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# Marketing strategy of the new product introduction on the market

The paper points at the choosing the effective marketing strategy when introducing the new product on the market. In today's market the supply of the most products prevails over their demand. If the market is saturated, the innovation is one of the important tools for the intensive products penetrating to the customers. The aim of the product innovation is the partial change, improvement of the current performance as well as the substantial changes and creation of the entirely new products. The important sources of innovation include basic and applied research, which can afford mostly the strong and large companies such as Danone Group that is the largest producer of fresh dairy products in the world and the world's second largest supplier of the mineral water.

#### Introduction

Danone Group executes its business in an environment that is rapidly developing with constant and increasing requirements on the product quality. Danone (known as Dannon in the USA) is a global leader in the segment of fermented milk products, which since its inception deals with the health food. In some probiotic cultures the experimental studies have proven their health-promoting nature. As was the case Bifidobacterium animalis lactis DN-173 010 (CNCM 1-2494), the strain used in the manufacture of Activia, which helps regulate digestion. Hundreds of these cultures were studied and tested, while only fifty are currently used in the manufacture of Danone products worldwide. Our aim is to analyze the marketing strategy of introducing the new fermented milk product Activia Sweet Strawberry on the market. For choosing the right strategy is necessary to know and analyze the current situation on the market of milk and milk products and determine the attitudes of those consumers who represent an important attribute in strategy formulization.

## Consumption of Milk and Dairy Products in Slovakia

Everywhere in developed countries, dairy is among the leading sector of national economy and has a deep all-society meaning regarding the importance of nutrition in the population. Each developed country in the world tries to reach the self-

sufficiency in the basic food production and one of the most important ones are milk and dairy products.<sup>1</sup>

Current development in the dairy industry in Slovakia recorded a number of changes in the last decade (1999-2009), which are determined mainly by the following facts:

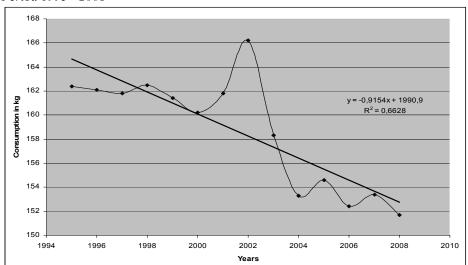
- milk as the basic raw material of the dairy industry lost its local character and is distributed beyond the region and country borders.
- classic selection of dairy products has changed and extended, the dairy products are offered together with so called 'analog products' which are, for example the alternative to cheese, but are not produced on the basis of milk but vegetable oil, wheat starch, natural cheese flavor and color,
- production of dairy ingredients has branched out, the use of milk is also moved to catering and fast food and on the basis of continuous scientific knowledge of milk is placed also to the areas outside the human diet,
- significant business opportunity for the dairy industry is the production of so-called 'functional foods' based on the bioactive components in milk,
- about future and location of the dairy enterprise (company, premises) decide the multinational parent companies, not the economic situation of the local traffic, but the manufacturing strategy and strategic trade policy of the holders (e.g., maintaining of the targeted market position in the particular country),
- progressing globalization accelerates the process of production concentration and supports the targeted specialization of dairy products premises and the marketing of brands and at the same time to achieve a wider range of the selection, the dairy businesses extend their commercial activities.
- entry of various financial groups into the food industry including dairy, is continually changing the profile of primarily agrifood ownership structures, the growing importance acquires property link in the chain: primary production processing final-sale, respectively clustering of individual subjects.
- crucial world and European dairy companies enter into various mergers and creating strategic alliances with each other and also with companies outside the agri-food business environment. Result of these steps is progressing deepening monopolization.<sup>2</sup>

Development of consumption of milk and dairy products in Slovakia has been decreasing.<sup>3</sup> The largest decrease was recorded in consumption of drinking milk, but which part is being replaced by other dairy products with higher added value ( Graphs 1 and 2).

<sup>2</sup>Euromonitor International. The concept of milk production and dairy industry in the Slovak Republic (22.1.2010) Avaliable online at http://www.euromonitor.com/dairy-in-slovakia/report

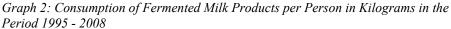
<sup>&</sup>lt;sup>1</sup> Euromonitor International.Dairy in Slovakia. (21.2.2010) Avaliable online at http://www.euromonitor.com/dairy-in-slovakia/report

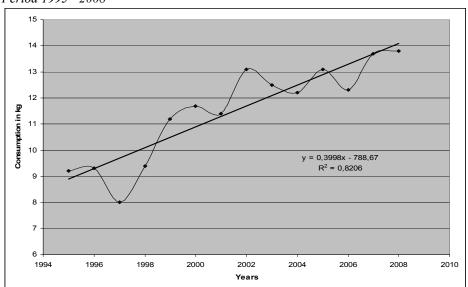
<sup>&</sup>lt;sup>3</sup> KUBICOVÁ, Ľubica - KÁDEKOVÁ, Zdenka. 2010. Comparison of Consumption on the Food Market between Slovakia and Austria. In *Delhi Business Review*, roč. 11, 2010, č.2. s. 47-60. ISSN 0972-222X



Graph 1: Consumption of Milk and Dairy Products per Person in Kilograms in the Period 1995 - 2008

Source: Authors' own research and calculations based on data from the Statistical Office of the Slovak Republic





Source: Authors' own research and calculations based on data from the Statistical Office of the Slovak Republic

Cultured dairy products also known as fermented milk products create an important group of dairy products. They have an irreplaceable role in human nutrition, contribute to the nutrition of children, youth, people of working age and elderly people. Fermented milk products are mostly made from cow's milk, but can also be made from sheep's milk, or the goat's one. In the production of fermented milk products are used the specific microorganisms, mainly Fermentation bacteria.

Selection of the fermented milk products is wide. Many different types of cultured milk products can be found around the world, the most common are:

- yoghurts and yoghurt milk
- · acidophilus milk,
- · soured milk.

In the period 1995 - 2008, the consumption of fermented milk products changed significantly and showed a fluctuating trend. The highest increase was recorded in 2002 and in 2007, when consumption of fermented milk products increased by 1.7 kg per person in 2002 respectively about 1.4 kg per person in 2007. The largest drop in consumption in the mentioned period was recorded in 2006 by 0.8 kilograms per person. Based on the trend function that consumption growth for the period average by 0.3998 kg per person per year. Trend consumption of fermented milk products, expressed as a linear function explains the dependence of power supply to increase range of fermented milk products and the price affordability to 82%.

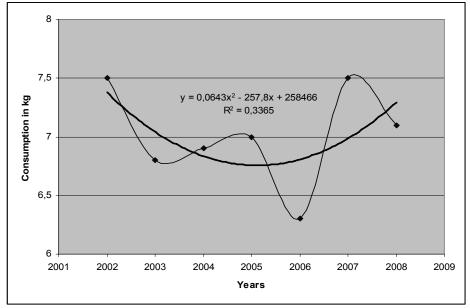
# Consumption of Yoghurt in Slovakia

Yogurt is fermented milk product containing the live yogurt cultures that improve digestion and keep the natural microbial environment in the digestive tract. Positively influence the composition of gastrointestinal microflora. Just like milk and yogurt are the source of large quantities of minerals and vitamins.<sup>5</sup>

In the monitored period of the years 2002 - 2008 there were significant fluctuations in the consumption of yogurt, as it can be seen in the Graph 3. The largest decrease was recorded in 2003 and in 2006 when there was a decrease in consumption of 0.7 kilograms of yogurt per person and the largest increase in consumption was recorded in 2007, about 1.2 kg of which shows the equation of quadratic function that explains trend in consumption of yogurt to 33.65%.

<sup>&</sup>lt;sup>4</sup> KUBICOVÁ, Ľubica 2008. Consumer demand for food. Nitra: SUA, 2008. p.85. ISBN: 978-80-552-0092-7

<sup>&</sup>lt;sup>5</sup> Agriculture and Rural Development. School Milk Scheme. (24.3.2011) Available online at http://ec.europa.eu/agriculture/markets/milk/schoolmilk/index\_en.htm



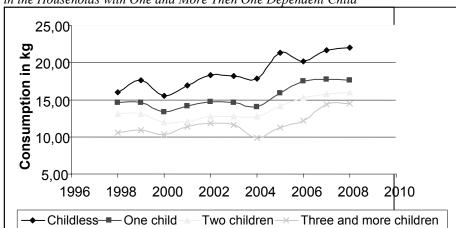
Graph 3: Consumption of Yoghurt per Person in Kilograms in the Period 2002-2008

Source: Authors' own research and calculations based on data from the Statistical Office of the Slovak Republic

# Model of Expenditures and Demand for Fermented Milk Products

Declining consumption of drinking milk is due to the fact of improving the new production technologies, opening the market and increasing offer and even wider selection of other dairy products which substitute the fermented milk products. In 2008, 73.26% from the total cash expenditures on milk and cheese in the childless households were spent on the other milk products from which 36.68% was spent for cheese and curds and 37.26% for fermented milk products purchasing.

Consumption of fermented milk products increases year by year without major annual variation in the households with children as well as in the childless households. In the last 11 years in the families without children has been noticed an increasing consumption of fermented milk products by 2.98%. In households with three or more dependent children, the average annual growth in consumption was 3.0% as it is shown in the Graph 4.



Graph 4: Consumption of Fermented Milk Products by Dependent Children in the Households with One and More Then One Dependent Child

Source: Authors' own research and calculations

Table 1: Estimate of Parameters of Demand Functions for Fermented Products (qi) in Childless Households and in the Households with One and More Then One Dependent Child

Household	$q_i = b_0 + b_1 * price + b_2 * income$	Elasticity Eq <sub>i</sub> , p <sub>i</sub>	Elasticity Eq <sub>i</sub> , I	$\mathbb{R}^2$
Childless	$q_i = 5.347 + 8.606 + 0.00149$	0.973	0.308	0.815**
With One Dependent Child	$q_i = 5.291 + 2.434 + 0.00146$	0.358	0.299	0.753**
With Two Dependent Children	$q_i = 3.257 + 2.490 + 0.00186$	0.407	0.357	0.813**
With Three or More Dependent Children	$q_i = 10.643 - 3.497 + 0.0043$	- 0.631	0.739	0.829**

Source: Authors' own research and calculations Note: \*\* statistical significance at  $\alpha = 0.01$ 

From the values of determination index  $R^2$  (Table 1) can be concluded that estimate of multiple linear functions explain the dependence of demand for fermented milk products (qi) on the unit price of this products (pi) and the average annual income (I) per person in Euros, from 75.3% up to 82.9%.

The leakage rate dependent on the demand for fermented milk products is expressed as the multiple correlation coefficient with the values from 0.868 in the households with one dependent child, up to 0.911 in the households with three or more dependent children, which shows strong to very strong dependence on the product's own price and income.

On the basis of the income elasticity coefficients  $(Eq_i, I)$  and the price elasticity  $(Eq_i, pi)$  of demand for fermented milk products can be said that consumer demand has evolved in line with intuition and theoretical assumptions only in households with three or more dependent children, where the growth of prices resulted in a reduction in demand for fermented milk products.

Conversion coefficient of fermented products own prices shows that the increase in consumer prices by 1% causes a decrease in demand for fermented milk products by 0.631% in the households with three or more dependent children. In terms of influence of income on demand for fermented milk products, in the households with three or more dependent children, the income growth by 1% caused an increase of demand by 0.739%, while in the households with one child, mentioned increase of demand was only by 0.299%. In the childless households, the income growth by 1% caused an increase of demand by 0.308%.

# Marketing Strategy of "Activia Sweet Strawberry" Product Introduction and Product Policy

## History of Danone in Slovakia

Activity of Danone Group in Slovakia is dated from 29<sup>th</sup> July 1996, when the company was established by registration in the commercial register. In Slovakia, Danone acts as a multinational company. On the Slovak market it has gained a strong position mainly through its products Actimel, Activia, Dobra mama (Good Mom) and Kostici (Bones). In the current period Danone belongs among the key players on the dairy market. High and stable quality of the products, wide selection and maximum customer care help to sign the annual revenue growth. Year 2010 was in the spirit of celebration of Danone, because 90 years ago this company made its first yogurt.

The aim of the product line Danone "Activia Sweet" was to penetrate into the market segment of yoghurts with lower price. This product line should impress the consumers by delicious flavor and health beneficial effects at an affordable price. When applying this objective the company had used one of the variants of the product strategy, namely the strategy of product development, while trying to reach existing customers by the new products. Thanks this strategy was reached an increase in the value of existing relationships, while one of the instruments was mainly an affordable price. The new product was focused on the target group of women aged 20 to 55 years, experiencing a problem with digestion. Danone Activia in its portfolio of fermented milk products prepared for its customers a new flavor, which extended the range of Activia Sweet Yogurt. Products "Activia Sweet" have a delicious fruity flavor and creamy texture without pieces of fruit. By combining a pleasant sweet taste and the flavor of wild strawberries was created the concept of "Activia Sweet Strawberry". Activia with its product line with "Sweet White" comes to market with a given bid:

- White.
- Sweet White
- Sweet Strawberry fermented product Bifido culture, sweetened with the strawberry juice.

After introduction of product Activia Sweet Strawberry on the market in September 2009, the company sales stood at 10 tons. In the next coming months by using the introduction price and investing more amount of money in the communication mix approached, the company attracted the consumers and increased the sales volume up to 71 tons and ultimately in the last quarter of 2009, the sales volume was at 183 tons. This fact was in harmony with the company's aim to achieve sales volume of new product at 200 tons by the end of 2009.

Consumers find a number of information on the packaging of Activia Sweet Strawberry, manufacturers have to indicate some data mandatory, some information on the composition of the statement are given voluntarily. Food label becomes an "identity card" for the consumers, where could be find the information on:

- product composition
- nutritional values.

For better orientation in the packaging marking, Danone provides an explanation of used abbreviations and tables of nutritional values on their product labels. Corporate symbol, or logo of Danone company, Ltd., the designers placed on a light blue background, which aims to connect health with a smile which is a symbolic figuration of the health. Exactly the motto: "Danone is a source of health for your body and thus your good mood". Danone logo reflects the modernity and elegance, expresses its accessibility and brings a stylish new element. Signature red symbol clearly captures the mission of the brand.

Figure 1: Danone logo



Source: www.danone.sk

# **Price Policy**

Price is for the consumer in many cases the most important factor when shopping.  $^{6}$ 

Price is a tool of value which is formed by supply and demand. It is the only part of the marketing mix that brings the sales to the enterprise. Setting up the right price is the issue of the price strategy. Price is based on calculations and competitive prices.<sup>7</sup>

<sup>&</sup>lt;sup>6</sup> SUPEKOVÁ, Soňa - NAGYOVÁ, Ľudmila - KÁDEKOVÁ, Zdenka a.i. 2010. EU quality policy: application in the conditions of the EU and Slovakia. In: 11th international conference. International scienticic days 2010. "Global economy: Challenges and perspectives" May 26-28, 2010, Nitra: Slovak University of Agriculture, 2010. p.126. ISBN: 978-80-552-0386-7

<sup>&</sup>lt;sup>7</sup> VICÉN, Michal –KUBICOVÁ, Ľubica- MINÁROVÁ Martina. 2009. Strategic Marketing. Nitra: SUA in Nitra, 2009. 220 p. ISBN 978-80-552-0179-5

Producers of Activia Sweet Strawberry tried to respect this fact and reacted by the project "Affordable Activia". The aim of the project was to attract the customers by the new product while applying the rapid penetration strategy. It introduced the new product at a lower price, and this step just wanted to attract the customers and make the product affordable. In the spirit of this given goal, the motto of the promotional leaflets of Activia Sweet Strawberry is "You can afford New Activia too!"

Desire of Danone company was to increase their market share using the product Activia Sweet Strawberry and the strategy of rapid penetration. The company introduced a new product called the low "promo price", in aim to achieve the greater market share and to secure higher profits. To increase the profit Danone has implemented the following marketing activities:

- ensuring of the adequate supplies of Activia yogurt in the stores
- dispay of Activia products on the shelves in the "promo blocks"
- the creation of areas for sub-exposure product (refrigerators and gondolas)
- placement of the promotional materials (POS) in the stores,
- ensuring of the correct product labels and price tags.

## **Distribution Policy**

In distribution policy Danone addresses the following aspects:

- in terms of entry on the enterprise market,
- in terms of selecting suitable distribution channel.

Currently, all products of Danone company are imported from abroad. Distribution of products is carried out mainly from the Czech Republic (Benešovská dairy), Hungary (Budapest) and Poland (Warsaw). Implementation of manufacturing products takes place in the city of Cesky Benesov, where Activia and Actimel Danone Yogurt and Danone Creamy are manufactured. These products are exported by the export company from the Czech Republic and given to the import company in Bratislava, capital city of Slovakia, from where are these products delivered to the central warehouse of Danone company in the city of Senec in Slovakia. Logistics is provided by external transport company ESA. The company distributes products to the individual stores, retail stores and chain stores where are available for the consumers.

Tesco distributes products to the hypermarkets and chain stores across the country. In the same way goods are distributed to the stores of BILLA company. In the case of smaller retail chains, the goods are imported directly from the warehouse of Danone company to retail stores by dealers themselves or by the truck sent from Danone company. This option is used by COOP Jednota company, CBA and small independent company called "Independent". Upon this procedure Danone company applies push distribution strategy. Distribution of products to Danone Ltd., is carried out through prearranged orders.

## **Communication Policy**

Marketing communication offers the important information about the products and is most commonly used in the few forms of communication tools such as advertising, sales support, public relations and direct marketing.<sup>8</sup>

One of the more important tools is advertising.

The company supported the introduction of the new portfolio of Activia products by strong advertising campaign implemented on Slovak national televisions TV Markiza, JOJ and STV. The purpose of the ad was to focus on the middle-aged women (target group) with digestive problems and point at the new Activia product. The motto of the campaign was: "Let your problem blowout" and the face of TV and Web campaign became well known actress Zuzana Tlučková.

Another powerful tool to promote the new product is an internet advertising<sup>9</sup> via internet pages www.Danone.sk and www.Activia.sk.

On these pages consumers learn about all information of each product from Danone portfolio. There are studies available on probiotic effects as well as information on healthy eating habits, healthy diet, online counseling, various recipes and basic information about the company.

Sales support is realized through so-called Danone's POS (point of sale) materials that are used mainly for the new products as the primary tool to attract customer's attention. Deployment of POS materials in retail chains is mostly near the refrigeratores that store Danone products. The major customers of the company Danone are large retail chains like TESCO STORES, BILLA etc. and for these companies Danone are provides various types of POS materials such as leaflets, posters in A4 and A2 format, tops and sides of the refrigerator shelves as well as decorations.

Samples of the new Danone products could be tried for free in selected chain stores across the country. The aim of these promotions is to introduce the new product to the customers and give a chance to try and taste the new product and if interested also to purchase the product for an introductory price. This way Danone finds out the opinion of the customers and secures the sales of the new product.

#### Promo Pack

To attract the attention of the customers is possible thanks to a special package - called "Multipack" which contains 4 pieces in 1 package for the sales price of 1 Euro. For larger retail chains is prepared the special package of 4 pieces plus 2 pieces for free.

<sup>&</sup>lt;sup>8</sup> NAGYOVÁ, Ľudmila – KÁDEKOVÁ, Zdenka – ROVNÝ, Patrik. 2010. Shopping environment and shopping atmosphere. In: HORSKÁ, Elena - NAGYOVÁ, Ľudmila - ROVNÝ, Patrik. a kolektív: 2010. Merchandising a event marketing pre agricultural. Nitra: SUA, 2010, 329 p. ISBN: 978-80-552-0469-7
<sup>9</sup> KRETTER, A. - ŠIMO, D. - NAGYOVÁ, Ľ. - VICEN, M. 2008. Marketing. Nitra: SUA, 2008. p. 262-269. ISBN: 978-80-552-0134-4.

#### Conclusion

When the new product comes on the market, the company's aim is to introduce it to the public and consumers. So does Danone, when introducing the new products. The company developed a project "Available Activia" pointing at the reasonable price of the Activia products. With the perfect concept Danone wanted to attack the competition and bring yogurt with scientifically proven probiotic effects to the attention of the general public. In order to meet those objectives Danone developed a marketing strategy, consisting of product policy, price policy, distribution policy and communication policy. The strategy itself was formulated by marketing department staff. The product introduction was based on the research provided by agency TNS AISA that questioned the consumers about their interest, opinon and attitude to Activia products, as well as the fact that consumers brought their views and proposals on the Activia product line thanks to this survey.

As for Active Sweet Strawberry product strategy, Danone implemented the development strategy that seeks to reach out to existing customers of the new products and increase the value of existing relations, one of the instruments for the implementation is mainly price and higher quality compared to competitors. The focus was on the target group of women aged 20-55 years who experienced a problem with digestion.

In the pricing policy Danone applied the strategy of rapid penetration, where a lower price in comparison with competitors helps to win the higher market share. This price has become more affordable to a wider range of consumers. The aim was to cover the market penetration and gain the customers from competitors, allowing the company to ensure higher market share and achieve higher profits as well.

Distribution policy of Danone company is provided by the external companies. Danone imports to the Slovak market all its products from abroad. It is therefore very important to have properly developed distribution. Danone products are imported from the neighboring countries - Poland, Hungary and the Czech Republic. The largest distributor is the last mentioned Czech Republic with Activia products, Actimel and Danone Creamy.

Communication is very important element of overall strategy. Just from the communication itself and its parts depends the success of the new product on the market. For the new product is important to get as soon as possible among our customers and to precisely offer well developed communication strategy. Danone applied few elements of the communication policy, mainly advertising, sales support, public relations and direct marketing.

Danone recognizes the importance of advertising in the life of the consumer, and therefore constantly increases money spent on advertising. When introduving the new Activia Sweet Strawberry it sales was supported by the media campaign on TV. Also during the growth of this product the company spent considerable money on advertising. Strategy of communication is mainly concerned on changes in advertising.

Danone focused also on internet campaign, supported mainly by their websites www.danone.sk and www.activia.sk, as well as taking advantage of services and social networking sites like Facebook.com and Azet.sk.

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## **Summary**

Choosing an effective marketing strategy is essential and key factor of the companies' success when introducing the new product. Usually the effective marketing strategy means implementing of marketing mix in the practise. Danone company realizes that to attract the attention of the customers and wide society is possible only by implementing of carefully chosen tools of marketing communication policy and combine

them in the best possible way with the only aim to introduce the new product to the customers and make them to buy this new product. The company developed a project "Available Activia" pointing at the reasonable price of the Activia products. With the perfect concept Danone wanted to attack the competition and bring yogurt with scientifically proven probiotic effects to the attention of the general public. In order to meet those objectives Danone developed a marketing strategy, consisting of product policy, price policy, distribution policy and communication policy while the promotion was based on the most powerful tool of communication policy – advertising on TV, in the other media and internet.

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