Case Study

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Target

The case presented, about Nestlé-Longa Vida, is to be solved by college degree students of Marketing and Management areas. It's fundamental to read carefully the whole case and have knowledge about the concepts learned during the semester and articulate them to answer right the questions proposed.

Animation Plan

Number of sessions	Duration of the activity	Task
1st	2:30 hours	Read the case and research on it
2nd	1:30 hour	Part 1 – Resolution and discussion
3rd	1:30 hour	Part 2 – A and B resolution and discussion
4th	2 hours	Part 2 – C and D Resolution and discussion
5th	1:30 hour	Part 2 – E resolution and discussion

Educational Objectives

Throughout the case we'll approach the internal market of yogurts and analyze the Longa Vida brand: the competitors, its positioning, segmentation, targeting and the 4P's.

The resolution of this case will allow the students to achieve knowledge and develop capacities, in order to:

- Understand the evolution of the dairy products and the segment of yogurt;
- Understand the consumers mind and behavior;
- Situational analyze of the company and its competitors;
- Characterize the Longa Vida brand in terms of marketing

Nestlé History

In the early twentieth century, Portugal experienced a severe crisis at the level of infant feeding. Aware of these difficulties, Professor Egas Moniz boosted the milk industry of our country, creating the first milk powder factory, in Avanca 1923 - the Society of Dairy Products, Inc. - which was to be the birthplace of Nestlé Portugal. Prof. Egas Moniz was following the life and work of Henri Nestlé, and in 1933, the Society of Dairy Products, Inc. gets the exclusive manufacture and sale of Nestlé products. With the launch of flour and condensed milk for children, Nestlé began its rapid growth and rise in our country.

Actually, Nestlé has several segments: roasted coffees, chocolates, cuisine, ice cream, yogurts, dairy and cereals, breakfast cereals, child nutrition, Nesquik, Nescafé, Nescafé Dolce Gusto, and is one of the most important food company operating in Portugal.

Longa Vida Brand

During the increase time of the yogurt market, the Longa Vida was incorporated in 1993 in the multinational Nestlé and, today, is one of the most important brands competing with Danone, the market leader. The yoghurt market in our country has been growing. In ten years, the amount consumed was tripled, from 60 thousand to 300 thousand tons. That means that each person consumes an average of 16 to 18 pounds of yogurt per year.

Longa Vida has demonstrated its strength, vitality, and quality reputation with consistency that leads to innovation in order to surprise and maximize the satisfaction of desires, needs and expectations of consumers, and also to recognize the trends of society and the market to react to them proactively.

1. Problem identification

In Longa Vida case study we identify two major problems. The first is in the pricing strategy, because the yogurt doesn't offer any extra value than its main competitors but charges more for the same offer.

The second problem is that, despite, Longa Vida brand being one of the most creative ones, it could never traduce that to the consumer (Positioning).

2. Internal Analysis

The presence of dairy products has been constant in the quotidian of Portuguese families, being an important source of calcium, essential in the growing period and for the future mothers and contributing for the human being health in general. The dairy products are incorporated in the wheel food, reflecting their importance.

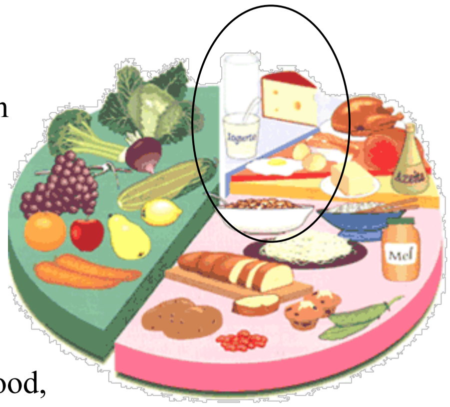
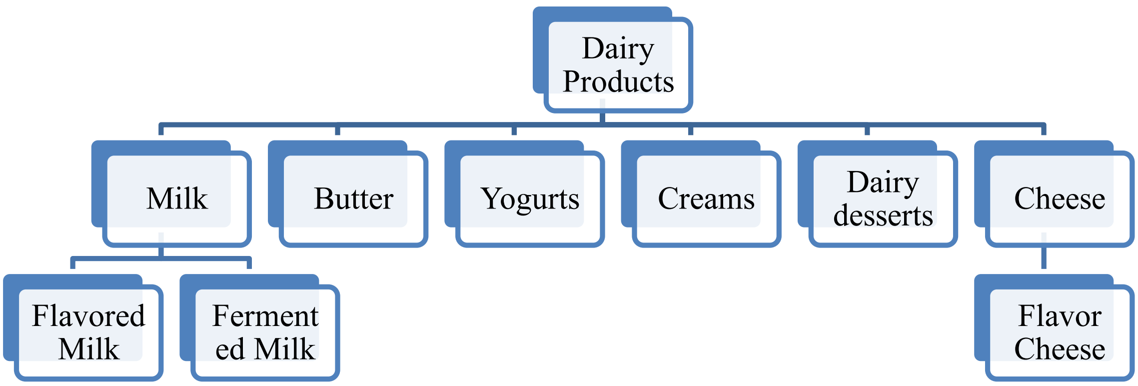


Figure 1 – Wheel Food

The market of dairy products, categorized into several groups represented in chart 1.

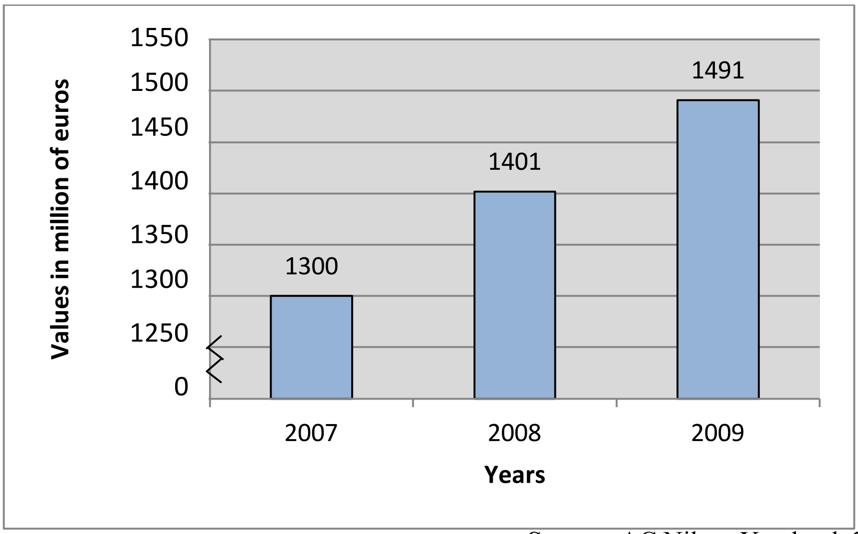
Chart 1 – Market Division



Source: Ac Nielson Yearbook 2009

The market for dairy products, over the years continues to show signs of expansion (Chart 2). Even as a market with many segments it appears that sales increase from year to year, thus verifying that it is a market that encourages investment.

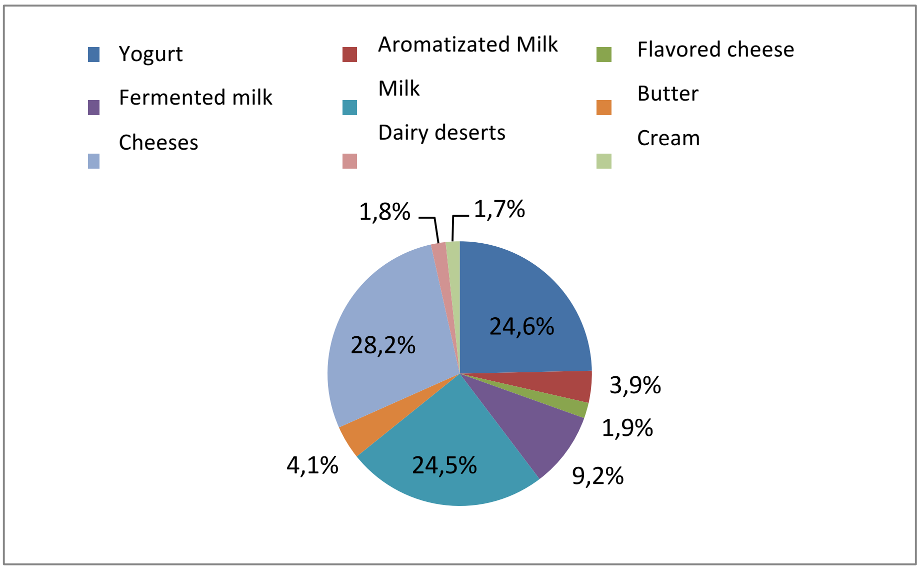
Chart 2 – Dairy products (M€)



Source: AC Nilsen Yearbook 2007 to 2009

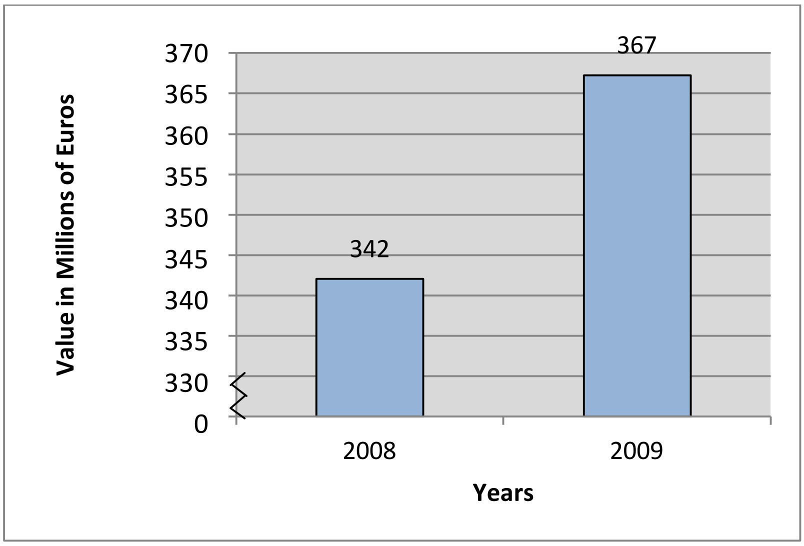
Longa Vida plays an important role in the segment of yogurts, one of the most important in the entire Dairy (Chart 3), with a weight of 24,6% of the sales in this set. It is also important to note that either in volume or in value, the market segment of Yogurt has been growing over recent years (Chart 4).

Chart 3 – Dairy Product Division



Source: AC Nielsen Yearbook 2009

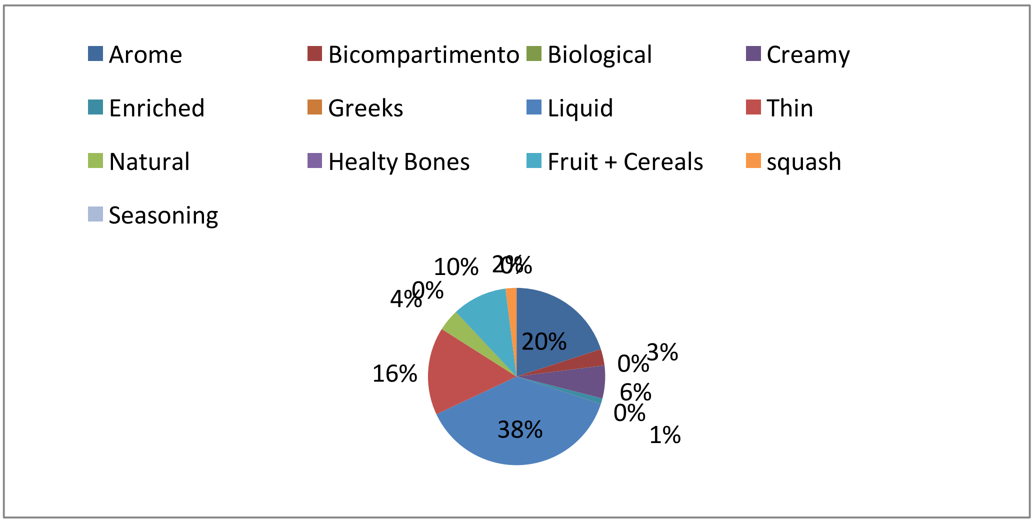
Charts 4 – Evolution of the Yogurt Market (M€)



Source: AC Nielsen Yearbook 2009

The Yogurt Market is also categorized into several groups: arome, “bicompartimento”, biological, creamy, enriched, Greeks, liquid, thin, natural, healthy bones, pieces of fruit and cereal, squash, seasoning. Chart 3 shows the significance of each segment of Yogurt Products.

Chart 3– Yogurt Division



Font: AC Nielsen Yearbook 2009

3.The Consumer Behavior

3.1. Facts:

Refrigerated yogurt consumption among adults increased from 52% in 2003 to 56% percent in 2009, especially among those aged 25-44. 68% of women eat refrigerated yogurt/yogurt drinks, compared to only 43% of men.

Consumers are most concerned that yogurt is low in fat and calories, both cited by 50% of respondents. Was also ranked among important claims: High calcium, live active cultures, low sugar and all natural.

Yogurt consumption is on the rise, driven by the healthy eating trend and growing awareness of yogurt's health benefits. Some 56% of adults aged 18 and more use refrigerated yogurt/yogurt drinks. Low-fat yogurt is most popular, followed by regular yogurt, used by 54% and 47% of yogurt eaters, respectively. Yogurt drink usage grew to 16%, though its growth did slip in 2009. Frozen yogurt consumption has declined since 2003, but sales have recently grown, perhaps because consumers turned to it as an affordable treat during the recession. (Table 1)

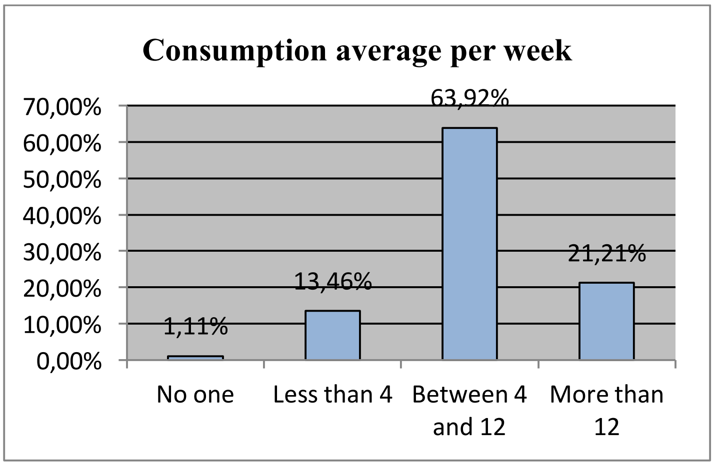
Table 1: Yogurt consumption by type, by age, february 2008 – March 2009

Yogurt consumption by age							
	Total	**18-24**	**25-34**	**35-44**	**45-54**	**55-64**	**65+**
Base: adults aged 18 +							
Yogurt	56%	55%	59%	59%	54%	56%	52%
Base: adults aged 18+who eat yogurt							
Low fat	54%	54%	54%	56%	55%	54%	52%
Regular	47%	62%	53%	53%	43%	39%	36%
Light / sugar free	26%	25%	19%	24%	27%	31%	29%
Non – fat	22%	24%	20%	20%	23%	22%	21%
Drinkable	16%	28%	20%	20%	13%	11%	8%

Source: NCS/NHCS, Winter 2009, Adult Full Year – POP

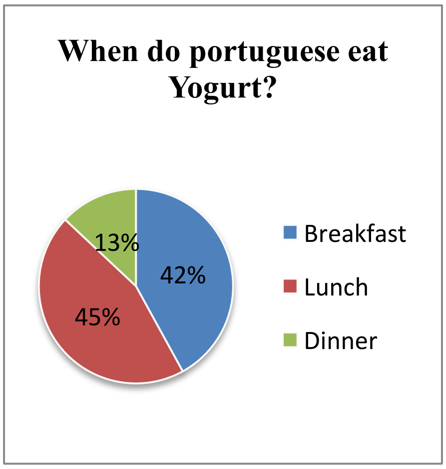
About the consumption average per week, 63,92% of the total, consume 4 to 12 yogurts per week (Chart 6). And of the ones who eat yogurt they do it essentially at lunch and breakfast (Chart 7).

Charts 4 – Consumption average per week



Source: multidados.com Jannuary 2010

Chart 5 - when Portuguese eat yogurt



Source: TNS Worldpanel 2008

3.2. New products and trends

The economic recession spurred a flood of private-label organic and natural yogurts targeted to consumers who would like to eat more organic foods, but aren't willing to pay a high price.

The desire of consumers for pleasure associated with flavor and the growing concerns with health wake up the yogurt market for the importance to make investments on this area.

The hottest trends in the yogurt market are:

- ✓ Organic and natural like Alpro Soya or Korin

- ✓ Functional yogurts made with probiotics such Danacol, Sveltesse, Pro-activ, Actimel or Activia

- ✓ High protein and fiber such Mimosa Bifidus and Bio Fibras

- ✓ Greek-style yogurt from Nestlé, Danone and others.

- ✓ Indulgent dessert-style yogurts suc h Yoplait Delights, Nesquik Petit

✓ Kid-targeted products like Yoco Suisssinho, Nesquik and Danoninho



4. Longa Vida

Longa Vida born in 1957 starting the manufacture of yogurt glass. It has an extensive range of chilled dairy and has been traditionally present in two segments: the most classic of yogurt (natural, flavors and cuts) and the pleasure with creamy yogurts, yogurts in glass cup, Double Delight, dessert cup and glass dessert cup of yogurt.

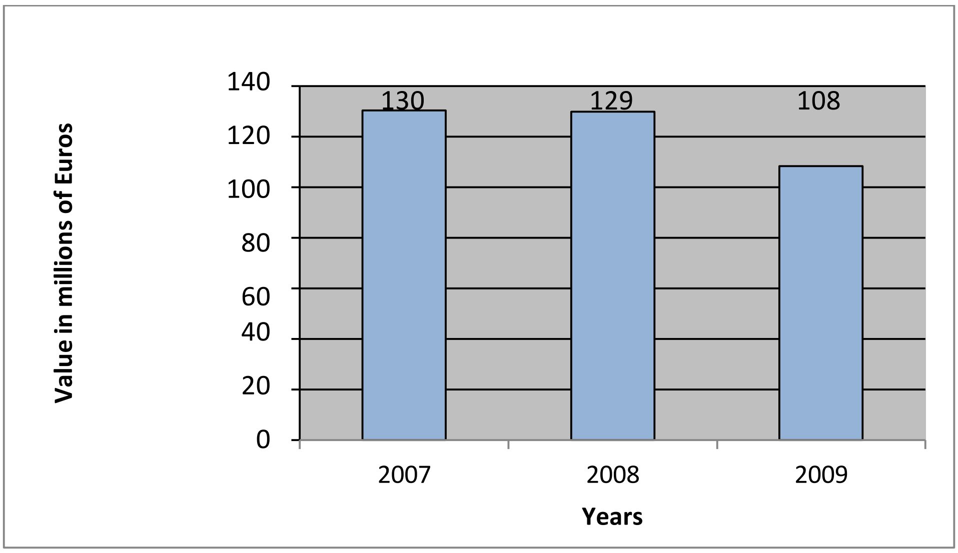
4.1. Brand Value

To offer more quality and diversified products, which is trusted by the consumers, the brand focuses on **diversification** of tastes and textures and **innovation** based on the consumers necessity.

4.2. Growing of Longa Vida

Despite the efforts of the mark, there was a decline in sales from about 130 to 108 millions of Euros in 2007 to 2008, largely because the country's economic crisis (chart 8).

Chart 8: Longa Vida Sales (M€) 2007 to 2009



Source: Report and Accounts Longa Vida 2009

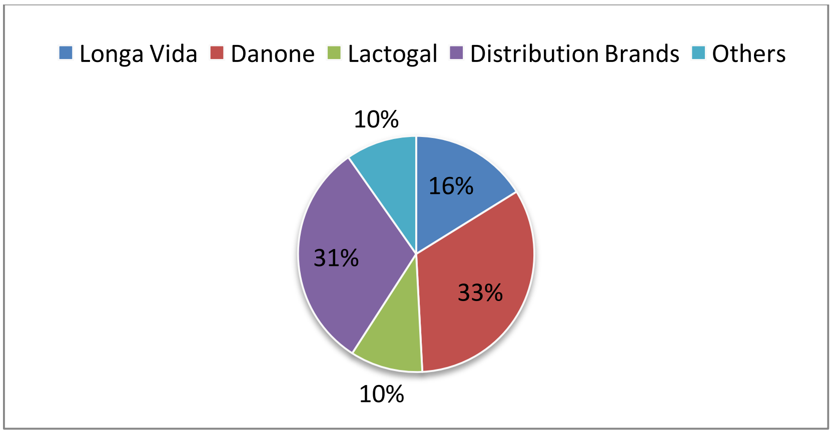
This is reflected in the growth rate of the brand, which had a decrease of 0,37% between 2007 and 2008, and a decrease of 19,88% between 2008 and 2009.

4.3. Competition

Competition in the dairy sector, particularly in yogurt, is very sharp with many competitors to compete in the marketplace. Since the competition level of the yogurt market is growing it is hard for brands to stand out one from the other, making it difficult to innovate and create a strong competitive advantage.

In 2009, Nestlé, together with Danone and Lactogal, held 55% of the total value of sales of yogurts in Portugal. Chart 9 shows the market share of Longa Vida and its main competitors: Danone, Lactogal and the distribution brands.

Chart 9 – Market Share of Longa Vida and its main competitors - 2008



Source: http://www.hipersuper.pt/ 2008

So, the main competitors of Longa Vida are:

- ✓ **Nestlé**: Yoco, LC1, Sveltesse, Yoggi.
- ✓ **Lactogal,** who is a national competitor with a significant weight, with brands the Mimosa and Adágio.
- ✓ **Danone,** the world leader in yogurt, with the brands Actimel, Activia, Danoninho, Puro, Danissímo, Dan´up.
- ✓ **Gelgurte:** Yoplait.

- ✓ **Distribution brands**, which may or may not use the name of the supermarket chain. This is a new type of competition, and having no brand in many products makes it a great opponent, because they do not have investment, make production outsourcing, so they can make lower margins.

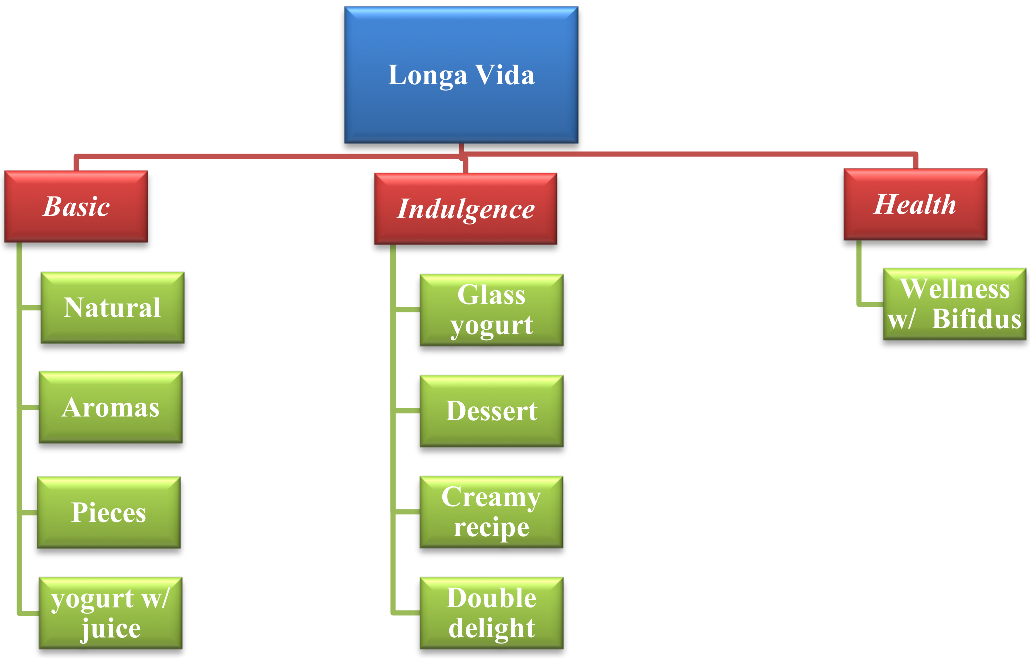
As we can see by the analysis of different types of competitors, Lactogal and Danone choose a segment to offer differentiated products to each market segment in a way that is more appealing.

Longa Vida main competitors give rational (relation price/quality) and emotional benefits (look for what consumers desire). Danone, Nestlé and Mimosa are perceived in consumers mind as a quality and trustful brands, with Danone being the one with most perceived quality. In other hand, the distribution brands despite offering lower prices, they are perceived to have less quality.

4.4. Division

In Longa Vida brand the marketing division is made according to the different benefits that consumers want on the product. Thus, Longa Vida yogurts have several ranges with its own characteristics and specific flavors.

Figure 2: Longa Vida Division



4.4.1. Basic

Longa Vida Natural

The original recipe of yogurt, with the best milk.

Longa Vida Aromas

For those who want a natural flavor of the fruit in a yogurt.

Longa Vida Pieces

The best of semi-skimmed milk combined with delicious, juicy fruit pieces.

Longa Vida Yogurt with Juice

The Yogurt Longa Vida with Juice has real fruit juice, a creamy texture and mild flavor and a more intense and refreshing.

4.4.2. Indulgence

Longa Vida Yogurt Glass

Respect for the origin of the yogurt, preserving all its original qualities.

Longa Vida Desserts

More simple cup of yogurt, or more refined and elaborated carefully prepared with whole milk and a glass cup, desserts Long Life offer surprising and irresistible flavors and are the bane of a sweet tooth.

Longa Vida Creamy Recipe

A pleasure naturally creamy but light. It combines the natural richness and creaminess of whole milk with delicious flavors of the world of desserts and fruits. It’s small and lightweight for everyday pleasures. Irresistible!

Longa Vida Double Delight

A naturally sweetened yogurt to which you can mix delicious ingredients to experience moments of pleasure.

4.4.3. Health

Longa Vida Wellness with Bifidus

Because of concerns about a healthy lifestyle, Longa Vida also offers a new range of yogurts with bifidus mixing with tea and fruit infusions related to the wellness.

4.5. Target Audience

Longa Vida is the ideal choice for those who are looking for something with lot of:

- ✓ Flavor
- ✓ Diversity
- ✓ Quality

The brand is targeted for women and men, 25-54 years, households with children, who enjoy the pleasure and power.

It is a brand for home consumption (except ranges more indulgent), with some emotional engagement with consumers (as a result of its history), reliable and recognized in the market of yogurts. Longa Vida is a brand that provides moments of pleasure for the whole family, every day.

"One of the key points that must be worked and improved is, in fact, consumer loyalty to our brand. If we limit ourselves to only make deals to get more customers and market share, we are doing exactly what all our competitors are doing. So we must to get a differentiation!" Jean Marc Delrieu, Director-geral da Longa Vida Portugal

5. The 4 P's

5.1. Product-mix

In Longa Vida's yogurts we consider that its competiveness advantage is the capacity of innovation and creating of different types of yogurts. Longa Vida has been developing a product-mix as the brand has been extended to different kinds of yogurts, as we see before.

These range of associated products certainly yield larger sales revenue when marketed together than if they are marketed individually or in isolation of others. That's why Longa Vida chooses to extend its product-mix which allows them to reach different targets of consumers.

Longa Vida is a Nestle's brand which is focused in offer a variety of yogurts for all ages, offering the best nutrition and the sweetest moments of pleasure for the whole family.

Longa Vida yogurts main physical attributes are the flavors diversity and yogurt consistency and texture.

Considering the package, it has two main proposes: communication function (product information and positioning) and technical function (transportation, conservation and maintenance of the product). In the early times, Longa Vida yogurts used to come in cups made of glass but nowadays they come in plastic packages. Each of these packages is grouped in groups of four yogurts cover with a paper protection. This secondary package works for the technical functions, has it makes easy for the transportation and to the consumer in the buying process.

The packaging is attractive and has motivated the product consumption, features a color code to differentiate the segments and it also has the ranges descriptions. The packaging allows an easily consumption of the yogurt.

5.2. Price

Considering the yogurt prices of direct competitors of Longa Vida in the market, we can affirm that the Longa Vida has less competitive prices, ranging from a medium level and a high level. The both main competitors (Mimosa and Danone) have lower prices than Longa Vida. The distribution brands are the ones' who practice lowest prices, as we can see in the following table:

Table 2: Average prices of some basic yogurts for different brands (main competitors)

	Longa Vida	Mimosa	Danone	Yoplait	White Brand
Liquid	2,14€	1,84€	2,14€	1,84€	1,49€
Pieces	1,89€	1,69€	1,79€	1,79€	0,89€
Aromas	1,29€	0,89€	1,24€	1,19€	0,79€
Natural	1,49€	0,99€	1,48€	1,14€	0,59€

Source: Different online retailers (as Continente and El Eorte Ingles)

5.3. Promotion

Longa Vida has several communication channels, although they especially use the distribution point (stores) and direct promotions and discounts done to the final consumer as the principal strategies. Its communication achieves the whole family and that clearly create an emotional connection between the final consumer and the brand.

Image 2: Longa Vida Logo of 50th aniversary

5.4. Placement

The main distribution channels used by Longa Vida are essentially HORECA channel and the food channel. The food channel is divided into two main categories that lead the product to the final consumer: retailer channel (hypermarkets, supermarkets, free services and convenience stores) as well as wholesaler channel (cash&carrie, stockiest, cooperatives and wholesalers' hypermarkets.

Moreover, the brand also is expanding its distribuition to the so called Discounts and Hard Discounts channels (like Lidle or Mini Preço), stores where the final price is the decisive factor to the consumer.

Longa Vida also has an Intensive distribution, where the majority of resellers stock the product.

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