

Case study: boomerang juice company



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Located in Perth, Australia, Boomerang Juice is a small enterprise that specializes in exotic organic fruit juices. It was founded with four employees who were able to capitalize on the local market and grow to 26 employees. Their beverages are marketed successfully within Australia as a high end product, targeted to middle-class, health conscious adults, and are distributed to organic food markets, juice bars and a retail supermarket chain. A majority of the product is dispensed in recyclable, single serve bottles, and the company has recently packaged juice in 1L tetrapack containers for supermarkets. Although Boomerang Juice is a small firm, their in-house research enabled the company to target foreign markets that resulted in business growth. Today, Boomerang Juice employs 95 staff and is looking to further expand their product distribution.

The company CEO and marketing director started participating in food and beverage trade shows to exhibit the range of company products. Throughout 2003 and 2004, company representatives participated in five such events throughout South East Asia and learned that there were very few foreign companies who specialized in organic juice. Company representatives provided samples to trade show participants, and conducted taste tests. Reactions were positive and the appetite for this product appeared, on the surface, to be there.

Squeezing out the details

Back in Perth, the CEO initiated a small international market research project to determine the optimal location for export. The company was not in a financial position to dramatically alter their labeling or packaging, and they needed to identify a suitable local distributor. The CEO had made a number

of contacts with potential local distributors at the trade show within Japan, Hong Kong and Singapore. Boomerang Juice determined that its research budget would allow a team of in-house researchers a month to compile and organize the data on a suitable first market. Management decided that it did not have the budget to purchase data reports, hire an outside research firm or conduct extensive taste testing in each of these markets.

The research results yielded promising conclusions for the Boomerang Juice Company. All targeted countries offered some potential. In Singapore and Hong Kong, Australia ranked among the top three exporters of juice while in Japan, the United States supplied 38% of Japan's fruit juices, followed closely by Mexico and Brazil.

The distribution and sales channels for fruit juices in Japan are held by the large manufacturers, and research demonstrated significant hurdles in securing a channel for the short to medium term. FITTskills: International Trade Research Case Study #1: Boomerang Juice Company: A Taste for International Market Research © FITT 2

Research also revealed that a large part of the sales of beverages comes from vending machines, but because there is already a surplus of these machines, it would be extremely difficult to sell their organic fruit juice through them. Some cultural behavior studies showed that Japanese families tended not to drink juice at breakfast time, but indicated an appetite for low priced organic products. The research team determined that its higher priced product could not be sold competitively in that market. In addition, their limited marketing budget prohibited Boomerang from competing with the

American, Brazilian and Mexican companies already established in the Japanese marketplace.

The market potential in Hong Kong was deemed more promising. Regulations for the labeling of pre-packaged foods allowed for English, Chinese or both. Market trends revealed that high end products that rely upon a perception of prestige or quality used English packaging over Chinese. However, Boomerang felt that it required consumer understanding of the product quality and differentiation and did not have the budget to conduct further market research to determine the most suitable Chinese names for their products, or to provide effective product labeling. Research showed that the make-or-buy decision would not pertain to labeling, but to the nature of the supermarket trade. There are more than 800 supermarkets in Hong Kong, dominated by two chains, which rarely import food and beverages from overseas, but prefer to purchase from local distributors to save operational costs. The Boomerang Juice Company had weak contacts with Hong Kong distributors and could not identify any immediate potential for partnership within that market.

Could Boomerang soar to new heights?

Early research results signaled that Singapore was the ideal starting point. Its population is concentrated in one city and it has an affluent and health conscious demographic that contains a large number of English speaking expatriates. The product was well suited to the market and no significant changes were required to their existing labels. Growth in fruit juice consumption in all categories continues to rise, and today's consumer is more aware of the attributes of pure fruit juice (as opposed to fruit-based

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beverages that contain a lot of sugar), and are willing to pay the price.

Distributors in Singapore not only import juice products for national consumption, but also re-export to neighboring countries such as Malaysia, Brunei and Hong Kong. Boomerang determined that the most cost-effective option to ease into the Singaporean market was to form a partnership with a local distributor. This could have been a serious hurdle for the company, but continued participation in food and beverage showcases in Singapore generated interest with distributors and buyers. After a rigorous selection process, Boomerang chose a small but dynamic distributor they had met at a showcase. They had been established for seven years and were backed by a large logistics company.

The research generated about the Singaporean market, coupled with efforts to establish direct contacts in the market allowed management to abandon their attempts to enter the Hong Kong and Japanese markets for the short term and focus exclusively on Singapore. With its first export sale complete, and a distributor partnership established, the Boomerang Juice Company was able to triple its sales within a year and has long term plans for further expansion into other Asian markets. FITTskills: International Trade Research Case Study #1: Boomerang Juice Company: A Taste for International Market Research © FITT 3