

Cornering the yogurt market muller dairy uk marketing essay

[Environment](#), [Air](#)



“ Cornering the yogurt market: Müller Dairy UK” prepared by Dr Julie Verity and Professor Simon Knox (1999), Cranfield School of Management.

Discussion

Market Segmentation

Definition

Smith (1956) made the definition of market segmentation as an integrated approach to assist both production and marketing policies and achieve lower costs. Porter (2004) also defined it with a broader view saying that market segmentation was an approach to serve customers in terms of distinguishing different customers' needs and purchasing behaviour, whilst Doyle (2002) described it as a decision for a company to develop marketing plan for aimed customers.

Market segmentation can be a process to divide a broad target market into different segments by demand characteristics and address precise products, services and marketing strategies in accordance with demand characteristics.

Purpose

Market segmentation is a niche marketing strategy (Kotler and Keller, 2009). It help firms to narrow down defined customers (Kotler and Keller, 2009). The purpose of market segmentation is to avoid offering potential customer similar product from other company (Cranfield School of management, 2000). By providing accurate products and/or services, making target

customers more satisfied. It could also help a firm to seek its differential advantage over its competitors (Cranfield School of management, 2000).

Practices

Criteria

Before actually processing the segmentation, there are four general criteria of forming market segmentation as follows (Cranfield School of management, 2000):

Quantity - each segment should have an adequate demand which could provide economy of scale for the company to earn its investment back.

Clear - the demand character of each segment should have clear definition from others.

Relevant - the demand character of each segment should be connected to purchase situation.

Reachable - segmentation should be achievable.

Process

First, a successful segmentation should be based on precise demand characters. It can be achieved by collecting external data (e. g. market research) and internal data (e. g. operation flow). Second, a firm has to answer three questions, ' Who is going to buy it?' ' What is bought?' and ' Why it is bought?' (Cranfield School of management, 2000). Any strategy relevant

should consist with the criteria mentioned above and the answers of these three 'W's.

Kotler and Keller (2009) states variable exciting segmentation frameworks:

Geographic base - segmented by different countries, regions, etc.

Demographic base - segmented by life stage, generation, gender, income, etc.

Psychographic base - segmented by personality, lifestyle, etc.

Behavioural base - segmented by customer's attitude and/or response (such as benefit, promotion, loyalty, etc).

There are also other segmentation frameworks, such as product base which is adopted by 3M NDC (Dibb & Wensley, 2002). A reference flow chart is displayed in Figure 1.

Figure 1: Market segmentation flow chart

Market position for Müller in the early stages

In the 1980s, the yoghurt industry was more functional style. The basic needs from customers had been fulfilled, such as the requirements of smaller pot, lower fat content and so on. When Müller first entered in the UK market, it wanted to change the way market operating. It introduced its brand product, Müller Corner, with higher fat and volume but better taste comparing with other yoghurt products at that time. It stimulated the buying behaviour to emotional value. Before Müller joined into the market, yoghurt

was seen as a healthy but not tasteful food. Müller set a new standard for the industry. Innovation can be its core spirit.

After the successful launch of Müller Corner, it became the market leader in the industry. In order to sustained its leader advantage, it attempted to added more service by launching variety product lines. Müller introduced Müller Light (low-fat yoghurt) and Müller Crumble Corner (a two-split pot yoghurt) in 1990 and 1995, respectively (MarketLine, 2013). Furthermore, specific products continuously launched to target children, premium and functional food market. Overall, it created more demand by broadening its product range.

In addition to this, it established its processing chain within the UK region. It owns its dairy to supply most of the raw materials to achieve the goal of ' Lowest Cost, Highest Price' (Verity and Knox, 1999).

The strategy/ies used to growth the brand

Ansoff matrix

Products/serveices

Existing

New

Markets

Existing

Market penetration

Product/service development

New

Market extension/development

Diversification

Figure 2: The Ansoff matrix

3. 1. 1 Market penetration

In this case, the top-left box represents Müller Corner serial, which launched earliest. The product holds the most household penetration among all the product range of Müller. Müller maintain its flagship product by investing in advertising and re-designing the package (Dairy Co, 2012).

3. 1. 2 Product/service development

Müller launched Yakult, a liquid yoghurt, in 1996 to capture the growing trend of functional food, (MarketLine, 2013). Besides, Ken Wood, Müller UK General Manager, believed that 'where there is a chiller, there is an opportunity' (Verity and Knox, 1999). He shared an experience of increasing sales volume in terms of setting up a new sales support team to have a better control and effect on distribution system (Verity and Knox, 1999).

3. 1. 3 Market extension/development

Starting from 1990, Müller has extended its yoghurt serials range to reach customers who never bought its products and attempted to open new market segments, such as liquid yoghurt.

3. 1. 4 Diversification

In August 2011, Müller joined in the flavoured milk market by Müller Flavoured Milk Drink (Dairy Co, 2012). In addition to this, it agreed to invest in Robert Wiseman Dairies with an amount of £279. 5 million (Dairy Co, 2012). Although Müller has not announced any future operational changes, it at least represent the company attempt to enter a relevant new market.

Implementing the growth strategies

The marketing mix - '7P's', which includes product, price, place, promotion, people, performance and process, is a direction to guide the way of improving the capability. In order to improve the growth rate, the product variety enhancing could be an option. Rather than creating a whole new product line, Müller could focus on the flavour development. By market research, it could find new theme flavour in particular period by using the title of 'Season Limited' to promote. Depending on the sales volume, the company can decide whether it will be a regular product or a seasonal product. Apart from this, the cost of investigating new flavour is usually lower than setting up a new product line.

So far, Müller has leant to focused on marketing side. It could consider drawing part of its attention to review its supply chain system to enhance

the performance and physical process. Due to the yoghurt market becoming mature, more competitors have joined in it. A well-structured cost figure and supplying network could support the firm more strongly.

SWOT analysis

Strengths

Market share

Since 1992, Müller has become the market leader among yogurt producer in the UK (Dairy Co, 2011). According to the company spokesman, Stewart Gilliland, Müller was the third largest consumer brand in the UK in an European Food and Farming Partnerships interview (Verity and Knox, 1999). Market share has been an important measure to evaluate the strength of a company, although there is no standard method to value it.

Product quality

Since Müller entered the UK market, the quality of product has been one of the main selling points. It claims to use natural ingredient in its products. Especially for Müller Little Star, only natural ingredient is used to produce.

Innovation & Advertisement

Müller devotes innovation not only on products but also on packaging. In 2011 autumn, it invested over £20 million in an advertisement to advocate the new packaging and to support sales growth of the brand products (Dairy Co, 2012). In addition to this, Müller has kept launching new series of

products. Even more, it stepped into the flavoured milk segment in August 2011 (Dairy Co, 2012).

Sourcing local

Müller UK has its own dairy Market Drayton located in Shropshire (Dairy Co, 2011). In 2010/11 milk year, over 90% of its demand of milk was sourced from Market Drayton (Dairy Co, 2012). Sourcing within the UK region could provide the firm more competitive cost rather than importing from EU.

Clear market segments

In addition to three main brands - Müller Corner, Müller Light and Müller Rice, there are Müller Little Stars (targeting the children's market), Müller Amore (targeting the luxury snacking market), Müller Vitality (a probiotic yogurt drink), and Muller Flavoured Milk Drink (Dairy Co, 2012). With clear segmentation, each product can target cluster customers efficiently.

Weakness

Capacity

The production facilities in Market Drayton is about 20 years old. Müller UK has to continuously invest in the capacity of the dairy to support its demand. As a matter of fact, Müller UK extended it in 1999, 2001 and 2009, respectively (Dairy Co, 2012). There was another on-going extension during the Dairy Co's report published (2011). In 2010/11 milk year, Müller UK required a demand of 240 million litres of milk (Dairy Co, 2012). So far, the capacity could still support demand with full capacity (Dairy Co, 2012). But if

the extension of capacity could not follow the step of growth, it could become an issue. On the other hand, if the growth steps down rapidly, the current investment would become a waste.

Continuous investment required (Current facilities)

Like mentioned above, Müller has to keep investing in new equipment. In addition to the capacity, R&D also need a lot of investment to support company's growth.

Market breadth

Although Müller has a wide product range, the yoghurt market itself is narrow. How to create demand by opening new market sectors? It could be an challenge.

Opportunities

The growth of consumption levels in the UK

The consumption levels in the UK by 2012 was predicted a 6% growth while it is 35% in Europe (Dairy Co, 2011). If Müller could encourage potential consumers purchasing, there is still a potential room to grow comparing the number in Europe. The company may create demand by broadening the usage of new products and new packaging formats (Dairy Co, 2012).

Increased health consciousness

Health consciousness has increased these recent year, which results in a positive growing rate in the UK yoghurt market and functional foods (MarketLine, 2013).

Increase household penetration

By broadening Müller product variety, the company could target consumers with all range of age. It also purchase a new company for £279. 5 million recently, which can open the UK liquid milk market for Müller (Dairy Co, 2012).

Threats

Rising milk price

The milk price kept going up in 2011 (Dairy Co, 2012). There was a 1. 6ppl increase within six months (comparing the price in March and in October) (Dairy Co, 2012). For top quality bands of milk, the price rose even further by a further 0. 4 ppl (Dairy Co, 2012).

Competition from other companies

There are several competitors coming up, such as Danone's ' Activia' and ' Actimel', which are well established brands, and Nom's yogurt, which has a similar market segment as Müller's ' Corner' product (Dairy Co, 2011).

Especially the challenge from Danone, whose market share increased to 13% in 2010 through acquisitions and brand products, while the market share of Müller was stay unbiased in 2010 (Dairy Co, 2011).

Buying behaviour

The promotion still plays an important role when consumers purchase, especially the one buying its main products (Dairy Co, 2012). How could Müller keep sustain its brand strength? Promotions and commercial advertisement are choices, but will need further investment.

Temperature

Temperature is one of the influence to impact customers buying yoghurt or not. People tend to eat yoghurt when the temperature is higher. Müller has tried to join the flavoured milk market by launching new products and planned to invest in a new dairy (Dairy Co, 2012).