

Yakult marketing plan



1. INTRODUCTION:

History of Yakult

Yakult Honsha Ltd. was founded in 1930 by Dr. Shirota. For over the past 75 years, the company has expertise in the field of beneficial bacteria. The main activity of Yakult is to introduce a wide range of healthy foods, cosmetics and pharmaceuticals.

In 1930, Dr. Minoru Shirota, who was conducting his research in a microbiology lab at the Medical Faculty of Kyoto University in Japan, became the first person in the world to create a strain of lactic acid bacteria beneficial to human health. This bacterium was named after Dr. Shirota – “Lactobacillus casei Shirota strain” (Our History, 2010).

In Malaysia, Yakult is still a young and growing company. Yakult Ace was only launched in Malaysia in 2004. Yakult (Malaysia) Sdn. Bhd. is a wholly owned subsidiary of Yakult Honsha, Japan (Yakult-Malaysia, 2010).

Vision

Yakult’s vision is to push forward with the quest for new possibilities for probiotics in the academic and medical fields.

Mission

Yakult’s mission is to contribute to the health and happiness of every person throughout the world through the pursuit of excellence in life sciences and the excellence in life sciences and the study of microorganisms.

Philosophy

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SHIROTA-ISM

1. Preventive medicine
2. A healthy intestine leads to a long life
3. A healthy life for all

We contribute to the health and happiness of people around the world through the pursuit of excellence in life science in general and our research and experience in microorganisms in particular (Philosophy, 2010).

Issues and challenges

In the recent years, several major issues and challenges were faced by Yakult. Yakult is facing a shortage of stock to meet the demand of the people around the world. It is reported that there is high stock turnaround (Cruz, 2013).

2. SWOT ANALYSIS:

Strengths

Dynamic Research & Development power

Retrieved from the annual report of (“ Global Yakult”— Entering a New Growth Stage, 2013), one of the strengths portrayed by Yakult is its dynamic research and development power. With its 252 medical doctors and scientists, they actively pursue research aimed at applying bacteria effectively in the prevention and treatment of many diseases.

The R&D Division tails basic research in life science meant at applying and developing basic materials in pharmaceuticals, food, cosmetics and other

fields. Besides that, Yakult does their research and development at the Yakult Central Institute for Microbiological Research, which is situated in Tokyo, Japan. The aim of this central is to the study is to the use of beneficial bacteria in the promotion of health. Therefore, there are continuous improvements in Yakult's products that can improve consumers' health for today and in the future.

Good distribution channel

Another essential strength of Yakult is the unique distribution channel by Yakult Ladies. It is a type of delivery service that delivers Yakult cultured milk drinks directly to the consumers' home through a network of Yakult Ladies. According to managing director Kouichi Nakayama (abhishek_g, 2012), door-to-door sales through the Yakult Lady System are more profitable than supermarkets sales. In Japan, more than 60% of Yakult products are distributed by Yakult Ladies. They deliver door-to-door every day, from rural areas to high-rise buildings in the city.

However, in Malaysia, Yakult Ladies is also available in delivering of goods. However, it is only available in certain place such as Klang Valley, Negeri Sembilan, Melaka, Penang, Kuantan, Ipoh and few other areas. The best thing is there is no minimum order or delivery charge for the products (Fong, 2007).

Weaknesses

Less product choice for customers in terms of flavours

The first weakness of Yakult is lack choice of flavours. There are only two flavours available which are Yakult Ace and Yakult Ace Light. Unlike its competitors, such as Vitagen and Nutrigen, these two brands come out with products with variety of flavours which will attract more people to buy their products. As Malaysia is a multiracial country, different races of people have different tastes. Thus, Malaysians usually prefer to choose their drinks from a variety of flavours.

Storage difficulty

Second is storage difficulty. The products are fermented milk drinks which contains active bacteria under low temperature. However, if the temperature increases, the bacteria will eventually become inactive that will turn the taste sour. This is because the bacteria will begin to make lactic acid when the temperature drops (FAQs, 2010). Therefore, refrigerators are necessary. However, consumers who do not own a refrigerator will find it a problem. By the way, it will also lead to a storage difficulty for retailer outlets with little storage capacity as they still have other products brand they need to keep. This will cause an imbalance of stock availability during different time of the outlets. This problem also influences consumers' purchase intention that does not have a refrigerator.

Smaller packaging and higher price compared to competitors

Another weakness of Yakult is that the packaging of Yakult is small compared to its competitors. One bottle of Yakult contains 80ml cultured milk drink while competitors such as Vitagen and Nutrigen serve in 125ml per bottle (TK-eShop, 2010).

Besides that, according to Yakult, it is fine for consumers to drink more than 80ml of Yakult cultured milk. Therefore, consumers who drink more than one bottle may go for other competitors' product who sells in larger packaging (FAQs, 2010).

Yakult products are sold in a bundle of 5 bottles, which is the same with its strong competitors such as Vitagen and Nutrigen. However, the Yakult cultured milk drink's price is higher than the competitors, who offer their drinks in bigger bottles too.

Opportunities

Trends in health concerns

Few studies shows that more and more people are concerned about their health problem and health awareness is becoming increasingly important nowadays (Rollins, 2008); (Senterfitt, Long, Shih, & Teutsch, 2013). This is an opportunity for Yakult since Yakult has already scientifically proven that their products are good for health. Consumers are turning to dairy products, yogurts and so forth to start their day.

In Yakult's advertisements, the company informs consumers that their products are probiotic drinks which are good for people's health. This increases health awareness of the people. Besides that, Yakult's brand recognition also increases among consumers during this process. The creative thinking of Yakult's advertisement helps in promoting health by emphasizing beneficial bacteria for intestinal balance of consumers which ultimately leads to good health.

Increase in number of convenience stores and hypermarkets

According to (Wong, 2007), the number of convenience stores and hypermarkets are increasing. It means that Yakult's distribution channel will also increase. Yakult's product can be sold in more and different places. Consumers will also find it easier and more convenient to buy Yakult's product from the hypermarket or convenience stores nearest to them.

Threats

Intense competition

Yakult faces a tough competitive environment in the market. There are similar healthy foods and also probiotic drinks in the market. Yakult's main competitors are Vitagen and Nutrigen that has strong brand recognition in the Malaysian market. Vitagen is the first cultured milk to be introduced in Malaysia which is also known as the number one cultured milk in Malaysia. As for Nutrigen, it also provides cultured milk which is similar to Yakult and also Vitagen. These competitors have their own competitive advantages compared to Yakult in terms of the flavours they offered which can suit different consumers' taste with their different flavours available.

Low switching cost

Besides that, consumers in Malaysia do not incur high switching cost if they choose to switch to other category of healthy foods. Yakult's price offering is also a threat as they offer in higher prices and also smaller packaging compared to competitors. Consumers who are price sensitive may choose competitors' product instead of Yakult's. Thus, Malaysians can switch to

another drinks or brands whenever they want if there are substitute products available with lower prices. They can also shop favourably and also choose selectively without sticking to one supplier.

Competitors use aggressive marketing technique

Yakult's competitors uses aggressive marketing plan to promote their products such as advertising in traditional media like television advertisement, radio, social network sites and forth, especially Vitagen. With this, competitors are more recognizable to consumers than Yakult. As Yakult does not usually do aggressive advertisements to promote their brand, consumers are more likely to be aware of competitors' brand than Yakult. Besides that, the marketing plans that are not heavily invested are usually advertisements that are easily duplicated.

Decrease in consumer's purchasing power

Millions of middle-class Malaysians are suffering from low consumer spending growth while increasing in state controlled electricity and gasoline costs since 2008 (Koon, 2014). As a result, mid to higher end choices of beverage suffered a decrease on the sales (Consumer spending to slow down in 2014, 2014); (Koon, 2014). The economic downturn has contributed greatly to the slow growth of the purchasing power as Yakult is not a necessity in consumers' daily life. Yakult is a probiotic drink, where consumers who desire for a better health can consume it continuously and not a necessity for consumers to drink them as a must in order to survive.

3. INDUSTRY ANALYSIS BY USING PORTAL FIVE FORCES

a) Threat of new entrance

Yakult probiotic beverage falls into a broad and safe market, especially the awareness and concern of people on health are increasing. Probiotic drinks are favourable and popular for consumers and bring a considerable return to the company. This has made the cultured milk market seems attractive to the market, where it attracts many outsiders that tries to enter this industry. However, the capital cost to enter this industry is relative high compared to other beverage industry. As probiotic beverage requires friendly bacteria such as lactobacillus acidophilus that are hard to produce and refine it to produce a drinkable beverage.

Potential entrants who wish to enter this industry need to invest heavily on Research and Development as well as pharmaceutical department in order to produce a probiotic beverage. As Yakult has been proven by many professors such as Dr Ko Okumura (Juntendo University, Japan), Dr. Haruji Sawada and others, the credibility of Yakult beverage is high, which result to a high entry barrier for new entrants as well.

Furthermore, potential entrants need to make sure they are able to differentiate their product from Yakult in term of higher nutrition or lower price or both. If firms are not able to come out with a better beverage than the existing beverage in market, then there is no point they enter the market as this will deficit the company.

In a nutshell, the entry barrier for new entrants to enter this industry is high. Yakult is facing low threat of new entrants.

b) Threat of substitute

Porter's threat of substitute definition is the availability of a product that the consumer can purchase instead of the industry's product with similar benefits. Eventhough Yakult is the pioneer of probiotic, substitutes products are still able to replace them. Customers can easily replace Yakult by purchase bottle of probiotic capsule, probiotic powder or probiotic drink. Example of probiotic supplements is Kordel's Protect probiotic powder, which cost around RM70 for 30 sachts. Yogurt drink and yogurt powder are also substitutes that can replace Yakult products.

The more substitute the products are, the more competitive the industry is. In the long run, Yakult may suffer less profit. In this case, there are few substitute products in market that can replace Yakult products, so they are facing high threat of substitute products.

c) Bargaining power of supplier

Bargaining power of supplier occurs when buyers are too many but only few suppliers in the market. When it is too costly to change suppliers, the bargaining power of suppliers is relative high. The Yakult Plant in Calamba city, Laguna, is able to produce 1.6 million bottles of Yakult a day. In order for them to produce a bottle of 100ml Yakult Probiotic beverage, they will need few raw materials such as skimmed milk powder, sugar, and dextrose is blend with sterilized water to create a sweet, milky solution. While all these raw materials are not unique or highly differentiated product. Which means Yakult can get them from few suppliers, as there are not only one supplier in the market that supplies sugar, skimmed milk powder and

dextrose. The suppliers industry is not dominated by small number of firm, thus the bargaining power of supplier is not harmful for Yakult. Furthermore, Yakult uses backward integration, where they have their own manufacturing factory to produce their probiotic beverage. The main ingredient in the probiotic dairy beverage, live *Lactobacillus casei* strain Shirota is carefully cultured and tested in Yakult own laboratory. In other words, Yakult does not rely on outsider to get their main raw material, but they produced it themselves in their own laboratory and factory. In a nut shell, Yakult is immune with the power of supplier, as they having few suppliers instead of rely on one supplier.

d) Bargaining Power of Buyers

Buyer power is one of the forces that shape the competitive structure of an industry. When the power of buyer is strong, they can pressure the sellers to lower down the prices, improve product quality or better service. In contra, weak bargaining power of buyer will often makes an industry less competitive and increases the profit potential for seller. In this case, Yakult are facing high bargaining power from their buyers. Firstly this is because there are available substitute and large range of probiotic drink in the market that offered similar benefit to the customers, for example Vitagen, Nestle Yogurt drink, and probiotic supplement beverage. Yakult is not the only firm that produce probiotic daily beverage. Customers can easily switch to other product that available in the market, customers switching cost is low.

Secondly, customers are price sensitive towards the beverage. If Vitagen probiotic drink is having promotion and the prices are much cheaper than Yakult Ace drink, customer will simply switch to purchasing Nestle yogurt drink. Thirdly, Yakult probiotic daily drink is not highly differentiated and standard. It become a daily basis for some consumer, thus consumer can switch to other brand that provide the same function as Yakult. In a nutshell, the bargaining power for Yakult buyer is relatively high.

e) Threat of rivalry

The intensity of rivalry among competitors in an industry refers to the extent to which firms within an industry put pressure on one another and limit each other's profit potential. High intensity of rivalry means competitors are aggressively targeting each other's markets and aggressively pricing products. While low intensity of competitive rivalry makes an industry less competitive and increases profit potential for the existing firms. The rivalry in probiotic beverage is minimal. Firstly this is because few competing firms are roughly doing the same size and serving the same amount of customers.

Yakult, Vitagen, Nestle are sharing the almost similar market share.

Secondly, there are lack of product differentiation for the existing brand in the market, Yakult, Vitagen, Nestle are offer the almost similar probiotic daily beverage in the market. This three probiotic beverage different in some ways but they do share the similar characteristic as well, which are help strengthen immune system and smoother the digestive system. Thirdly, customer brandloyalty is not significant, customer who consume Vitagen beverage might switch to consume Yakult on some day, and same goes to

consumer for Yakult. In a nutshell, the threat of rivalry is minimal for Yakult Company.

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