

MARKETING STRATEGY FOR BRAND REVITALIZATION OF PT MILK JAEJOO INDONESIA: CASE STUDY OF BRAND SILVERMILK

Muhammad Aristo and Jacky Mussry

School of Business and Management, Institut Teknologi Bandung, Indonesia

Email: muhammad.aristo@sbm-itb.co.id

A. TEACHING CASE

OPENING PARAGRAPH

Brand “Silvermilk” has been sold in Indonesia since early 1970’s and become iconic brand since then as part of a global company. At beginning the brand positioned as family nutrition milk fulfilment, then focus on child energy and nutrition to support kids growth. In beginning of 2000’s, the competition in dairy and milk industry become tight and fierce after Nutricia joined with Danone of French and then acquisition SGM brand (one of Indonesia local brand). “Silvermilk” which focus on mass-premium segment of milk powder, slowly starting to lose market share and decreasing sales, while brand “Silvermilk” sister, “Goldenmilk” slowly get the strong position as super premium segment brand from 1990’s to early 2000’s. The market share and sales performance of brand Silvermilk keep decreasing, while the macro indicator suggest that Mass-premium market is the highest growing market compared to Economy and Super-premium category product. Cindy as marketing manager had to make decision and proposal to management to revitalize the Silvermilk brand or keep as it is, which is focus more to Super premium category product, which is Goldenmilk? This case is a complicated choice for marketing marketing managers, while Silvermilk seems the brand equity has been eroded over time, or doing something to revitalize the Silvermilk marketing strategy using management strategy tools and market survey also to understand consumer behaviour to come out with conclusion. Cindy has explore on what is going on with “Silvermilk” strategy, why it lost its market leader position to current market leader. As the Annual planning cycle is imminent, this decision must be immediately taken by management.

COMPANY BACKGROUND

In early 1900’s, one of American businessman founded Milk Jaejoo in one of east cost cities in USA as he was inspired by the feeding difficulties experienced by his own infant son. He started the company after leaving one consumer good company which he co-founded. From that point, Milk Jaejoo had produced and introduced a lot of innovative infant and children feeding product all over the world. His son suffered from life-threatening congenital heart condition and not tolerating feeding allergy. He and his family had consulted with paediatrician in United States. Years later, the founder develop a maltose based product, a specialty carbohydrate powder which designed to be mixed with milk. Over the next decades, Milk Jaejoo had built leadership in science-based nutrition products, including innovative infant formula , vitamins, pharmaceutical products and children’s nutrition. PT Milk Jaejoo Indonesia Portfolio product consist of two biggest categories, Infant formula and children nutrition (Annual report 2016):

- Routine Infant Formula
- Children Nutrition Products
- Other Products (Solutions Products and Specialty Products)

PT Milk Jaejoo Indonesia was founded in mid 60’s under the framework of foreign capital investment law No. 1, 1967, based on Capital Investment Coordinating Board (BKPM). In Indonesia, over the decades, the brand “Silvermilk” been the back-bone of Indonesia business, before brand “Goldenmilk” introduced in mid 80’s in Indonesia.

During the initial stages of operating in Indonesia, Silvermilk became the focus brand of Milk Jaejoo Indonesia, and became one of the iconic brands of milk in the Indonesian family. The proposition at that time by Silvermilk was “Source of energy for family” or “Building energy for you and family”. At beginning of new millenuim, Silvermilk is still the mearket leader of mass-premium brand in Indonesia (ahead of Bebelac and other brand, Milk Jaejoo report based on recorded Nielsen market report).

SPECIFIC AREA OF INTEREST

Silvermilk brand marketing department had to firstly concerns about this situations. In the last 4 years, the total volume of sales, were decreased and this apparently contributed by Silvermilk sales drop (*See exhibit 3*). Not to mention the decreased market share position. From several marketing research company, such as AC Nielsen had showed an increased trend in Mass-premium

market (in term of growth) and decreased in Super-premium and economy-class in the last 3 years (*See exhibit 2*). Milk Jaejoo Competitors, such as Nestle, Nutricia, Morinaga had already put their focus also on mass-premium market, while building strong presence in Super-premium category.

SPECIFIC PROBLEM

Investing in a brand is quite a big decision to make. Milk Jaejoo Indonesia, had already put effort in building Goldenmilk brand in Super-Premium category in the las decades. But, while the demography and macro economy showed that increased of middle-class population in Indonesia, and increased in Mass-Premium category class in milk Industry, Silvermilk brand had already left behind of its competitors. What should Cindy proposed to management and marketing director for Silvermilk strategy, should she proposed a revitalize the brand, if yes, what is the best strategy to do it.

In the last couple years, Indonesia's middle class has increased dramatically and become the fourth largest in the world (Top five emerging market with best Middle class potential (Euromonitor international statistics, 2015) (*See exhibit 1*). This good trend also added with decreasing poverty by 28% from 2007 to 2017 (Berita Resmi Statistik 2018).

From Nielsen report index, the market share of Super premium category and economy product were slowing down (Nielsen retail Index 2016). Super premium category growth was estimated -4.58%, while economy +0.8%. But Mass-premium category was the highest growth: 7.3%.

From performance of Goldenmilk and Silvermilk since 2014 to 2017, Goldenmilk contributions to total Milk Jaejoo Indonesia keep increasing while Silvermilk were decreasing in the same period (*See exhibit 4*). Giving this conditions, Cindy as Silvermilk brand manager, Alex as Goldenmilk brand manager, has to come with proposal for investment plan/mix and marketing strategy to marketing director, especially for Silvermilk. Alex Alex must also be considered, since any additional investment in Silvermilk would impact the total marketing cost of Milk Jaejoo Indonesia.

ALTERNATIVES

Cindy as marketing manager have to come out with proposed marketing strategy for Silvermilk (and of course for Goldenmilk) as the next annual planning cycle is approaching. Several alternative might be arises:

- Should Silvermilk, keep current generic strategy to maintain or defence its position in the market?
- Should Silvermilk revitalize its marketing strategy and invest more in the brand with new define strategy?
- Keep focusing on Goldenmilk brand since this is a super premium category which surely contribute more margin?

In one of the options above, Cindy could develop framework to to review the current stage of Silvermilk brand of the brand as a whole or compregenive, and use tools in management analysis to come up with a proposed strategy for Silvermilk. Then she would lay down a conceptual framework to analyze the issue, both internal and externally using management analysis tools: PESTEL analysis, Porter's Five Forces , VRIO analysis, current Business Canvas and current stage of Nine Core Elements Marketing of Brand "Silvermilk".

Two approach that could be used, She should evaluate Silvermilk from Nine Core Elements of Marketing In New Wave Marketing books.

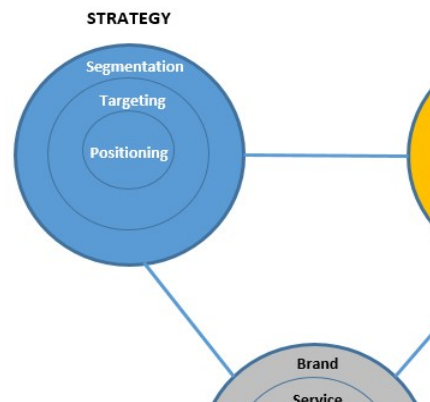


Figure 1. Nine Core Elements of Marketing

To give perspective of Silvermilk brand, Cindy had figured business canvas of Silvermilk as below:



Figure 2. Current Business Canvas Model

As the business competition in milk business is getting tougher, what marketing strategy should be design for Silvermilk, what strategy to take and stop the decline in market share and ultimately its equity brand?

B. ADDITIONAL NOTE

In this case, PT Milk Jaejoo Indonesia brand, which is Silvermilk were in declining conditions in the market. Its sales and market share had been eroded by time after time. The marketing manager had to face a condition to proposed the new marketing strategy for brand Silvermilk, or keep as it is (defensive strategy) as company strategy for this brand in the past few years, and keep focusing to Goldenmilk (which is in superpremium category). The company name, brand, personnel and data in this case have been disguised for the purpose of this case.

This case were intended to teach student on how to make decision on critical situation related with brand and its marketing strategy, the framework to develop, approach used and tools to come with one marketing strategy for the brand.

Thru this case, we expected student to develop critical thinking as marketer what is the options and strategy to choose for the brand in the case, using management and marketing literature and techniques.

REFERENCES

- Aaker, David A. (1991). *Managing Brand Equity*, New York: Simon Schuster
- Euromonitor International. (2015). *Top 5 Emerging markets with the best Middle Class Potential: 2015-2030*.
<https://blog.euromonitor.com/top-5-emerging-markets-with-the-best-middle-class-potential/> [Accessed on October 2018].
- Hardiansyah, Sumarwan, Ujang., Minarto., Sitompul, Marudut., Syafiq, Ahmad. (2017). *Peran dan manfaat Susu*, Jakarta: APPNIA.
- Johnson, G., Whittington, R., Scholes, K., Angwin, D., & Regner, P. (2017). *Exploring strategy: Text and cases*. Harlow, England: Pearson Education.
- The Nielsen Retail Index, July 2015 and August 2016.
- Kotler, P. K., Keller, L., Ang, Swee Hoon., Tan, CT. (2016). *Marketing Management: An Asian Perspective*, 7th edition, Singapore: Pearson Education.
- Kotler, P. K., Kertajaya, Hermawan., Den Huan, Hooi. (2017). *Marketing for Competitiveness: Asia to The World*, Singapore: World Scientific Publishing.
- Kotler, Philip., Armstrong, Gary. (2014). *Principles of Marketing*, 15th edition, Essex: Pearson.
- Light, Larry., Kiddon, Joan. (2016). *Six Rules of Brand Revitalization*, New Jersey: Pearson Education.
- The Indonesian Statistical Bureau.(2017). *Indonesian Statistic of 2016/2017*.
- World Bank Data. (2015) & (2017). *World Population*. Retrived from: <http://databank.worldbank.org> [Accessed on December 2018].

EXHIBIT 1. Indonesia Middle Class and Its Economic Potential

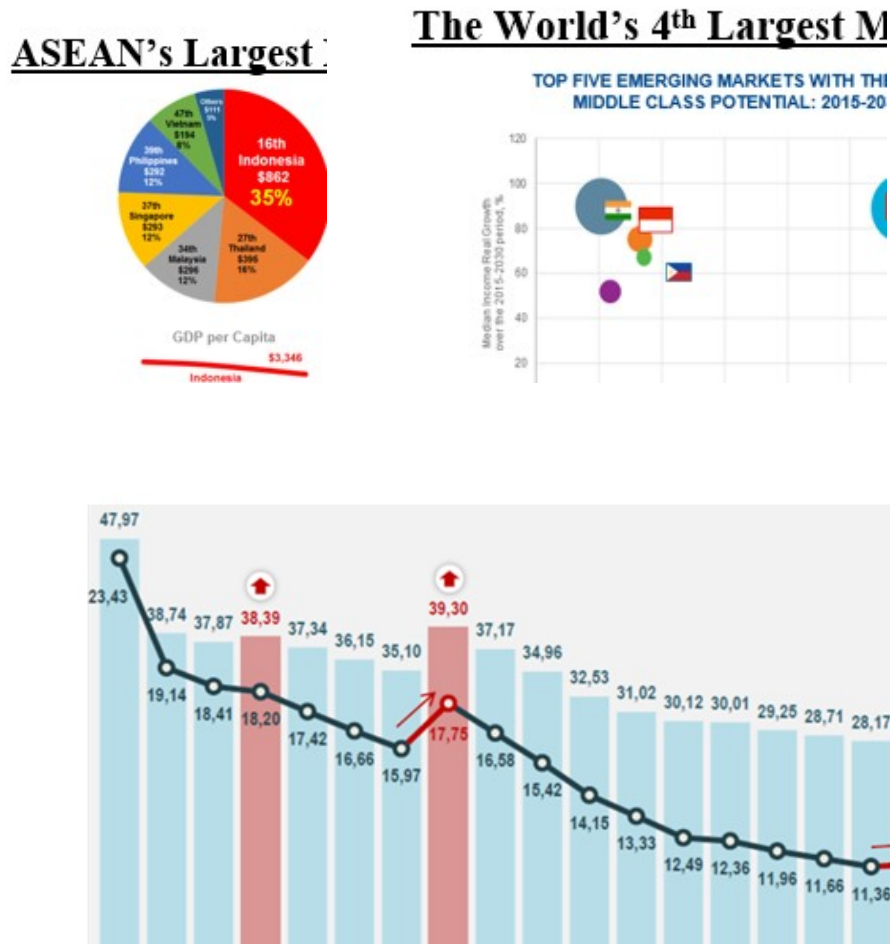
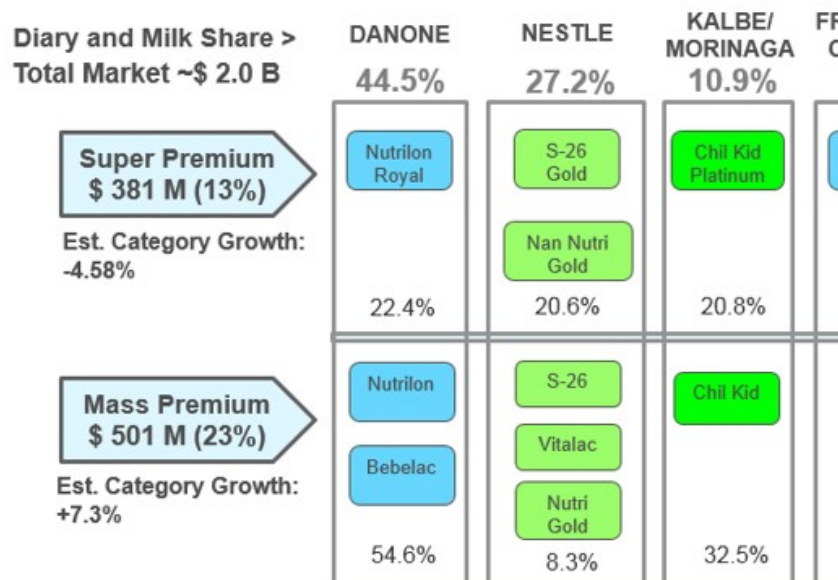


EXHIBIT 2. Milk Market Share by Market Category



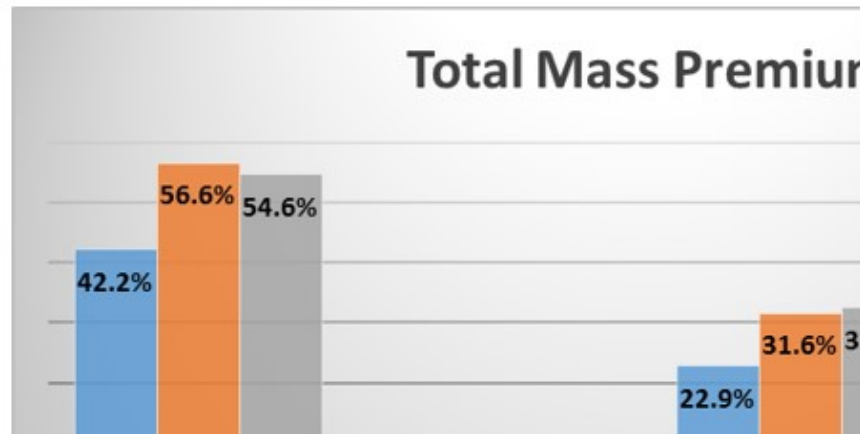


Figure 2.2 Total Market Share of Indonesia Mass Premium Category 2015 – 2016
(Sources: Nielsen Retail Index 2015 -2016)

EXHIBIT 3. Brand Performances

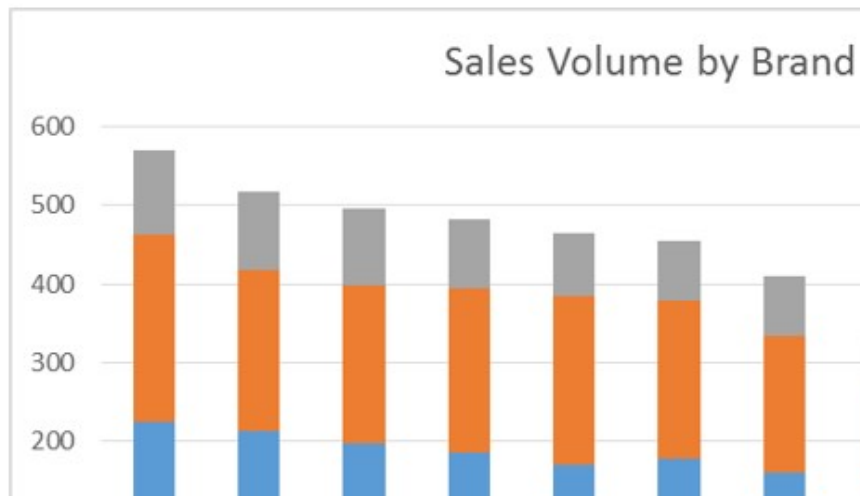


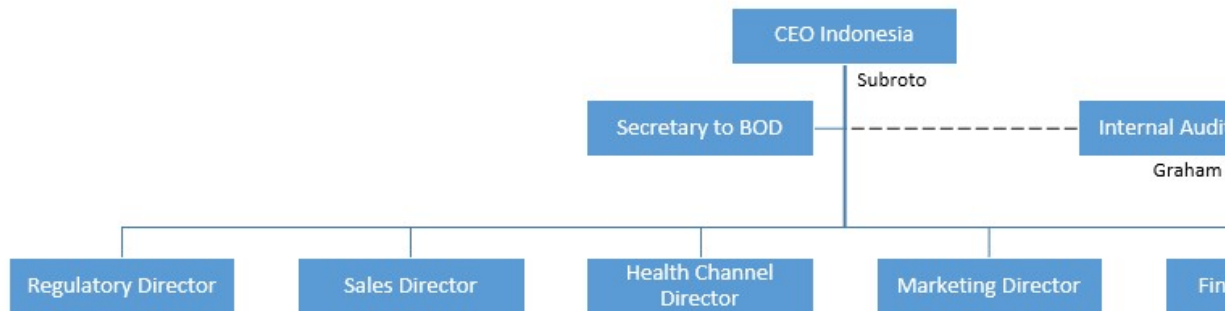
Figure 3.1 Sales volume by brand (2007 – 2017)
(*In unit weight of MT with a multiplier for the purpose of this case)

EXHIBIT 4. Indonesia Middle Class and Its Economic Potential

BRAND FINANCIAL PERFORMANCE (P&L)	2014				2015				2016				2017			
	Goldenmilk	Other	Silvermilk	Total	Goldenmilk	Other	Silvermilk	Total	Goldenmilk	Other	Silvermilk	Total	Goldenmilk	Other	Silvermilk	Total
Gross Sales	\$90.6	\$4.8	\$31.5	\$127.0	\$94.3	\$5.8	\$24.4	\$124.4	\$103.0	\$5.8	\$23.5	\$132.3	\$101.0	\$6.7	\$16.1	\$123.7
Trade Investment (less)	\$21.2	\$0.7	\$10.4	\$32.2	\$18.9	\$0.7	\$6.7	\$26.2	\$15.6	\$0.5	\$8.1	\$24.2	\$14.5	\$0.9	\$6.2	\$21.6
Net Revenue	\$69.5	\$4.1	\$21.2	\$94.8	\$75.4	\$5.1	\$17.7	\$98.2	\$87.4	\$5.3	\$15.4	\$108.1	\$86.5	\$5.8	\$9.9	\$102.1
COGS	\$32.9	\$1.8	\$16.8	\$51.5	\$25.1	\$1.6	\$11.3	\$38.0	\$25.1	\$1.6	\$8.5	\$35.2	\$23.5	\$2.3	\$6.7	\$32.4
Contribution Margin	\$36.6	\$2.3	\$4.4	\$43.2	\$50.4	\$3.5	\$6.4	\$60.3	\$62.3	\$3.7	\$6.9	\$72.9	\$63.0	\$3.5	\$3.2	\$69.7
Marketing Cost	\$24.2	\$1.4	\$4.4	\$29.9	\$27.1	\$0.9	\$4.1	\$32.2	\$24.8	\$1.8	\$2.3	\$29.0	\$23.7	\$1.8	\$3.0	\$28.5
Product Contribution	\$12.4	\$0.9	\$0.0	\$13.3	\$23.2	\$2.5	\$2.3	\$28.1	\$37.5	\$1.8	\$4.6	\$43.9	\$39.3	\$1.6	\$0.2	\$41.2
Gross Sales Brand to Total	71%	4%	25%		76%	5%	20%		78%	4%	18%		82%	5%	13%	

Figures 4.1 Goldenmilk and Silvermilk Performance (2014-2017)
*with multiplier factor for the case purpose

EXHIBIT 5. Organization Structure



Figures 5.1 Marketing Organization Structure