Ben and jerry’s marketing strategies flashcard

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Ben and Jerry's marketing strategies Ben ; Jerrys were experiencing asteady growth within their sales figures from 1990 to 1993. However, In March 1994, Cost of Sales increased approximately $9. 6 million or9. 5% over the same period in 1993, and the overall gross profit as apercentage of net sales decreased from 28. 6% in 1993 to 26. 2% in 1994.

This loss might have been a result of several reasons, such as highadministration and selling costs, a negative impact of inventorymanagement, and start up costs associated with certain flavors of thenew Smooth, No Chunks ice cream line. Ben ; Jerrys selling, general and administrative expenses increased approximately 28% to$36. 3 million in 1994 from $28. 3 million in 1993 and increased as apercentage of net sales to 24. 4% in 1994 from 20. 2% in 1993. Thisincrease might reflect the increase in marketing and selling expensesand the increase in the companys administrative infrastructure. Ben ; Jerry's loss was not solely due to their employee orientated approach, but they appeared to have taken out a vast amount of capital lease intheir aim to automate their production to keep up with the intensecompetition. As reflected in the balance sheet, Ben ; Jerry's hadreinvested huge amounts of property and equipment in 1994 increasingtheir long-term debts by almost 45% in 1993. Alternatives available tothe consumer now, and in the foreseeable future Haagen Dazs iscurrently the main competitor in the concentrated market place forsuper premium ice cream. Substitutes are however available. There areother ice creams not in the super premium category. To an extent, these are real competitors. However for the market B; J caters for {theup market 25-40s with a high disposable income} their strategiesshould not have a great

impact on B; J. The frozen yogurt lines whichB; J now provides, has a number of direct competitors to deal with.

Dealing with other substitutes is not that simple. Expensive (or not)chocolate, cakes, croissants and other post meal consumables arerealistic options for the consumer. Ferrara Rocha will assure you thattheir product is the perfect accompaniment to any meal. B; J need to bewary of this. How he/she makes the choice for ice cream (as opposed tochocolate etc.) and then super premium (as opposed to premium orordinary) and then B; J (as opposed to Haagen Dazs etc.) is essential.

See section 3. 21 Research The possibility of a rival ceasing B; J'splace as no. 1 or no. 2 in the marketplace? Despite after tax losses in94 both B; J and Haagan had a 42% share in early 95. None atpresent seem to have the ability or financial backing to challengethis, albeit Edys has Nestle. The possibility of new entrants in themarket place is confined by two major problems. The brand anddistribution. Remembering that these are up market consumers where bycheap alternatives are not necessarily sought for then the key elementis the brand. This brand and the associated image are somethingcurrently only Haagan and B; J have. This emotional tie related toB; J's and everything it possesses beyond what it is in itself (i. e. agood tasting ice cream) is something that will be difficult toemulate. It is a question of I wouldn't be seen dead eating anotherice cream as opposed to this is cheaper and tastes just like B; J'sso Ill buy this from now on. The other barrier concernsdistribution. With ice cream the idea of selling products through theInternet, despite the dried ice, which may accompany it, is not

likelyto be an option V the consumers will not readily enthuse over theidea. B; J's is a fresh ice cream and by nature difficult to transport.

Consequently distribution to stores around the USA and globally willbe expensive and require partners such as Dreyer's that have anextensive transportation network. It must be noted that this ispotentially a concern or risk for B; J's. Having a rival manufacturerdistributing their ice cream is likely to cause conflict, and B; Jshould change this immediately or have an adequate contingency plan .

With both the above barriers the key entrants may be the other icecream manufacturers in the premium or ordinary market, notably thepremium. As it is these that already have the distribution network aswell as the know how. It will still take a large investment for thesemanufacturers to sell their image. Internal Issues Due to the babyboom in 1994 the target market of Ben ; Jerry has declined vastly.

Although Ben ; Jerry still hold a large percentage of the small marketshare, the company needs to decide on whether this target segment isworth sticking with. At one stage Ben ; Jerry's pricing strategyworked really well, however it has become evident that demand overrecent years has shifted towards lower priced products leaving pricingstrategies being a big issue for the company. Until 1994 all of Ben ; Jerry's promotions were gained through the companys socially consciouspractices. However price wars with main competitors left the companyhaving to pull funds off advertising campaigns to fund price discountsand store coupons. Due to the fact that imitations for the product arebeing developed more rapidly, Ben ; Jerry have changed their

primarymarketing goal to establish products that cannot be imitated but thetechnological developments of the company have not allowed them tolaunch the products within a realistic time limit. B; J’s missionstatement includes the need, quite rightly, for a wide variety ofinnovative flavors. Five years to find the perfect coffee bean seemsunnecessary. Coffee ice cream, in this period, may have becomeunattractive to the customer. What if after this period the productfailed to penetrate the market? This scenario is compounded by, – Thequick replication by competitors – The high costs related tomanufacturing each different flavor As a result it is key to ceasebrands not received well, as well as introducing new flavors quickly.

Flavor of the month may be a way of bringing consumers to them ona regular basis. To identify what the consumer wants and cannotreceive elsewhere, what he/she detests and what they would like toimprove is important. Although there are some signs of B; J carryingout consumer research it is essential to introduce continual focusgroups or panels. It may be the case that a good ice cream is notselling well due to expense, lack of marketing or its just toodifferent to comprehend trying. Research will be key in identifyingthe market in any region or country B; J wishes to operate, especiallyinto consumers needs and wants. The way choices are made needs to beunderstood and the positioning of B; J needs to accommodate this. Thedecision is based, amongst others, by the mood of the potentialconsumer at the time of decision, the tastes of the accompanyingfriends V group decisions are likely to be an integral element, convenience of supply and time available. Ben ; Jerry seem to be proudof the success rate of their relaxed, casual culture and havingemployees involved in the decision

making. However this policy needsto be reviewed as decisions are taking too long to be made due tolarge staffing numbers but with staff turnover at a low twelvepercent, changing the decision making process could be very difficult.

If it is not bad enough that the company is loosing market share, thecompany putting more funds into promoting their image than to them isirritating shareholders even more. A happy medium will have to befound for Ben ; Jerry to gain confidence back from their investors.

The extent of internal rivalry amongst the established firms withinthe industry. Ben ; Jerry exist in a consolidated marketplace withjust two major players. The other is Haagen-Dazs. There is severecompetition between the 2 players. If this rivalry is weak thencompanies have an opportunity to raise prices and earn greaterprofits. However, if rivalry is strong significant price competitionincluding price wars can occur. Price competition limits profitabilityby reducing the margins that can be earned on sales, which could pushthe industry profits down in the process. Ben ; Jerry's competitivestructure seems to be consolidated. The more commodities like anindustrys product the more vicious will be the price war. The natureand intensity of rivalry in their industry is much more difficult topredict. As the companies are interdependent competitive actions ofone company will directly effect the profitability of others.

Companies sometimes seek to reduce this (price war) by following theprice lead set by the dominant company in the industry. The demandconditions also affect the intensity of internal rivalry betweencompanies. Growing demand tends to reduce rivalry as companies cansell more without taking

market share away from other companies, resulting in high profits. Conversely declining demand results in morerivalry as companies fight to maintain revenues and market share.

Therefore Ben ; Jerry exist in a mature industry where there isdeclining demand; creating intense rivalry with Haagen Dazs. BuyersBen ; Jerry’s customers have no switching costs. Therefore Ben ; Jerryhave to be aware of upcoming price wars, to avoid losing customers totheir rival. Hence Ben ; Jerry’s customers have high bargaining power.

For example, during economic instability consumers are reluctant tospend their money on luxury products such as super premium ice creams.

How much power can a supplier have? Ben ; Jerry’s Supplier of milk andcream comes from Vermont Dairy farms which charge a higher price butdo not use any genetically engineered drugs (rBGH). Their supplier ofmilk has increased bargaining power as a direct result of Ben ; Jerry’s principals, which in this case is, “ h Health issues. “ h Toprotect smaller farms. Most of their suppliers are scattered aroundthe world such as, “ h South African rain forest, which supply Nuts. “ hPassamaquoddy Indians, which supply their Blueberry. “ h Georgia, whichsupply their peaches. High costs in transportation and research areinevitable. The coffee beans used in their coffee-flavored ice creamtook the company five years to find; therefore one can imagine thehigh costs involved. Ben & Jerry also put money pack into thesuppliers. This in turn establishes strong relations between companyand supplier; for example the brownies used in their Chocolate FudgeBrownie Ice Cream are purchased from bakeries, which employ underskilled workers.

Doing so gives the supplier greater comfort andreassurance with better bargaining power, why? Because Ben & Jerryprefer to select their suppliers who have greater social morals. WhatSocial and Economic Factors affected B&J? In 1994, sales were flat, profits were down, and the company's stock prices had fallen to halfits value. While Ben ; Jerry had thrived in the 1980s, the coming ofthe baby boom in the 1990s meant a middle class society that was morehealth conscious {the target market which Ben ; Jerry gained muchsuccess on}. The company realizing its fall in sales quickly respondedto the changes in consumer demands and introduced Ben ; Jerry Lite.

This line failed miserably. It seems like that Ben ; Jerry failed toforecast and acknowledge the changing in consumer tastes, and wasfaced with increasing competition with Haagen-Dazs, which introducedits low-fat Ultra Premium ice-cream. Their social commitments totheir customers community and suppliers have contributed to asuccessful and unique image, Ben ; Jerry donated a portion of theirsales from their Rainforest Crunch Ice Cream back intoenvironmental preservation causes in South America. Ben ; Jerry alsoestablished the Ben ; Jerry Foundation, which donated 7. 5% of itspre-tax profits helping non-profit organization, such as, " h Anestablishment in New York to help drug addicted pregnant women. " hIndividuals and families affected by the AIDS virus in Brattleboro.

Such efforts had contributed to winning over like-mindedconsumers, however its arguable to what extent this will have onwinning the hearts of international consumers. The question thenarises, to what extent does their social unique image affect theirconsumer behavior? Swot Analysis for Ben ; Jerry Strengths " h Ben ; Jerry have an established and recognized brand

name. “ h They have arelaxed, loyal and casual workforce. “ h Good public and social imagedue to their principles in social awareness. “ h Wide variety offlavors in ice cream for customers. Weaknesses “ h Ben ; Jerry have alimited target market, as their product is niche. “ h The suppliers anddistributors (such as Dreyers) have high bargaining power, whichallows them to raise their prices when they like. “ h They haveconcentrated more on donating their money to charities thereforeneglecting forthcoming changes in trends. “ h Declining market share.

“ h Slow development of new products. Opportunities “ h Ben ; Jerryshould seek to globalize their product to compete effectively. “ hChange their current suppliers and distributors, which might enablethem to be more cost effective Threats “ h Threat of substitutes “ hEconomical changes such as in inflation or consumer spending “ h Socialchanges within the consumer market such as health conscienceattitudes. This report concludes that Ben ; Jerry has the potential toprosper so long as they: “ h To be prepared for forthcoming changes inconsumer needs and wants “ h To compromise between maintaining theircompany image and satisfying their investors needs. “ h Try to reducetheir supplier and distribution costs by considering other options.

Recommendations This report has identified three main areas of concernthat need to be addressed; “ h Overcoming Inertia “ h Introducing aninternational joint venture “ h Maximizing profits through costefficiency (Economies of Scale) In todays global environment, changerather than stability is necessary. Rapid changes in technology, competition and customers demands have increased the rate at whichcompanies such as Ben ; Jerry’s

needed to alter their strategies andstructures to survive in the market place. As discussed earlier, oneof the reasons why B&J have lost market share is because they failedto change themselves and adapt to a new competitive environmentbecause of organisational inertia. To overcome this Ben & Jerry needto identify the main barrier to change such as consumer tastes. Thiscan be overcome through the development of a marketing plan, as thereseems to be no real evidence that Ben & Jerry have done this. Ben &Jerry’s reliance on cause generated marketing has its benefit but italso has its pitfalls. Cause generated marketing and/or strategy hasadaptability, whereas the long-term marketing plan has focus.

Therefore a good marketing plan is adaptable. Employee productivity isone of the key determinants of a company’s efficiency and coststructure so this needs to be improved upon in order to make thecompany more competitive. The culture of the organization is stronglyinfluenced by the founders and changes will be hard to achieve. It isnot recommended that the culture of the company be changed but thatdevising new ways to increase employee productivity through the HumanResource Function enhances it. After looking at many different optionsit is suggested that the employees be put into self-managing teams.

Each team will be responsible for an entire task and time deadlinesshould be given. It is also suggested that pay rewards should be givento the teams that complete their task to the highest standard. Thisoption could lead to a more flexible work force, as employees will getto know each other’s roles. It can also create a flatterorganizational hierarchy, which would make the decision making processa lot quicker even though all employees are still involved.

Marketingshould make the consumer believe that at a given time, be it on a dateor after a meal, that B; J is the perfect conclusion to a perfect lunchor a perfect evening. B; J needs to be aware of group decisionespecially couples. The idea of marketing B; J as the perfectaccompaniment to a date could be profitable. How about the mostromantic couple in USA competition? ——————————————————————————- **Bibliography** See ReportBen and Jerry's Swat AnalysisIntroduction: Ben & Jerry's was founded in 1978 in a renovated gasstation in Burlington, Vermont, by childhood friends Ben Cohen andJerry Greenfield, with a $12, 000. 00 investment with only $4, 000. 00 ofwhich was borrowed. They became popular for their innovative flavors, made from fresh Vermont milk and cream.

The company currently distributes ice cream, low fat ice cream, frozenyogurt, sorbet and novelty products nationwide as well as in selectedforeign countries in supermarkets, grocery stores, convenience stores, franchised Ben & Jerry's scoop shops, restaurants and other venues.

Ben & Jerry's Homemade, Inc. are dedicated to the creation anddemonstration of new corporate concept of liked prosperity.

Their mission statement consists of three interrelated parts: product, economic and social. Underlying the mission is the determination toseek new and creative ways of addressing all three parts, whileholding a deep respect for individual inside and outside the company, and for the communities of which they are a part. Product: To make, distribute and sell the finest quality all natural ice cream andrelated products in a wide variety of innovative flavors made fromVermont dairy products. Economic: To operate the

company on a soundfinancial basis of profitable growth, increasing value for theshareholders, and creating career opportunities and financial rewardsfor the employees. Social: To operate the company in a way thatactively recognizes the central role that business plays in thestructure of society by initiating innovative ways to improve thequality of life of a broad community – local, national, andinternational.

Ben and Jerry's is on the way to bringing euphoric ice cream to newareas around the world. The first licensed scoop shop was in Israeland now the latest are in Europe. They crossed their first bordersinto Canada and Israel in 1988. The Canadian market was slowlygrowing, but the licensee agreement in Israel has grown from theoriginal factory and scoop shop to 14 scoop shops and nationwide pintdistribution. Ben and Jerry's set up an international department andstarted to explore the world's promising markets. The workteam at Benand Jerry's have overtime developed varied types of general " teamwork" concepts and team specific structures unique to specific departmentneeds. At any one time there can be a variety of interdepartmentalteams working on specific long-term or short-term projects. Ingeneral, there is no company wide policy, standard or definition forwhat a work team should look like or how it should function.

The public is being made more and more aware of the need for a lowerfat diet. One would think that this would be a negative for the icecream industry. Ben & Jerry's, along with all of their competitors, has recently been forced to develop new lines of ice cream. Ben &Jerry's is taking these new lines, like Low-Fat Ice Cream, No-Fat IceCream, Low-Fat Frozen Yogurt, and No-Fat Frozen Yogurt, as achallenge. They are trying to come up with the

most original flavors, while trying to maintain the quality, richness, and taste that havemade them successful. Ben & Jerry’s also takes great care to use milkand cream that come from cows not treated with rBGH, an artificialgrowth hormone.

Ben & Jerry’s is gradually switching over their containers from thetraditional cardboard to the ECO-Pint, an environmentally friendly, unbleached paperboard. They are beginning with their #1 sellingflavor, World’s Best Vanilla. The unbleached packaging material hadto meet environmental, commercial, and FDA requirements. A globalsearch was launched to find a material that would bend properly to therounded shape, as well as, withstand the transporting process andtemperatures. The material decided on for the ECO-Pint is anunbleached, brown (kraft) paperboard with an external clay coating toallow the label to be printed. (Press Release, 1999)Competitive Forces Barriers to entry Ben & Jerry’s is actuallyproviding a barrier to entry thanks to its recent buyout by Unilever.

This acquisition, along with Haagen-Dazs takeover by Nestle, has comeclose to forming an oligopoly among ice cream distributors andmanufacturers. This formation of superpowers will deter any upstartcompany from entering the industry based on the leverage held by thebig two. Intensity of Rivalry Two long-time rivals, Ben & Jerry’s andHaagen-Dazs, look to be intensifying their rivalry. Unilever, theworld’s leading ice cream marketer, has recently acquired Ben &Jerry’s. Unilever’s brand line previously consisted of Breyer’s, GoodHumor, Popsicle, and Klondike. Unilever was pushed into purchasing Ben& Jerry’s based on Nestle, the number two ice cream marketer in theworld, and Haagen-Dazs’ recent joint venture, Ice Cream Partners.

Unilever's purchase of Ben & Jerry's led their partnership to turninto Nestle's acquisition of Haagen-Dazs. (Reporter, 2001) Threat ofSubstitutes Crain's Chicago Business reports that the McDonald'sCorporation is planning to test new restaurant concepts, one of whichis an ice cream shop. This could put quite a strain on Ben & Jerry's.

Indirect competition from one of the world's largest and mostrecognizable restaurants would be a major struggle. (Reporter, 2001)Bargaining Power of Buyers Ben & Jerry's has recently redesigned theirdistribution. The redesign will create more company control over salesand more efficiency in distribution of its products. Through the newprocedures, Ben & Jerry's " increases sales calls by its own salesforce to all grocery stores…and establishes a network where nodistributor of Ben ; Jerry's products will have a majority percentageof the company's distribution."(Press Release, 1998) Bargaining Powerof Suppliers Suppliers will have a reduced bargaining power, thanks toBen & Jerry's acquisition by Unilever. If suppliers are unwilling tosell at a price Ben & Jerry's is willing to pay, Ben & Jerry's now hasgreater resources to reach a greater number of possible suppliers thanever before. Suppliers Ben and Jerry's launched the Supplier DiversityProgram, which focuses on identifying minority- and women-ownedsuppliers. Although this project is still in its fledgling stages, some significant advancements have been made. Additionally, we haveimproved their efforts to recruit minority consultants. Ben andJerry's is constantly working to purchase ingredients fromenvironmentally and socially responsible sources: rBGH-FREE- Ben andJerry's has opposed rBGH since the FDA approved it in 1994. Thecompany believes this artificial bovine growth

hormone is detrimentalto the health of cows, threatens family farms by increasing the milksupply, and has unknown long-term human health effects. St. AlbansCooperative Creamery does not use rBGH in the dairy. Vanilla-Inconjunction with their vanilla supplier the Virginia Dare company, they use a blended vanilla extract that contains vanilla beans fromthe Savegre River region of Costa Rica. Our supplier purchases about10, 000 pounds of vanilla beans annually- all that this organization iscapable of producing in a year. One result of this relationship isthat over 3, 000 acres of Costa Rican rainforest have been reforestedor reclaimed for sustainable production. Organics- Ben and Jerry's useorganic cotton for its line of T-shirts sold in company stores andfranchised scoop shops. They entered into a business arrangement withPataginia for organic T-shirts and other apparel. Since it is not afood crop, cotton production is not regulated by the FDA and is bottlepesticide and fertilizer intensive. In 1997, Ben and Jerry's examinedthe feasibility of totally organic line of ice cream products. Afterserious and multi-functional considerations on the issue, the companyconcluded that cost and consumer expectations were barriers topursuing an organic line at that time. Distribution Ben and Jerry'shas redesigned its distribution network, creation more company controlover sales and more efficiency in distribution of its products. Undernew arrangement, Ben and Jerry's increased it direct sales calls byits own sales force to all grocery and chain convenience stores andestablished a network where no distributor of Ben and Jerry's productswill have a majority percentage of the company's distribution. Thedistribution arrangement puts Ben and Jerry's in a better position tocontrol their product sales and implement more efficient domesticdistribution. Basically, Ben and Jerry sells it and the

distributorsdeliver it. Prior to this arrangement, Dreyer's Grand Ice Creamdistributes significantly more than a majority of sales of Ben andJerry's products and participated in a large percentage of the retailsales calls. Under the new arrangement, Ben and Jerry's will beresponsible for a greater percentage of direct retail selling effortswith distribution being handled by a larger number of distributors.

Under the distribution network redesign, Haagen-Dazs will distributeBen and Jerry's products to specified territories; the balance ofdomestic deliveries will be handled by other independent distributors; a number of whom already have distribution agreements with Ben andJerry's for specified territories. In other territories Ben andJerry's intends, during the termination notice period under theprevious Dryer's agreement, to conclude distribution arrangements withadditional independent distributors. Ben and Jerry's produces superpremium ice cream, ice cream novelties, low-fat ice cream, low-fat andnon-fat frozen yogurt, and sorbet using Vermont dairy products, Vermont spring water, and high quality natural ingredients. Ben andJerry's products are distributed nationwide and in selected foreigncountries in supermarkets, grocery stores, convenience stores, restaurants and other venues. Competition Ben and Jerry's competitionare Haagen-Dazs, Dreyer's Breyer's, Blue Bell, Healthy Choice, andWells Bluebunny. Although Ben and Jerry's fiercest competition areDreyer's and Haagen-Dazs. Grocery stores hold a big segment of saleswith Ben and Jerry's. In Dreyer's first seven weeks in stores, itgarnered $125, 656 in sales, compared to Ben and Jerry's $311, 289, andHaagen-Dazs' $286, 481. Those numbers reflect sales ate

368supermarkets in Houston, including Randalls, Albertson’s, Kroger, HEBPantry foods, Rice Epicurean, Fiesta Markets and various independent.

At the time of these findings, Dreyer’s had 58 percent distribution, compared to Ben and Jerry’s 86 percent distribution and Haagen-Dazs’84 percent. Ben and Jerry’s which has about 34 flavors, including itfamous Chunky Monkey and Cherry Garcia has, for the most part, out-chunked the competition. Ben and Jerry’s also saw an 85 percentincrease in its UK sales in 1998, putting it on equal footing with itrival Haagen-Dazs. Their plans are to match Haagen-Dazs in terms ofnational distribution in the UK, and will spend about 800, 000 Poundson a marketing campaign in support of the national introduction of itsproduct. Ben and Jerry’s has been playing catch-up since it enteredthe UK market in 1994, a good four years after Haagen-Dazs. Thelatter’s entry into the United Kingdom was a turning point for the icecream industry on the continent and in the UK. I created a demandamong consumers for higher quality products and a rush by localmarketers to upgrade their offerings to meet the demand and keep theircustomers from turning to the new products foe the American invader.

Ben and Jerry’s benefits from the consumer awareness of super premiumquality generated by Haagen-Dazs, but it has also faced a competitivesituation that is more intense because, European ice cream marketershave improve their product offerings in response to Ben and Jerry’sand Haagen-Dazs’ entry. Customers Almost everybody eats ice cream. Benand Jerry’s specialize in super premium ice cream. The quality ofsuper premium comes at a price. The ice cream industry likes tofulfill customer’s desire for indulgence-and their ability to spendfreely. In common terms,

people are indulging in ice cream. Consumersare willing to pay more, although higher-end private label offeringsalso are on the rise and are somewhat mitigating the higher cost ofsuper premium. Also consumers aren't really concerned a the fattingaspect of ice cream. Consumers want ice cream that tastes good. Theyrealize full-fat ice cream tastes better that health-claimed icecream. Consumers follow many healthy diets, but when it comes to icecream, they like to reward themselves with the best, and full-fat icecream is certainly the best. There has been a return in indulgence.

Restaurants have doubled dessert menus, and people are looking forrich and flavorful treats to reward themselves for working out in thegym and working long hard hours.

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