



UNITED STATES INTERNATIONAL UNIVERSITY

20111211

Peter N. Kiriri

TEACHING NOTE

GUANGO DAIRY YOGHURT: FROM COW TO CUP

Case Overview

Guango Dairy is an Agribusiness enterprise involved in the production and distribution of yoghurt in Kenya. Its product was mainly yoghurt which was in four flavors of Vanilla, Pineapple, Passion and Strawberry. The raw milk for the production of yoghurt was mainly from Guango's own farm milk and from 18 contracted dairy farmers within the locality of the factory. The yoghurt production plant had a capacity of producing 5,000 litres of yoghurt yet for the last 3 years it was operating on 50% capacity during the peak season and 25% during the off peak season. The organization was faced by various challenges as it tried to expand its market. Some of the issues included penetrating the large supermarket chains, availability of resources to mount a market promotion campaign, competition from well resourced major yoghurt producers, seasonality challenges and even changing consumer behavior. Due to competition in the industry it has faced the challenge of acquiring customers' especially large supermarket chains that would provide them with a desired footprint in the Kenyan market. As a result the students are expected to analyze the environment for opportunities and indicate how Guango Dairy should go about acquiring customers, growing volumes and retaining the customers in face of the stiff competition especially in regards to shelf space for its products and generally being profitable and sustainable.

Teaching Objectives

Upon completion of this course the participants should be able to:

- Analyze a marketing environment and develop a SWOT for an Agribusiness enterprise
- Identification and development of customer acquisition and retention strategies for their businesses
- Explain market segmentation, targeting and positioning strategies
- Develop and discuss a business growth model
- Identify key drivers of satisfied customers and the key role played by quality in competitiveness
- Identify strategies for harnessing networks through relationship creation, development and maintenance.

Target Audience

This case is primarily focused on entrepreneurs undertaking the Certificate in Management and Innovation for Agribusiness Entrepreneurs Course. However, it is also suitable for other entrepreneurial, marketing and strategy courses with a business audience that wish to grow their businesses to a different level.

Key Discussion Questions

1. Conduct a market environmental scan based on the case and present Guango Dairy's SWOT Analysis
2. Based on the case study what do you think are the major challenges confronting Guango Dairy?
3. How can Guango Dairy address the identified problems above?
4. What are the available strategies for growth for Guango Dairy?
5. What are the key success factors that Guango Dairy should consider for it to grow its business and have loyal customers
6. Analyse Guango Dairy's different business units as presented in the case and give a recommendation to management on way forward for the future.

Theoretical Concepts/Models for aid in Case Discussion

In order to deliver the desired goals of the case questions, several models will be discussed. these include:

1. Environmental Scanning and SWOT Analysis

Environmental Scanning involves collecting and interpreting information about:

- a. Social Cultural
- b. Demographic
- c. Economic
- d. Technological
- e. Political / Legal
- f. Competitive

Examples of SWOT Factors

Internal

- Strengths
 - Core Competencies
 - Financial strength
 - Well-planned strategy
 - Skilled management
- Weaknesses
 - Production inefficiencies
 - Inadequate financial resources
 - Poor management
 - Poorly planned strategy

External

- Opportunities
 - Untapped market potential
 - Favourable shift in market
 - Emerging technologies
 - New product
- Threats
 - New competition
 - Rising demand
 - Increased government regulations

2. The Ansoff Product Market Grid

Since the case has situation of decisions on product development and market expansion, the grid will be appropriate for customer acquisition, growth and retention objectives. The model perspectives and option are presented below.

Ansoff's Market Product Grid

1. Market Penetration LOW RISK	2. Product Development HIGHER RISK
3. Market Development MEDIUM RISK	4. Diversification HIGHEST RISK

3. Targeting

In order to have a sustainable market, a yoghurt producer needs to examine major structural factors that affect long-run segment attractiveness. Such an examination has to address the nature of *competitors*; the existence of actual or potential *substitute products*; the relative *power of buyers*; and *existence of powerful suppliers* who can control prices or reduce the quality or quantity of products. After evaluating different segments, the company must now decide which and how many segments it will target. In the yoghurt business, there are different target market strategies including:

- *Undifferentiated (mass) marketing*: A market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.

- *Differentiated (segmented) marketing*: A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each for example a product for every “purse, purpose, and personality.”
- *Concentrated (niche) marketing*: A market-coverage strategy in which a firm goes after a large share of one or a few segments or niches.
- *Micromarketing*: The practice of tailoring products and marketing programs to the needs and wants of specific individuals and local customer groups—includes local marketing and individual marketing. Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups—cities, neighborhoods, and even specific stores.

4. Positioning and Competitive Advantage

Positioning is the way the product is defined by consumers on important attributes—the place the product occupies in consumers’ minds relative to competing products. A marketing company must decide on a *value proposition*—on how it will create differentiated value for targeted segments and what positions it wants to occupy in those segments. “Products are created in the factory, but brands are created in the mind,” says a positioning expert.

Competitive Advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices. To be different, marketers must think through the customer’s entire experience with the company’s product. A company can differentiate itself or its market offer along the lines of product differentiation, service differentiation, channel differentiation, people differentiation, or image differentiation.

	Products		
Markets	Existing	Modified	New
	Sell more of our existing products to our existing types of customers (Market penetration)	Modify our current products and sell more of them to our existing customers (Product modification)	Design new products that will appeal to our existing customers (New product development)
	Enter and sell our products in other geographic areas (Geographic expansion)	Offer and sell modified products to new geographical	Design new products for prospects in new geographic areas.
	Sell our existing products to new types of customers (Segment invasion)	Offer and sell modified products to new types of customers	Design new products to sell to new customers (Diversification)

	Products		
Markets	Existing	Modified	New
	Market penetration	Product modification	New product development
	Geographic expansion	Expansion with modification	New products in new areas
	Segment invasion	Modified products with new customers	Diversification

5. The BCG Model

This can be used to assess Guango Dairy's different business units which as presented in the case include

- Guango Dairy
- Guango Farm
- Guango Animal Feed Production unit



6. STP Marketing

Understanding the nature of markets is paramount to customer satisfaction through focused superior service execution. In order to do this there is need to segment, target and position a business appropriately in the market as indicated below.

Market Segmentation, Targeting and Positioning (STP)

Due to the nature of the yoghurt market, the process of segmenting the market, targeting the identified segments and positioning products with the segments would be critical.

Market Segmentation

The yoghurt market can be segmented using various segmentation bases. According to a source at the KDB, producers, in order to maximize their ability to satisfy consumers, divide up or segment the market for their products according to different consumer needs and preferences. There are many different ways or bases to segment a market and these include:

- *Geographic Segmentation:* Segmenting consumers according to their geographic location.
- *Demographic Segmentation:* segmenting markets according to some demographic criteria such as age, gender, occupation, family size or even marital status.
- *Psychographics Segmentation:* segmenting consumers according to the different lifestyles or according to their social class groupings or different personality types.
- *Behavioural Segmentation:* segmenting consumers according to their knowledge of a product or the way in which they react towards a product. One such way is by grouping consumers according to the benefits that they look for or the occasion on which they use a product for example, yoghurt for breakfast or as a desert.

Targeting

In order to have a sustainable market, a yoghurt producer needs to examine major structural factors that affect long-run segment attractiveness. Such an examination has to address the nature of *competitors*; the existence of actual or potential *substitute products*; the relative *power of buyers*; and *existence of powerful suppliers* who can control prices or reduce the quality or quantity of products. After evaluating different segments, the company must now decide which and how many segments it will target. In the yoghurt business, there are different target market strategies including:

- *Undifferentiated (mass) marketing:* A market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.
- *Differentiated (segmented) marketing:* A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each for example a product for every “*purse, purpose, and personality*.”
- *Concentrated (niche) marketing:* A market-coverage strategy in which a firm goes after a large share of one or a few segments or niches.
- *Micromarketing:* The practice of tailoring products and marketing programs to the needs and wants of specific individuals and local customer groups—includes local

marketing and individual marketing. Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups—cities, neighborhoods, and even specific stores.

Positioning and Competitive Advantage

Positioning is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products. A marketing company must decide on a *value proposition*—on how it will create differentiated value for targeted segments and what positions it wants to occupy in those segments. “Products are created in the factory, but brands are created in the mind,” says a positioning expert.

Competitive Advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices. To be different, marketers must think through the customer's entire experience with the company's product. A company can differentiate itself or its market offer along the lines of product differentiation, service differentiation, channel differentiation, people differentiation, or image differentiation.