Marketing CW

Question1

1. RLL have conducted a number of interviews to investigate the possibility of introducing a new chocolate based drink to its range. The company has asked for you help in analysing this interview data. You are required to carry out a process of data reduction on this interview data using any appropriate method of your choosing (you may wish to consider using the “large sheet of paper” method). The interview data is presented in Document 6. (15%)
2. What advice could you give the company about marketing to its customers? (15%)

For interview transcripts see RLL case study, Document 6 – Customer Interview Transcripts.

Question 2

Using the RLL case study, carry out the following audits, ( 30% )

1. Customer audit
2. Internal audit
3. Competitor audit
4. Macro audit

Question 3

Using a marketing planning structure, recommend a suitable strategy for RLL, explaining your choice fully. (40%)

***River Link Ltd. (RLL)***

CASE STUDY

MEMORANDUM

From: MD, River Link Ltd.

To: Marketing Director UK

Subject - Review of our UK Hot Drinks Operations

As you may know we have been reviewing our UK Hot Drinks Operations with a view to constructing a new marketing plan.

I have enclosed all relevant information on the subject and request that you draw up a suitable marketing plan for discussion at the next board meeting.

Regards

Document 1 - Memo from Head of Market Research

**Introduction**

Sales in the UK Hot Drinks Industry are concentrated in tea and coffee products which together account for over 90% of the total by value. The remaining sales are accounted for by a group of products collectively known as food beverages e.g. hot chocolate. The industry does not include products such as Bovril or other more basic hot beverages.

The industry is currently worth over £1.5bn and has seen steady, if not spectacular, value growth during the 2000s. Competition is high given the consolidated nature of the market but openings do clearly exist.

**Market Research**

Table 1: UK Hot Drinks Industry Size (£m)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** |
| **Tea** | 655 | 710 | 730 | 720 | 680 | 672 | 655 |
| **Coffee** | 550 | 559 | 559 | 557 | 568 | 660 | 739 |
| **Food Bev’s** | 96 | 102 | 106 | 110 | 116 | 120 | 125 |
| **Totals** | 1301 | 1371 | 1395 | 1387 | 1364 | 1452 | 1519 |

Table 2: UK Hot Drinks Industry, Forecasted Future Sales (£m)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Total** | 1525 | 1560 | 1580 | 1625 | 1655 | 1685 | 1710 |

Table 3: Sales by sector of the UK Tea Market (£m)

|  |  |  |  |
| --- | --- | --- | --- |
| **Sector** | **2007** | **2008** | **2009** |
| **Bags** | 567 | 557 | 550 |
| **Packet** | 80 | 75 | 60 |
| **Instant** | 25 | 30 | 33 |
| **Fruit & Herb** | 8 | 10 | 12 |

Table 4: Sales by Sector of the UK Coffee Market (£m)

|  |  |  |  |
| --- | --- | --- | --- |
| **Sector** | **2007** | **2008** | **2009** |
| **Freeze Dried Granules** | 132.2 | 160.2 | 188.5 |
| **Standard Granules** | 264.0 | 309.0 | 343.3 |
| **Powders** | 89.0 | 86.0 | 70.9 |
| **Decaffeinated** | 50.0 | 60.0 | 78.0 |
| **Others** | 16.0 | 20.0 | 28.3 |
| **TOTAL INSTANT COFFEE** | 551.2 | 635.2 | 709.0 |
|  |  |  |  |
| **Filter Fine Ground** | 9.1 | 13.1 | 14.9 |
| **Medium Ground** | 3.0 | 4.6 | 6.5 |
| **Espresso** | 1.1 | 1.8 | 2.3 |
| **Loose Beans** | 2.5 | 3.7 | 4.5 |
| **Coffee Bags** | 1.1 | 1.6 | 1.8 |
| **TOTAL ROAST & GROUND COFFEE** | 16.8 | 24.8 | 30.0 |

Table 5: Customer Usage of Hot Drinks (% using)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factor** | **Tea Bags** | **Instant Coffee** | **Ground Coffee** | **Food Beverages** |
| **All the UK population** | 90.5 | 90.0 | 34.5 | 58.5 |
| **Age** |  |  |  |  |
| **15-24** | 90.0 | 78.5 | 25.5 | 48.5 |
| **25-34** | 93.5 | 89.5 | 38.0 | 62.0 |
| **35-44** | 93.0 | 93.5 | 44.0 | 69.0 |
| **45-54** | 93.5 | 94.0 | 45.0 | 64.5 |
| **55-64** | 89.5 | 90.5 | 36.0 | 55.5 |
| **65+** | 85.5 | 86.0 | 23.0 | 44.0 |
|  |  |  |  |  |
| **Social Class** |  |  |  |  |
| **AB** | 90.5 | 92.5 | 59.5 | 60.0 |
| **C1** | 91.0 | 90.5 | 41.0 | 60.5 |
| **C2** | 93.0 | 91.5 | 29.0 | 59.5 |
| **D** | 93.0 | 89.0 | 22.0 | 56.5 |
| **E** | 88.0 | 85.5 | 19.0 | 48.5 |
|  |  |  |  |  |
| **Household Income** |  |  |  |  |
| **35,000+** | 94.0 | 92.0 | 68.0 | 64.0 |
| **25,000-34,999** | 91.5 | 93.5 | 55.0 | 62.0 |
| **20,000-24,999** | 94.5 | 94.5 | 47.5 | 67.0 |
| **15,000-19,999** | 93.0 | 94.0 | 39.0 | 64.0 |
| **11,000-14,999** | 92.0 | 92.5 | 36.0 | 58.5 |
| **5,000-10,999** | 90.0 | 89.0 | 27.0 | 53.0 |
| **4,999 or less** | 90.5 | 85.0 | 22.5 | 50.0 |
| **Not stated** | 88.0 | 86.0 | 24.0 | 53.0 |

Table 6: Sales by Instant Coffee Brand (£m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Brand** | **2009** | **2008** | **2007** | **2006** |
| **Nescafe** | 280.82 | 257.40 | 215.84 | 229.19 |
| **Gold Blend** | 110.85 | 85.80 | 68.16 | 55.90 |
| **Other Nestle** | 22.17 | 19.80 | 34.08 | 39.13 |
| **Total Nestle** | 413.84 | 363.00 | 318.08 | 324.22 |
| **Kenco** | 50.90 | 39.60 | 28.40 | 16.77 |
| **Maxwell House** | 52.56 | 59.40 | 45.44 | 55.90 |
| **Other KJS** | 51.73 | 52.80 | 56.80 | 67.08 |
| **KS Total** | 155.19 | 151.80 | 130.64 | 139.75 |
| **Own Label** | 110.85 | 99.00 | 79.52 | 67.08 |
| **Blue Mountain** | 36.95 | 33.00 | 25.56 | 16.77 |
| **All others** | 22.17 | 13.20 | 14.20 | 11.18 |

Table 7: Sales by Sector for the Food Beverages Market (£m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Period** | **Instant Choc** | **Instant Malted** | **Add-milk Choc** | **Add-milk Malted** |
| **2005** | 41.76 | 32.48 | 17.40 | 24.36 |
| **2006** | 45.00 | 34.80 | 16.20 | 24.00 |
| **2007** | 48.75 | 38.75 | 15.00 | 22.50 |

Table 8: Sales by Tea Company (£m)

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **2007** | **2008** | **2009** |
| **River Link** | 173.4 | 168.0 | 170.3 |
| **Tetley** | 170.0 | 161.28 | 157.2 |
| **Premier Brands** | 78.2 | 87.36 | 85.15 |
| **Own Label** | 183.6 | 188.16 | 183.4 |
| **Other** | 74.8 | 67.20 | 58.95 |

Table 9: Sales by Food Beverage Company (£m)

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **2007** | **2008** | **2009** |
| **Wander** | 35.96 | 36.00 | 35.00 |
| **S.K.B** | 37.12 | 38.40 | 40.00 |
| **Premier Brands** | 25.52 | 27.60 | 30.00 |
| **Own Label** | 11.60 | 13.20 | 15.00 |
| **Nestle** | 1.16 | 1.20 | 2.50 |
| **Others** | 4.64 | 3.60 | 2.50 |

Table 10: Main Media Advertising Spend (£m)

|  |  |  |
| --- | --- | --- |
| **Brand** | **2008** | **2009** |
| **Tetley Tea Bags** | 6800 | 9500 |
| **GP Tops Tea Bags** | 5000 | 4510 |
| **GP Tops Instant Tea** | 1325 | 0 |
| **QT Instant Tea** | 600 | 0 |
| **Typhoo Tea Bags** | 3150 | 1100 |
| **Typhoo Tea (leaves)** | 2200 | 0 |
| **Other Tea Brands** | 7950 | 5450 |
| **TOTAL TEA BRANDS** | 27025 | 20560 |
| **Nescafe** | 7410 | 6450 |
| **Nescafe Gold Blend** | 7120 | 4460 |
| **Kenco Instant Coffee** | 4020 | 3950 |
| **Maxwell House** | 3225 | 3350 |
| **Other Coffee Brands** | 9350 | 5560 |
| **TOTAL COFFEE BRANDS** | 31125 | 23770 |
| **Options Instant** | 1400 | 1030 |
| **Ovaltine Instant** | 2090 | 950 |
| **Horlicks Instant** | 1100 | 1490 |
| **Other Food Bev’ Brands** | 3160 | 2510 |
| **TOTAL FOOD BEV’ BRANDS** | 7750 | 5980 |
| **TOTAL HOT DRINKS BRANDS** | 65900 | 50310 |

Table 11: What customers want from a hot drinks product

|  |  |
| --- | --- |
| **Customer** |  |
| **All ABs** | High quality premium products, exotic, full flavour, ground coffee taste, expensive but restrained image, not necessarily a branded product |
| **Young C1C2s** | Convenient, moderate price, branded product, purchase conveys status, standard products most accepted |
| **Older C1C2s** | Taste is most important, price not an issue if quality is right, exotic products not worth the money, own label is poor quality, image is not such a big issue |
| **Young DEs** | Price is key, quality must be OK, tend to buy small packs of branded goods, image very important, if it’s on the TV is must be good, we change products often. |
| **Older DEs** | The cheapest is bought, traditional products best, own labels are value for money, we stick to what we know. |

Table 12: Customer awareness (% aware of a given brand)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Customer** | **GP Tops** | **Tetley** | **Nescafe** | **G.Blend** | **Kenco** | **Horlicks** | **Options** |
| **All ABs** | 98 | 98 | 98 | 98 | 95 | 93 | 85 |
| **Young C1C2s** | 97 | 96 | 98 | 98 | 96 | 85 | 90 |
| **Older C1C2s** | 98 | 98 | 98 | 98 | 95 | 90 | 82 |
| **Young DEs** | 92 | 93 | 95 | 96 | 93 | 80 | 88 |
| **Older DEs** | 98 | 97 | 97 | 92 | 90 | 95 | 75 |

Note: awareness of own label products is in the range 90-95% across all consumers

Table 13: Customer Purchase Intentions (% who would buy a given brand)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Customer** | **GP Tops** | **Tetley** | **Nescafe** | **G.Blend** | **Kenco** | **Horlicks** | **Options** |
| **All ABs** | 75 | 70 | 60 | 70 | 75 | 72 | 55 |
| **Young C1C2s** | 72 | 82 | 85 | 82 | 75 | 52 | 79 |
| **Older C1C2s** | 78 | 75 | 76 | 68 | 55 | 87 | 40 |
| **Young DEs** | 48 | 58 | 88 | 65 | 48 | 30 | 75 |
| **Older DEs** | 81 | 80 | 65 | 44 | 50 | 88 | 25 |

Note: average figures for own label - all ABs = 70-80%, Young C1C2s = 45-55%, Young DEs = 30-40%, Older C1C2s = 55-65%, Older DEs = 35-45%

Document 2 - Extracts from Consultancy Report

The UK Hot Drinks Industry contains three main sectors in differing stages of development. Tea and Coffee sales are starting to plateau, whilst Food Beverages are still showing sales growth.

Whilst it is true that the Tea and Coffee Sectors may be showing signs of weakening demand, both still offer huge potential sales to the later entrant. In addition, few product related barriers to entry exist given the increasingly standardised product ranges and little real product innovation. Competition in these areas is based on marketing spend, with product presentation (additives, packaging, branding) being the key factor. Advertising spend is obviously high, but not prohibitively so. Both sectors are characterised by a small number of large suppliers (Nestle, Hillsdown etc) which means that financial resources will be critical. Price levels are well defined, with little in the way of serious price competition between brands in the same price band. Own label is well established but does not dominate nor is it likely to. Food Drinks is an altogether different sector, with relatively undeveloped products and brands, reduced marketing spend, relatively low levels of competition and generally high prices. A limited number of large companies currently account for a high proportion of the sales, but this control is by no means a stranglehold.

In terms of distribution, all three areas are heavily reliant on the retail sector, with supermarket multiples (Sainsbury, Tesco, Asda, Co-op, etc) representing the major players. In this sense, there are probably no more than a dozen major customers that account for over three quarters of the sales for all three sectors. Buyer power is obviously very high but retailers will “sacrifice” profit in order to keep suppliers that can provide well-supported national brands at competitive prices with high levels of service (short delivery time, product support, promotional support etc). In addition, retailers are keen to work with suppliers that will undertake own label manufacture. In this case, the retailers are looking for high quality products at relatively cheap prices with high levels of service.

The number of potential competitors in each sector is small with 4/5 in food beverages, 3/4 in coffee and 4 in tea. There is little overlap, however, with largely different companies involved in the three areas. Clearly this means that the industry is not dominated by any one competitor. Whilst this is true, the major players in each sector are large and powerful e.g. Nestle, Kraft Jacobs Suchard, Hillsdown Holdings & Unilever. Indeed, the smaller players, are still of a substantial size e.g. Paulig, Wander & Supermarket Own Labels.

Nestle - a huge diversified food company (the largest in Europe) with a strong marketing orientation and significant resources (financial, manufacturing, skills & knowledge, marketing). Dominant in the coffee sector with highly well known brands backed up by constant heavy advertising. The company clearly knows its customers and appreciates how the coffee sector works. The company has a strong portfolio of brands and is always seeking to build upon its image. Product development is not a key part of the company’s philosophy but it is fairly competent in this area. Given the size of Nestle, it can wield considerable power with the retailers and so can command shelf space and the retailer’s attention. Like many large companies it is not particularly fast moving but gets the job done when it does finally react.

The company’s apparent approach to the coffee sector is to push its major brands hard at consumers and dominate with this tried and tested formula for success. New avenues are rarely explored, given the huge return to be gained from its dominant position and the incremental benefits to be gained from even a 1% increase in market share.

Kraft Jacobs Suchard (KJS) - again, part of a huge diversified food company ultimately owned by Philip Morris (Marlboro Cigarettes). The company is highly marketing orientated and certainly has financial resources as well as long experience in the coffee sector (this experience dates back many years to the General Foods Group). Like Nestle, the company has strong links with the retailers and can command their attention for the most part. The company’s attitude towards product development mirrors Nestle, as does its ability to react and its marketing approach i.e. build big brands and continue to spend big on advertising. Unlike Nestle though, it has chosen to spread itself over a wider range of products from the Mellow Birds brand (coffee powder), to the instant granule products of Maxwell House and the more upmarket Kenco brand. In effect, the company is positioned at the low, middle and upper ends of the sector. KJS is probably a more fast moving operation that Nestle but is still fairly sluggish compared to more responsive smaller operators. The company’s approach clearly reflects the need to try to compete against its dominant competitor (Nestle).

Premier Brands - part of the food group Hillsdown. Premier’s major asset is its range of Cadbury Chocolate drinks. This highly recognised brand is a key player in the Food beverages market with several product types such as Highlights and Cadbury’s Drinking Chocolate. The association with Cadbury Chocolate is clearly a major marketing asset. The company itself is not as big as Nestle and KJS but can still command impressive resources (financial, marketing, manufacturing). It is true to say, however, that it cannot match these two major players in the area of resources nor does it try to. The company spreads its interests between food beverages and tea, with products such as Typhoo and QT associated with the latter. In both cases though, the company is a second division player with only a limited market share. Not surprisingly, Premier tends to be a price follower.

Document 3 - Sales Director’s Report

From our experience in the trade, the sector with the least competition is certainly Food Beverages. Coffee and Tea are both equally competitive. All three sectors are exposed to pressure from the retailers (Sainsbury etc), this pressure takes the form of wanting a supplier to back brands with extensive promotion and national TV advertising, or cut price, or supply a cheap product for own label. Our relationships with the major food retailers are excellent given our portfolio of key national brands (GP Tops etc). Indeed, the power of our brands means that retailers must have our products on their shelves. Our job as sales people is to ensure that the product is on the shelf and that the point of sale marketing fits the brand’s image. Pricing, for example, must fit. I had a chat to our sales team who came up with the following details on pricing,

Coffee Retail Prices (all per 100g)

Inst Powders - Mellow Birds £1.72, Own Label £1.09

Inst Granules (standard) - Nescafe £1.78, Maxwell House £1.80, Own Label £1.59

Inst Freeze Dried - Gold Blend £2.17, Kenco £2.10, Blue Mountain £2.05, Own Label £1.95

Inst Freeze Dried (Premium) - Alta Rica £3.19, Kenco Premium £2.99

Espresso - £2.85

Speciality Coffees (e.g. flavoured) - £2.25 to £3.50

Ground Coffee - approx. £3.50, own label £1.75

Tea

Most expensive national brand GP Tops, followed closely by Tetley and Typhoo. Quick Brew and River Link D are lower price products. Own label typically sold at a discount to the branded goods of between 10 and 25%.

Food Beverages

Price levels for Highlights and Options are the highest and roughly the same. All instant products are more expensive than their add-milk (traditional) counterparts. Cadbury Drinking Chocolate is the highest price add-milk drinking chocolate and Horlicks is the most expensive add-milk malted. Own labels sell at a discount of between 10 and 30% to the brands.

Document 4 - Memo from the Group Finance Director

RLL’s finances are very strong, significant investment is possible provided it adds value to the company. Any investment should see a positive profits flow after 3-5 years. Given our initial meetings I would expect that any figure up to £5m would be immediately authorised, between £5-10m would require a detailed investigation and £10m+ would need board level approval. As you will appreciate, a solid plan is always likely to be funded.

A meeting with our stockbrokers produced the following analysis of the likely competitors. The rating is on an a to e scale, with two points in each i.e. the top is a1 then a2 then b1, b2, c1 etc with the lowest rating being e2.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Factor** | **Nestle** | **KJS** | **RLL** | **Paulig** | **Prem**  **Brands** | **SKB** | **Wander** | **Super-markets** |
| **Finance** | b1 | b2 | b1 | c1 | c1 | b2 | c1 | b2 |
| **Operations** | a2 | a2 | b1 | b2 | b2 | b1 | c2 | a2 |
| **Brands** | b1 | b2 | b1 | b2 | b2 | c1 | c1 | b1 |
| **Selling** | b1 | b1 | b1 | b1 | b2 | b2 | b2 | N/A |
| **Marketing** | a2 | b1 | a2 | b2 | b2 | c1 | c1 | b2 |
| **Retail links** | b1 | b1 | b1 | b1 | b2 | b2 | b2 | N/A |
| **NPD** | b2 | b2 | b2 | b2 | c1 | c2 | c1 | N/A |
| **Production** | b1 | b2 | b1 | b2 | c1 | c1 | c1 | N/A |
| **Costs \*** | b1 | b1 | b1 | b2 | b2 | b2 | c1 | N/A |

\* a high rating means low relative costs

Document 5 - Memo from the Production Director

Looking at the required production facilities, I believe that we could incorporate manufacturing units for tea, coffee or food beverages in our existing facilities. Costs would be equivalent to companies such as Nestle, KJS etc. I am informed by our NPD team that the cost to produce any given product (tea, coffee, food beverage) including packaging and design costs is approx. £1m.

Document 6 – Customer Interview Transcripts

***Interviewee #1 – female –21 years old***

Q1 Do you drink hot beverages?

A1 I like a nice chocolate drink now and again as a bit of an indulgence you know to pamper myself.

Q2 Why do you drink such beverages?

A2 As I said I like a nice chocolate drink as a real indulgence –when I’m not on a diet though!

Q3 Where do you shop for your hot beverages?

A3 I usually purchase them at the supermarket when I buy my groceries each week.

Q4What influences you choice of hot beverage?

A4. My chocolate drink well its got to be thick and rich in flavour with a nice smooth texture. But not to sweet though. Sometimes I buy the diet versions but they’re disappointing a bit wishy-washy and they leave a taste in your mouth.

Q5Would you consider buying a hot beverage called “silk”?

A5 Well yes I would if it was a chocolate based drink silk sort of shouts smoothness doesn’t it.

***Interviewee #2 – female –46 years old***

Q1 Do you drink hot beverages?

A1 Yes I drink coffee a lot at work and at home.

Q2 Why do you drink such beverages?

A2 I drink coffee because it gives you a lift during the day –it must be the caffeine,

Q3 Where do you shop for your hot beverages?

A3 At work we put into a pool and Jill goes out and buys it at home I’ve found a nice little coffee shop that sells the beans, I like to ground them and make a proper mug. The smell of fresh coffee in the house last for ages.

Q4What influences you choice of hot beverage?

A4 At work I just drink what’s there, I’ve never tried to influence it, however at home I like a good aroma to my coffee. One that lasts to the last drop in fact I quite like the smell of coffee in the house

Q5Would you consider buying a hot beverage called “silk”?

A5 No I don’t think that’s a good coffee name it doesn’t shout I’m a great smelling coffee to me. It’s probably a better name for one of those chocolate drinks

***Interviewee #3 – male –66 years old***

Q1 Do you drink hot beverages?

A1 Yes I’m a tea drinker –can’t get enough of it

Q2 Why do you drink such beverages?

A2 I don’t know just love the taste –I’ve always drunk since I was a nipper in the war

Q3 Where do you shop for your hot beverages?

A3 I don’t shop for them, but Gillian picks it up at the Co-op

Q4What influences you choice of hot beverage?

A4 Sorry it can only be Co-ops red label- its got a really strong taste, Gill says you could stand your spoon up in it.

Q5Would you consider buying a hot beverage called “silk”?

A5 Goodness no what sort of name is that for a good strong cup of tea. I can’t see me saying to Gillian lets a brew of silk!!

***Interviewee #4 – female –66 years old***

Q1 Do you drink hot beverages?

A1 Oh yes I love a cup of tea when I get up in the morning –sort of gets the old body going. By the way I also love a nice chocolate drink before I go to bed –you know the sort, the one you make with milk. Sort of relaxes you.

Q2 Why do you drink such beverages?

A2 I just said I find tea refreshing and milky chocolate relaxing.

Q3 Where do you shop for your hot beverages?

A3 Well I go to the corner shop they’ve got everything and they are open late, it helps these days the old memory isn’t what it used to be.

Q4What influences you choice of hot beverage?

A4 Well I’m a Twinnings person, I love their Morning tea variety, and you can’t beat Cadbury’s drinking chocolate can you I mean they are the chocolate people

Q5Would you consider buying a hot beverage called “silk”?

A5 Now let me think…. Yes I think I would for my chocolate drink but its not a tea name is it.

***Interviewee #5 – female –46 years old***

Q1 Do you drink hot beverages?

A1 Yes I drink a lot of tea

Q2 Why do you drink such beverages?

A2 Don’t know just always have but I’m changing the type of tea to a herbal variety no caffeine in it.

Q3 Where do you shop for your hot beverages?

A3 I get them from the local health food shop

Q4What influences you choice of hot beverage?

A4 Just personal taste, but the doctor suggested I change to a non-caffeine variety.

Q5Would you consider buying a hot beverage called “silk”?

A5 Not really it does not say tea to me it’s more in line with one of those chocolate based drinks

***Interviewee #6 – male –48 years old***

Q1 Do you drink hot beverages?

A1 Yes I drink tea in the main but I do like those chocolate drinks now and again

Q2 Why do you drink such beverages?

A2 I’ve always drunk tea ever since I was a nipper, but I like to indulge myself now and again with a nice milky chocolate drink before bed

Q3 Where do you shop for your hot beverages?

A3 Ros my wife gets the drinks when she shops at the supermarket

Q4What influences you choice of hot beverage?

A4 Well I think she likes to get whatever is on offer and I’ll try anything that’s new in the chocolate drinks area if I’m shopping.

Q5Would you consider buying a hot beverage called “silk”?

A5 Oh yes if it’s a chocolate drink. I don’t think it’s a tea name though.

Document 7 - Marketing Director’s Notes

As part of a major multinational food company, RLL is in a very strong position financially. It is also very strong in resource areas such as marketing, production, NPD, sales, people etc. RLL’s success has come from a programme of continuous improvement of all aspects of our business especially our national brands such as the market leading GP Tops range of teas. Our focus is on the tea sector, although we do have a brand of freeze dried instant coffee called Blue Mountain that maintains a small but stable share of the coffee. We have no interest, as yet, in food beverages.

RLL is a highly marketing orientated company, a fact not unconnected with our portfolio of high awareness national brands and our strong relationships with the major food retailers. Our approach is to spend heavily on advertising, trade promotion and selling, to push (and pull) a narrow range of high quality national brands. We know our customers but never take that for granted. Research is continuously undertaken to ensure that we are positioned in the best possible way. Our recent product development programmes have tended to concentrate on the tea sector with products such as instant tea and flavoured tea, but it is true that we have the potential to produce products for either of the other two sectors. In terms of pricing, we always try to be the price leader - a position common amongst market leaders. The company would typically favour promotional offers over straightforward price cuts.

Looking to the future, RLL has all the required skills and resources to pursue virtually any approach to the hot drinks industry. Money is not a problem but large able competitors certainly are. A list of our actual and potential competitors is given below,

(River Link - GP Tops, River Link D, B.B Choicest Blend, Blue Mountain)

Nestle - Nescafe, Gold Blend, Alta Rica, Cap Colombie, Blend 37, Espresso

Kraft Jacobs Suchard - Maxwell House, Kenco, Mellow Birds

Paulig (Tetley) - Tetley Tea Bags, Orange Label, Red Label, Quick Brew

Premier Brands - Typhoo, QT, Cadbury Drinking Chocolate, Cadbury Highlights

Smith Kline Beecham - Horlicks

Wander Foods - Ovaltine, Options

Supermarket own labels - in all sales areas.