citizen the company is. The ads highlighted FIJI Water’s contribution to creating new jobs, improving education and raising standards of living in Fiji. FIJI Water was making efforts to live up to its good corporate citizenship claim. But is it enough to dispel government officials’

and ordinary citizens' doubts about FIJI Water's positive contribution to the local economy and community?

References

1. " Press Release," Fiji Islands Revenue ; Customs Authority, January 11, 2008, p. 3. 7 [www. fijiwater. com](http://www.fijiwater.com)