

TEACHING NOTE

VIDEO CASE 1: Chobani: Making *Greek* Yogurt a Household Name

Synopsis

Hamdi Ulukaya, a Turkish immigrant, bought an old Kraft yogurt plant in New Berlin, New York in 2005. After eighteen months of perfecting the recipe, he and his five-person team introduced Chobani Greek Yogurt in 2007. An authentic strained Greek Yogurt, Chobani Yogurt is thicker, creamier, and yogurt is higher in protein than regular yogurts.

Starting with his new-product launch, Hamdi Ulukaya fought to gain distribution in the regular dairy cases of major supermarkets and grocery chains. He did not want to be confined to the specialty or health food sections of these chains or solely in smaller, niche stores because he wanted to reach the mass market of American consumers.

By 2013, Chobani had achieved over \$1 billion in annual sales. Besides the U.S., its Greek Yogurt was distributed nationally in the United Kingdom and Australia. Since founding, it has added additional product lines to reach more consumers: Chobani Champions line of yogurt for kids; Chobani Bite for a mindfully indulgent snack; and Chobani Flip with curated mix-ins for creative gourmands.

For his achievements, Ulukaya won the 2013 Ernst & Young *World* Entrepreneur of the Year award.

Teaching Suggestions

Before teaching the Chobani Greek Yogurt video case, consider asking a series of questions to determine student's consumption of yogurt and awareness and consumption of Chobani Greek Yogurt:

1. How many of you eat yogurt in a typical month?
2. How many cups of yogurt do you typically eat in a month? 0 cups? 1-5 cups? 6-10 cups? More than 10 cups?
3. What kind of yogurt do you eat? A traditional yogurt? A Greek yogurt?
4. How many of you have tried or eat Chobani Greek Yogurt?
5. Among those of you that eat Chobani Greek Yogurt, what are the main reasons you buy and eat this yogurt? (Consumers often divide into (1) healthy eating and (2) like-the-taste market segments.)
6. Have you ever tried Chobani Bite? Chobani Flip?

This discussion enables students to have a better perspective when they study and discuss the Chobani video case and answer end-of-case questions.

Questions

- 1. From the information about Chobani in the case and at the start of the chapter, (a) who did Hamdi Ulukaya identify as the target market for his first cups of Greek Yogurt and (b) what was his initial "4Ps" marketing strategy?**

- a. Target market for Chobani Greek Yogurt.**

Hamdi Ulukaya saw his Chobani Greek Yogurt as appealing to *all* consumers--the mass market--when he first introduced his Greek Yogurt. That is exactly the reason that he wanted distribution in the dairy cases of major grocery and supermarket chains, and *not* in their niche sections or in health food or specialty stores.

However, as the market for Greek yogurt has matured, there are perhaps two main market segments that have emerged:

- Health-conscious segment. Consumers in this segment like Greek yogurt because it contains more protein than regular yogurt, with little or no fat.
- Better-taste segment. These consumers prefer Chobani Greek Yogurt's taste to regular yogurts-- a taste that prefers a less sweet and more sour yogurt with a rich, creamy texture.

Now, with the introduction of its Champions line of Greek Yogurts, Chobani is reaching the kids' market segment. With its 2013 introduction of Chobani Bite in a smaller 3.5-ounce cup, Chobani is trying to reach a "snack" market segment. And with Chobani Flip, it is trying to reach an experimenting, gourmet market segment who add "mix-ins" to regular Chobani Greek Yogurt.

- b. Chobani's initial 4Ps marketing strategy.**

- Product strategy. Offer a Greek Yogurt for a mass market that is healthier than competing yogurts and does not have artificial ingredients and preservatives.
- Price strategy. Priced affordably at \$1.29 for a single-serve cup that is accessible to all.
- Place strategy. Place Chobani Greek Yogurt in the main dairy cases of major grocery and supermarket chains --*not* in their niche cases or only in specialty or gourmet stores.
- Promotion strategy. Initially, develop word-of-mouth conversations by harnessing consumer love and giving away free samples, because Chobani had almost no traditional advertising budget at the start. This slowly evolved into today's powerful use of social media like Facebook and Twitter, and traditional TV advertising as promotion dollars became available.

- 2. (a) What marketing actions would you expect the companies selling Yoplait, Dannon and PepsiCo yogurts to take in response to Chobani's appearance and (b) how might Chobani respond?**

a. Marketing actions of competitors.

- Lower prices. To gain shelf space in grocery and supermarket chains, competitors like Yoplait, Dannon, and PepsiCo will reduce prices --even if they have to take temporary losses on units sold.
- Increase sales promotions. To attract consumer attention, competitors will give discounts using consumer coupons and a substantial quantity of discounts to grocery and supermarket chains carrying their brands.
- Introduce copy-cat products. To develop new competitive products quickly, competitors will learn lessons from Chobani's successes and will introduce very similar products.

b. Chobani's response to these competitors.

- Introduce cutting-edge, trend-setting new products. An example is Chobani Flip, a line that has a two-compartment package with interesting mix-ins to the Chobani Greek Yogurt in its second compartment.
- Launch high-level, differentiated promotions. An example is Chobani's sponsorship of Olympic Teams.
- Run competitive sales promotions directed at both consumers and grocery and supermarket chains.

3. What are (a) the advantages and (b) the disadvantages of Chobani's Customer Loyalty Team that handles communications with customers--from phone calls and e-mails to Facebook and Twitter messages?

a. Advantages of Chobani's Customer Loyalty Team.

The overall advantage to Chobani lies in the Customer Loyalty Team's effective implementation of its high-touch model of communication, online and offline. Its communication goal is to have every interaction with a customer provide a favorable experience. This is reflected in its personal handling of the thousands of phone calls and e-mails the company receives each month, including writing handwritten notes, which evokes great consumer loyalty to Chobani. The team's highly-personal social media interactions on Twitter and Facebook help develop genuine relationships with consumers and build brand loyalty. In addition, a highly tuned in team monitoring consumer's thoughts and engaging consumers through social media enables Chobani to gain immediate consumer feedback, insights and ideas for new products.

b. Disadvantages of Chobani's Customer Loyalty Team.

The main disadvantage is the cost of recruiting, training, and compensating the members of the Customer Loyalty Team. Also, as Chobani sales increase, the cost of interacting with additional thousands of loyal customers will increase, too.

Adding expertise in additional social media--such as Instagram that it now uses--will also add costs.

But today, Chobani clearly feels that advantages of its Customer Loyalty Team far outweigh its disadvantages and is crucial to maintaining personal connections with consumers.

4. As Chobani seeks to build its brand, it opened a unique retail store in New York City: Chobani SoHo. Why did Chobani do this?

Chobani SoHo offers innovative, carefully curated yogurt creations that are served in beautiful glass jars. Consumers can select from a variety of creations starring Plain Chobani as the base, and adding ingredients such as Pistachio + Dark Chocolate and Cucumber + Olive Oil. Prices are higher than those of regular Chobani Greek Yogurt but are reasonable in order to appeal to creative consumers. There are three very important potential long-range advantages to Chobani SoHo:

- Opportunity for testing new product ideas. Various combinations of add-ins can be tested on consumers to determine if they might become a permanent flavor in the Chobani line, such as flavor pairings and savory ingredients.
- Enabling the consumer to interact and connect with the brand in a physical way, beyond simply grabbing product from the store shelf, which deepens customer loyalty and recommendation.
- Testing a concept for a unique retail yogurt outlet. As many specialized retail food and snack outlets have appeared, might it be possible to roll out Chobani SoHo-type outlets?

5. (a) What criteria might Chobani use when it seeks markets in new countries and (b) what three or four countries meet these criteria?

a. Criteria to select new countries for Chobani to enter.

There are both non-marketing and marketing criteria in selecting new countries to enter:

- Reliable source of a huge volume of high-quality milk.
- Efficient distribution system with refrigerated trucks.
- Retail outlets having refrigeration.
- Strong consumer familiarity and liking for yogurt.
- Limited competition from strong national brands.
- Absence of corruption in launching and operating a new business.
- Efficient national media to use in promotions.

b. Three or four countries that meet these criteria.

North American yogurt consumption today is about 11 to 12 pounds per person annually. In Europe per capita consumption is about six times that. So it is especially appealing to look to countries in which per capita yogurt consumption is high and that a reliable source of high quality milk exists.

Criteria like these must be balanced against negative ones in the list above. For example, Yoplait yogurt is "the Yogurt of France," and General Mills introduced it in North America almost three decades ago. So competing with an established brand such as Yoplait in France could be a challenge for Chobani. Similarly other factors like corruption could potentially inhibit entry into potentially large markets like Eastern European or Middle-Eastern countries.

Considering all these factors, one could make an educated determination that Chobani could potentially expand to countries in Western Europe like Germany or Spain or countries in Latin America like Mexico or Brazil, along with Asian markets.

6. What does Chobani's withdrawal from the Canadian market say about our country in terms of macro and micro marketing issues that global companies need to understand? What is your position in how Chobani was treated in Canada?

Students are likely to point out that Canada does have a history of government involvement in the overall economy. This includes direct involvement in terms of supply-management which critics argue keeps prices high for the consumer while preventing pure and open competition. As was pointed out in the case the Chobani situation, according to one expert, smacks of protectionism. Canada's overall macro-level approach to the operation of the economy certainly impacts what can happen at a micro-level for an individual firm such as Chobani who wanted to market its brand in Canada. Under supply management, a dairy company wanting to sell yogurt nationally in Canada has to use Canadian milk supply and process it here. Otherwise they sell at a steep import duty of 240% - a clear barrier to entry. Thus, critics from inside and outside the industry say supply management is a deeply flawed system. And Chobani's roadblocks to entry, they say, are a classic example of how the supply-management system can be used to keep out competitors. In the end, Canada's legal and regulatory situation prevented Chobani's participation in the Canadian marketplace. Students can debate the cost-benefits of the situation, including the impact on consumers and competition. And, they can debate whether or not competitors gamed the system, unfairly, to block Chobani's entry.

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VIDEO CASE 2: Canadian Tire

Synopsis

Canadian Tire is a household name. It is a \$10 billion company operating several interrelated businesses including general merchandise and clothing stores and gas stations, as well as financial services. The company employs 70,000 Canadians and is one of the most-shopped general merchandise retailers in Canada. The company is seeking growth in a maturing and very crowded market and has mapped out its strategy for growth including strengthening its core business – Canadian Tire Retail; aligning its other business units to support the core; building a high performing organization and creating new platforms for growth.

Teaching Suggestions

One of the best ways to get students to start thinking critically about Canadian Tire (CT) as an organization and its marketing strategy is to have them visit some of their stores, including Canadian Tire and Marks. This provides students an opportunity to immerse themselves with regard to just what CT offers its customers and how it does so. You should assign the case ending questions before the students venture out into the marketplace. It would ideal to create strategy teams and have each team present their growth strategy options for CT (see question 2). It is also important to push students to answer question 3 in order to determine if they are grasping the concepts of marketing dashboards and metrics.

Questions:

- 1. Canadian Tire has articulated several strategic goals/objectives (see above). Do you agree with these goals/objectives? If so, how best can they be achieved? If you do not agree, what should be the company's strategic objectives?**

Student answers will vary. However, students who agree should be pushed to defend why they agree. Very importantly, those who disagree should really be pressed as to why they disagree and make the case for new strategic objectives. How the objectives should be pursued will depend on the objectives the students articulate. One thing instructors can point out here in defense of the current objectives is Canadian Tire's historical performance. In other words, how can one argue that Canadian Tire's strategic objectives are misguided or misaligned given its past success? On the other hand, some students may argue that growth can be enhanced by leveraging assets outside the core brand, particularly the financial services unit.

In terms of strengthening the core retail business the company is emphasizing e-commerce retailing for tires and wheels; new merchandizing strategies for the home living category; rolling out more new concept stores; and new strategies to enhance in-store customer experience including staff training programs. In order to achieve alignment of all business units to reinforce the core, Canadian Tire is expanding its financial services to complement its in-store credit and payment plans. In order to build a high-performing organization the company is centralizing key support functions such as finance, HR and IT and is leveraging business sustainability to reduce costs and eliminate waste., And, finally in terms of creating new platforms for growth, Canadian

Tire is pursuing a Home Services business which will initially offer garage door openers and central vacuum installations

- 2. You learned in this chapter that part of determining growth strategies is determining where the company wants to go. Using the market-product analysis (see Figure 2-4) map out the growth strategies for each of Canadian Tire's business units?**

Have the students speak specifically about each market-product option (Figure 2-4) and how each can/could contribute to Canadian Tire's growth. We suggest students discuss the following in order: market penetration, market development, new product development and diversification.

In terms of market penetration, students need to stress how CT (all units) can achieve greater market share in existing markets with existing offerings. This can be accomplished in a number of ways: (1) have existing customers increase their purchases at CT units (2) motivate non-customers to switch to CT units – a competitive steal play (3) bring new customers into the all CT's units who have not previously been consumers of those units. Students need to discuss “how” to accomplish this including leveraging price, increased promotion, improved/extended distribution, and new offerings.

In terms of market development, CTR, while it already has achieved broad market coverage, could grow by developing new physical markets, especially experimenting with new format stores. In terms of new product development, CTR can expand its offerings to the consumer. CTR has already expanded its backyard living products and home exercise products. Students who visit CTR stores should be able to present possible new offerings that could lead to greater growth for CTR. These market development and new product development strategies can be applied to all of CT's business units.

Finally, in terms of diversification student answers may vary here. However, CT is a well-diversified company at this point, including its acquisition of FG Sports, Canada's largest retail sporting goods retailer. Thus the question now would be how much further diversification is warranted? And, if warranted, what would be the nature and scope of that diversification? One consideration is greater diversification into financial services where very attractive margins can be achieved as opposed to the less attractive margins in the traditional core business.

- 3. Another thing you learned in this chapter is the importance of tracking performance by using marketing dashboards and metrics. Take a look at Figure 1 in this case. What can you glean from this data in terms of Canadian Tire's performance in 2011 as compared to 2010? Specifically calculate the percentage changes from 2010 to 2011 for each of the metrics shown in Figure 1 and show your findings in a dashboard format.**

Student may present their dashboard results in different ways. But, they must be able to show – quickly and clearly - CT's year-over-year performance in terms of revenue, income before taxes, and net income.

For example, in 2011, compared to 2010:

Revenue was Up	12.5%
Income Before Taxes was Up	7.5%
Net Income was Up	5.3%

Anyway the students wish to present these findings in appropriate dashboard format is fine.

4. Canadian Tire is known for having the first and most-enduring loyalty programs in Canada – Canadian Tire Money. How can the company leverage this program to achieve additional market growth?

While the Petro unit is not making strong contributions to CT's overall returns, it makes a contribution in helping to build the brand. Moreover, it offers CT a great way to leverage this loyalty program. Currently, the unit distributes \$35 million annually in Canadian Tire Money which is redeemable at CTR. This should be encouraged and expanded. Another consideration is to use both the Financial Services unit and Marks as pivotal players in the loyalty program. CT realizes that the more Canadian Tire Money distributed in the market means greater opportunities to win customer franchise at a greater level and with greater frequency. Students should be creative here in terms of how to increase the customer participation rate with the program and how to use the program as an incentive to capture new customers for Canadian Tire.

Epilogue

CT continues to innovate as it seeks to improve its growth. Financial Services is, indeed, a strategic priority for the company. Initiatives such as expanding instant credit and deferred installment plan programs will be pushed aggressively. A high-interest savings account program will also be promoted heavily. Additionally, new retail store concepts (CT Smart Stores) are part of its plan for future growth. Additionally, existing stores will be renovated and refreshed. The company also expects a broader assortment of products to contribute to future growth. Furthermore, CT intends to invest more in the automotive side of the business where margins are attractive. Marks will also be offering more unique clothing lines and the clothes vending machine program will also be expanded. More investment in training personnel to create and deliver great customer experiences is also part of CT's growth strategy. Finally, the company realizes that to survive and grow it must pursue multiple growth paths and constantly assess new fertile ground in which to compete. The acquisition of FG gives them a new footprint in Canada's sporting goods store sector.