

Marketing concept and marketing segmentation in practice flashcard



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Since then, it has become a global phenomenon. Ice Cream lovers the world over now recognize the unique Hagen-Dads logo as synonymous with the ultimate super-premium ice cream. However, for the company to reach where it is today, a sincere marketing effort was undertaken from its early days to understand customers and their needs. Since the beginning, Hagen-Dads has kept a keen focus on developing an internal & external marketing orientation.

They obtained their current competitive strengths to establish premium pricing from:

- *Developing the brand with an attached history of perfection and luxury
- Using the finest ingredients to deliver product excellence
- *Invested in consumer research to understand tastes and preferences of customers
- *Used selective distribution and did not mass market until the minimum critical mass of opinion leaders were established
- *Did not change their objectives in between
- *Used creativity and innovativeness to support brand identity

This report will discuss in detail the evidence that Hagen-Dads does, indeed, practice the marketing concept of keeping customers needs as a priority for the rest of the business to follow. COMPETITOR ANALYSIS

Year by year, new products and their competing items have entered into the field and have successfully created a slot for themselves. This phenomenon is greatly supported by the open door policy of the local government to the people coming from other lands for settlement and tourism. Ice creams are a product that has not seen their prime in the U. A. E. Its potential is tapped in a meager form. Not that the commodity is in short supply. There is ample ice-cream available even at the moment. But, there is great scope of

habituating the inhabitants of this place to consume more of the product, by exploiting the U. A. E. Climate to its best potential.

The United Arab Emirates has an ice cream market of 14th million, yet it has one of the lowest consumption (6. 00 per capital pints) of ice-cream when compared to Australia which consumes 36. 87 per capita / pints and USA 30. 04 pints . In spite of these low figures, Hagen-Dads began its Middle East venture by opening its outlet in AAA Daffy Street in Stats and from then on rapidly opened up cafes in Dear City Centre, Riga Street, Palm Strip Shopping Mall and Thunderbolt. However, prior to their entry into this market, a proper industry analysis was undertaken, similar to the en described below using the Porter's Industry Analysis. Rivalry in the Industry – Medium Rivalry is strong due to a number of factors.

Ben & Jersey's and Hagen-Dads dominate the global super-premium ice cream market. Each of these competitors has approximately 42% of the market, with the remaining being divided up between a number of smaller firms that compete on either a local or national basis . However, within the U. A. E. , Hagen-Dads made its entry while Ben & Jersey's was still concentrating on Europe. Globally, Hagen-Dads was competing for a larger slice of what was a shrinking pie. The ice-cream sector has been stagnating in the recent years. In addition to this, new government labeling regulations, a rise in consumer price sensitivity, and other factors have led to further slow growth. In the U. A. E. Forever, the major competitor at the time was the highest priced ice-cream at that stage, namely Basking Robbins. Basking Robbins ice-cream parlours are still not considered direct competitors

because they do not portray the image and class associated with a Hagen-
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Dads cafe. Further, industry lead times for copying a new flavor are lowering, making it harder to maintain a competitive advantage in this area. Hagen-Dads has been facing intense competition from a relatively similar priced entrant ' London Dairy' which has positioned itself as a premium ice-cream but still made itself accessible at every petrol station and convenience store in town. Hagen-Dads quite readily imitated them and are now available in select petrol pumps and supermarkets.

Threat of new entrants – Weak Though there are a significant number of competitors in the market, the largest firms still have such large market shares that they are somewhat “ insulated” against smaller competition. Barriers to entry into this market are relatively low, especially since a firm that already competes in the premium or standard ice cream market could easily convert to the super-premium market (though not with guaranteed success). There is not a significant threat for a new firm to enter the market and establish itself as a rival to the main competitors though brands like Unchain, Quality and London Dairy have been introducing ice creams to attract this market.

Substitute Products – Weak This is not a significant force, even though there are a number of substitute products for this market. Because this is the super-premium ice cream and yogurt market, and the products have prices that reflect this super-premium standard, the buyer who is interested in this type of product is probably going to be an ice cream lover that is willing to pay the extra price to receive the higher level of quality . One of the driving forces in this industry is the ability to produce a range of flavors, and to keep introducing new ones. Many sales could be attributed to the buyer

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attempting to satisfy a craving for some unconventional flavor of ice cream. Such a buyer would probably not be satisfied with a substitute product.

Though there is sure to be some competition from products such as high quality cakes and cheesecakes, other frozen dessert products, and other snack products such as chips and dips, these products are not a significant factor to this super-premium ice cream market. Power of Suppliers – Weak This force is also weak since, in some cases, Hagen-Dads is paying well above market prices in an effort to stay true to their mission of producing super-premium quality ice-cream and exotic flavors. Should the need arise, it would be quite easy for them to find a new supplier for any of its products. The advantage the Hagen-Dads and Basking Robbins have over the smaller producers are that since they purchase on a global scale, being such a large buyer, gives them more power in the supplier/buyer relationship.

Power of Buyers – Strong This is obviously not a product that is necessary to the consumer. There is a declining level of the price elasticity of demand. This puts more of the power in the relationship into the hands of the consumer. Producers in this market must respect this and be sensitive to consumer attitudes concerning their products or face declining sales. Most of this revolves around flavors that they produce and for this season, Hagen-Dads is continuously innovating on newer and more exotic flavors to keep their customers continuously attracted to them. FOCUS ON CUSTOMER NEEDS Hagen-Dads continuously researches its market because this is exactly what got them into the business in the first place.

Effective marketing is based on three key elements, the marketing philosophy, market segmentation and consumer behavior. Hagen-Dads has been noted to practice the consumer-driven philosophy whereby they rely on research to discover consumer preferences, desires and needs before production actually begins. This philosophy stresses the need for marketing research to be conducted in order to better understand where or who a market is and to develop a strategy targeted toward that group. The core business they are in is production of ice-cream. This industry primarily focuses on consumer tastes and preferences and only research can help identify these.

However, it is not enough that research is conducted only prior to production of a particular flavor. They need to constantly research the movement of this flavor in the market and get feedback from customers about this. Market research has given Hagen-Dads many advantages, such as, Unique environmental insight, which they used to spot opportunities others overlooked – Reuben Mattes found a segment in the market he believed to be UN- served, namely, the adult ice-cream lover segment. While other companies focused on enticing kids with ice cream, Mattes decided to tap the older, mature segment that had the disposable income to ‘indulge’ themselves. Are proactive to competitor moves by following them closely – Hagen-Dads quite readily met all of competitors’ Ben & Jersey’s moves by continuously introducing new flavors focusing on their niche while others lost focus and were mass marketing Eire ice creams. This helps makes them fiercely competitive constantly striving to defend their turf. *Identify customer wants thus focusing energies on giving them exactly what they

want – research helped them realize that Japanese love tea and hence introduced the Green Tea flavor which was an instant success in that market . They are not the only ones undertaking market research. The UK Super Premium ice cream market had a retail value of £1 billion in the I-J in February 2000. Ben & Jersey's accounted for fully 83 per cent of the overall growth in the UK Super Premium market in 2000.

Multiple grocers account for 70 per cent of all Super Premium ice cream sold in the I-J, and in September 2000 Ben & Jersey's secured parity with Hagen Dads in terms of sales through this channel, with Ben & Jersey's securing a 52 per cent share of the market as against 48 per cent for Hagen Dads . In the U. A. E. Though, despite being of reasonably higher price, the brand established itself quite comfortably as a ' must try' product among the elite and middle-class. This is exactly what Hagen-Dads had hoped to achieve when it first came here. The management were counting on the expect population of the U. A. E. Who were already familiar with the brand to spread word of mouth about its high quality, unique flavors and prestige associated.

MARKET SEGMENTATION As simple as it looks, every little detail of the ice cream is meticulously planned for the final consumer to buy the product. Of the money that goes into paying for the ice cream, nearly 80% is returned into marketing costs for the company. The rest of the 20% represents the actual production costs. Consumers are an integral part of the industry and the market research helps identify the core market segments that Hagen-Dads caters to. Market segmentation is the process of identifying a specific set of characteristics that differentiate one group of consumers from the

rest. In respect to ice creams, although many people eat them, the market can quite easily be segmented on bases of taste and price.

Some individuals prefer high-quality ice cream made with real sugar and cream because of its taste while others cannot tell the difference in quality and would buy primarily based on price and availability. Lower-priced competitors are into mass marketing while premium priced ice creams makers have followed a ice strategy to target that one single segment consisting of affluent upper-middle to upper class segment. Hagen-Dads uses a few main segmentation bases for dividing their market, namely, demographic, socio-cultural and cryptographic. Under demographic segmentation, they focus on the income bracket of consumers. Their products are mainly aimed at the affluent with higher disposable income to spend on frivolous luxuries like super- premium ice cream.

Although they do not segregate flavors by gender they do tend to highlight the romantic and sensuous image of ice-cream by featuring couples in all their international adverts. They tend to link their ice creams directly to sex in order to highlight that the indulgence and pleasure felt is similar in both cases and just as fulfilling for inner desires. This leverage gives it extreme importance among the adult population as they can understand this feeling and hence relate consumption of this product directly to this feeling. The socio-cultural segmentation looks at various cultures and nationalities and their preferences. Certain cultural groups tend to have similar needs especially when it comes to food, confectionery and drinks.

For this, Hagen-Dads has taken into account various national tastes and preferences in their innovative product line by introducing flavors like Cheesecake ice cream for the I-J, Green Tea ice cream for Japan, Belgian chocolate for those in East Europe, and so on . Finally, probably the most important type of segmentation bases in this case is the cryptographic segmentation. To be attracted to eating super-premium ice cream, people need to be part of a particular lifestyle segment. They should technically be among those that enjoy the luxury and indulgence associated with the brand. Hagen-Dads has been portrayed to be a reflection of pleasure and for this reason, the brand creates an ambiance behind its cafes too by ensuring that furniture is cozy and in deep shades of browns, burgundy and red to add a feeling of cocooning and intimacy .

Using these segmentation means, Hagen-Dads has narrowed down its business to cater to specifically two main target markets, namely, *Affluent, pleasure seeking adults who are generally brand conscious, innovators & trend followers *Health conscious, young adults who are interested in desserts but prefer natural ingredients and low fat substitutes By identifying only two target segments and focusing on a small but profitable segment of the market, Hagen-Dads is practicing a niche market strategy. They have been fairly successful in identifying and catering to this segment and this can be determined by their growth from gourmet stores in New York City to its global presence now in over 54 countries. Identification which segments are profitable to market to is not enough. Companies need to design a marketing mix to cater to each of these segments.

The next section discusses Hagen-Dads current marketing mix for the mentioned segments. **MARKETING MIX INDULGENT & AFFLUENT**

ADULTERANTS CONSCIOUS ADULTS PRODUCT – All products made with exotic ingredients to add to the luxury and fine taste by sourcing nuts from Hawaii, vanilla from Madagascar, and chocolate from Belgium, – Ice cream flavors ranging from Bailey's Irish Cream and Blueberry Cheesecake to Cherry Vanilla and Chocolate Caramel, etc. Velvety Goleta in flavors from Cappuccino to Raspberry. Ice cream, sorbet, Goleta bars for the adult palate in all flavors of the tubs – Frozen yoghurt's where the fat content is derived directly from fresh cream and fresh egg-yolk.

Sorbets are sweetened only with 'pectin' which is derived from fruit sugar thus ensuring no extra artificial sweeteners – All low-fat bars & tubs are marked with accurate calorie counts and fat content on the packaging to ensure that this segment knows exactly what it's eating **PRICE** – premium priced at ADD 7-10 a scoop while regular ice-creams are only priced at a maximum of ADD 5 per scoop – no price discounts or special offers to keep in line with the luxury and prestige associated with the brand – for the health conscious, Hagen-Dads have not reduced price to try and attract them simply because this segment already exists and they are willing to pay the same amount and purchase the product **PROMOTION** – although initially advertising was only through word of mouth, today Hagen-Dads uses its print adverts to entice customers worldwide. Due to regulations in the Middle East region, they have refrained from linking their product attributes to sex, intimacy, alcohol, etc. And have focused on highlighting the pleasure of eating ice cream made from the finest ingredients in the world – advertising

for this segment has focused on the fact that you can still maintain a retreat body and still treat yourself to an occasional ice-cream and not add on pounds for it – in store displays of the actual number of calories in each scoop and endorsements from fitness conscious stars are evidence enough of how Hagen-Dads is continuously trying to attract people from this segment.

PLACE – cafes with comfortable seating for couples, bar stools, dim lighting, rich colors all help to create an ambiance of intimacy & love – all cafes are located on prime streets or malls where young adults tend to hang out or socialize thus enabling maximum accessibility for the elite focus for this segment has moved away from actual cafes where they may be tempted by the non-low fat products and towards supermarkets, petrol pumps and other convenient areas where they can pick a scoop while their on go. The current marketing mix does quite effectively meet the needs of the target segment and my only recommendation to Hagen-Dads would be to start targeting emerging segments such as the affluent teenage segment that would have more time to spend in cafes and who would be more easily convinced to experiment with flavors. Hagen-Dads major success factor was the way it positioned itself in the minds of the nonuser. It took a strategic marketing outlook to achieve this positioning. All said and done, Hagen-Dads core business is still in the production of ice cream.

However, differentiation using the finest products and developing of a premium ice cream brand was the positioning they portrayed. The next section will look into how they achieved this. POSITIONING Superior flavor

and texture are principal to Hagen-Dads and their definition of quality

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extends much further. From the ingredients they choose to the recipes they develop, from the packaging materials they select to the care with which they deliver the ice creams, from the ambiance of each Hagen-Dads cafe to the attention with which they serve, the Hagen-Dads brand quite obviously signifies its commitment to perfection. However, it is not enough that they believe they have done this.

At the end of the day, the customers would base their decision on the tangible aspects of the brand such as the taste of the products, the quality of service offered at the cafes and so on. Product-wise, Hagen-Dads ensures to maintain the high quality and luxurious taste associated with the brand by using best-selected ingredients from around the world and ensuring that fresh cream is used for a rich creamy flavor, fresh skimmed milk for body and texture and fresh egg yolk for delicate flavor. As a matter of differentiation, they advertise that their ice cream is ALL ICE CREAM by ensuring that the ice cream is perfectly rich because it contains no excess air.

Further, unlike mass marketed brands, no artificial flavorings or colors are used. Hagen-Dads prefers to find better natural alternatives and make sure that their customers know about this. Although most companies limit their product quality testing only within their manufacturing process, Hagen-Dads takes it a step further to ensure that quality tests take place at every stage of production by visiting and testing ingredients suppliers, checking manufacturing processes and equipment daily, tasting ice cream in-store on a regular basis for temperature and taste. From this we can see how Hagen-Dads positioning is based primarily on product & image differentiation.

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For this to be understood by customers, Hagen-Dads has tried to convey this through every available communication vehicle such as the deep maroon & gold logo, to the Scandinavian name and lettering, and the seductive adverts mentioning the various exotic flavors. The only possible aspect that they need to modify with regards to their positioning would be to start co-branding the product in the U. A. E. With luxury events, shows, etc. Although currently premium ice creams like Goodie and Hagen-Dads are served at all the major five-star hotels in town, they have not really ventured into sponsoring or conducting events. Locally held international-level fashion shows, horse races and golf tournaments are splendid opportunities to link the brand with the 'best of the best'.

Being primarily based on an actual product and its augmented offerings, Hagen-Dads has not been very successful in differentiating its products from its services. The next section will look at this in further detail. SERVICE VS.. PRODUCT ASPECTS Hagen-Dads product aspects have already been discussed and this section will now concentrate on the services that they offer that acts as evidence of their marketing orientation. Hagen-Dads has a global website that offers customer information on all the newest flavors, special recipes, current promotions, events, links to other Hagen-Dads international websites and even access to their loyalty programmer called REWARDS .

This is a free membership to all their loyal customers who like to enjoy the uncompromising quality and indulgent taste of their products. This gives customers PIP access to all Hagen-Dads sponsored events, fashion and art shows, early announcement of all new products, trial coupons and free gift <https://assignbuster.com/marketing-concept-and-marketing-segmentation-in-practice-flashcard/>

vouchers. An excellent means to keep their customers coming back to them time and time again. The website also gives investors information on how to open a franchise outlet and company highlights which gives a better understanding of the company's early beginnings. The primary mode of service at Hagen-Dads was through their numerous high-street apes.

The website is a feature that was established of late but to actually receive the welcoming, customer-friendly service, one must visit a cafe. All Hagen-Dads cafes are staffed with well-trained staff whose primary concern is to keep their customers feel relaxed in the cozy ambiance of the outlet. The staff are always impeccably dressed in fine uniforms and are sure to be there at every customer's beck and call whether asked for or not. The feeling is almost as if being served in a five star hotel. Even within the various cafes, club memberships are offered for all regular customers . These customers get free privileges like attending flavor launches, sample testing and focus group meetings.

All these features help Hagen-Dads continuously cater to its niche affluent segment who are willing to pay that extra premium for this high grade of service. Extra services offered at the cafes are the free ' love' postcards and mugs that are given as giveaways to promote the feeling of love, intimacy, sensuousness and passion that the brand is directly linked to. **CONCLUSION** Hagen-Dads' main challenges will be faced from the growing media effect on consumer preferences and tastes. New segments are emerging constantly and they need to continuously innovate and broaden their target market to incorporate these. In the asses, the premium brands were faced with intense

competition from consumers changing preferences to low-fat, fat free and light ice-creams .

Now, the media is actually convincing people that they deserve to indulge and this has resulted in many ice cream marketers to come up with products that are both indulgent, yet not high in calories. Currently, Hagen-Dads Just has frozen yoghurt's and sorbets to cater to this segment, but they need to come up with newer recipes ND ideas for getting this segment to eat more of their ice-cream. Hagen-Dads need to realize that the world is moving to a general economic trend of higher earnings, more disposable income and leisure time and they need to understand that its not just the affluent that are eating their ice-creams but also those of the lower and upper middle-income segments.

They have focused on capturing the innovators in the market but need to start developing their marketing strategies to include the early and late majorities into this segment because they pose as a larger market. The brand has repositioned itself from being exclusive to Ewing accessible yet high-class and quality. This needs to be further capitalized on by convincing the market move it from being something to be eaten at the cafe to something in all family fridges to indulge in when important guests come for dinner. Their clear marketing orientation has given them an established brand. They managed to educate their customers on how they should indulge themselves occasionally even if it means buying a relatively more expensive ice-cream.