

A Recipe for Success: When Traditional Yogurt meets Marketing & Innovation- Killowen Case Study

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1.0 Background

The Dunne family have been farming in the parish of Courtnacuddy, near Enniscorthy, Co. Wexford for nine generations and there is nothing that they don't know about dairying. With five out of the family of nine involved in Killowen Farm, this business epitomises a family business in all ways. Nicholas owns the farm and manages the day-to-day running of the business. Judith does accounts and distribution, while Pauline takes care of Sales and Account Management. Peter is responsible for electrical maintenance, whilst Mary processes orders and Michelle helps out at events. Pauline is the amateur chef and spends much time working on new recipes and product ideas (www.killowen.ie). As a result of this combined effort, Killowen Farm has produced an award-winning range of yogurts with the milk coming from the farm's own dairy herd. Its unique creamy taste has been perfected over the past 30 years, making it the oldest artisan yogurt brand in Ireland.

For many years the growth and success of the company was down to hard work in production and distribution and the high quality produce. However, there was a realisation by the family members that in order to compete on a national scale against other big yoghurt players, such as Danone, Glenisk and many more, Killowen would need to address marketing and innovation! This would not be an easy challenge, and one which the family could not afford to get wrong nor spend significant money on.

In 2012, Killowen got engaged in a University project working with 2 mature students. Helen and Dermot were brought in to work with the family as a part of their course work. What was first envisaged as a relatively straightforward marketing project, managed to twist and turn along the way and morph into a far more interesting business model, innovation and marketing challenge. Throughout the project the students had a lot of highs but with them came lows such as the frustration of trying to get decisions made on schedule, trying to get funding and - biggest of all - trying to get the management team to realize that they were missing out on a great opportunity to roll out a great brand at just the right time. At all times,

Helen and Dermot were aware of the challenges facing companies that were seeking to become more innovative. These challenges typically included globalisation, organisational issues (such as metrics and measurement, structure, and people), and leadership (Andrew, J.P. 2006: p4).

2.0 Close the Curtains

One of the biggest challenges facing the students was actually getting business owner Nicholas to sit down, close the curtains and shut off from all the everyday farm operations. Helen and Dermot's first challenge was to agree on a brief which would assist the company in the next 12 months. After much discussion and debate, the following brief was identified:

Killowen Farm's ambition for the next 12 months is to increase their brand awareness on a national level. The student project will increase consumer brand awareness through the use of an innovative marketing strategy including the use of social media. This strategy should include innovative packaging development to allow for the expansion of the product range.

With the lack of marketing focus within the company, the students realized very early in their project that they would be required to act as a temporary marketing consultants and project managers for the duration of their time with Killowen Farm. This approach meant that they prioritized the marketing activities that had to be started or completed; some based on their strategic view, while others admittedly had to be done as Killowen Farm management had already committed budget and time to the project. These projects and activities included:

- *Revisiting the Killowen Farm brand identity:* Killowen Farm had previously worked with a consultant to develop a mission statement for the business. Unfortunately when the students held their first meeting with the owners they had completely forgotten what they had agreed their brand values to be and what their mission statement said about them. Therefore, some brainstorming had to be undertaken before agreement on what the real brand identity and values for Killowen Farm were.
- *The new Killowen Farm Website:* The Killowen Farm management team had committed a considerable chunk of their marketing budget to developing a new website with a Dublin based website agency. On examining the progress - or indeed lack of progress - the students discovered that the project had been ongoing for nearly a year and had now stalled. The reason was a severe lack of project management and understanding on both sides, the Killowen Farm team and their agency. With the lack of marketing expertise within Killowen Farm they were completely reliant on their agency to deliver what they considered a 'good' website. The problems arising were a combination of a relatively small budget and big client expectations and two completely different timelines, and then a lack of interest as other more immediate concerns took over at Killowen Farm.

In order for the students to understand the needs of Killowen, they needed to first get an overview of the business and competitive environment in which Killowen was operating in.

3.0 Understanding the Yoghurt Market

Based on the findings of the student team’s business and competitive environment analysis, the following key success factors (KSFs) for Irish yogurt producers were identified: Natural Ingredients, “Irishness”, Product Range, Consumer Brand Awareness and Access to Markets. The main brands in the Irish yogurt market were assessed against these KSFs and scored as follows 1=Low, 2=Medium and 3=High. The results were captured as follows:

Brand/ KSF	Killowen Farm	Glenilen	Danone	Glenisk	Irish Yogurts	Yoplait	Muller
Natural Ingredients	3	3	2	3	2	2	1
‘Irishness’	3	3	1	3	3	2	1
Product Range	1	2	3	3	1	3	3
Brand Awareness	1	2	3	2	1	3	3
Access to Markets	2	2	3	3	1	3	3
TOTAL	10	12	12	14	8	10	11

Leading multinational brands such as Danone and Yoplait scored highly for their innovative product ranges, consumer brand awareness and easy access to huge markets. However smaller indigenous producers such as Glenisk and Glenilen have the upper hand when it comes to positive associations with high quality natural ingredients and the concept of “Irishness” - both leading market trends. The test provided the students with an overview of the current position of Killowen in the Yoghurt Market and reinforced the need for Killowen to address marketing and innovation.

4.0 When Innovation Meets Yoghurt - present

As part of the project the students carried out an innovation audit on Killowen Farm to gauge their propensity for innovation. The students were aware that innovation can sometimes be confused with invention, or being one and the same with research and development, but they revisited definitions in the literature show clear distinctions: *“In business, innovation is something that is new or significantly improved, done by an enterprise to create added value either directly for the enterprise or indirectly for its customers”* (Business Council of Australia, 1993, p.3). Chen and Sawhney (2010) pointed out that innovation comes in many forms, some of which have no relationship to research and development.

In researching various innovation audit tools the students noted that the majority of tools were developed with large companies in mind. As Killowen Farm could be described as a small artisan business, the students were conscious that many of the audit approaches would not work very well; either the questions were not relevant to a company of that nature or the various possible answers would not be applicable in their context. Van der Wiele et al. (1996) realized that not all companies benefit from the more traditional innovation audits as they may not have enough resources or the right training or indeed are unwilling to implement the proposed improvements. Also, due to the lack of a definite business strategy the students felt that it was important to address this as part of the audit. If Killowen Farm could be clearer on where to direct their resources it would make for a more useful experience. Helen and

Dermot therefore chose to adopt two different innovation audit tools: one to define - and perhaps realign - the company's Business Model, and the other to analyse Killowen Farm's propensity for innovation (See Appendix 1 for an overview of both innovation tools).

The students felt that the Business Model Canvas, used in combination with the Irish Innovation Index, would enable the Dunnes to understand where the business stands in terms of strategy and innovation and would therefore aid in making an informed choice as to where to invest in the business. The innovation research was carried out using offsite meeting, with the two Killowen Farm key stakeholders Nicholas and Pauline Dunne, in order to limit the continuous disruptions encountered on the farm. The Irish Innovation Index online survey was conducted first, as it was believed to be an easier exercise to begin with before discussing the full details of their business model using the Business Model Canvas. Pauline and Nicholas were directed through the survey, question by question. While they understood most questions, the students did have to discuss some of them as the Dunnes found it difficult to decide on the answers. As the survey gave an instant result, Killowen Farm were pleased to see with immediate effect that they had scored well on their innovation scale. This demonstrated to them that they were actually quite active on the innovation front without really realizing it.

The second part of the research involved Alex Osterwalder's Business Model Canvas. This proved to be very interesting from the first section right through to the final section in that it really focused the Dunnes on areas of their business that they really hadn't thought about separately before. The section on 'value propositions' made the Dunnes think about all the positives Killowen Farm has to offer to its customers which will go on to help us build our brand strategy. Other sections e.g. 'customer segments' clearly pointed out gaps in Killowen Farm's customer base. This was looked on as opportunity for the future rather than a weakness. Overall this tool proved to be extremely useful in focusing the Dunnes on all the areas they should consider when it comes to their business model as it revealed strengths they didn't realize they had and gaps that needed to be filled.

Once the research was completed, Helen and Dermot, along with the Dunne family were in a stronger position to understand and review their current innovation strengths and weaknesses. However, the work would not stop here. Helen and Dermot were keen to identify new innovations that Killowen could implement in the future.

5.0 When Innovation Meets Yoghurt - future

Using the Stanford D School innovation process three major areas of innovation for Killowen Farm were identified which the company could utilise in the future to unlock some new markets and gain market share. The students used the stages of this process to present a rationale and logic to the Dunnes for their suggested new innovations:

<i>Application of the Stanford D School Innovation Process to Killowen</i>	
1. Understand	Using secondary research the dynamics of the yogurt market in Ireland were examined – the main players, how is the market developing, what are the biggest geographic and demographic opportunities, the role of technology and how much a role has innovation typically played in the market.
2. Observe	Primary research undertaken by talking to consumers, customers, and industry experts such as Bord Bia to develop some deeper insights on the

	market and its buyers.
3. Point of View	Using this analysis some possible opportunities were identified in the market for a new perspective on themed yogurt flavours, an opportunity to dominate the ‘snack’ segment of the yogurt market and to become the market leader in a particular segment of the market targeted based on age.
4. Ideate	Creative techniques were used to develop new and useful ideas for Killowen Farm Yogurt. Raw ideas became concepts.
5. Prototype	Investigation into how realistic the production of the new packaging idea is, as well as testing the production of some unusual flavours and identified a gap in the over-55s market for a yogurt product.
6. Test	Testing of ideas with some appropriate consumer groups.
7. Report	A report on 3 innovative ideas were presented to management.

This model facilitated three new ideas for roll out in Killowen. These included:

1. A cleverly marketed yogurt product shouting loud about the benefits to over-55s of the high health value of Killowen Farm Yogurt e.g. calcium for healthy bones.
2. A convenient spoon to be included in the packaging to truly establish Killowen Farm yogurt as a healthy snack which can be eaten on the go – first to market advantage.
3. Producing limited editions of Killowen farm Yogurt e.g. green kiwi and lime yogurt for St Patrick’s Day, or a blackcurrant yogurt with a vanilla part on top to mimic a pint of Guinness for Arthur’s Day. These would attract a premium price and would act as an innovative way to attract new customers to the Killowen Farm brand.

6.0 Appetite for Change

Overall Killowen began to show an appetite for real change. As a result of the innovation ideas, Killowen chose to partner with local fruit producers in Wexford to develop a limited edition yoghurt. The limited edition proved to be very popular and as an added bonus, it was shortlisted for The Bord Bia (Irish Food Board) Food and Drink Awards. Further evidence of the company’s hunger for marketing and innovation was evidenced through the continued and focused meetings between Helen, Dermot and the Killowen management team to address the brand identity and website, as well as the strategic direction of the business through innovation. The focus and content of the meetings are now outlined.

Meeting 1: Presentation of Market Research/ Brand Workshop

Location: Onsite, Killowen Farm

The purpose of this meeting was to present initial market research and competitor analysis findings to the Dunnes. While they were aware of much of the information it was very useful to sit down and go through it in detail. Some interesting feedback was obtained e.g. while Killowen Farm had previously run focus groups and received feedback that customers sought value, we were able to clarify the concept of an effective value proposition - which does not equate to a cheaper price. Another key part of the meeting was to discuss the Killowen Farm brand and to attempt to relate its core values to the consumer research. The meeting allowed for brainstorming of the key terms that can be used to describe Killowen Farm. The team came up with: **fresh, natural, real, Irish**. It was apparent that the current labels and packaging did not clearly represent these brand values and the decision was taken to update the packaging.

Meeting 2: Website Workshop/ Innovation Audit

Location: Offsite, Dublin

This meeting was intentionally held offsite in order to prevent the inevitable interruptions that occur on the farm. There were two aims of this meeting; to carry out an innovation audit, which has been outlined in detail in the previous section, and also to discuss the design of the Killowen Farm website in detail. Based on the outcome of the workshop, a revised web plan document was drafted incorporating a series of changes and additional elements and submitted it to the design agency. The changes were accepted for a minimal additional cost, thus saving Killowen Farm the necessity to overhaul the entire site within a short timeframe.

Meeting 3: Marketing Strategy & Planning Meeting

Location: Onsite, Killowen Farm

As the project progressed it became clear that, while the Dunnes were saying they wanted to grow the Killowen Farm brand, the vast majority of their time and effort was spent servicing their white label customers. We therefore scheduled this meeting to discuss what could realistically be achieved in the remainder of the project timeframe. We highlighted the fact that due to the marketing personnel gap within Killowen Farm we had serious doubts as to whether the aims of the project scope could be delivered.

7.0 Conclusion

By the end of the University collaboration, Helen and Dermot had formed a very close working relationship with the Killowen Farm management team, which they deemed both enjoyable and at the same time challenging to deliver. The students reflected:

“We had lots of good things to say, which was the easy bit, but we also had to deliver some home truths. As we outlined above, there is a severe strain on time, budget and expertise in the Killowen farm structure, and that without doing something immediately about this the plan for a nationwide rollout of their own brand would not be successful”. (Project Reflection Report from Helen & Dermot).

On review of the project, Killowen Farm acknowledged that the company lacked marketing expertise and decided to begin to bridge this gap by hiring a part time marketing manager and offered this position to one of the participating students. Overall with the students' help Killowen emerged with (1) a clear brand identity, (2) an increased confidence in their brand awareness, (3) a new and updated website, (4) three future innovation ideas and finally (4) they accepted that the 'white label' route of selling their product was leaving them at the mercy of a small group of powerful buyers and they finally decided that they were going to invest in developing their own brand and increase its value as a revenue stream over which they have greater control.

APPENDIX ONE

i) Alex Osterwalder's Business Model Canvas

According to Osterwalder, "a business model describes the rationale of how an organization creates, delivers, and captures value". The Business Model Canvas is a chart that breaks the business model down into nine building blocks: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure. These building blocks cover the four main areas of the business: its offering, infrastructure, customers and financial viability. The key business stakeholders should work together to complete each block and describe their company's business model.

ii) The Irish Innovation Index

The Innovation Foundation in conjunction with UCD's Geary Institute developed the Irish Innovation Index. Launched in 2011 to coincide with the Dublin Innovation Week, this Index takes information from a variety of international sources e.g. the Oslo Manual, The Innovation Radar and the Innovation Value Chain. It combines a series of different innovation audit tools, which have been advocated internationally, and tailors them into a model that will suit Irish firms. To map how innovative a firm is, they need to answer 20 questions in an online questionnaire. Their answers are then mapped against the Innovation Index and given a score from 1-5 in different areas to demonstrate how innovative they are in that particular part of the business. The survey results also provide pointers as to how a company may improve in the various areas and the Innovation Foundation can also assist the company by providing innovation and creativity training.

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