18

Food marketing

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Key points

- Marketing activities are implemented by companies and organizations in the food industry 'to create value for customers' and 'to build strong customer relationships'.
- Marketers have to understand their markets and customers to formulate a marketing strategy for gaining competitive advantages.

18.1 Introduction

Marketing activities are generally carried out in all types of industries. To a large extent, the kinds of marketing activities carried out are common across all industries. However, the nature of the industry does lead to some differences in the activities. This implies that the methodology of marketing can be applied to many industries, albeit with some modifications. Marketing can also be applied to the 'food' industry. There exist marketing books that offer information about the general methodologies and theories of marketing based on studies of food companies. Basic textbooks will contain case studies on Nestlé, Unilever, Coca-Cola, etc. McDonald's is a popular case in recent years. Food companies contribute to the development of marketing theory as objects of case study.

However, discussions on a common marketing methodology for the entire food industry are confronted with one difficulty. 'Food' is a general term for edible products that human beings ingest in daily life. The companies mentioned above produce different kinds of food. Nestlé is famous for dairy products, chocolate, coffee, etc. Unilever makes margarine, Coca-Cola is a soft drink company and McDonald's is a hamburger chain. All these companies are included under the broad classification of the 'food industry' despite the fact that they produce different kinds of food. In addition, companies that produce perishable food, canned food, frozen food, processed food, drinking water, alcoholic beverages, etc. are also classified under the same umbrella. The food industry comprises plural sub-industries. Therefore, there is a need to consider many types of marketing applications that correspond to the different products in the food industry.

In this chapter, the marketing activities implemented by companies and organizations in the food industry are described as 'food marketing'. As mentioned above, the food industry covers a wide range of products, and each product needs the application of different marketing activities. It is impossible to explain all the activities in this chapter. However, while explaining basic food marketing, we will describe the marketing activities of some food companies. Food marketing will be explained in the following manner. We will begin by describing the marketing concept and the marketing process in order to explain the definition of marketing. In the following sections, we will explain marketing research, the formulation of a marketing strategy and the devising of a marketing plan.

18.2 Marketing principles

In this section we:

- discuss the nature and intent of the marketing concept;
- determine the marketing process;
- apply social, legal, ethical and environmental principles to marketing situations.

18.2.1 The marketing concept

Our first question is 'What is marketing?' You are aware that TV commercials and big signboards on the roofs of buildings are a part of marketing activities. When you read newspapers and magazines, you come across a huge amount of advertising. Advertising is an important part of marketing. Sometimes, you are requested to sample new products, such as a new flavour of cheese or a new taste of beer, in a supermarket. Sales people explain to you how the new sample differs from existing products. This selling activity is also a part of marketing. Thus, we see some examples of marketing activity in our daily lives. However, advertising and selling constitute only a part of marketing.

Today, marketing is considered to have a broader and deeper meaning than in the past. Kotler and Armstrong (2006) define marketing thus:

> 'Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.'

This definition comprises two parts. The first part is 'to create value for customers'. Marketing begins with understanding the customer's needs and wants. Finding potential needs and wants that the customer is still unaware of also plays a key role. In order to create value for customers, it is necessary to realize customers' needs and wants. Knorr's soup stock was accepted by customers since it realized one such customer need: it not only reduced the soup to powder but also met the demand for quick and easy soup preparation.

The second part of the definition is 'to build strong customer relationships'. This part suggests that the goal of marketing is to capture value from the customer. In order to deliver the value created to the customer, many kinds of activities are carried out, such as advertising and sales promotion. Further, once a customer buys a product, some measures must be taken to ensure that he/she makes repeat purchases. It is important to establish the brand name for the customer to recognize the product.

18.2.2 The marketing process

As mentioned above, the aim of marketing is to capture value from the customer. To arrive at this value, marketers go through five steps, which are collectively referred to as the 'marketing process' (Kotler and Armstrong, 2006):

1. Understand the marketplace and customer needs and wants.
2. Design a customer-driven marketing strategy.
3. Construct a marketing programme that delivers superior value.
4. Build profitable relationships and create customer delight.
5. Capture value from customers to create profits and customer equity.

The first step of the marketing process requires marketers to obtain an understanding of their marketplace and customers. Marketing research is one method to understand the market. Marketers need to understand the main influences on the marketing activities within the macro and micro environments and on customer behaviour. Further, they need to collect, analyse and evaluate information and data by using different methods.

The second step is to design a customer-driven marketing strategy. Marketing strategy formulation depends on the targeted customers; therefore, marketers are forced to decide who their customers are. In other words, it is important for marketers to carry out market segmentation and to deliver their goods to their target customers.

The third step is to prepare a practical marketing programme. The preparation of the marketing programme begins with planning the details of the marketing mix. The marketing mix is a combination of the firm's marketing tools – product, price, promotion and place. These marketing tools are known as the 'four Ps'. By controlling these four Ps, firms need to draft a marketing programme that will meet the wants of the target market.

The fourth step consists of two parts. The first part is customer relationship management, and the second part is partner relationship management. The former pertains to the manner in which firms build relationships with their customers, while the latter pertains to how firms build relationships with their trade partners.

The final step of the marketing process is aimed at capturing value from the customer. Firms attempt to build customer loyalty by enhancing customer satisfaction. They focus not only on increasing their market share but also on increasing customers' mind share. By building customer loyalty, firms are able to increase their profits substantially.

In the following sections, the marketing process for food marketing is discussed in detail.

18.2.3 Application of social, legal, ethical and environmental principles to marketing situations

Before explaining the marketing process, it is important to discuss corporate social responsibility (CSR). The concept of CSR is not new. McGuire (1963) defined it as follows:

> 'The idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations.'

The economic responsibilities demand that the corporation should produce goods and services that society wants and sell them at fair prices (Carroll, 1996). Fair prices do not naturally imply low prices. Rather, a fair price is one that includes dividends to the investors and sufficient profits for the continuance of the business. In recent years, legal responsibilities have come to the fore due to the keen market competition. Compliance with laws is an important aspect of a business's responsibilities. However, a company's ethical responsibilities toward society go beyond its economic and legal obligations. Ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law (Carroll, 1996).

The application of CSR to marketing situations is linked to producing a positive image that the company contributes to society and that its existence is valuable to society. The positive image is not a tangible asset of the company but is stored in the minds of customers. Thus, neglecting CSR can lead to major problems. For example, when Snow Brand Milk failed to prioritize CSR, it not only destroyed its favourable reputation in the Japanese market but also incurred huge losses in its milk business. In 2000, low-fat milk produced by Snow Brand Milk led to rampant food poisoning. The ensuing investigation revealed that the production process, although compliant with the existing laws, was unacceptable to consumers. However, Snow Brand Milk failed to take appropriate measures to regain consumer confidence in its products. As a result, its brand value plummeted and it lost market share.

A discussion on CSR includes various topics, including the important topic of environment protection. The significance of this topic came to light with the environmental pollution of the 1970s. In the 1980s, there emerged the so-called global environmental problems, such as global warming, depletion of the ozone layer, reckless deforestation and sea pollution. However, environment protection has rarely been discussed in the context of marketing. In 1992, Peattie suggested the concept of 'green marketing'. Green marketing proposes the development of a new marketing method to cope with both the pursuit of benefits and a reduction in the environmental load. For companies to build their reputation in the market, it is important that they carry out green marketing. In addition, customers who are very sensitive to global environmental problems constitute an important market that firms cannot afford to ignore.

18.3 Marketing research

In this section we look at how to:

- understand the main influences on the marketing process within the macro and micro environments;

- analyse and respond to the issues associated with buying behaviour in both consumer and organizational markets;
- evaluate the need for information in marketing and understand the different methods of collecting and analysing data;
- apply the marketing research process in selected food markets.

As the first step of the marketing process, it is important for marketers to understand their marketplace and customer needs and wants. Therefore, marketers research markets and customers, analyse consumer behaviour and establish methods of collecting and analysing many kinds of data. This is explained in the following section. Later, we present an example of the entire marketing research process in a food market.

18.3.1 The macro and micro environments of a company

For effective marketing, marketers need to understand all relationships that surround the company. These relationships are called the 'marketing environment'. The marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers (Kotler and Armstrong, 2006, p. 60). It is imperative that companies adapt to the changing environment.

The marketing environment comprises a macro environment and a micro environment. A company's macro environment is formed of some societal forces that influence its marketing activities. Generally, the following forces are considered to constitute the macro environment (Kotler and Armstrong, 2006):

- Demographic environment: demography is the scientific study of the human population. It includes the study of the size, structure and distribution of populations and how populations change over time. For example, the baby boomers, who were born between 1946 and 1964, have become the most powerful market. Developing products for this market has gained prominence.
- Economic environment: this comprises the level and distribution of the income effect and consumers' purchasing power and purchasing patterns. In the case of a company that approaches a foreign market, the price of the imported food is higher than the price of the local food. Therefore, it is important to know the size of the market for the high-priced product.
- Natural environment: concern for the global environment has been increasing steadily. Companies need to develop products that do not lead to global warming and air and water pollution. Moreover, the production processes should be modified to suit this need.
- Technological environment: new technologies create new markets and opportunities. In addition, new technology replaces older technology. Marketers should not ignore technological changes. New technology also creates new regulations. For example, it is mandatory to check the safety of genetically modified organism (GMO) foods before they are delivered to the market.
- Political environment: laws, government agencies and lobby groups form the political environment. These factors influence businesses in various ways. The number of laws and regulations is increasing year by year.
- Cultural environment: people in a society have common basic beliefs and values, namely, culture. These core beliefs and values affect their perceptions, preferences and behaviours. Eating habits are especially influenced by the food culture.

On the other hand, the micro environment consists of the actors close to the company that affect its ability to serve its customers: it comprises the company, suppliers, marketing intermediaries, customer markets, competitors and the public (Kotler and Armstrong, 2006):

- The company: a marketing plan that requires the coordination of many intra-firm functions – top management, finance, research and development (R&D), purchasing, operations and accounting – is formulated. These interrelated functions constitute the internal environment.
- Suppliers: companies need many kinds of resources to produce goods and services. These resources are provided by suppliers. If there are shortages and late deliveries of these resources, marketing activities are affected. Moreover, the prices of resources influence the prices of products and services.
- Marketing intermediaries: in making products accessible to the final customer, marketing intermediaries, for example, resellers, physical distribution

firms, marketing services agencies and financial intermediaries, play an important role. Companies need to build good relationships with their marketing intermediaries.

- Customer markets: the three well-known types of customer markets are personal consumption markets, business markets and government markets. Personal consumption markets are subdivided into individuals and households. Marketers today need to recognize both the international market and the domestic market.
- Competitors: companies produce goods in order to satisfy the needs of their target consumers. These goods must realize greater customer satisfaction than those of their competitors.
- Public: public relations influence marketing activities. A company's relationships with investors, the media, government, consumer and citizen groups and local communities play an extremely important role. Moreover, in a broad sense, workers, managers and the board of directors constitute the internal public. It is important to make employees feel good about their company.

18.3.2 Buying behaviour

In this section we describe the marketing environments that must be taken into account when carrying out marketing activities. Next, we discuss the influence of marketing activities on buying behaviour. As markets are classified into consumer markets and business markets, buying behaviour is also classified into consumer buyer behaviour in the consumer market and business buyer behaviour in the business market. These two types are explained in this section.

In order to understand consumer buyer behaviour, marketers have to consider two things: factors influencing consumers and the buyer decision process. As for factors influencing consumers, the following four are well known:

- cultural
- social
- personal
- psychological

The details of and the relationships among these factors are shown in Fig. 18.1. These four factors are presented in a kind of progression, from factors that have a broad influence to those that have a personal influence.

Marketers need to understand the three components of the buyer decision process. Specifically, they need to understand the buying decision maker, types of buyer decisions and the steps in the buyer decision process. First, the buying decision maker has a role in the buying decision process. Consider the example of a man who purchases daily food items from a supermarket by referring to a list. He is the purchaser. His partner, who made the list, is the decision maker of these purchases. We can picture the partner asking the man what he would like to have for dinner while drawing up the list. In this case, the purchaser plays the role of the influencer. Many kinds of roles exist in the buying process. Marketers have to identify the buying decision maker and approach him/her.

Second, the decision-making process of a purchaser depends on what he/she wants to buy. The types of buyer decisions are classified along two axes: the commitment level to the buying process and the differences between brands (Assael, 1987). There is a

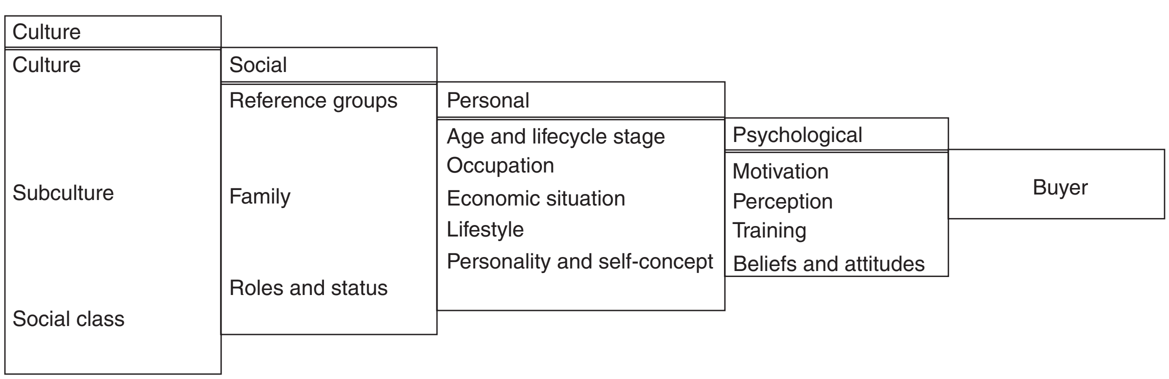

Figure 18.1 Factors influencing consumer buyer behaviour. (Source: Kotler and Armstrong (2006), p. 130, Figure 5.2.)

difference between the wine purchased for a Christmas dinner and that purchased for daily consumption. In the case of the latter, the consumer customarily buys the usual wine. The buying process seldom takes a long time. Moreover, in the process, the buyer emphasizes custom over the brand. However, in the process of buying wine for Christmas, the purchaser takes a long time and selects a good brand.

Third, the following model depicts the five steps in the buyer decision process (for example, Engel, *et al.*, 1982). The buyer:

1 recognizes a need;
2 seeks information;
3 evaluates alternatives;
4 decides the purchase; and
5 makes a post-purchase assessment.

The buying process begins long before the actual purchase and continues long after it is completed. Therefore, marketers need to focus on the entire buying process rather than on merely the purchase decision (Kotler and Armstrong, 2006, p. 147).

We now discuss business buyer behaviour. The business market consists of organizations that purchase other companies' products and services in order to produce their goods. Some characteristics of a business market differ from those of a consumer market (Kotler, 2000):

1 The business market has fewer buyers than a consumer market.
2 The buyers in a business market are bigger than those in a consumer market.
3 There exists a close relationship between the supplier and the customer.

Similar to consumer buyer behaviour, business buyer behaviour is influenced by various factors. The most important of these are environmental, organizational, interpersonal and individual factors (see Fig. 18.2). These factors include many factors that differ from those that influence the general public and those that are related to individual transactions.

In a business market, marketers also need to understand the three components of the buyer decision process, that is, the buying decision maker, types of buyer decisions and the steps in the buyer decision process.

First, in business purchasing, the decision is made in the buying centre (Webster and Wind, 1972). The buying centre includes organization members who play five roles in the purchase decision process: 'users' use the product or service; 'influencers' help to prepare the specifications; 'buyers' select the supplier for routine buying; 'deciders' have the final authority to select suppliers; and 'gatekeepers' control the information flow into the buying centre.

Second, there are three orientations in the case of the buyer decision (Anderson and Narus, 1998). The 'purchasing orientation' is a market transaction; the buyer aims to buy goods that are cheaper. The 'sourcing orientation' builds more cooperative relationships with suppliers; by building close relationships, the buyer aims to simultaneously achieve

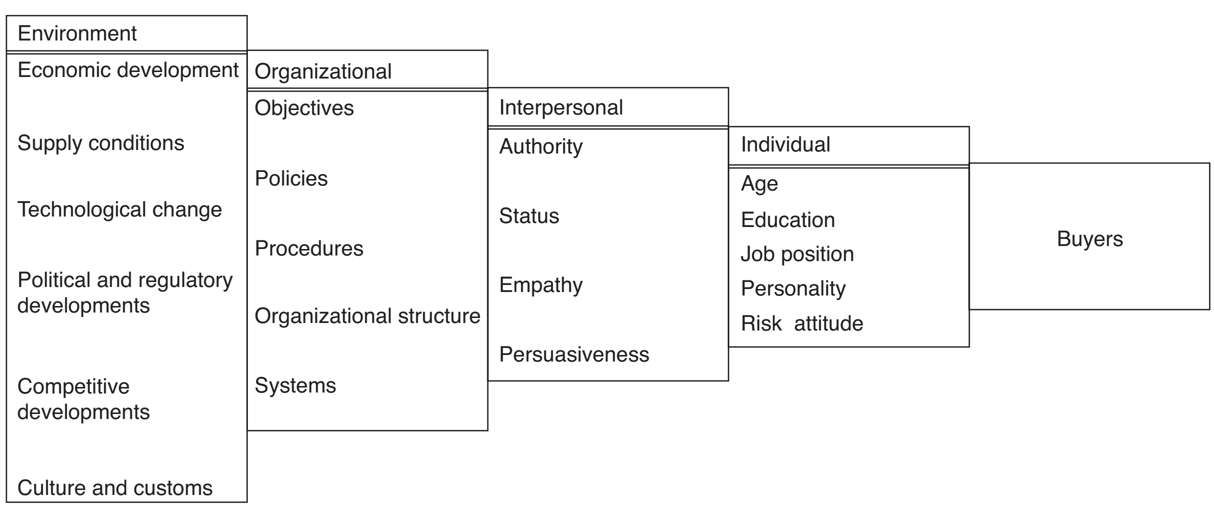

Figure 18.2 Major influences on business buyer behaviour. (Source: Kotler and Armstrong (2006), p. 169, Figure 6.2.)

quality improvement and lower costs. Further, in the case of 'supply management orientation', the buying centre plays a broader role than in other orientations; the company aims to enhance value through the entire value chain that it formulates.

Third, the following eight steps are suggested to constitute the buyer decision process. Business buyers:

1 recognize problems;
2 describe the general needs;
3 specify the products;
4 seek suppliers;
5 solicit proposals;
6 select the supplier;
7 order the desired specification;
8 review the performance.

This is a general description of the process.

18.3.3 Information in marketing

It is essential for marketing decision makers to have access to timely and accurate information. This information is based on a system that gathers, analyses and distributes information. This system is called the 'marketing information system (MIS)' (Kotler and Armstrong, 2006). In MIS, information users, usually marketing managers, recognize the need for marketing information. Next, they specify the information that they require from internal company databases, marketing intelligence activities (systematic collection and analysis of information about competitors and the marketplace) and marketing research. The system provides the kind of information that marketing managers seek for their information analysis and subsequent actions. Appropriate information is distributed through the system and helps marketing managers in their decision-making. MIS need not necessarily be a computer system. Marketing managers should be able to utilize MIS in any form.

18.3.4 The market research process in the food market

As a background for marketing managers' utilization of MIS, we can point out that the managers need not only general information for decision-making but also information relevant to specific marketing situations that the organization is facing. This specific marketing information is obtained through marketing research.

The marketing research process has four steps (Kotler and Armstrong, 2006):

1 defining the problem and research objectives;
2 developing the research plan;
3 implementing the research plan;
4 interpreting and reporting the findings.

The first step, defining the problem and research objectives, is the most difficult step in the process. Marketing managers are usually aware of the occurrence of some event in their market, but they are not always able to identify the specific cause. Marketing managers must think deeply about the causes through reflection and discussions with organization members. Defining the problem is the most important aspect. For example, Japanese sake companies are seeing a decrease in demand (see Fig. 18.3). The production volume of Japanese sake has been

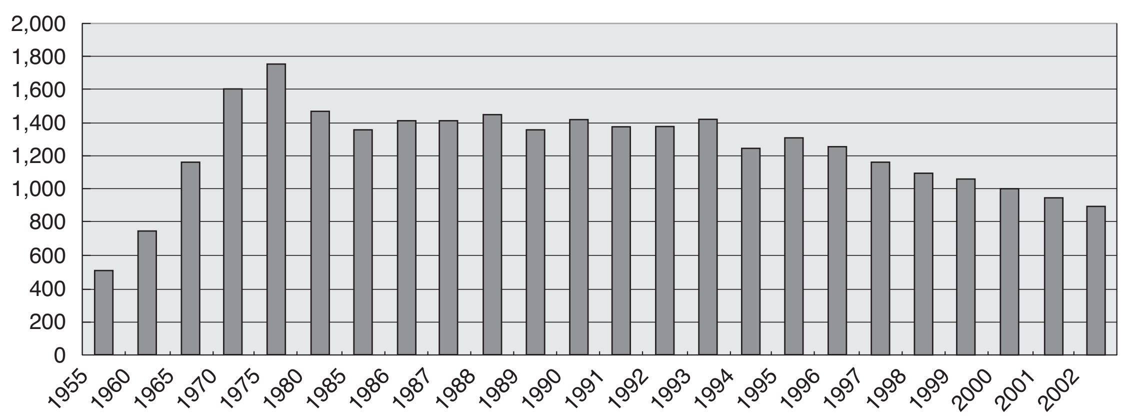

Figure 18.3 The shift in the annual production of Japanese sake (taxable volume). (Source: Japanese National Tax Agency (2003) *Sake no Shiori* (Guide for Japanese sake).)

dwindling since 1996. The marketing managers of these companies pursued many possible causes, but they were unable to identify the specific determinants. However, they discovered that it was important to increase sake consumption among young people. Thus, the marketers defined the problem that they needed to solve.

Next, in order to define the problem, marketing managers must set the research objectives. There are three types of marketing research. The type selected depends on the research objectives (Kotler and Armstrong, 2006). Exploratory research is selected when the objectives are to gather preliminary information that will help define the problem and suggest hypotheses. Descriptive research is opted for when the objectives are to better describe the marketing problems, situations or markets; this is equivalent to researching a potential market for new products, demographics, etc. In the third type, causal research, hypotheses on the cause-and-effect relationship are tested. Let us return to the case of Japanese sake. The problem that the sake companies face is the estrangement of young people from Japanese sake. In order to solve this problem, the marketing managers of Japanese companies can think of various ideas, such as developing new tastes and containers, finding new distribution channels and creating advertisements that portray a new image. Marketing managers set the research objectives after deciding which points they want to focus on.

The first step in the marketing research process is to define the problems and objectives. Therefore, the definition influences the final results of the marketing research. The second step is to develop the research plan for collecting information. The research plan outlines the sources of existing data and spells out the specific research approaches, contact methods, sampling plans and instruments that researchers will use to gather new data (Kotler and Armstrong, 2006). The research objectives are translated into the information required. For example, the marketing managers of the Japanese sake companies require information regarding the drinking behaviour, trends, fashions, etc. of young people. The research plan is presented in a written proposal. The proposal must cover the objectives of the marketing research and provide information that will help the managers in decision-making.

Information is classified into secondary and primary data. Secondary data are information that has been collected for another purpose. Such data are available free or for a fee. Government statistics are also secondary data. Secondary data must be collected first because such data offer a clue to the research and can be collected within a short period. However, since secondary data are collected for another purpose, managers do not always find the information that they seek from secondary data. On the other hand, primary data are collected for a specific purpose. They are needed data. However, collecting such data involves the expenditure of an immense amount of time and money. Observational research, survey research and experimental research are the well-known methods of primary data collection (Kotler and Armstrong, 2006). In the case of observational research, primary data are gathered by observing relevant people, actions and situations. This method is used to gather information from the daily behaviour of test subjects. For example, consider a Japanese sake company's marketing manager attempting to create opportunities to drink for young people. The manager can extract information about the drinking behaviour of Japanese youths from such observations. The second method of obtaining primary data, survey research, is the best-suited approach for gathering descriptive information. The company can learn about people's attitudes, preferences, buying behaviour, etc. by asking questions directly to them. The marketing manager of the Japanese sake company can explore the possibility of producing bottles of sake cocktail. This different kind of a bottled cocktail could become popular in the Japanese market. The young generation will find sake cocktail more appealing than ordinary Japanese sake. Thus, the manager can conduct a questionnaire survey to gather information on the preferences of bottled cocktail buyers. The third method of gathering primary data, experimental research, involves a comparison between two groups. Each group is treated differently, which clarifies the cause-and-effect relationship. The above-mentioned marketing manager can test the sake cocktail that his company has developed among different groups. This will clarify the preferences of each age group.

The third step of marketing research is to implement the research plan. This includes the collection, processing and analysis of information. Information collection has already been explained in the research methods described earlier. In the processing and analysis of information, it is essential to isolate the important information and findings easily.

The fourth step is to interpret and report the findings. It is possible for a marketing manager to interpret some findings incorrectly. Past experience may prevent managers from accepting a new perspective. Marketing managers must discuss their interpretations with internal staff and external experts. After these discussions, they should be prepared to face the consequences of their decisions.

18.4 Strategic marketing and the marketing plan

This section explains the approach to strategic marketing. The first two subsections discuss the marketing mix and the components in devising a marketing plan. The third subsection complements the previous two. The tools used to formulate a competitive strategy are explained. In the final subsection, the strategic actions based on the marketing strategy are considered in the case of the Japanese sport drink market. This section looks at how to:

- assess the importance of market segmentation to the overall process;
- apply the key concepts to issues associated with the marketing mix variables of product, price, promotion and distribution;
- research and produce a basic marketing plan for a firm in the food market;
- analyse food marketing programmes and opportunities and offer appropriate alternative solutions/programmes;
- compile information on food companies' products and marketing strategies and make rational judgments on marketing strategy;
- apply marketing concepts and principles to real cases in the food market.

18.4.1 Market segmentation, target marketing and market positioning

Many kinds of people participate in the buying and selling process in a market. The preferences of the consumers that compose a market are reflected in the goods that they want to buy. These preferences are based on geographic, demographic, psychographic and behavioural factors. Consumers are grouped by this difference of preference. The process of dividing one market into distinct groups of buyers is called market segmentation (Kotler and Armstrong, 2006). Every market has segments. Many kinds of criteria are used to segment a market. In the chocolate market, a man may eat KitKat (Nestlé) when he takes a break from his work. However, he may buy chocolates at Marks and Spencer when he invites friends for dinner. It is difficult to make one particular kind of chocolate the first choice of every customer in every situation. A product should focus on meeting the needs of a market segment.

After a company carries out market segmentation based on its chosen criteria, it must decide which segment it wants to cater to. Thus, the marketer implies a focus on the specified market segments as the target market. It involves evaluating the attractiveness of each market segment and selecting one or more segments to enter (Kotler and Armstrong, 2006). The criterion in segment selection is whether the segment can generate the greatest customer value for a long period of time. If a company has limited resources, it can select a niche market. By serving market segments that are ignored by major competitors, a company can choose to be special by catering to people with special needs. Thirty years ago, it was virtually impossible for Japanese working mothers to prepare dinner every day. Traditionally, Japanese women had to go shopping every day in order to prepare meals. In those days, working mothers were a minority. A company began to offer daily delivery of foodstuffs for dinner. This niche market has grown in recent years, and, with it, the company too has grown. Thus, focusing on niche markets has possibilities for the future.

After deciding the market segment, the company must decide the position that it wants to occupy in the minds of the target consumers. Market positioning is arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers (Kotler and Armstrong, 2006). Marketers plan for their products to occupy a unique position in the minds of target consumers. In positioning a product, the product's competitive advantages must set an available position. In the chocolate market segment, in order to compete with KitKat, Marks and Spencer will need to capitalize on its reputation and sell high-end chocolates. If it succeeds in doing so, it will avoid a direct confrontation with Nestlé and secure its benefit.

The marketing strategy is formulated through the above-mentioned process. Strategy formulation enables marketing managers to present their business domain to company members.

18.4.2 The marketing mix variables of product, price, promotion and distribution

Once a company has decided its target segment and positioning, it needs to consider how to implement its marketing strategy. The marketing mix is the framework through which companies implement their marketing strategies. The marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market (Kotler and Armstrong, 2006). It comprises four groups of variables known as the four Ps: product, price, place and promotion (see Fig. 18.4):

- Product: goods, services or goods-and-service combinations that the company offers to the target market.
- Price: the sum of money that the customer has to pay to obtain the product.
- Place: activities through which companies deliver their products to the target customers, for example, the distribution channel, shop location and transport.
- Promotion: company activities that communicate the advantages of the product to the target customers.

For the successful implementation of the marketing strategy, the four Ps of the marketing mix must be well coordinated and designed as a marketing action plan.

Consider the case of a health beverage developed by a food company. The company was looking for a new market for the special vegetables produced in the district. The health food market was increasing year by year. The company decided to process the juice extracted from the vegetables. Since it had strong connections with local farmers, it was able to source pesticide-free vegetables. The company decided that its target segment would be middle-aged women. It expected this segment to be interested in health and beauty and therefore to accept the special vegetable juice. In order to increase the appeal of the product, its price was set higher than the prices of other juices. Further, as the company focused on middle-aged women, it used the shop channel to distribute and promote its product. The company was successful in its attempts to gain market share.

This case substantiates the need to coordinate the components of the marketing plan in a consistent manner.

18.4.3 Strengths, weaknesses, opportunities and threats

Formulating a marketing plan is a complicated and difficult process. One reason for this is the presence of competitors. Marketing managers analyse their competitors' behaviours in the market and use these findings to reflect on their own marketing strategies and plans. This analytical framework is called 'SWOT analysis'. A SWOT analysis enables marketers to understand both the opportunities and threats presented by the external environment, which surrounds the company, and its strengths and

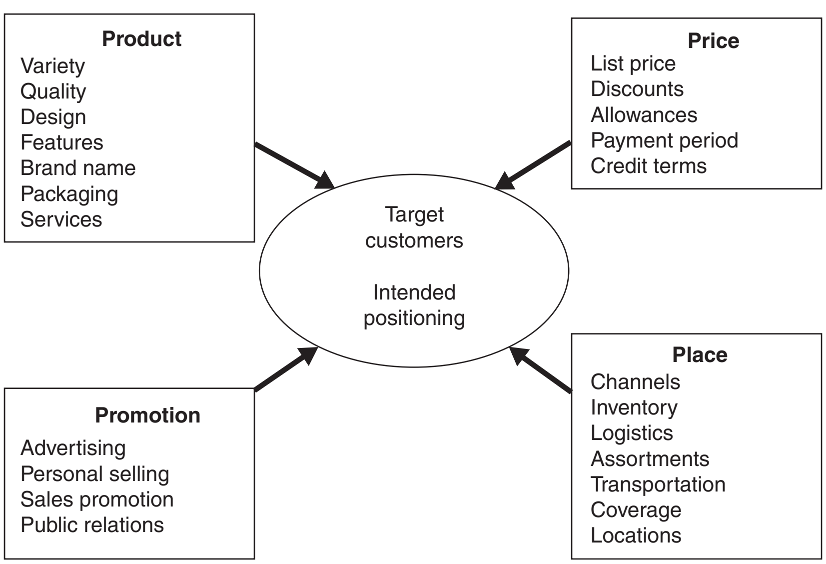

Figure 18.4 The four Ps of the marketing mix. (Source: Kotler and Armstrong (2006), p. 48, Figure 2.5.)

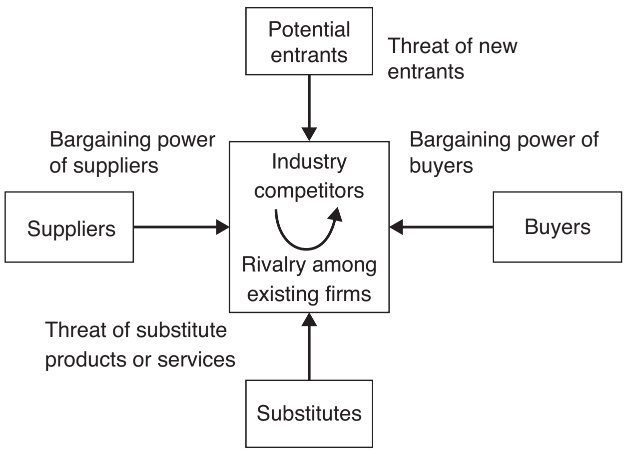

Figure 18.5 The five competitive forces that determine industry profitability. (Source: Porter (1985), p. 5, Figure 1.1.)

weaknesses, which depend on the internal environment based on the company's resources.

An analysis of the external environment yields many kinds of facts, even if the facts are limited to the view of opportunities and threats. Let us revert to the case of the vegetable juice company. The marketing managers of this company can identify certain factors as opportunities, for example, enhancing health consciousness and increasing demand for health food. On the other hand, as threats, they can identify factors such as the entry of a big food company. The more the number of factors identified, the better is the understanding of the external environment. In order to obtain a more comprehensive understanding of the external environment, the five competitive forces model has been suggested (see Fig. 18.5). This model was developed to identify the forces that determine industry profitability (Porter, 1980, 1985). Marketing managers can acquire a comprehensive understanding of the external environment by analysing these five industry forces:

- industry competitors
- supplier
- buyers
- potential entrants
- substitutes

The strengths and weaknesses of companies are identified from their managerial resources. However, some guidelines are needed to analyse these resources. In the vegetable juice case, the company's good connections with local farmers are considered as a strength. Although no weakness has been pointed out in this case, a high production cost can be inferred from the high price of the product. In the absence of guidelines, it is difficult to discuss managerial resources.

The VRIO (value, rarity, imitability and organization) framework is suggested as a guide to analyse resources. The answers to the four questions in Table 18.1 determine whether a particular firm resource is a strength or a weakness (Barney, 2002). If a resource is valuable, rare and costly to imitate, its use will be a continuous source of strength. However, if a resource does not meet these conditions, its advantage will be only temporary.

When marketing managers consider market competition, they must understand the competitive environment that the competitors create. The SWOT analysis framework helps to understand a company's environment. This framework clearly introduces comparison with competitors into the process of marketing strategy formulation. In other words, it plays the role of reinforcing marketing strategy formulation.

Table 18.1 Questions that need to be answered when conducting a resource-based analysis of a firm's internal strengths and weaknesses.

	Questions
The question of value	Do a firm's resources and capabilities enable the firm to respond to environmental threats or opportunities?
The question of rarity	Is a resource currently controlled by only a small number of competing firms?
The question of imitability	Do firms without a resource face a cost disadvantage in obtaining or developing it?
The question of organization	Are a firm's other policies and procedures organized to support the exploitation of its valuable, rare and costly-to-imitate resources?

Source: Barney (2002), p. 160, Table 5.1.

18.4.4 Application to a case

The following case is based on Nonaka and Katsumi (2004). Consider the marketing strategy formulation process in the case of Suntory's soft drink. (Suntory is Japan's leading producer and distributor of alcoholic and non-alcoholic beverages.)

The soft drink market in Japan is valued at approximately four trillion five hundred billion yen (twenty-two billion five hundred million pounds) based on the retail price. One thousand new products are introduced into the market every year. However, of these, only three items continue to be sold in the next year. Thus, the market survival rate is 0.3%. Furthermore, since the sales volume of each of these products exceeds 15 million cases (one case = 24 × 350 ml) per year, they can be considered as major brands and standard items. Suntory 'Dakara' was launched in March 2000. The total sales volume of Dakara exceeded 15 million cases in 2000, reached 24.7 million cases in 2001 and finally reached 34 million cases in 2002.

Dakara is classified as a sport drink. Sport drinks were initially designed to help athletes rehydrate and replenish electrolytes, sugar and other nutrients. Gatorade was introduced in 1966 and is a well-known sport drink in the world. The sport drink segment of the soft drink market was a niche market. However, at present, this segment has expanded to include non-athletes. It is one of the important segments of the soft drink market. Until 2000, the sport drink market of Japan had two major brands: 'Pocari Sweat' by Otsuka Pharmaceutical and 'Aquarius' by Coca-Cola Japan. These two brands had occupied more than 90% of the Japanese sport drink market for the past 20 years. The annual sales volume of Pocari Sweat was about 60 million cases and that of Aquarius was about 50 million cases. It was difficult for other companies to penetrate this market.

The marketing manager of Suntory conducted a survey research in which he asked the sampled consumers questions regarding the occasions when they drank Pocari Sweat and Aquarius. Seventy-six percent of the respondents answered 'during sport activities' or 'after sport activities'. Thus, the survey research did not yield conclusive results. Therefore, the members of the marketing department decided to observe the daily lives of the selected subjects. They recorded the details in a diary. The members termed this observational research 'diary research'. From the diary research it was found that most of the subjects drank sport drinks when they had a hangover or when they desired a break, rather than when they engaged in sporting activities. In this manner, the manager realized that a sport drink was not always consumed as one. Thus, the size of the sport drink segment expanded.

As the next step, the managers analysed the strengths of Pocari Sweat. The customers had a medicinal image of this product. The manager believed that this image was the element that consumers desired in a sport drink at the time. This image was transformed into an image of a nurse and then communicated to the marketing department. In addition, the members of the marketing department worked in a convenience store and collected data from real consumers. The data revealed that there was an imbalance in people's daily diet. Hence, the contents of Dakara were developed such that they emphasized the product's role in the excretion of surplus from the body rather than as a supplement for inadequate nutritional intake. Thus, the positioning of Dakara was different from that of the existing sport drinks, which were projected as nutritional supplements.

In the Japanese market, the prices of soft drinks are fixed. Suntory used its existing distribution channel for Dakara. The marketing department sought a new challenge in the promotion of Dakara. Soft drink television commercials typically show famous celebrities drinking the product. However, the marketing manager of Suntory wanted to emphasize the cleansing aspect of Dakara. Therefore, Manikin Piss from Belgium was used as the main character in the commercial. Through projecting Manikin Piss in a humorous manner, the company was able to elegantly convey its message to the consumers. It was essential for the marketing manager to ensure consistency between the product's concept and promotion strategy.

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19

Product development

Ray Winger

Key points

- All companies must constantly innovate to survive – this is food product development (PD).
- PD is a capstone course, involving the integration of all aspects of food science and technology.
- Systematic PD can improve product success from 1 success in 200–300 new products, to 1 success in 5.
- PD is a science and business discipline, and requires diligent focus in a suitable corporate culture if it is to be effective.
- This chapter outlines the key features of a successful PD activity in a corporate food industry environment.
- PD offers universities the opportunity to link closely with industry, providing students with a challenging and exciting industrial project, and exposing them to the tools they require to innovate in a commercial world.
- The chapter steps through the various components of PD and can be readily linked to a final-year honours project with an industrial partner.

19.1 Introduction

The aim of this chapter is to facilitate the application of food science and technology to food product development.

Food product development (FPD) is the ultimate capstone course in food science and technology. It requires the integration of the comprehensive knowledge obtained in the degree programme. FPD is the cornerstone of all industrial manufacturing processes, as this discipline links all parts of a factory: from marketing (and the consumer), through production (recipe sheets, quality assurance), commercial and financial activities (profitability, sustainability) and purchasing.

Yet systematic product development remains a relatively poorly utilised function within most food companies. Even technologists tend to overlook the powerful opportunities associated with the FPD techniques.

The key features of FPD are integrated, systematic qualitative and quantitative techniques used in developing new or modifying existing food products from conceptual ideas through to successful and sustainable products in the marketplace. The customers may be the ultimate consumers, or they may be