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B.COMM. DEGREE EXAMINATION

MARKETING MANAGEMENT
(Paper 2)
[MK 305]

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Time allowed: **three** hours.

CASE ANALYSIS : BALLYGOWAN SPRING INTO NEW AGE KISQUA

Please answer the following questions.

1. Evaluate fully the alternatives available to Kisqua management. (40%)
2. Recommend a course of action – fully support your decision with relevant case material and marketing theory. (60%)

Ballygowan Springs into New Age Kisqua

*Brenda Cullen**

Introduction



IN JANUARY 1991 GEOFF READ, managing director of Ballygowan Spring Water Company, had to make a decision that could alter the whole direction of the company. Since August 1988 the management team had shaped a strategy to launch a drink to develop upon the success of Ballygowan Spring Water. The objective was to provide Ballygowan with a product to enter the soft-drinks market and so remove the weakness of being a one-product company. After identifying the market for 'new age' products, and carrying out research at each stage in the product development process, the results of a final test market were disappointing. Ballygowan had to consider whether to withdraw the product, to redesign and reposition the new range, or to go ahead and launch as originally planned.

Geoff Read founded Ballygowan in 1981 and by 1991 the company exported to 15 countries and held 77 per cent of the 12.5 million litre water market in Ireland and had developed an extensive range of bottled spring water products. Tipperary was no. 2 in the market with 13.5 per cent market share. Since 1987 Perrier's share had dropped from 13 to 4 per cent.

Between 1987 and 1989 the company grew to be a medium-sized enterprise geared for expansion and growth. A joint investment with Anheuser Busch provided a very modern production facility covering 30,000 square metres with a capacity of 600 bottles per minute. Ballygowan's success came from being an innovator in the market for water-based products, and also from astute management of the Ballygowan brand franchise. Management now saw the need to exploit the assets of the company more profitably. In particular, the plant was not at full capacity and the company's strong distribution network and experienced management were not being fully utilized.

● *Bottled Water Market*

By the end of 1985 the bottled water market in Ireland was I£1.2 million (2.8 million litres) with about 10 per cent of adults drinking mineral water regularly.

By 1990 it had grown to £12.5 million (12.5 million litres), 5.5 per cent of the Irish soft-drinks market. The bottled water market was 'one of the fastest growing sectors in the food trade in both Ireland and the UK'. Reasons for this were a reduction in the quality of tap water and changing attitudes towards health and fitness, which led to an increase in the demand for drinks perceived as natural, alcohol free and with fewer calories. Furthermore, *increasingly* stringent drink-driving legislation was leading to an increase in the consumption of bottled water. A Euromonitor survey in 1989 showed that the Irish consumed far less bottled water per person than other countries (Ireland: 3 litres; United Kingdom: 5.5; Italy: 80; Germany: 76; France: 68; and the United States: 30).

The market potential for spring water in Ireland was small considering the number of competitor brands on the market. While some niche brands had high prices, low prices were becoming common because of aggressive high-street pricing, own-label products and cheap imports. With a proliferation of products and the threat of commoditization, it was becoming difficult to develop new niches in the market.

● *Ballygowan Spring Water*

Ballygowan's success came from the sparkling and non-sparkling waters – Ballygowan Sparkling Irish Spring Water and Ballygowan Natural Irish Spring Water. A later addition to the range was Ballygowan Light, and in 1988 Ballygowan successfully launched a range of flavoured spring waters. By 1990 the company's turnover was £10 million, a figure it hoped to double within the next two years. An important part of this strategy was the launch of soft drinks – a market where the company saw significant volume potential.

The management wanted to launch a new drink to bring Ballygowan further into the mainstream soft-drinks market. It would enhance the company's reputation for innovation, market leadership, excellence and product quality. The product would be purer, juicier, fruitier and healthier than any other soft drink on the market. The brand should be consistent with developing consumer behaviour, particularly attitudes and behaviours towards healthy diets and lifestyles.

The Irish carbonated soft-drinks market in 1990 was about 235 million litres, including approximately 40 million litres of adult soft drinks, up from 179 million litres in 1987. Soft-drink consumers were the target market for the proposed new product. They were likely to be more adult than young and would prefer to drink 7-Up (38 per cent) or Club Orange (25 per cent) to Coke or Pepsi (24 per cent). The profile of this consumer was 'a sophisticated, self-righteous and reasonably health-conscious adult', 18–30 years old, who wants and will pay for drinks that look good, taste good and portray a certain image.

● *Product Development Process*

A product development process identified product development, brand development and business planning stages. In December 1988, Ballygowan employed a marketing consultancy firm, Dimension, to help in the first two stages. The consultancy's brief was as follows:

- Identify and brief three companies to develop prototype products based on pure juices and Ballygowan Spring Water with natural flavours and sweeteners, carbonated, containing preservatives, but not pasteurized.
- Develop formulations for up to six flavours.
- Develop name, branding, positioning, communication and marketing strategies.

- Target the branded soft-drink sector – Coke, 7-Up, Club, Lilt, and so on.
- Develop a brand with a premium but accessible imagery, and superior product quality, but priced competitively with major brands.
- The brand should have no overt Ballygowan endorsement.
- It should be packed in 1.5 litre plastic bottles, 330 ml cans and 250 ml glasses.
- Primary focus to be the Irish market, but with export potential.

• Product Sourcing

The first task was to find a company that could manufacture the pure fruit juice to mix with Ballygowan Spring Water. Criteria for the selection of a company were degree of technological sophistication, ability to produce a range of flavours, expertise in producing fruit juices and flavours, product quality, hygiene standards and speed of response. Three short-listed companies were briefed. Visits to each company appraised their production processes and capabilities.

The three companies each made laboratory-scale products, which were tested using a structured questionnaire assessing aroma, appearance, taste and overall opinion on each of the test products. All tests were 'blind', and the products were compared with successful brands already on the market as 'controls'. The range of flavours screened included orange, lemon, apple, passion fruit, grapefruit, peach, pineapple, blackberry and blackcurrant. The aim was to achieve product ratings competitive with the 'controls' (see Exhibit 2.1).

EXHIBIT 2.1 TASTE TEST

PRODUCT	AROMA ^a	APPEARANCE ^a	TASTE ^a	OVERALL SCORE	LIKELIHOOD OF PURCHASE ^b
Club Orange	6.9	7.5	7.3	7.4	3.5
Dohler Orange	5.9	5.6	6.1	6.1	2.6
Dohler Orange and Peach	7.4	7.2	7.1	7.5	3.3
Dohler Orange and Passion Fruit	6.6	6.3	7.0	7.0	3.2
Dohler Orange and Lemon	6.4	6.4	6.9	7.2	3.2
Club Lemon	6.7	6.5	7.2	7.4	3.5
Dohler Lemon	6.5	6.9	6.9	7.4	3.2
Dohler Grapefruit and Pineapple	5.8	6.2	5.5	6.1	2.5

NOTES: ^a Average scores on nine-point scale, in which 9 = most favourable and 1 = least favourable;

^b on a scale of 1 to 5.

SOURCE: Dimension, March 1989.

After the analysis of each batch, the three companies were rebriefed, shown the taste test results and told the changes required. After repeating the process six times, a German company, which responded particularly well to the product brief and to the taste tests, was appointed as the supplier. Both companies then agreed plant and equipment specifications.

● Product Formulations

Six products were produced for a quantitative market research survey conducted in May 1989 by Behaviour & Attitudes, a market research agency in Dublin. A questionnaire, developed from Dimension's earlier one, focused on aroma, appearance and flavour. The flavours tested were 10 per cent orange juice, 15 per cent orange and peach juice, 15 per cent orange and passion fruit juice, 10 per cent orange and lemon juice, 10 per cent lemon juice, and 15 per cent grapefruit and pineapple juice, with Club Orange and Club Lemon as 'controls'. Each of 200 respondents taste-tested two Ballygowan samples and one of the 'controls', to give 75 assessments of each Ballygowan product.

The results convinced the Ballygowan team to focus on orange, orange and peach, orange and passion fruit, and orange and lemon. Lemon, and grapefruit and pineapple, could extend the range later (see Exhibit 2.2). Since the results of the orange formulation were not satisfactory, a second round of quantitative market research would take place with performance isolated from packaging and advertising effects.

EXHIBIT 2.2 SUMMARY RATINGS

	ORANGE PEACH (15% JUICE)	ORANGE LEMON (10% JUICE)	CLUB ORANGE	ORANGE (10% JUICE)	ORANGE PASSION FRUIT (15% JUICE)	LEMON (10% JUICE)	CLUB LEMON	GRAPEFRUIT AND PINEAPPLE (15% JUICE)
<i>Aroma</i>								
Attractiveness	5	3	4	2	3	4	4	2
Naturalness	5	2	2	2	4	3	3	2
Overall	5	3	3	2	3	4	4	2
<i>Appearance</i>								
Attractiveness	4	2	5	1	3	5	2	3
Naturalness	5	3	4	1	3	5	3	3
Overall	5	3	5	2	3	5	4	2
<i>Flavour</i>								
Good taste	4	3	5	1	3	4	5	1
Real fruit flavour	5	3	3	1	4	5	3	1
Sweetness (right)	5	3	3	3	3	5	5	3
Refreshment	5	3	5	1	3	5	5	1
Overall taste	5	3	4	1	4	4	4	1
Overall rating	5	4	4	1	3	4	5	1

Key: 5 Well above average
 4 Above average
 3 Average
 2 Below average
 1 Well below average

SOURCE: Behaviour & Attitudes, Market Research Survey, May 1989.

Some questions remained. Should the products be pasteurized, and should essence or preservatives be used? Each of these options had complications. Pasteurization meant that it would not be possible to use plastic bottles and there were also shelf-life implications. However, with pasteurization, the product

ingredients are '100 per cent natural'. Using essence would overcome shelf-life difficulties, but would not be consistent with the brand propositions. Finally, preservatives were in most soft drinks on the market, but the management felt that they could compromise Ballygowan's image of purity and naturalness.

• *Product Concept and Brand Name Development*

The development of the product concept and branding began with brainstorming sessions by Dimension. Ballygowan's specification for the name was that it should be relevant, attractive, distinctive, memorable and registerable, and should have the attributes of a global brand name. Out of the hundreds of names generated, Juisca, Juzze, Artesia, Kisqua, Prima and Viva became prototype brand names. Five positioning options also helped explore the attitudes and motivations of soft-drink consumers:

1. *Health drink*. A pure, natural and healthy drink for mainstream soft-drink consumers who care about what they consume.
2. *Sophisticated*. A high-status drink of superior quality for discerning consumers.
3. *Healthy lifestyle*. For those who unselfconsciously lead and aspire to a healthy but full lifestyle in terms of diet, exercise and a relaxed but full life.
4. *Youthful peer groups*. The Pepsi/Club generation.
5. *Generic*. Refreshment, cooling, youthful and Coke sociability values.

Behaviour & Attitudes designed and conducted four focus groups representing market segments with different relationships to soft drinks (see Exhibit 2.3). The focus groups aimed to:

- Investigate the response to five prototype brand names.
- Explore reaction to seven prototype pack designs.
- Consider pack designs and bottling formats.
- Give direction to brand positioning.

EXHIBIT 2.3 FOCUS GROUPS

The four groups were:

1. Young teenage girls	Middle class	
2. Young men	18-24	C1 C2
3. Women	22-32	C2 with children
4. Women	22-32	B1 B2 with children

Target markets:

Primary	Secondary
Health/body conscious	Soft-drink consumers
A B C1	
Late teens/twenties	
Young and early teens	
Teenage adults	

SOURCE: Behaviour & Attitudes, Market Research, August 1989.

Discussions with each group followed a similar pattern. Initially respondents freely discussed their use and purchase of soft drinks. This naturally led to conversations about different brands. Next, the groups were told about the new

idea for a soft drink and shown a board illustrating the new product concept. Following their responses to the concept, the groups were told that there were alternative prototype brand names and packaging designs. These were presented one by one, with the order of presentation being rotated between different groups. Proposed brand names and pack designs were presented separately.

Later, discussion group members were asked to help market the new brand; 'mood boards' were presented and associated with the different brand names and pack designs. Finally, copy statements, presented on boards representing different positioning options, were discussed.

EXHIBIT 2.4 GENERAL CONSUMER ATTITUDES TO SOFT DRINKS

YOUNG MEN	YOUNG GIRLS	YOUNG MARRIED WOMEN
<ul style="list-style-type: none"> • Perceived as the province of children and teenagers • Believe they are not emotionally involved in the market • Yet they are regular consumers – for thirst/refreshment • Therefore taste and refreshment are their criteria for judging soft drinks • Coca-Cola is the preferred brand • They associate 7-Up with contemporary youth, and refreshment • Will be difficult to impress – little emotional interest in soft drinks 	<ul style="list-style-type: none"> • Very involved with brands as badges of both individuality and groups • Very conscious of style and fashion • Very high level of health consciousness • Brands reflect social valuations and status – Ballygowan, Perrier and 7-Up are stylish, sophisticated and healthy • Are high-volume users of soft drinks 	<ul style="list-style-type: none"> • Regular purchasers for themselves and their families • Soft drinks are an essential household purchase item • Oriented towards health and exercise, reflected in their attitude to food and drink brands • Disposed towards natural products and low-calorie products • 'Natural' products identified as contemporary and fashionable • Working class want brands to be accessible; middle class focus on style

In September 1989, Behaviour & Attitudes debriefed Ballygowan about the research. First, it presented consumer attitudes to soft drinks generally (see Exhibit 2.4). The research indicated that teenage boys, teenage girls and young married women had different attitudes and motivations to soft drinks. Secondly, it examined consumer attitudes to soft-drink brands (see Exhibit 2.5) and consumer reaction to the five prototype brands (see Exhibit 2.6). Behaviour & Attitudes made the following points about reactions to the product concept:

1. The ingredients make it more sophisticated than mainstream soft drinks.
2. It was not seen as a totally novel idea. Consumers were aware of Nashs, Citrus Spring and Britvic.

3. The pleasant product and the endorsement of Ballygowan aroused a high predisposition to try it.
4. Price parity with Coke and 7-Up raised consumers' disposition to try the product.

EXHIBIT 2.5 CONSUMER ATTITUDES TO SOFT-DRINK BRANDS

Coke

- Perceived as the archetypal soft drink.
- Strong consistent branding, massive advertising support.
- Two problems: perceived by some as harsh, causing tooth decay, overly masculine personality.

Club Orange

- The archetypal orange soft drink.
- Its appeal is primarily based on its product characteristics – real orange taste with lots of orange in it.
- Advertising not consistent with the brand.

Lilt

- Has no clear product focus – a mix of different things.
- Dissonance between advertising and product knowledge.

7-Up

- Very coherent brand, with well-rounded persona.

- Very popular and the most contemporary soft drink.
- 'The soft drink for the 1990s.'
- Healthy perception – clean and clear.
- Appeals to male and female.
- Not limited to teenagers: helped by its mixer usage; helped by its healthy image.
- Strong perception of being refreshed.

Club Lemon

- Valued for its product characteristics of taste and refreshment.
- Very loyal consumers – almost a cult.

Lucozade

- Strong healthy drink imagery.
- Regarded as a soft drink by young men.
- Well out of its old hospital/sick bed positioning.
- Reparative quality for handling hangovers.

EXHIBIT 2.6 CONSUMER REACTIONS TO FIVE PROTOTYPE BRANDS

PROTOTYPE BRAND	REACTION TO NAME	REACTION TO DESIGN
Artesia	<ul style="list-style-type: none"> • Distinctive but difficult to come to terms with. • Far too up-market/exclusive. • Not appropriate to the product concept. • Will not appeal to a mass market. • More relevant to wine. 	<ul style="list-style-type: none"> • Very up-market, albeit very beautiful. • Very 'designery', 'yuppie' and exclusive. • Very aspirational. • Very distinctive, but so sophisticated as to exclude the large majority.
Prima	<ul style="list-style-type: none"> • Very favourably received by working class – very easy to empathize with. • Straightforward, direct and impactful for the working class. • Targeted at mass market – no pretensions. 	<ul style="list-style-type: none"> • Appealed only to a small minority, and contemporary. • Otherwise perceived as oriented to very young children. • Very dissonant with product concept.

PROTOTYPE BRAND	REACTION TO NAME	REACTION TO DESIGN
	<ul style="list-style-type: none"> • But: rejected by middle class. • Just another name, pedestrian. • Little depth of imagery. • Association with Pennys gives it a down-market image. • No distinctiveness. 	
Viva	<ul style="list-style-type: none"> • Strong appeal to teenage girls – they associated it with beauty, fashion and style. • International – but clichéd and pedestrian. • Strong negative Spanish association: cheap. • Spanish orange drink; 'Viva España'; Costa del Sol. • Lively, bright, extrovert and exuberant. • Dynamic and modern brand. 	<ul style="list-style-type: none"> • Lacked novelty, not stylish, not sophisticated. • Cheap. • Dissonant with the Ballygowan heritage. • Looked Spanish – negative imagery. • Blue colour not liked.
Juzze	<ul style="list-style-type: none"> • Significant pronunciation difficulties. • Superficial and artificial. • Yet youthful, contemporary and up to date. • International. • Correlated with the product concept, except for a phoniness in its spelling. • Associated with zest, zing and vitality. • Suggested pure fruit juice. 	<ul style="list-style-type: none"> • In mainstream of soft-drinks market. • Very OK, but no surprise or aspirational qualities. • Lacks excitement or fun, too logical. • Consistently compared with Squeez and Britvic – but concentrated – is not pure orange juice. • Might position it against Britvic rather than Club.
Kisqua	<ul style="list-style-type: none"> • Pronunciation initially difficult, but quickly overcome. • Very definite and individualistic name. • Novel and unique brand name. • Drew favourable emotional relationships. • International and cosmopolitan – potential to be a 'world brand'. • Elegant and sophisticated. • High quality and accessible. 	<ul style="list-style-type: none"> • The best representative of the new product. • Much more depth than other concept alternatives. • Good impact, will generate trial easily. • Stylish yet solidly in the mainstream of soft drinks – but a bit too straightforward? • Very good typography.

A series of meetings between Dimension and the Ballygowan management team considered brand positioning and target market strategies. They chose Kisqua as the brand name. It was stylish, novel, distinctive, memorable, appropriate and warm, and had the attributes of a world brand name. Ballygowan Spring Water's name would endorse Kisqua. Ballygowan also applied for registration of Artesia in case the company should wish to launch an up-market spring water.

● *Marketing Mix*

The Ballygowan company next needed to know the impact of the brand name, label design, price, positioning and advertising options on Kisqua's branding strategy. A further question was the reason for people's preference for Kisqua or Club Orange. In October 1989 Behaviour & Attitudes researched these key areas. It used a central location to approach a quota sample of 200 respondents. The respondents were in two equal subgroups: one group to taste-test Club Orange and Kisqua blind, and the other group with both products branded. The results in percentages were:

	<i>Blind</i>	<i>Branded</i>
Prefer Club a lot	59	39
Prefer Club a little	16	19
Prefer Kisqua a lot	19	0
Prefer Kisqua a little	6	6
No preferences	6	3

Ballygowan believed that by working on Kisqua's colour and sweetness it could significantly improve its appeal to the market, and also develop much higher ratings by fine-tuning Kisqua's advertising strategy. Response to Kisqua's name was positive: 71 per cent liked the name Kisqua compared to 20 per cent who did not. When assessing Kisqua's label, 36 per cent of respondents considered it above average, 36 per cent average and 26 per cent below average.

Two advertising concepts were presented. 'Kisqua - what could be more natural' received better than average scores from 38 per cent of respondents, while 45 per cent rated it average. Projective tests associated Kisqua with sports-minded and health-conscious people and with people who really care about quality and who may be described as trendsetters. The target market was confirmed as soft-drink consumers in social classes A, B, C1 and C2, 15-30 years old and of either sex. Following the research, Dimension made the appropriate adjustment to the advertising concept.

Pack design was a very important aspect of this project. Ballygowan had proprietary rights to the distinctive bottle designs used for its spring water range. However, it believed that Kisqua should be differentiated from Ballygowan's other products and that the branding and bottle design of Kisqua should help distinguish it within the soft-drinks market. The pack design assumed that Kisqua would compete directly with Club Orange.

● *Business Plan*

Initially the business plan had Kisqua available in three pack sizes: 1.5 litre plastic, 250 ml glass and 330 ml cans. Distribution would be through the existing Ballygowan network of grocery, wholesalers (grocery and bottlers), cash-and-carry and independent outlets.

Three pricing options were considered: a low-pricing strategy that would put Kisqua into the market with prices comparable to Coke and 7-Up, a medium-pricing strategy, and a high-pricing strategy positioning Kisqua as a premium brand. Early projections gave strategies yielding the following percentage market shares in 1990:

	<i>Plastic</i>	<i>Cans</i>	<i>Overall^a</i>
Low-price strategy	4.2	3.1	3.0
Medium-price strategy	3.3	2.2	2.1
High-price strategy	2.1	1.5	1.6

^aIncludes plastic bottles, cans and glass bottles.

The marketing department projected that these volumes would increase by 33 per cent during the second year and by 16 per cent during the third year. After three years and assuming a medium pricing strategy, Kisqua's market share would be approximately 3 per cent of Ireland's soft-drinks market. This compared with Club Orange's 10 per cent market share in 1990. With a capital investment of IS1.5 million and IS120,000 for additional technical staff, generous trade margins and all other relevant costs, the profits projections gave a reasonable return on investment and room to discount to supermarkets to compete with Coke and 7-Up if necessary.

● *Test Market*

From August to October 1990 Ballygowan test marketed Kisqua as a pasteurized drink in 250 ml glass bottles. The test was conducted in the Dublin area using Ballygowan's main independent distributor serving 250 CTNs (combined confectioner, tobacconist and newsagents), delicatessens and petrol stations. The results were discouraging. Most of the negative reaction centred on the pack and retailers not knowing where to position the range in their store. Ballygowan's management now faced a difficult decision. Should they withdraw Kisqua altogether, redesign and reposition it, or go ahead as originally planned? They knew that if they were to delay and relaunch, the payback on the expensive research and development would be put back considerably.