TECHNICAL ASSISTANCE IN BRANDING AND PROMOTIONS

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT

March 13, 2007

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TECHNICAL ASSISTANCE IN BRANDING AND PROMOTIONS

IN-STORE MARKETING AND GOOD RETAIL PRACTICES

Kosovo Cluster and Business Support project: “Technical Assistance in Branding and Promotions”,
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PURPOSE OF ASSIGNMENT

The purpose of this assignment was to promote increased sales of selected domestic food products through local food retailers by implementing the following tasks:

- Conduct one group training seminar for representatives from food processors, marketing organizations, and food product distributors. Topics will include: Brand Identification, Development and Promotion; Promotions (including purpose, type, timing, duration, etc.)
- Conduct private, on-site interventions/consultations with selected food processors to help design a promotional campaign for an existing product or a rollout campaign for a new product. (Includes working with selected cream cheese producers to interpret segmentation study data and use this information in creating a new product launch strategy and actually begin to implement.)
- Develop training program outlines and provide materials regarding steps necessary to successfully launch a new product.

BACKGROUND

Domestic food processors and marketing firms generally lack the branding, merchandising and promotional skills and experience of similar foreign organizations. It is one of the reasons domestic retailers often give more and better shelf space to foreign products. Most domestic retailers would like to promote domestic products if they can be offered at competitive value/price relationships compared to imported products. This can only be achieved if domestic firms merchandise and promote their products equally as well as foreign promoters.

Technical assistance is needed for domestic food processors and marketing organizations to improve their marketing strategies and implementation skills to effectively compete with foreign products.

Factors now having negative impacts on the marketing of domestic food products in the Kosovo market include:

- Excessive imports of a wide variety of dairy products, especially from neighboring countries (particularly Hungary and Slovenia)
- Import of some highly subsidized food products from other countries at "dumping" prices
- Import of some food products not in compliance with commonly accepted international quality standards but at significantly cheaper prices than domestic products.

Compared to the dairy industry in neighboring countries, Kosovo lags significantly. This is particularly true in regard to the assortment of dairy products, packaging and product design, as well as in maintaining consistent product quality. In general, the marketing of dairy products is oriented primarily toward conventional dairy products. Production and marketing of new and innovative dairy products is very limited, which is perceived as highly advantageous by importers and suppliers of foreign products. Domestic food processors and marketing organizations need to consider development and production of other products as well as more effective ways to merchandise and promote them.

EXECUTIVE SUMMARY

The current clients with whom KCBS works remain largely unfamiliar and uncommitted to the consumer pull activities which are necessary for long term success. Marketing to consumers is not given the time and attention it requires. This is a dangerous situation for the long term as the retailers in this market are becoming increasingly savvy and it is only a matter of time (perhaps 18 months or less) before Kosovo retailers adopt all the profit-making practices of retailers in other markets.

Specifically this means that the suppliers will be at a disadvantage unless they make the consumer their ally in this regard. A strong brand is the best defense to predatory retailer tactics.

Forming a mutually-beneficial partnership with the retailer means a greater investment in activities in which both benefit (marketing and promotion). At present, Kosovo marketers are not paying sufficient attention to this need/requirement.

Training in marketing, packaging and branding, in the development of good research practices to enhance the consumer appeal of new products, a greater focus on and investment in consumer pull activities – all will go a long way to making the brands stronger and enhance the profitability of the dairy industry (among other marketers). Emphasis on marketing needs to be a continual emphasis in the KCBS project.

There are good marketing consulting companies here in Kosovo as well. UBO and MDA attended our training and indicated an interest in continuing this type of training for potential new clients in Pristina going forward.

A training manual in new product development and a product testing protocol are some of the tools that will reinforce a consumer focus to the activities among our clients.

FIELD ACTIVITIES TO ACHIEVE PURPOSES

Week of February 19, 2007

Monday 2/19/07	Work in office (Presidents Day Holiday)
Tuesday 2/20/07	Meeting with Todd Kirkbride and Al Wanous about scheduled work plan given cream cheese delay. Store checks.
Wednesday 2/21/07	Meet with UBO 10 AM here at KCBS. Review next steps for cream cheese re-analysis. Work on new products plan for cream cheese launch and for blind taste tests.
Thursday 2/22/07	In-office presentation/workshop for in-store merchandising
	Wrote blind test protocol. Met with translator
Friday 2/23/07	Trip to Leposavic Retailer; new layout design consulting
Saturday 2/24/07	Work in office
Sunday 2/25/07	Work in hotel

Week of February 26, 2007

Monday 2/26/07	9-12 AM seminar on in-store merchandising/UBO/New Design
Tuesday 2/27/07	One on one's with VIPA Chips (Pestova)
Wednesday 2/29/07	Repeat of seminar with dairy processors/MDA
Thursday 3/1/07	Work in office on Training Manual and Cream Cheese presentation to Bylmeti
Friday 3/2/07	Met with Bylmeti to discuss cream cheese plan
	Met with UBO and MDA to discuss training opportunities
Saturday 3/3/07	Work in office on Launch Plan for Bylmeti cream cheese
Sunday 3/4/07	Departure

TASK FINDINGS AND RECOMMENDATIONS

Task No. 1 - Conduct one group training seminar for representatives from food processors, marketing organizations, and food product distributors. Topics will include: Brand Identification, Development and Promotion; Promotions (including purpose, type, timing, duration, etc.)

<u>Findings/Recommendations:</u>
The in-store marketing and promotion seminars were held on two days: Monday 2/26 and Wednesday 2/28. They were lightly attended due to conflicts (board meeting). Fortunately the attendees from Bylmeti, Aldi and VIPA Chips/Pestova were very interested in implementing the recommendations. Detail on specific one-on-one consulting is outlined below.

<u>Building Capacity with management consultancies:</u>
We met in a separate session with the two marketing consulting agencies (MDA and UBO) and provided an overview of potential consulting services that they might offer to processors and others in the Kosovo marketing/manufacturing community. These covered the following topics:

- "How to Partner Effectively with the Emerging Power of the Retailer in Kosovo" (This subject will take the findings and insights from the March 21st conference on retailing and offer specific individual consulting services).
- "How to Improve In-Store Marketing and Promotion, and Why" (This builds on the seminar given in this consultancy. Suggestion was made to develop a pilot test of sales impact of these activities (pre-and-post promotion period) as a case history for consultancies.
- "How to Improve Salesmanship and Customer Service in the Store" (This consulting service is directed towards retailers and is designed to improve their customer service capacity among their staff). I will forward training tapes from the International Dairy, Deli and Bakery Association (IDDBA) that can be used as a foundation for this training.
- "What is a Successful New Product Launch Program"
- "How to Leverage Marketing Insights from Cash Register Scan Data" (If the consulting companies could work with the retailers to gain marketing insights from their scanning data – ala the work done in the US and other markets by Nielsen and Information Resources Inc. (IRI), this would provide a valuable service to marketers within Kosovo and to the multi-nationals. It could also benefit the retailers.
- Plan-o-Grams/Shelf Management/Category Management/Direct Product Profitability (DPP) training for Retailers is also needed, identified as potential training area for UBO and MDA.

Task No. 2: Conduct private, on-site interventions/consultations with selected food processors to help design a promotional campaign for an existing product or a rollout campaign for a new product. (Includes working with selected cream cheese producers to interpret segmentation study data and use this information in creating a new product launch strategy and actually begin to implement.)

<u>Findings and Recommendations:</u>
Three individual consultancies were completed: One with VIPA Chips (Pestova), one with Bylmeti Dairy (cream cheese product), and one with Mr. Mina, a small hypermarket retailer in Leposavic.

VIPA Chips (Pestova): Specific recommendations were made in the areas of flavor extensions to the line, packaging and branding improvements, in-store marketing and promotion, pricing and distribution. Overall this company is doing many things right and was very receptive to suggestions for improvement. Details on specific recommendations are appended in Annex 1.

Bylmeti Dairy (Cream Cheese Product): We met with Mr. Ymer Berisha, President, Bylmeti Dairy. We presented findings from the recent cream cheese study and recommended specific product development and consumer testing program. Mr. Berisha has already done much work in developing a cream cheese product which is excellent. We confirmed with him that the consumer needs to be the expert on what is the right recipe and we outlined a specific product testing protocol that we will conduct jointly with him. This protocol is attached in Annex 2.

Mr. Mina, Leposavic Mini-Hypermarket: We met with Mr. Mina in Leposavic. He has a small market which is losing trade to illegal container stores/kiosks in the small town of Leposavic. We made recommendations on how to improve shelf placement and merchandising and then prepared a detailed summary of tactics to improve offtake (improved schematic of his store layout, how to enhance freshness and store imagery, etc. Summary of some good story layout principles are attached in Annex III and a separate PowerPoint Presentation is appended to this report.

<u>Cream Cheese Research Study:</u>
We met with UBO, the local consulting company which completed the cream cheese study in January 2007. There were several follow up questions which are summarized in Annex IV. The meeting with the team answered the specific questions and additional tabulations were requested and analyzed. In summary, UBO did a good job of fieldwork and tabulations; the marketing presentation itself needed some additional explanations.

However, the research formed a good foundation for the work KCBS is doing with new product development in cream cheese with the dairy processors and provided good input into sizes, pricing, flavors, consumer wants and needs, and retailer expectations.

Task No. 3: Develop training program outlines and provide materials regarding steps necessary to successfully launch a new product.

We met with Bylmeti to review the next steps for a successful launch of a new product. It is very clear that there is a need to do in-store marketing and promotion and this point was made with both Mr. Berisha and Mr. Kasumi of Vipa Chips. We developed a detailed launch program for the cream cheese product (Phase I, 2, and 3) which is summarized in Annex V. We also did a detailed Training Manual for launching a new product. This is summarized in Annex VI.

ECONOMIC RESULTS

The potential economic results from this consultancy cannot be measured at this point. If the new cream cheese product is launched on the market with ABI and Bylmeti, it has the potential to build incremental business in a significant range (>$1MM).

CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITY

It is clear that the retailers in this market are rapidly adopting the practices of more sophisticated retailers in other nations. There is a window of time in which local manufacturers of food products will be able to do programs with retailers in which they will not be charged. However as retailers adopt practices such as Category Management and charging for in-store activities, the cost of increasing sales with in-store activities will go up and need to be borne by the manufacturers.

This requires that the dairy processors in Kosovo actively seek to improve their in-store marketing programs and activities. They need to know that their best ally in the “battle” with the retailers is the consumer and the stronger and more important they can make their brands with the consumers, the better is their sales position as well as their leverage with the retailer. The March 21st Marketing & Linkages conference planned for retailers and processors will be an important step to elevate their thinking in this area.

Additional one-on-one training in marketing and promotion activities is recommended. There are local resources (UBO and MDA) which have expressed an interest in doing this training after the seminars of this consultancy. As always, this consultant is willing to offer support long-distance in this regard as well.

The research firm UBO did a good job in their cream cheese study in terms of fieldwork and data input. This was only one data point in time, however. There is high fragmentation and brand import shifts in and out of the country and therefore, a brand profile which was derived in December-January, 2006/7 may not be the same in a different point of the year. It makes sense to repeat this study after the local producers (ABI or Bylmeti) have launched a new cream cheese on the market to determine the impact on market share of the new launch.

There is still a strong need for an overall study of consumer demand in dairy. Too many times the local processors/manufacturers copy an imported product rather than striving for true innovation based on consumer wants and needs. A multi-sponsor study of the dairy industry is recommended. The type of measured sought are outlined in the research section of the New Products Training manual in Annex VI.

Overall, good branding principles in packaging design is still a need here. Much of the product design is either a “rip off” of a current competitor or does not reflect good consumer appeal principles. The idea of “standing out on the shelf” is a concept that is not well understood.

Individual on-on-one training in packaging design could be of benefit to these processors.

Launching new products is still a process in which some of the steps are given short shrift. In particular the belief that “if we can make it, we can sell it” is pervasive. There is a lack of consumer insight into the product development process. The Blind Product Test protocol which should provide good product design direction should serve as a model for additional new product launches.

Overall, a focus on the consumer Demand end of the Value Chain vs. the current focus on the Supply end is mandated if these marketers are going to be able to compete with sophisticated importers.

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The following Annexes are included on the CD which accompanied this report:

Annex VII – PowerPoint: KCBS Seminar – In-Store Marketing

Annex VIII – PowerPoint: Retailer in Leposavic – Current Store Layout and Design

Annex IX – PowerPoint: The Opportunity for Cream Cheese in Kosovo – Marketing Insights

ANNEX I: Consultancy VIPA Chips, Mr. Bedri Kasumi, February 27, 2007

A team (comprised of Todd Kirkbride, Musli Bersha, and Marilyn Phillips) met at Pestova in Vushtri) to discuss his business and marketing plan needs. Mr. Kasumi attended the In-store Marketing seminar on February 26th and invited us to detailed follow-up with him at his factory location.

Overall the team was very impressed with his operation, his business acumen, and his willingness to try new strategies and tactics.

Product Quality

Mr. Kasumi produces a perceptibly high quality product: potato chips of various flavors and in three package sizes (large, medium, and individual serving size). The packaging is brightly colored with good graphics. He asked for our point of view on packaging and we gave him this POV verbally. The following covers our recommendation:

- Enlarge the brand name overall. The word "chips" is in larger font size than the brand name. This should be re-adjusted. The brand name should be the dominant visual on the package.
- His variety color-coding and naming is inconsistent. We recommended that when he looks to revise his packaging, that he makes the following design changes:
  - Make the logo background design (a star) consistent on every package. That is part of his equity.
  - Remove the cartoon character for all packages except the individual kids' size. This will allow more space to see the product itself which should have a dominant focus as it is mouth-watering and contributes to impulse sales.
  - Make the variety designator across all the products the same. Keep the visuals of the peppers, tomatoes, salt, etc. and place the English name of the variety next to the visual of the vegetable (sweet pepper with the visual of the sweet pepper, salted with the visual of the salt shaker, etc.).
  - Currently his variety differentiation is a color band across the bottom of the bag as well as different colored shadowing behind the "chips" word. The former is invisible when placed on the shelf and the latter is too subtle. Suggest doing a stronger color differentiator for the packaging.
  - The claim "*nga bota epatates"* is invisible. It's in the right position, but does not stand out and competes with the cartoon squirrel. Suggest it be enlarged.
  - In looking at the competitive array of products, the logo design that VIPA has selected is very similar to another brand in the market (logo style type and placement, with starburst outline behind). VIPA should try to find a logo design that is distinct and differentiating from other competitors so there's no brand confusion. There is also a lot of red color in the section which will add to confusion.
  - The name Vipa comes from the Latin root word for the area of Vustri which is known from ancient times as a land of great potatoes. This claim area can be explained and highlighted on the back of the package, to help solidify the claim.
- Frozen Potatoes Product Line. He is intending to launch a new line of frozen potato products (whole, pommes frites). We suggested he look at logo consistency across these products as well.
- Cross promotion with chips to create awareness in freezer section

Sensory Product Testing
There are product tests that will measure the right level of seasoning to place on chip varieties. This is a very sensitive flavoring opportunity due to the fact that the right seasoning level contributes to the repetitive eating behavior that is the strong consumer driver behind the chips category. The idea product gives a flavor hit to the mouth when first eaten, and then it “blands out” making the taste buds want that flavor hit again. Though the ketchup varieties are outstanding, the flavor hit may be too intense for some consumers, thus limiting repetitive eating.

It would be a good idea if blind product testing (similar to what we’re doing with the cream cheese study, yielding JAR scores) were conducted on his product line. This should be done in a neutral environment such as a shopping center, not at his offices where neighborhood bias may enter in.

SKU Variety Selection:
Mr. Kasumi discussed with us the flavor exploration he’s undergone over the past few months. He has several additional flavors he’s been interested in adding to the line. We cautioned that too high flavor variety will end up cannibalizing his own line. In the chips business (as in ice cream and other categories) there is a base flavor which is broadly appealing to all age groups (younger children tend to flavor blander varieties; older people tend to like stronger flavors, based on the number of taste buds actually in the mouth). Therefore a base flavor has a strong selling rate because it appeals to a larger group of consumers. The more one proliferates the line with additional flavors, the less profitability one adds to the line (production complexity).

The other problem is that the retailer will look at the sales rates of the individual items and discontinue the item if the sales rates do not meet the hurdle. This is an area to watch closely.

SKUs for Macedonia or other Export Markets:
It is possible that there are opportunities for other flavor varieties in Macedonia or other export markets. This might be an opportunity for a Feta or another variety, but he should be sure to make his current line a success first. Adding Export-specific SKUs will complicate his production line and add cost. In addition, unless he’s done the research, there is no way of telling what the sales rate of some of these varieties are, even though they may have a good anecdotal evidence.

We would encourage research in-country to better understand the right flavor line-up for export. There is a research company in Skopje (Stratum) which will be able to help. Vladimir Kokarev has the contact information (and I have it in the US).

In-store Displays and Merchandising:
Mr. Kasumi showed us his distribution rack which displays the products in a high quality manner. He has placed over 700 of these racks in-stores. They have a back-card which should be revised to reflect the package design principles outlined above (e.g., large brand name).

He should also put plastic strips along the front edges of the display to highlight the branding and make the variety choice an easy decision for the consumer.

He told us that his salesmen are in the stores at least once a week, sometimes longer. Out of stocks are refilled by the store personnel. We reinforced this as a critically important issue. We also encouraged him to think about a small wire rack for the cash register for the impulse purchase single serve. This would be a secondary display, not a primary display as he needs to have a large rack to display sufficient quantity of his product.

We reminded Mr. Kasumi that there are a lot of in-store promotional opportunities that he should take advantage of with his product. KCBS will work with him on putting together special promotional events. In that context, he should consider TPR's – Temporary Price Reductions – to drive extra brand awareness and impulse purchasing.

Pricing Strategy:
From a pricing standpoint, Mr. Kasumi wanted to know our Point of View about whether he should undercut the Serbian potato chip brand in price (about 5%). We discussed the current pricing tiers in the category: The top tier (and best selling brand) is a Hungarian brand. The middle tier is a brand from Greece. The lower tier is both Vipa and the Serbian product. We argued that he should not permanently reduce his price as a strategy, but offer TPRs two to three times per year. One good time would be in June when the potato season is in; another good time would be Christmas/Holiday season. We advised that he should never seek to reduce his price, but seek ways to creep upward as consumers associate price with quality.

He has a good track record in growing his business and is doing so many things right. He should not buy market share with price as he doesn't appear to need to do so.

Distribution/Availability:
We went over the marketing hierarchy with him on an informal basis. Quality is where it starts, with price the second driver in sales rates. Distribution – getting his products into as many outlets as possible, or getting secondary displays in stores where he currently has distribution – will drive his business harder than advertising.

He had made an investment in a television advertising campaign (€50,000) but did not see an impact on his sales. We advised that he will see a payback on his in-store marketing efforts.

Retailer Relationships:
Mr. Kasumi advised that some retailers are faithful and pay within 120 days. Others are not as good. This is a trend in the Balkans where the retailers are using the suppliers' money to make their money, and the situation will only get worse as retailers consolidate and they get smarter. We advised that the strongest ally he has is with the consumer. When the consumer demand for his product is solidified and strong, the supplier has leverage with the retailer that he does not have if he does not have a developed consumer franchise. There is a window of time – within the next two-three years – in which suppliers can build in-store presence and consumer demand within the store, without the retailer charging for it. He should take advantage of this.

Resources:
1. STRATUM (www.stratum.com.mk) is a good market research firm with experience in Kosovo. They provide information and analysis on consumer products and might actually have flavor variety tracking data for chips. The company is based in Skopje. Managing Director, Vesna Kuzmanovic, vesna.kuzmanovic@stratum.com.mk.
2. www.hubert.com is a resource for shelf and store merchandising materials.

ANNEX II: Cream Cheese Blind Consumer Test Protocol and Analytic Plan

Blind Product Testing Protocol
New cream cheese product
February 26, 2007 (Revised)

Study Background:
An opportunity to develop a new product for the domestic dairy market has been identified. Cream cheese has been imported in the last few years, but no domestic processor has produced cream cheese. There are a lot of cream-cheese type products on the market: vi kreme, processed cheeses such as Happy Cow, a cream product which is spreadable like cream cheese (brand name: Sole) as well as the imported Philadelphia Cream Cheese.

Two of the largest processors, Bylmeti and ABI, and one other smaller processor have developed prototype cream cheese products and these products need to be tested among consumers to determine preference among them, as well as product development guidance to optimize to consumer preference.

This study is the first of its type within the dairy industry and can serve as a model for additional new product development efforts. It is likely that the first wave of this product testing will test only the Bylmeti and ABI products. The test can be repeated for new products from other producers as well as for optimized products from ABI and Bylmeti.

Products to be tested:
1) Bylmeti product (code named L)
2) ABI product (code named D)
3) Control: Philadelphia cream cheese (code name S)

Study Objectives:
1) Provide product development direction to producers by evaluating sample products on range of product attributes, with goal to optimize "Just right" (JAR) scores.
2) Ascertain ranking of prototype cream cheese products on absolute terms: overall liking, and on specific cream cheese product attributes;
3) Ascertain preference for prototype cream cheese products vs. control Philadelphia Cream Cheese.

Study Methodology:

Target Goals:
This is a typical dairy product development study in which products are evaluated on a blind, unbranded basis. Consumers are asked to evaluate each product individually on a series of product dimensions or attributes and respond that the sample is "Too much", "Just Right" or "Too Little" on each of the dimensions. The target for optimum scores on each dimension is "Just Right" scores close to the 90% range. Any sample which falls significantly below the 90% level indicates need for additional product design work.

This study will also help us understand overall preference among the sample products. For example, will a product which is somewhat bland (low sour notes) such as Philadelphia Cream Cheese be preferred to other product designs which have more of a sour note taste? "Just right" (JAR) scores will provide insight and product design direction.

In this sense, we are not necessarily optimizing recipe and product development direction to the Philadelphia cream cheese benchmark, but want to have a range of different designs to arrive at the optimum for this market.

Study Design:
A sequential proto-monadic study design is proposed. In this design, each product sample is sampled and evaluated on a sequential basis. At the end of the testing, a preference question is asked. In this way one has absolute ratings on each product and gets an overall preference among the three samples.

Product Sample Demographics
We will sample for 50% men and 50% women. Interviewers should keep a tally of completed interview to make sure they are working toward the quota of half men and half women. If one quota is met, then effort must shift to the other. No substitutions are allowed. We want a representative sample.

Product Testing:
All three products should be packaged identically so that no packaging bias is introduced into the study. Product should be scooped in an unmarked plastic container and sealed with a foil or a clear plastic seal. The amount in the container should be enough for one generous serving – about 20 grams – so the consumer can taste as much of the product as she/he wishes.

Each product will be offered on a tray with a small plate, a plastic knife and a napkin. A glass of water should be offered as well. There will be three slices of white French/Italian bread on each plate, so consumers will be able to taste each product as much as they want. It is important that the bread be identical for the complete test so enough quantity should be purchased for the test and it should be fresh baked that day. If the test requires more than one day, the bread should be purchased fresh that day.

Each consumer will test each product. After each product is examined and tasted, a brief questionnaire will be asked. Then the second product will be tested and the same questionnaire completed. Repeat process with third product. At the end of completion of the third questionnaire, the consumer will be asked to state a preference for Product (L), Product (D), or Product (S) using questionnaire B.

Important:
It is very important that each consumer start with a different product to test, so that rotational bias is not introduced into the testing. The easiest way to do this is to group all three questionnaires together in different rotational order and give them to the consumer as a package, along with all three products.

Samples should be in a refrigerator or chilled cooler and each consumer should be handed a fresh sample. **Unused samples should be collected at the sampling site and returned to KCBS for disposal.**

Pre-Screening Questionnaire:
We want to talk to purchasers/decision-makers of dairy products for home use. Based on our recent study, both men and women buy, so the study should be done among both men and women. Children should be excluded from the product test. Adults 18 and over are the target with a quota of 50/50 for men and women.

We will not restrict this test to cream cheese users given the fragmentation in the category and the confusion among consumers on category definition. Consumers screened for dairy products use is recommended, however. This will eliminate any negative bias towards dairy products and/or dairy allergies.

A pre-screening questionnaire will be completed before the taste test. (see page 3)
The interviewer should keep a close tally on total contacts to determine dairy products incidence.

Sample size:
Recommended total interview sample is 150 people, with 75 men and 75 women.

Length of the Questionnaire:
Given the need to test three products and complete three questionnaires, the estimated time for completion is 12-13 minutes. A small gift should be offered to consumers as a "Thank you" for their time.

Pre-Screener Questionnaire

"Hello. May I ask if you would be willing to participate in a taste test for a new dairy product?

Yes_____ (CONTINUE INTERVIEW – GO TO Q1 below)
No _____ (THANK PERSON AND RECORD BELOW)

We want to interview people who are natives of Kosovo. If you are a resident of another country or here temporarily, we cannot interview you for this study. Thank you for your understanding.

TALLY OF CONTACTS AND COMPLETED INTERVIEWS

Please keep track of total contacts, total completed interviews and total non-completed interviews on separate tally sheet.

IMPORTANT:	
Estimate age of person **(DO NOT ASK)**:	AGE___________
Record gender of person:	MALE__________FEMALE______

Q. 1 I would like to read you a list of dairy products and have you tell me if you eat any of these products, please? (READ THE LIST AND CHECK IF PRODUCT IS CONSUMED OR NOT)

	Consume this product	Do Not Consume this product
Milk (fresh or UHT)	___________________	_________________________
Fresh white cheese	___________________	_________________________
Yellow cheese	___________________	_________________________
Hard white cheese	___________________	_________________________
Yogurt	___________________	_________________________
Fruit-flavored yogurt	___________________	_________________________
Vi Krem	___________________	_________________________
Krem Sir	___________________	_________________________
Processed cheese like Happy Cow	___________________	_________________________
Cream Cheese	___________________	_________________________
Fresh white cheese And peppers	___________________	_________________________
Whey	___________________	_________________________
None of the above	__________________	

(THANK RESPONDENT FOR THEIR TIME AND CONCLUDE INTERVIEW).

(READ) Would you be willing to taste two products for us and give us your opinion, please? It will take only about 12 minutes to do this and we have a small gift for you at the end of the study.

YES ____ (PROCEED TO MAIN QUESTIONNAIRE)
NO _____ (THANK YOU FOR YOUR TIME)

MAIN QUESTIONNAIRE INTERVIEWER INSTRUCTIONS

INSTRUCTIONS: HAND TRAY WITH PRODUCT SAMPLE ALONG WITH BREAD, KNIFE, NAPKIN, AND WATER. GIVE PEN OR PENCIL TO CONSUMER.

(READ) I am going to give you a new dairy product to test. I'd like you to open it and look at it and smell it before you taste it. Then complete the first two questions. Then after you've done that, spread it on bread. Use as much as you usually would, and the complete the rest of the questionnaire after you've tasted it.

We're going to ask you to think about the product on a number of different characteristics, color, taste, smell and so forth.

HAND CONSUMER THE THREE DIFFERENT COLORED QUESTIONNAIRES ALONG WITH QUESTIONNAIRE B AS A PACKET.

(READ) For each question, I am going to ask you to rate the sample on a scale from "Too much" to "Just Right" to "Too Little". In other words, if you feel it's "Too much", circle the number 5 or 4. If it's "Just right" circle the number "3". If it's "Too Little", circle the numbers "2" or "1". This scale is written on the questionnaire itself.

When you've done the first sample, go on to the second sample, and then on to the third. Please be sure that the sample letter on the questionnaire is the same sample letter on the product.

When you've tasted all three products, I'd like you to complete Questionnaire B which is very short, just two questions.

NEW PRODUCT QUESTIONNAIRE (A)

No. ______

PRODUCT SAMPLE NUMBER: (CIRCLE) L D S

Place a check mark under the number which represents what you think.

	"Too Much" 5	4	"Just Right" 3	"Too Little" 2	1
1. Color of the product	__	___	___	___	___

(Smell the product)

2. Smell of the product	___	___	___	___	___

(Now taste the product. Put as much or as little on the bread as you normally do. Taste the product and complete the rest of the ratings.)

3. Overall taste	___	___	___	___	___
4. Fresh taste	___	___	___	___	___
5. Sour taste	___	___	___	___	___
6. Sweet taste	___	___	___	___	___
7. Salty taste	___	___	___	___	___
8. Creaminess in mouth	___	___	___	___	___
9. Aftertaste in mouth	___	___	___	___	___
10. Softness	___	___	___	___	___
11. Spreadability	___	___	___	___	___

Now I would like to ask you to rate the product overall. Use the following scale in which "5" means "Excellent" to "1" which means "Poor". Please place a check mark under the number which represents what you feel.

	Excellent 5	Very Good 4	Good 3	Fair 2	Poor 1
12. Overall, this product is:	___	___	___	___	___

13. Please tell me how interested you would be in buying this product

_____ Extremely interested
_____ Very interested
_____ Somewhat interested
_____ Not very interested
_____ Not at all interested

14. What would you call this product? (Write in answer)
____
____

15. Are there any other products that are like this? (Write in answer) _______________________

____

16. How would you use this product?
____
____
____

THANK YOU FOR YOUR TIME.

NEW PRODUCT QUESTIONNAIRE (B)

No. _______

1. Now that you have tasted all three products, I would like you to tell me which one you like the best. Please circle the sample number of the one you prefer.

SAMPLE L D S

2. Why do you like it the best?

____

____

____

THANK YOU FOR YOUR TIME.

STUDY LOGISTICS:

DAY BEFORE THE STUDY:

Purchase at the hypermarket:

200 small paper plates
200 plastic knives
200 clear plastic drinking glasses
Liters of water – enough for 200 people
200 napkins
Six trays on which to serve the samples

600 small plastic containers (ideally from a manufacturing facility). Could be clear or opaque.
Plastic wrap to cover each sample
Colored dots – three different colors (green, pink, yellow) to write product sample names on each. Colored dots correlate with color of questionnaire.
Few pens (12-18)
Tape to secure the numbers to the sample products if required.

Purchase Philadelphia Cream Cheese at hypermarket. Note the date code. Try to get product samples all with the same date code and as fresh as possible. Buy the plain version only. We will need to buy 20 packages of the 200 gram package (or 25 packages of 150 gram package). This assumes we can get 8 servings from a 200 gram unit and 6 servings from a 150 gram unit.
Take picture of Philadelphia Cream Cheese product to have for files (in package, opened package, in cup).

Coolers to take product samples to store for testing. (Need three, one for each store)
Aprons for the interviewers to wear (need six)
Plastic surgeons gloves for handing the samples to the consumers. (Not essential, but gives a good impression of sanitary quality control).
3 serrated knives and three breadboards to slice the bread in equal sections.
Plastic wrap to cover the bread when it's not being used.

160 small low cost incentives (such as a pen or a candy bar).

Make Sure You Have On Hand:
3 tables, one for each location (assume three different stores)
12 chairs: one for each of two respondents (can do 2 at a time) and one each for the interviewers, and three situations.
3 tablecloths to cover the tables and give a fresh appearance.
Container to bring all the questionnaires, pens, aprons, etc. to the interview site.

Duplicate the questionnaires.

You will need 260 of the Pre-Screener questionnaire (printed on white paper). The reason for the extra copies is that some of the people will not complete the whole interview.
Print out ten copies of the interviewer instructions on white paper and place in plastic sleeve for easy reference.
You will need 160 of Questionnaire A printed on green paper (back to back)
You will need 160 of Questionnaire A printed on pink paper (back to back)
You will need 160 of Questionnaire A printed on yellow paper (back to back)

You will need 160 of Questionnaire B printed on white paper

Collate the questionnaires:
You will be making three sets of questionnaires: 1) green, pink, yellow sequence; 2) pink, yellow, green sequence, 3) green, pink, yellow sequence. Stack and bundle the questionnaires in this sequential order. This is important to eliminate the rotational bias in the study, so that each consumer is starting with a different product.

Number each questionnaire sequentially (each set has the same number).

You won't number the pre-screener until the consumer has agreed to take the study. Then the pre-screener is given the same number as the questionnaire. Pre-screeners that result in a declined or incomplete study should be marked with an X instead of a number. They count towards the survey contact log (or tally sheet) but not towards the total number of interviews.

Each set is put together with a clip and given to the consumer, along with the product samples.

Number and color code the product sample containers:
Bylmeti product (code number L) – write the number L on 160 green dots and place the green dots on the empty containers.
ABI product (code number D) – write the number D on 160 pink dots and place the pink dots on the empty containers.
Philadelphia Cream Cheese product (code number S) – write the number S on 160 yellow dots and place on the empty containers.

Product Samples:
Processor needs to be sure that the formula and processing specifications are specifically noted for the testing. We need to be able to reference back to this formula as the product design process evolves. A note on the product recipe should note the consumer product testing history and when the results are in, these should be attached to the recipe and kept in the files at the processors.

Preparing the Product Samples:
The process to dispense the product samples into the plastic containers should be identical for each. The same scoop should be used (pallet knife recommended) and only one scoop of about 20 grams placed in each, covered immediately with plastic wrap and placed in refrigerated container.

Train the interviewers:

1. Go over the study methodology for context.
2. Review the questionnaire and answer question
3. Review the methodology. Be sure to enforce the need to complete the tally sheet and keep the pre-screener questionnaires in a separate location.
4. Show them the product samples and remind them that the colored dots need to be securely placed on the product samples. Sometimes with refrigeration, the glue won't stick, so that's why the tape is supplied.

ON THE DAY OF THE STUDY:
Buy fresh local bread at the market. You will need enough bread to have 3 slices for each person for 160 interviews, so about 12 loaves. Each location will take four loaves. To save time, you can slice the bread and then re-wrap the loaf for freshness.

If the testing goes on to a separate day, buy fresh bread.

Set up the table and chairs.
Don the aprons and set out the survey materials.
Get the bread out and ready to put on plates, along with the plastic knife.
Keep the samples in the cooler until ready to do the testing.
Bring consumers to the site and complete the pre-screener questionnaire.
Do not forget to do the tally sheet.
When you have a consumer who is wiling to do the survey, number the pre-screener with the interview packet, put the samples along with the bread and plastic knife on a tray.

Read the survey instructions to the consumer. Consumer then completes all four questionnaires.
When she/he is done, look at the questionnaires to be sure all questions have been answered, thank respondent and give them the small gift.

BE SURE TO COMPLETE THE TALLY SHEET AFTER EVERY INTERVIEW.

TALLY SHEET

Interviewer's name:____
Store Location: ____
Date: ____

Declined to participate: (Just keep a count of the contacts here)

Men: ____________________________
Women: __________________________

Completed pre-screener but not full interview due to non-dairy product usage. Write in pre-screener questionnaire number here.

<u>Men:</u>

------ ------ ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

<u>Women:</u>

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

------ ------ ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

Completed Questionnaires (Write in questionnaire number in space below). Total 75 men interviews and 75 women interviews.

<u>Men:</u>

------ ------ ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----
------ ------ ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- (Total 75)

Women:

------ ------ ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----
------ ------ ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- ----- ----- ----- ----- ----- ----- ----- ----- -----

----- ----- ----- (Total 75)

END OF TALLY SHEET.

Blind Product Test for Cream Cheese Analytic Plan

This is the analytic plan for the consumer portion of the test. It would be a good idea if the processors' plant personnel and decision-makers also take this test.

The primary purpose of this study is to discern the most appealing flavor profile for a new cream cheese product. Three products will be tested: two from Kosovo (Abi and Bylmeti) and an imported product, Philadelphia Cream Cheese.

The study will be conducted in Pristina among both women and men, with a quota of 75 men and 75 women for the study. The total of 150 must be equally balanced.

Key Measures Analysis:

For each product:

The analysis should be done on Total Sample as well as Total Men and Total Women.

Each product must be evaluated on each product attribute or dimension, with a goal to achieve 90% "Just right" (JAR) scores on each dimension. On a base size of 150, the confidence level is about 3 points in either direction at the 95% confidence level. Therefore, a range of 87-93% is assumed to be meeting the target on any single dimension.

Analysis of the JAR scores on each attribute will provide product design input to optimize the recipe. Significant "Too Much" or "Too Little" scores in the 15-20% or higher indicated a need for further development.

The analytics will get an overall measure for each product as well as "Likelihood to buy". The threshold measurement for "Likelihood to buy" is 50% (Extremely and Very likely). In the case of all three products achieving this threshold, the product sample with the highest level of "Extremely likely" to buy is the strongest product formula.

Comparative Measures:
When one looks at all the measures across the samples, the product design direction should be clear. Compare the JAR scores for the three products and the one with the highest level has the most appeal.

In addition to this, we'll get a preference measure. Which do you prefer? This should correlate to Overall rating and should correlate to JAR scores.

Significant Differences between Men and Women:
There may be significant preferences between men and women on specific attributes or on overall preference. Diagnostics of the test will indicate whether the differences are on primary design characteristics or on secondary characteristics. The primary design characteristics are outlined below, with the secondary characteristics following:

Primary characteristics:
Overall taste
Fresh taste
Sour Taste
Sweet Taste

Creaminess in mouth
Spreadability

Secondary Characteristics
Salty taste
Aftertaste in mouth
Softness
Color of the product
Smell of the product

The goal should always be 90% JAR scores among both audiences. Tie-breakers should be overall rating and preference. One can also look at the diagnostics as to what they would call the product and how they would use it, as well as reasons for preference (These are the open-ended questions).

How to analyze the Open End Questions:

The research methodology is to first separate the questionnaires male vs. female and analyze the groups separately. They can be added together for a total sample later.

Do a simple tally of all mentions in the Open Ended key question which is Question 2 in questionnaire B. The answers will fall into "buckets" presumably which are:

Taste
Texture
Overall Quality
Spreadability
Unspecified

Count all mentions in a single questionnaire that fall into the above buckets. For example, in response to "*Why do you like it the best?*" she said "*The taste and the texture",* a count of 1 would go in after Taste and a count of 1 would go in the Texture bucket.

On the other hand if she said, "*The taste, the good taste"*. That would not count as 2 counts, but as one.

There may be other reasons such as "I don't know, I just like it." That would go in under the "unspecified" reasons.

Next steps for Processors:
Coming out of this study we may find that we have very definite design and product development direction, or we may be OK on all attributes and all products are seen as good products and worthy of development and launch. Here are the "Go/No Go" decisions for each product:

Outcome 1: Most Positive -Products (Bylmeti and ABI Product)
Total Sample and Men and Women individually
JAR scores at 90% level on all attributes and on Overall Measure
Likelihood to Buy score at 50% or higher
JAR scores within statistical range of other products or higher
Preference scores higher or equal to other products

Conclusion:
Product is close to launch prototype. Confirm recipe/formula. Develop mass production plan. Understand if any of the sensory characteristics will change when full-scale production is done.

Outcome 2: Less than Optimum Product Score on one or more key primary attributes (Bylmeti and ABI Product).
Look at the individual attribute ratings to diagnose what is driving the score down. Take a look at how the other products fared on these attributes. Re-do production design. Ideally re-test—if not with consumers, with internal staff. If the deficiency is in an area that is easily correctable and not with a primary attribute (and the Overall Scores and "Likelihood to Buy" scores are good) then it's possible a minor attribute correction will overcome product deficiency.

Look at the Open Ended questions to see if there is any insight into why the others were preferred.

Outcome 3: Philadelphia Cream Cheese is preferred on all or some dimensions and on "Likelihood to Buy" and Overall Preference.
This would indicate that the Philadelphia cream cheese recipe should be the standard benchmark for this product category. All product design efforts should be directed towards replicating this recipe.

Outcome 4: No product is viewed as significantly better nor worse than any other product. There is no statistical difference among any of the products.
Look to the product usage survey from the Pre-Screeners to see if there are enough users of any of the current competitive set (vi kreme, kreme sir, processed cheese, etc.).If there are 50 or more of those users, one could run a separate analysis of these users to see if there are any distinct skews to the data (for or against a product) among these "users". Another way to dig deeper into the data will be to look at age of the respondent. There might be a skew there.

Reminder: Much of the product preferences and sales will be driven by packaging and user imagery (as well as in-store and other promotional activities).

ANNEX III: Observations about store layouts for Leposavic mini-hypermarket

<u>Why put the major food groups on the perimeter?</u>

High traffic flow area (from studies): so put the highest profit margin foods where most people travel, these foods are also the least expensive, most healthy foods for the consumer

Store image of freshness (and food): Fresh food needs to be restocked frequently (short shelf life, cuts labor costs, near storage)

Near wall outlets for coolers, freezers, special lighting

Vegetables and fruits are almost always at the beginning of the traffic pattern (the first thing encountered)

They have the highest margin of profit for the store

Strong fresh food image

High marketing appeal (colorful and natural)

Frozen foods and dairy products are at the end of the perimeter traffic pattern so they can be out of the coolers just before checking out.

Meat is placed at the back of most stores because it accounts for one fourth of all store sales and is the largest expenditure for consumers. The more products people pass by, the better the chance they will purchase more. So meat is placed at the back (as is milk) so that people have to walk through a greater proportion of the store and pass more items.

If a store wants a service image as well as (or more than) a fresh food image, then services are placed near the entrances

We live in a right hand world so traffic patterns move from right to left.

Merchandisers have found that:

- The rate of exposure of a product is directly related to sales
- It is best to place products where they are easy to find and reach
- Place products where the atmosphere is relaxed
- Place products where minimum time is required to locate and purchase items
- Customers think in categories, so items are placed in categories
- Frequent relocation confuses customers, so item positioning is constant

The explosion of new products and customer demand for variety, novelty and choice, cause store expansion and more frequent resetting of layouts.

<u>Building space is expensive. Design detail is critical; every inch of space allocation must be carefully thought out.</u>

Low demand items sell best when placed next to the lower profit margin (but higher demand) items

Different products or product categories have different drawing power. High drawing power products are strategically placed throughout the store to draw customers past as many items as possible.

Facing size grows and shrinks depending on advertised items

Sales are directly proportional to the # of facings

Point of sale signs work best

High profit items are displayed in "hot spots" where traffic flow is heavy or congested

(Source: Wayfarer). See detailed PowerPoint presentation for additional insight for store schematic and good merchandising principles.

ANNEX IV: Specific Questions for Cream Cheese Research Study Follow Up

<u>Overall Comments on Research:</u>
1. Need to get copies of all the raw data (the tabulations) in English to follow up on specific questions.
2. Overall, prefer to see tables (not charts, or graphs) for data. Want to see the numbers and percentages.
3. Of all the outlets they've tracked, sort into the key categories: A (hypermarkets), B (small/medium sized markets/restaurants), and C (wholesalers/distributors, and Customs agents). Should have separate analysis of all data based on these three segments for a comprehensive picture.
4. Want to see the specific questionnaires used for each category above. I think we have the consumer survey but need the contacts and pre-screener.
5. In general, when a key summary point is made in the report, it should be followed by the table which underscores the point. In many cases, this is missing. E.g., "Cream cheese seasonality" as an example, but there are others. Sources for each conclusion should be cited as well.
6. Overall would like to see more individual brand profiles (where distributed, average price, SKUs, rankings on attributes, etc.).

Q1. Share/volume discrepancies between Importers/Customs agents and that tracked by store audits.

<u>Identification of Problem:</u>

1. How do the importers/customs agents source their data?
2. Can we get access to this data?
3. Could be that the qualitative interviews with the importers/distributors were not based on fact, but supposition.
4. Could be that there was a bias in the interview to the key ones that import Bayernland and Exquisa.
5. Could be importer/distributor data reflects a regional bias, that some of the sales are distributed outside our interview areas (e.g., Macedonia, Serbia, etc.). A re-distribution impact.
6. Could be a difference in the way the questions are asked.
7. Need to go back and estimate how much of the tonnage is diverted to food service/restaurants and could it account for the differences?
8. Pack size analysis.

<u>Consumer Audit Data:</u>

9. Could be an error in analyzing the data.
10. Could be that a key outlet was missed.
11. Could be interviewer error or misunderstanding.

<u>Action Plan:</u>

1. There are only five importers/distributors. Have a discussion with UBO about who they are, what their relationship is, what brands they import, etc. A profile of each.
2. Discussion and review with UBO about methodologies for each interview.
3. Look at questionnaires for each survey
4. Look at tabulations for each survey
5. Review data to be sure that all questionnaires were coded and data entered correctly.

Q2. Definition of sub-category "Light"
I suggest we create a sub-category Light (Plain/Flavored) which includes all SKUs.
Based on the research, Light is a smaller segment than Regular and the Flavored data is only interesting to us as we think to proliferate the line based on flavor SKUs. We would look to Regular for that.

Here are the major segments I'd want to see:

<u>Total Cream Cheese</u>
- Total "Regular" cream cheese
- Total "light/low fat" cream cheese
  - Total Light
  - Total Low Fat
- Total Flavored

Q3. Males v. Female Purchase Decision

<u>Question areas</u>:
1. Consumer survey shows that men are primary buyer and decision maker.
2. Intuitively and from informal research, this does not ring true.
3. Part of the problem may be that there is a fluid definition of "cream cheese". Confusion among the respondents with mozzarella and other pizza like cheeses (which was a problem in the interviewing briefing, I think). Only 40% of consumers knew what cream cheese is/was. How does Philadelphia describe it? (This does not address the fundamental question however).

<u>Action Plan</u>:
1. Did we collect male/female and standard demographics on survey? This would seem to be a critical step, yet I don't see the copy of the questionnaire. Need to look at the screening questionnaires. They must have a copy of their contacts. Want to see incidence based on pre-screen figures. This will give us another look at purchases male/female.
2. Review screener. Determine percent of males and females interviewed in study. Was there a 50/50 quota? This could have an impact on the study outcome.
3. Who does major grocery shopping for all food products – men, women, or together?
4. Look at regional splits in data to see if there is a region that is driving these data.
5. Clean the data for duplicate answers.
6. What is the statistical error range for these findings? At the 95% confidence level, on a survey of 200, the error would be 3-4 points.
7. Statistical significance should be calculated on all these consumer dimensions.

Q4. Philadelphia Cream Cheese and MAXI outlet sales. Exclusivity or not?
<u>Question Areas</u>:
1. We were told that they had exclusive distribution. Do we have access to the importers/distributors lists to validate this fact?
2. If Philadelphia is showing up on store shelves in Pristina or other outlets (which are served by different distributors) there is no exclusivity unless the distributor is pulling a fast one on MAXI or the distribution exclusive was for a limited period of time (which it could have been – 2 months or 3 months).
3. No one at the consumer level is telling us that Philadelphia is their favorite choice?

<u>Action Plan</u>:
1. Let's look at the data by Category as outlined above. Let's see the actual distribution incidence of Philadelphia cream cheese.

2. Let's see an overall distribution incidence of all brands/products. A net total for each brand as well as distribution for the segments within each brand.
3. We should also see a net distribution report for package size at the category level and for flavors/varieties at the category level.
4. The report says that the supermarkets carry only 2-3 brands at the most. Yet, we found more when we did store checks in MAXI in Pristina. I'd like to see the data broken down by Pristina vs. other regions/cities.
5. I'd like to see the dominant brand data broken down by key regions of the country. If we were to examine the Philadelphia data by region, we might find a pattern that is linked to the distributor.

Q5. Consumer definition of health

Question areas:

UBO's perspective is that overall healthfulness is an integrated concept. They are correct. There may be a way, however, to break healthfulness into specific dimensions.

Action Plan:

1. Look at attributes desired that relate to healthfulness ("Is always fresh", "has no preservatives", "is healthy for the family", and "high quality overall" and see if there's a correlation between how they are ranked for the category overall and how specific brands rank on those issues.
2. If we have enough user groups in "Brand Used Most Often", let's analyze the attributes on each one. This will give us an inside look at which brands deliver on healthful as well as other important dimensions.
3. UBO has analyzed the group in total as "Behavior" which is interesting but does not go far enough.
4. Given the unfamiliarity of the respondents with the definition of cream cheese, I'd like to analyze the responses in two segments: those who knew what cream cheese is and those who do not. The 40% cited in the study. Let's see if there are significant differences.

Q5. Discrepancy between preferences for local milk (70% v. 30%) vs. imported UHT milk. Retailers cite ALPSKO as out-selling VITA.

Question areas:

1. This could be a difference between perceptions by consumers (who state they like domestic brands better than imports) and the sales tracking data from the stores based on the retailers' memories.

Action Plan:

1. Discuss with UBO how the question was asked in each case.
2. Get from the importers and distributors the actual imported figures for ALPSKO, if they'll give it to us and reconcile that with what we feel is the total market size (imported and domestic).
3. Al showed me some high level imported dairy category data. Can we get this broken down more finely?
4. Need to do an overall dairy consumption study, not just cream cheese. Put a proposal together for that and have market research firms bid it.

ANNEX V: New Product Launch Program for Bylmeti Cream Cheese – 2007

<u>Background</u>: Bylmeti has developed a new cream cheese product which will be the first domestically-produced cream cheese product on the market in Kosovo. The product is targeted to be available on the market in May 2007. The following is an outline of recommended marketing activities to support the launch of the new brand.

<u>Preliminary Timetable</u> (2007)

▪ Product Development of prototype products	February-March
▪ Consumer product testing	March 10-11
▪ Product Optimization Phase	March-April
▪ Packaging Design development	March 10-April 10
▪ Label printing	April-May
▪ Development of sales materials	April-May
▪ Packaging container sourcing	March 5-May 5
▪ Photography session: product and recipes	May
▪ First Production	May 15-30
▪ Briefing to wholesalers	May
▪ Sell-in to retailers	May
▪ Retailer introductory allowance/circular date confirmed	May
▪ Distribution to stores	June 1-10
▪ First on-shelf date	June 10
▪ Retailer circular	June
▪ Consumer Promotion Activities start	June 10
o In-store marketing and promotion	June 10-24
o Public relations campaign	June 15
o Launch of Phase 1 Consumer Promotion Campaign	June 15-30
o Launch of Phase 2 Consumer Promotion Campaign	September
o Phase 3: Launch of New Flavors	December

<u>Marketing and Promotion Objectives</u>:

- 100% distribution of new product in targeted hipermarkets
- 100% awareness of new product among people who buy dairy products
- 50% trial among people who buy dairy products
- Interest in product and media features among Agricultural and Lifestyle media

<u>Overall Scope of Recommended Plan</u>:

<u>Phase 1 (June 2007)</u>

- Use the package itself to communicate usage instructions and reinforce the fact that it's "Made with Pride in Kosovo" and is for everyone in the family.
- Focus initial promotional budget and efforts on in-store marketing and promotion to create news or "buzz" among shoppers.
  - Branded shelf strips
  - "New" flags
  - In-store Posters
  - Sampling in-store
  - Cashier/dairy case buttons: "Ask me about new Bylmeti cream cheese"
- Use the loyalty of current Bylmeti users to encourage trial
  - Use cross-promotion coupons on current Bylmeti products which offer a discount (25 cents) if they buy current product <u>plus</u> new cream cheese product
- Send press release and product sample to leading newspaper and TV reporters (Lifestyle and Agricultural)
  - Create an attractive basket with cream cheese, box of crackers, and promotional pamphlet to send (quantity: est. 10-12)
  - Brief Bylmeti (Ymer Berisha) to be spokesperson for new launch to agricultural media
  - KCBS designee to be spokesperson for new launch to Lifestyle media
- Introductory retailer allowance to supermarkets to encouraging stocking of new product: 1 case free with every purchase of 10 for period of one month. Retailer needs to agree to allow signage and promotional efforts in-store in order to get the free allowance.
- Retailer Promotion: Participation in his flyer or circular (paid to retailer). The timing on this should be as close to launch as possible so sell-in should be timed far enough in advance to get into the flyer.

<u>Phase 2 (September 2007)</u>

- Repeat in-store marketing and promotion program
  - "New" flags placed on the shelf
  - In-store Posters featuring Consumer Recipe Contest
  - Sampling in-store
- Use a printed sticker on each package offering details of Consumer Recipe contest
- Create a Consumer Recipe contest
  - Women buy new product
  - Develop a recipe
  - Send in recipe to our judges (judge could be newspaper editor of Lifestyles feature)
  - Winner receives Year's supply of Bylmeti products
  - Winner is interviewed on TV and in newspapers (demonstrating how to make the new recipe)
- Recipe is featured on package (November)

<u>Phase 3 (December 2007)</u>

- Launch of new flavors (TBD)
- In-store sampling
  - Shelf tags
  - Posters – Featuring trial offer of free bread with purchase of two
- Trial stickers on other Bylmeti products
- In-store promotion: Buy one Regular and one New Flavor and get loaf of bread free

Rationale for Program:

- Building rapid trial and awareness of this new domestic category and brand is essential for long-term sustainability
- In-store activities are essential as this is where the consumer makes the purchase decision; it's most cost-effective
- Using the media to magnify our efforts is a good way to bring awareness to the new dairy product. The angle of being "first from Kosovo" and having a recipe development component will appeal to both the Agricultural reporters and the Lifestyle reporters.
- Using the loyalty of the current Bylmeti users – who already know and like our products – will accelerate awareness and trial.
- The recipe development program differentiates our product from other products which are used as spreads. Cream cheese is a unique product in that so much of the volume in more developed nations is used in cooking applications.
- More than one "wave" of consumer in-store promotion and marketing in 2007 is required to ensure that the brand has developed a loyal consumer base.
- The timing of the new flavors is dependent on the success of the base brand. It might be shifted to 2008 (January-February) for budget or timing reasons.

Detailed Tactical Plan:

The following outlines the tactical details for each element of the proposed program. Budgets have not been estimated due to lack of familiarity with cost structure of resources.

Important note: For every phase of the launch, Bylmeti should put together a sales kit which includes the following:

- Create letterhead paper with a photo of the new cream cheese product. All communications to retailers should be printed on this new letterhead.
- Outline of the promotional activities which will support the new launch
- Packaging sample with scannable code for retailer to enter into his system
- Sample of shelf strips
- Sample poster
- Sample of cross-promotion coupon which will be placed on other Bylmeti products (at the factory, not in-store). This coupon will also need to have a scannable code so that the discount can be taken at the cash register.

The salesman will need to get the retailer to agree to the sampling date in the store and confirm that all necessary tools and props will be there. This should be standard operating procedure (SOP) as sampling has been done in the past in the country.

Phase I: Initial Launch Program

A) On Package and In Store Promotional Program:

- The key messages on the package and on the in-store materials should be:
  - "New"
  - "Made with pride in Kosovo"
  - "Your whole family with love it"
- The visual should be a photo of the cream cheese spread on bread and should be highly appetizing. For this reason, a photograph of the bread and cream cheese, not an illustration, is recommended.
- The usage instructions should say:
  - "Great tasting spread on bread or crackers."
  - "Mix with chopped fresh herbs and fresh pepper for a unique new taste."
  - "Try adding chopped fresh fruit and nuts – a special treats kids will love."
  - "Flavor with chopped fresh herbs and add your favorite meat and cheese for a great new sandwich idea."
- The in-store posters should feature a large photo of the package and photography of these usage recommendations.
- In-store demos should feature sampling plain on bread, but the demo agent should also prepare these simple recipes as above for additional usage ideas. (See recipes which follow). Sales brochure for consumers to take.
  - Cashier/dairy case manager buttons should be given to cashiers at the time that the sampling is going on. These create "buzz" around the new product.

B) Branded Shelf Strips:

The first step is to get permission from the store manager to measure the strip dimensions. Each store may be different. We may not be allowed to replace the entire shelf strip, but just the section in front of the cream cheese slot (which would be a sticker that is placed on the strip, not inserted into the slot).

- The shelf strip should have a repeating logo design for Bylmeti cream cheese.

C) In-store "Aksion" Posters:

The ideal location for the in-store posters is near the dairy case. When sampling is scheduled, there should also be another poster near the demo area.

- "Aksion" Poster size: Should be as large as possible.
- Consistent with what the store already uses. For example, some stores have wire stand-up poster displays. Our materials should be designed to use what the store already uses. We should produce the posters to be custom-sized for each store and will only need a few for each store, but they should be high quality and laminated with a plastic so that they look nice.
- Content described above

D) <u>In-store Sampling</u>:
After the sales manager has agreed to the in-store sampling, the following process should be followed:

- Clean tablecloth
- Demo agent has on apron.
- Demo agent has been trained in what to say (see script attached)
- Quantities of small sales brochure (directed to consumers) should be available on the table for consumers to take.
- Bread purchased and sliced for sampling of plain cream cheese on the bread
- Small bowls with flavored mixtures with small spoons. Demo agent serves the sample to the consumers and hands it to them along with sales brochure.
- A few products on the demo table to buy right there. Have cooler by the demo table to store the product so it's chilled.
- Poster set alongside the demo table to highlight awareness.

E) <u>Cashier/Dairy Case Manager Buttons</u>:
These are large oversized button pins which are given to the cashiers and dairy case managers to wear the day of the sampling. This is out of the ordinary and so causes comment (word-of-mouth "buzz" and awareness of new product). Dimensions of the buttons should be about 3 inches in diameter with a picture of the Bylmeti cream cheese on it.

This element is recommended but will be discretionary if the cost is too high. There are firms which will make buttons to order and the quantity is not large: one button for each cashier and store manager – about 100 for all retailers.

F) <u>Cross Promotion Sticker</u>:
A sticker (dimensions about 2 inches by 2 inches) is placed on each of the current Bylmeti products in the store. It has the legend: "Buy this product and the new Bylmeti cream cheese product" and get a discount of 25 cents."

- Bylmeti will need to set up a mechanism by which the retailer will subtract or bill back the cost of the redeemed coupons. One way to do this is for the retailer to collect the cross-promotion coupons and deduct them from his payment (attach them). These are details which will vary retailer-by-retailer.
- Cashiers need to be briefed on how this promotion is executed. For example, they should understand that two purchases are required: the current Bylmeti product and the new cream cheese. A simple letter to the cashiers explaining this promotion may be necessary, or a briefing card that the store manager can give to his cashiers could also be used.
    - We want to be sure that the customer does not simply buy one Bylmeti product and ask for the discount. They need to also buy the new product to get the discount.
    - The actual amount of the discount is the decision of Bylmeti. 25 cents is referenced as a placeholder amount.

<u>G) Public Relations campaign:</u>

- Develop a press release to send to leading newspaper and TV reporters in Pristina.

- The target audience for this press release is two-fold: a) Agricultural reporters who will be interested in the fact that it's a new domestically-produced dairy product, and b) Lifestyle editors who will be interested in the new product from the consumer usage standpoint.
    - Both audiences receive a sample package. Included is:
        - Sample of new cream cheese product
        - A box of crackers
        - A fancy knife as a free gift
        - A written press release with facts about the launch (see following)
        - Bylmeti business card and contact information
            - Brief history of Bylmeti
- A press training session with Ymer Berisha should be scheduled (as spokesperson for launch) for the Agricultural reporter.
    - Copy Points:
        - Committed to building the domestic dairy industry in Kosovo
        - Working with KCBS saw an opportunity for a new product
        - Want to offer Kosovo consumers a fresh product, domestically produced, that is a better value/lower cost than imports
        - Product test proved consumers like it
        - Committed to more high quality dairy products from Bylmeti
            - State of the art high quality HAACP certified dairy facility
- A press training session with someone from KCBS as spokesperson for the Lifestyle reporters.
    - Copy Points:
        - Consumer research showed great interest in product
        - Want to offer Kosovo consumers a fresh product, domestically produced, that is a better value/lower cost than imports
        - Product test proved consumers like it
        - Product has a wide range of recipe opportunities.
            - In more developed markets, e.g., US, women use cream cheese as a base for many cooking applications.
            - Suggested recipes.
- Follow up telephone calls to reporters to ask for in-person interviews with Bylmeti or someone from KCBS as spokesperson for launch.
    - Offer to do plant tour of Bylmeti if they are interested.

Phase 2: Promotional Plan (September 2007)

The first phase of the awareness and trial program has been completed. Now it's time to embark on the second phase. This is necessary to keep building the awareness and trial of the new product (increase household penetration).

In this phase we will repeat several elements of the Phase 1 program:

- Shelf strips should still be up (replace them if taken down)
- In-store demos
- In-store "Aksion" posters (but with different message, see below)
- Cross promotion on current Bylmeti products
- "New" flags on shelf
- Cashier buttons

A) In-store "Aksion" Posters for new Consumer Recipe Contest:

In this phase, the in-store posters will communicate a new message. That message is that there is a new Consumer Recipe Contest for this new product.

- Buy new Bylmeti cream cheese product
- Create an original recipe using the cream cheese
    - Any meal category (appetizer, main meal, dessert)

  - Submit recipe to Bylmeti who will create recipe
  - Local newspaper editor will judge entries
    - PR campaign around judging
  - Winning recipe and creator interviewed and press release developed and submitted to local media
    - Include sample of winning recipe

B) <u>Cross Promotion Sticker on Current Bylmeti Products</u>:
(Follow recommended program as outlined in Phase 1, section F above)

<u>Phase 3: Launch of New Flavor Varieties (December 2007)</u>
If the initial launch is successful, flavor varieties should be pursued. A reduced fat Light version would be the first priority based on the consumer research. The launch program should follow Phase I activities.

<u>Sales Tracking</u>
Individual unit sales (by 70 gram and by 200 gram product) by <u>retailer outlet</u> should be tracked. Weekly sales --before, during and after --consumer in-store promotion activity should be measured. This will help provide a measure of promotional effectiveness. The retailer should be asked to share this information with us, to help us learn together. They have asked that more promotional activity be done behind products, and this will help us make the right investment decisions.

Content for Sales Brochure to Give to Consumers

Picture of new product
Picture of new product on bread (appetizing picture)
Bylmeti logo

Claims:
"New"
"Made with pride in Kosovo"
"Great creamy taste for the whole family"
"This is the first cream cheese made for Kosovo families. A rich creamy taste that everyone in the family will love!"

- "Great tasting spread on bread or crackers".
- Mix with chopped fresh herbs and fresh peppers for a unique new taste."
- "Try adding chopped fresh fruit and nuts – a special treat kids will love."
- "Flavor with chopped fresh herbs and add your favorite meat and cheese for a great new sandwich idea."

Recipes:

"Taste of Spring" Cream Cheese Herb Spread
2 packages (200 grams each) Bylmeti® cream cheese (softened)
½ cup chopped fresh parsley
½ cup diced green peppers
½ cup diced green onions
½ cup diced kashkeval or Swiss cheese
Extra chopped parsley for garnish

Soften the cream cheese to room temperature. Chop ingredients and add to softened cream cheese. Mix well. Roll into ball or place in bowl and add chopped parsley as garnish. Refrigerate until serving. Serve with crackers or on bread.

"Taste of Summer" Cream Cheese Fruit Spread
2 packages (200 grams each) Bylmeti® cream cheese (softened)
½ cup diced fresh apples
½ cup diced fresh strawberries
½ cup chopped peanuts (or any other nut)
½ cup raisins

Soften the cream cheese to room temperature. Chop ingredients and add to softened cream cheese. Mix well. Roll into ball or place in bowl and add chopped nuts as garnish. Refrigerate until serving. Serve with sweet crackers or with bread.

“Strawberries and Cream Cheese” Cracker Dip
1 package (200 grams) Bylmeti® cream cheese (softened)
1 small jar of strawberry jam (or other jam of choice)
½ cup fruit juice

Soften the cream cheese to room temperature. Empty jar of strawberry jam into bowl and add ½ cup fruit juice to jam to thin it down and make it pourable. Stir to mix well. Take softened cream cheese and shape into an attractive mound. Pour strawberry fruit juice mixture over cheese and serve immediately with crackers on the side.

Note: Picture of Bylmeti product range is shown as a placeholder. We would include actual photo of recipe crackers in an attractive setting.

Press Release Draft
Target: Lifestyle Editors

For Immediate Release:

Bylmeti Dairy Launches New Cream Cheese

Bylmeti Dairy, located in____________, has created a new product for Kosovo consumers. Bylmeti Cream Cheese is a fresh spreadable cheese which the whole family will love. It is the first-ever cream cheese made in Kosovo by the Kosovo dairy industry.

Cream cheese is a product that is popular in America and in Europe. It has a rich, creamy taste and is ideal as a spread on bread or crackers, or in a sandwich. In market research conducted by UBO, a local research supplier, and funded by USAID, Kosovo consumers told us they wanted a cream cheese product that was:

- Made Locally
- Fresh taste
- High quality product
- Has no preservatives
- Attractively packaged

This new product is made fresh every day from cream sourced from local farmers in the Pristina area.

Look for new Bylmeti Cream Cheese in local retailers such as __(List)

You can make many delicious recipes from this new cream cheese.

Try the following:
(Insert recipes from sales brochure)

For more information, contact Todd Kirkbride, KCBS….etc.
Bylmeti Dairy is a local dairy in ____________ who has been in business since _______. They make a wide range of high quality dairy products including….

Press Release Draft

Target: Agricultural Editors

For Immediate Release:

Bylmeti Dairy Launches New Cream Cheese

Bylmeti Dairy has created a new product for Kosovo consumers. Bylmeti Cream Cheese is a fresh spreadable cheese and is the first-ever cream cheese made in Kosovo by the Kosovo dairy industry.

New Bylmeti Cream Cheese is expected to increase sales of domestic dairy products in Kosovo by ___tons. It is made at the modern Bylmeti dairy plant in ___________ from milk sourced by local farmers. This new product is expected to offer consumers a better, fresher product at a price lower than imported cream cheese. Currently there are several brands imported into the Kosovo market from Western Europe, including the worldwide leader, Philadelphia Brand Cream Cheese from Kraft.

The opportunity for this new product was confirmed with consumers. KCBS, a USAID-funded agency working to strengthen the Kosovo dairy cluster, conducted research among Kosovo consumers and found a high degree of interest in the category. They told us they wanted:

- Made locally in Kosovo
- Fresh product
- High quality product
- Has no preservatives
- Attractively packaged

For more information, contact Todd Kirkbride, KCBS….etc.
Bylmeti Dairy is a local dairy in ____________ who has been in business since _______.
They make a wide range of high quality dairy products including….

Demo Script for Demo Agents

"Hello. Would you like to try a new cream cheese product from Bylmeti Dairy? This new cream cheese is made from fresh cream every day at Bylmeti. It's a delicious spread (hand sample of cream cheese on bread) and there are a number of great recipes can make with new Bylmeti cream cheese.

Would you like to try one of the special recipes?
(Offer sample on spoon)

Please take a recipe brochure. It shows how to make this recipe.

It comes in two sizes: 70 grams and 200 grams.

Today Bylmeti Cream Cheese is on sale for a special price of ______ for the 200 gram size and ____for the 70 gram size. Would you like a package or two?

Thank you for stopping.

Answers to Specific Questions:

1. Butterfat content
2. Calories per serving
3. Expiration date/shelf life
4. When new flavors are expected (light, etc.)

ANNEX VI: Detailed Training Manual to Launch New Product

Background:
KCBS has been working closely with numerous dairy processors and producers in Kosovo. Launching high quality new dairy products from local producers is a high priority for the project. Significant importers in the greater region have deeply penetrated the markets here. However, a competitive advantage can be found: in pricing, a better understanding of consumer, freshness, and so forth from local dairy would make dairy consumption more affordable and healthful for Kosovars.

Purpose
The purpose of this training manual for dairy producers is to provide an overview of the steps in launching a new product which are commonly undertaken in more developed dairy markets and processors (such as Land O'Lakes in the U.S.). This is not to suggest that the way it is being done currently is necessarily wrong. However, the dairy industry here may benefit from others' experience in new products and thus accelerate development and success.

Outline of Training Manual
Overall New Product Principles
Consumer Insights: Research
How to Get Started with Your New Products
- Gap Filling Strategy: Following the market with an improved product
- Market Assessment
- Analysis of Opportunity
- The Process to Get True Innovation
    - Research and Brainstorming
    - Concept Tests and Concept Product Tests
    - Innovative New Product Hurdle Rates

Financial Feasibility Analysis for Gap Filling New Products
- Calculating a Gross Margin Analysis Per Unit
- Watch Out for the Retailer and the Competition

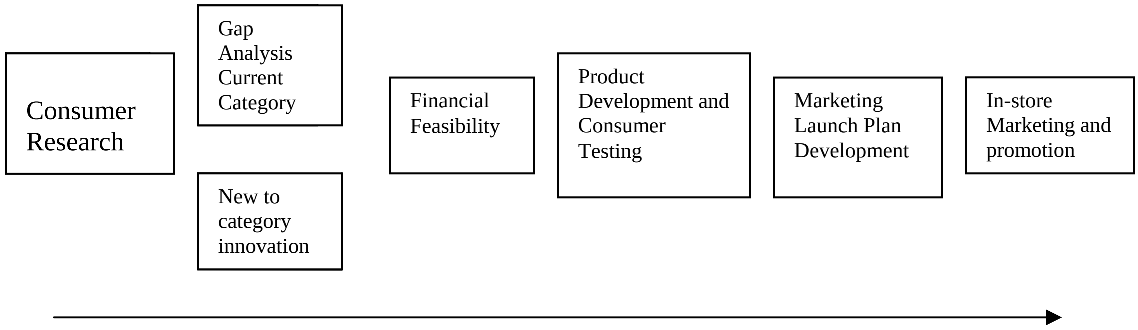
Financial Feasibility Analysis for Innovative New Products
Product Development Testing and Consumer Preference Tests
- Blind Product Testing/ Competitive Preference Testing
- Shelf Life Studies

Important Marketing Decisions
- Target Audience
- Brand Name
- Developing an Optimum Packaging Design
- Displayable Packaging Case Development

Developing the Marketing and Promotion Launch Plan
- In-store Promotional Strategies and Tactics

On-going Evaluation and Plan Changes

The New Product Development Process



Overall New Product Principles:
Overall, the purpose and role of new products is to build your brand strength. Your brand is king. All efforts should be directed to making your brand more powerful with consumers and you do this with products which offer them something that they cannot get with someone else's brand. At the same time, each new product you launch contributes or <u>detracts</u> to your brand image. It is important that each new product be the highest possible quality so that your brand just gets stronger.

There is another important principle in launching new products and that is the concept of sustainable competitive advantage. The key thought is <u>sustainability.</u> One can offer new products to consumers, but if they are not well thought out, well researched, with proven appeal to the consumers, you will waste time, money and valuable management time in the new product launch. True profitability comes when the products have been launched, have a loyal consumer following and you're making money without having to continually invest in marketing efforts. That should be your goal.

One should resist the urge to launch a new product simply because "We can do it." Or because a competitor has launched it. Our goal is always long term sustainable competitive advantage.

The most sustainable business position is to increase your brands importance to consumers by increasing the number of products they buy from you, rather than from your competition. High Household Brand Value should be your long-term marketing target. It is not unusual for Procter & Gamble, for example, to have U.S. households that are worth more than $1,000/annually in sales. These households are very valuable to P&G and specific marketing activities are directed towards them.

I. Consumer Insights: Research
The most successful branding and new product programs are based on good research. Understanding how the consumers buy the products, use the products, which brands, which sizes, and which flavors is essential. This is an area in which dairy processors in Kosovo are at a disadvantage. There is no broad research on consumer purchase and consumption habits in this market. (At the same time, when we have this knowledge, we'll have a competitive advantage in Kosovo because we will understand the consumer better than importers.)

Importers have a depth of knowledge about what works in their home countries and they are "transferring the success" to Kosovo, knowing that (in general) what works with consumers in one market is likely to work in another market ("Act Global, think Local").

A broadscale consumer study is recommended to form the basis of current marketing and new product development. Such a study would do the following:

- Help us understand the dairy consumption habits overall (which families buy which products at what frequency)
- Help us understand the market segmentation in Kosovo. For example, do older or younger families buy more dairy products?
- Help us understand preferred sizes and flavors within dairy
- Help us understand overall wants and needs in dairy and the image of individual brands on these dimensions.
- Which brands are strong? Which brands are weak? And why?
- Where are there unmet needs in the dairy category, by target audience (for example, young women)
- What is the perception of imported products vs. domestic products?

From a study of this type, we could also estimate the annual volume and annual value of the different segments within the category. This would help us make better estimates of volume and help with forecasting. This is essential for calculating the potential profit/loss of a new product and will provide insight into how and when we will achieve break-even on our launch and how much marketing investment we can make.

<u>How to Get Started with Your New Products:</u>
There are two major paths to finding a successful opportunity for a new dairy product. The Gap Filling Opportunity and the new Innovative Product Opportunity. These are discussed separately below.

1. <u>Gap Filling:</u> Assess the competition and determine if there is an opportunity for you to make a similar product but with a competitive advantage (Following the market with an improved product);
2. <u>Innovative Product Opportunity:</u> Create a totally new product for the market by adopting a segment strategy, a pricing strategy, or a promotion strategy.

<u>Gap Filling: Follow the market with an improved product:</u>
In general most categories will have numerous brands and flavors in the key product segments: milk, yogurt, cheese, butter, and so forth. The consumers have enough to choose from and there does not appear to be an unmet need for a new product. However, this does not mean that you cannot find a successful and profitable market opportunity.

The best way to determine if there is a new product opportunity within the current product segments is to do a Market Assessment. The following outlines the process:

<u>Market Assessment:</u>
1. Assess the current products on the shelf at all key retailers.
2. Count the number of <u>facings</u> that each currently has on the shelf and where on the shelf the brands are placed. This is called a <u>Plan-O-Gram</u>. Facings are considered the number of rows that each brand accounts for on the shelf. For example, if a single shelf has 6 slots/rows for Meggle, 3 slots/rows for Bayernland, and 1 each for Happy Cow and Buko, then the facings would be 6 for Meggle, 3 facings for Bayernland, and 1 facing for each of the other brands.
3. This is important because it gives you a measure of brand strength. The more facings are on the shelf, generally speaking, the higher is the brand share.

4. Be sure to note which brands have the prime position of "eye level". This is the best position for the category.
5. Complete a matrix for each brand and product as follows: Brand, flavor, size, price point, number of facings.
6. From this matrix, you can identify gaps: gaps in flavors or gaps in sizes
7. From this matrix, you can construct a pricing tier analysis. This is done by taking the average price for each brand in each size range and determining if there is a distinct ranking or hierarchy among the products. For example, are there brands consistently the most expensive, some in the middle, and then those that are consistently cheaper than all the rest. What percentage of the store shelf is devoted to each pricing tier? This will give you some insight into consumer demand in the category and help you understand a potential price opportunity for a new product.
8. Once you have profiled the category by completing the matrix, you can calculate a "Shelf Market Share". Since we do not have sales data from the scanners, a "Shelf Market Share" analysis will give us an indication of the leading brands. This is not a true market share which is based on sales.
9. Ideally, this analytic category matrix should be done every quarter. In Pristina there appears to be a lot of brands which are on the shelves for a short time and then gone, and then back again. This is likely due to importers' strategies in this country (for example, if they have a production shortfall in their home country, they won't ship to Kosovo. If they have production overages in their home country, they'll probably "dump" the product here.)

Analysis of Opportunity:
Ask yourself the following questions:

1. Does there appear to be a gap in the current market that I could fill and make some money? A gap in pricing or size or flavor?
2. Is it possible to imitate a product that is currently sold but gain competitive advantage because you have a stronger brand name?
3. Is there an opportunity to imitate a product that is currently sold but do a better job at in-store marketing? Shelf strips, frequent promotions, sampling and so forth?
4. Is there an opportunity to imitate a product on the market because you have a stronger claim or positioning identity? For example, "Made with Pride in Kosovo" would appear to be a compelling claim in the dairy product. Can you launch a product and replace the imported product on the shelf?
5. Another gap filling opportunity may be to focus only on a single distribution channel such as smaller micro-markets. Focusing your product distribution efforts in a channel could give you a competitive advantage which will pay back in increased profits. Remember: to this channel, you will be a new product. Don't overlook new distribution as a new product strategy.

Once you have identified some possible new product gaps, do a Feasibility Analysis of the profit and loss potential of the new product.

(It is possible that a dairy processor has been thinking about a new product which would be "me too" in the category. This matrix analysis can help understand whether there really is an opportunity or not. The Feasibility Analysis below can help understand the size of the opportunity.)

The Process to Get to True Innovation:
Beyond Gap Filling, all dairy marketers strive to find true innovation in the category. This is the source of long term sustainable competitive differentiation and should be the goal for dairy marketers.

This is challenging and requires investment, however. There are a lot of very sophisticated importers who have significant resources devoted to product development, product innovation, market and consumer knowledge and so forth. In under-developed markets such as Kosovo it is not financially feasible to attempt to find innovation in the classic dairy categories such as butter, milk, yogurt, cheese, etc. that has not already been discovered in more developed markets.

Innovation in the Kosovo market needs to have a different strategy:

- Find a product that is developed in another market which could potentially have appeal here in Kosovo;
- Find a more convenient way to offer local Kosovo residents something they already like (such as peppers stuffed with cheese and covered with cream);
- Find packaging innovation. Offer a benefit to the consumer in a better package.

Research and Brainstorming: The Process to Get to True Innovation:
It always starts with consumer and market research.

- Survey the dairy categories in other countries. Get samples of what is being done. Keep a library of packages or pictures. Repeat this survey every six months.
- Ask others to be on the look-out for new dairy innovation – recipe, formula, packaging design, packaging structure, etc.
- Based on an understanding of the basic consumer wants and needs outlined in your overall category research (reviewed on page 2-3), look for unfulfilled needs among consumers.
- Do a brainstorming session with your key people and other relevant outsiders (such as agencies, KCBS, etc.) to develop ideas around what could be some new products. Create concept boards of these ideas and show them to consumers.

Concept Tests and Product Concept Tests:
Develop the ideas and Review them with consumers:

- Develop sketches (concept boards) of the new product idea and do consumer research to understand if this is something in which they would be interested.
- Once you have an idea that seems to have appeal among consumers, you need to create samples that you can show to consumers. This is done in a Concept Product Test. The methodology for a concept product test is to show the concept and discern interest and then show the product and discern interest.

Innovative New Product "Hurdle" Rates:
Hurdle rates are the Purchase Likelihood scores that are necessary to ensure that you have a new product that will have enough appeal among consumers so it will stay on the shelves. These scores are achieved in both the Concept Test phase and the Concept /Product Test phase.

Generally speaking, the expected hurdle rates for new products are as follows:

- 20-25% of the consumer say they are "Extremely likely" to buy this new product. This is often referred to as the "Top Box" score.
- An additional 20-25% of consumers say they are "Very Likely" to buy this new product. The two scores added together are the Top Two Box score and should be 50% or higher.
- If less than 50% of your consumers are interested in your product, the likelihood that it will succeed is not good.
- It is especially important to get a score higher than 50% on the Concept/Product Test phase, since they will have had a chance to taste the product and it's a strong measure of acceptance.

Financial Feasibility estimates can be done in parallel with the product testing. Once you have the results from the concept tests, you can re-do your Feasibility Analysis, using updated insights as to category potential and market share.

Feasibility Analysis for Gap Filling New Product:

Here are the inputs:

- How big is the segment and what possible share do I think I can get? You assess share potential based on your understanding of brand strength in the segment from the Matrix above. As you do your calculations, you should assume different assumptions of category size and potential share to help you understand the financial liability of a wrong assumption. This is really critical as we do not have a good understanding of the size of the total market here in Kosovo.
- Assess category size now and to how big it will grow.
- Assess share in Year I and in Year II and III. You don't want a product which will have just a Year I sales "flash" and then die on the shelf. You want to build a long-term business. A financial calculation for three years is generally sufficient to assess long term impact.
- If you have a product that is currently fairly close to this product in consumer usage, you must assume some level of cannibalization. There is a high interaction from one product to another within a brand and there may be some substitution. For example, if you are launching a new flavor of yogurt, or a new flavor of cheese, your current product line will see some cannibalization as your current users will try your new product and skip buying the other product you currently sell to them.
- What are my assumptions for cost of production (COP)? Raw materials, plus processing costs, plus packaging, distribution, wholesaler margin, etc.
- One of the considerations here is the degree to which the new product carries some of the overheads of the on-going plant production. Generally speaking, in most dairy companies, the new product is assessed a proportionate percentage of the cost. This provides a true picture of the net profitability of the new item and helps make the best decision about whether to launch or not.
- What suggested retail price (SRP) point am I targeting, knowing that the retailer will set the price point?
- How much money should I invest in promotion and in-store marketing to ensure that consumer are (a) aware of the new brands, (b) try it, and (c) buy it again? Typically, Year I investment assumptions are that 25% of your wholesale price is necessary to support awareness and trial activities, with a level of 10% on a sustaining Year II basis.
- When you calculate promotion and in-store marketing, think about the different types of promotions including "price off" promotions (where the price is reduced to the wholesaler and we hope is passed on to the consumer), sampling and demos, shelf-merchandising, etc.
- How much money will be required to get the product into distribution? Will the retailer charge me slotting? How much should I pay to get the prime shelf position?
- What are my assumptions of an on-going business? Typically a new product will gain awareness and trial of a certain level in Year I and then settle down to a sustaining level which will then need to be built up year after year with promotion and in-store marketing.
- What is the wholesaler margin?
- What is the retailer margin?
- What is the suggested retail price (SRP)?
- Once you have captured all your assumptions on a spread-sheet, you can see at what point in your product launch that you can achieve Break Even on your costs.
- Most dairy products need to generate a 25%-35% gross margin to be successful for the longer term.
- The more a product has added value, the higher the price point and the higher the gross margin percent.

- Generally speaking, however, one does not get to “Added Value” products with Gap Filling and “Me too” products in the category. One needs to do true innovation.

Gross Margin Analysis:
Calculate the estimated size estimate of category
Calculate what is an expected market share
Factor in some estimate of competitive response (deep price discounting on competitive product, for example) =
Net total volume and value opportunity

Unit Gross Margin Analysis:
SRP – Suggested Retail Price (set by the retailer)
Subtract Retailer Margin – usually 20-30%
Subtract Wholesaler Margin – usually 15-20%
Subtract Marketing Investment Costs: Year I – 25%; Year 11 and III – 10%
Subtract Distribution costs
Subtract packaging costs – 3% est.
Subtract Cost of Product (COP)
Subtract estimate of cannibalization of one of your other products
= Contribution margin per unit
Subtract factory overhead costs
= Net contribution margin per unit

Calculate this Unit Gross Margin Analysis using different assumptions (size of category, market share, retailer margin, COP, etc.). This will help you understand which factors will contribute to your being able to make a profit or you will need to invest in the business. At this point, you will be able to determine whether you have a business proposition that meets your financial criteria for Year I, Year II and Year III.

You can also do different estimates using higher or lower SRPs as a variable. Generally speaking, there is a 1:1 relationship in pricing: For every 10% increase or decrease in price, you will get a 10% increase or decrease in sales (inverse relationship).

When Should You Expect to Break Even?
In more developed markets, processors make a loss on their products in Year I, but target a profit in Year II.

Watch out for the Competition and the Retailer!
However, you cannot ignore two factors: the competition and the retailers. The competition will step up their in-store marketing and promotion to “kill” your product launch when they hear about it. Usually this will take the form of deep price discounts on their product to the retailer so as to prevent you from gaining shelf space.

The other factor is the retailer: you need to be sure that your distribution base is broad enough so that if a single retailer discontinues you (because you don’t meet his sales rate targets or his profit targets), you are not completely out of business because you have distribution in other outlets.

It is really important to have multiple distribution points to limit your financial exposure.

Financial Feasibility for Innovative New Products:
The process is similar to Gap Filling, but your assumptions about market size and users will differ. In this case one must base the size of the potential market on the population base of the consumers. If, for example, you think this product would appeal to mothers of young children, then a population estimate of that group (difficult to do in this country in which no census has been taken in since 1991) would be the basis of your market size.

Generally speaking, here's how you start. You know from your Concept Product test that 50% are likely to buy. Estimate the size of the business as <u>one purchase per year per person.</u> This is the most conservative estimate. See if you can build a business at this volume level. This will give you an estimate of the size of the category.

Now complete the Gross Margin Analysis (as above for Gap Filling). Do alternate scenarios, changing the variables such as price, size of market, etc.

Since your product is totally new on the market, your cannibalization estimates may be low or non-existent.

Be sure to calculate the impact of a potential competitive response. If the product is truly innovative, it will take some time for competitors to follow your lead. You may not have very much competitive insulation however. The product may use standard packaging and be easy to copy. In that case, you can expect the competition to follow you in six months or less.

And don't forget that the Retailer can also compete with you by launching his own Private Label brand in the new innovation. This happens frequently.

<u>Warning:</u> It is very common for new product developers and marketers to be very positive about their new products work and be over-optimistic in their estimates of market size and profitability. It is better to be conservative in your financial and market size estimates. It is always better to have more demand than you estimated. It is also very important to have a good estimate for innovative new products. Very frequently this will requires new capital with a significant cost associated with it. So making these financial feasibility calculations is very important.

<u>Product Development and Consumer Testing:</u>

Once you have identified a business opportunity that appears to offer a long term 3-year business potential, you need to do product development and consumer testing. The product development process will confirm production feasibility, costing assumptions and long term "run rates" for production (so your feasibility studies are validated).

You need to validate your recipe with consumers. This is an essential step. They may try your product one time because of all the "news" about it in the store, but if it does not meet their expectations on quality, freshness, taste, etc., they will not buy you again.

<u>Blind Product Development Testing and Consumer Preference Testing:</u>

A separate blind product testing protocol has been developed to help optimize the recipe for the consumer market. Once you have a product design or recipe in which you feel confident, then you should test your product on a Blind (unbranded) basis versus the market leader. The reason you do this is that the market leader already has a loyal consumer base and if you are to gain share, you will gain it at his expense. You need to be sure that your product matches the quality and taste expectations of the consumer who are already satisfied with the brands they currently buy. A Consumer Preference test design is shown in the Appendix.

<u>Shelf Life Studies:</u>

In addition to product testing to optimize your recipe, you should do Shelf Life Studies. These studies measure the degradation in taste and other sensory characteristics after a product has been on the shelf at retail. A separate discussion of how this study is executed has bee prepared.

Important Marketing Decisions:

Target Audience:
One of the critical factors is to understand to whom is this product targeted. You may find in the overall category research, the gap analysis, and your product development research, that you have a new product which is ideally suited for—and liked – by a distinct market segment (such as children, or men, or young women). This is an important factor in your marketing plan. Generally speaking, one cannot be "all things to all people". Categories grow by addressing the needs of individual market segments. The yogurt category, for example, has grown substantially with products targeted to young health-oriented women ("Fitness") and to children (Danimals). Smart marketing is to be specific in your targeting.

Be sure that your product testing is done among the target audience you've selected for this new product. If you expect it to appeal to children, do testing with children. If you expect it to appeal to young women, do testing among women 18-35. And so on.

Brand Name:
Most often dairy marketers will use their company name as the brand name. In the case of Gap Filling, this makes sense. You will have the most success if you leverage the relationship you have already with your users of your other products. On the other hand, when you have a totally new innovative product, you may chose to use a separate brand name, one that highlights the consumer benefit you are fulfilling with the product.

Developing an Optimum Package:
Packaging is a key element of product quality and branding. Very often marketers do not place as much emphasis on the packaging as they should, believing that the quality in the package will sell the brand. Consumers evaluate brands on the totality of the brand – the brand image or package and the product inside. So you must be sure you are doing the best job possible with your packaging design.

This is an area where looking at the "packaging systems" of your competitors can help. Competitors such as Meggle and Bayernland have developed their packaging design system over many decades in their home market. They have adopted principles that have worked. In general their packaging "works". It presents a fresh, quality image, with strong branding. There is much to learn from the competition in the packaging arena.

There are three critical areas in packaging design:

- Does my package stand out on the shelf from a usual distance (when the consumer is shopping the shelf)?
- Does my package communicate a high quality brand image vis-à-vis other competitors?
- Am I distinct and different?

The recommended path is to buy samples of all the competitors in the segment in which you are looking to compete and analyze their packaging system? How well do they stand out on the shelf? How well do they communicate a high quality imagery? How well do they add differentiation?

It is very difficult to launch a new product in an existing category and find a distinct design point of difference. Color is one way. Many of the dairy packages are blue, white and green, due to the natural nature of the category. Think of a way to differentiate yourself in this context. Can color play a role? Is it compelling? And does color reinforce the quality and freshness image of the category? Do not trade off freshness and quality for uniqueness.

Think also about who your target audience is and what they want to see when they buy the product. A young woman is not going to buy a product with a cartoon character on it. On the other hand, a young mother buying for children might consider it. A man will not buy a pink pastel package, for example.

Think these issues through. There are packaging design firms in Kosovo who can help you.

Displayable Packaging Case Development:
There are innovations in packaging cases as well. Many dairy processors in the U.S. use a displayable case. This case is branded with the brand name and perforated so that the top can be removed and the case itself just set on the shelf. This makes shelf stocking easier for the store (less labor time) and it provides branding on the shelf. It also helps to preserve the shelf space for your brand. The process to explore this option is to:

- Review the types of displayable cases that are available in the market (there are lots of examples in spices and canned meats for examples).
- Have a design firm determine which one would work best for your product.
- Do a sketch of it (a concept board) and show it to the retailer when you are doing your "sell in" for the new product. Talk to him about the benefits of the displayable case (ease of stocking, less waste, etc.). If you can have a packaging supplier create a sample for you, that would be even better.
- Even though the per -unit price of a displayable case will be higher than a plain brown shipping box (due to the need to have attractive high quality graphics on it), there is competitive advantage with the retailer and with the branding you get on the shelf.

An example of a good Packaging Design system has been developed (included in KCBS Retail In Store Marketing and Promotion Presentation).

Developing the Marketing and Promotion Launch Plan:
The most important factor in new product launch is to develop awareness of the new brand and to get people to try it. This means that you need to concentrate your efforts on awareness and trial in the store. This is where the product decisions are made, and this is where the brand decisions are made. Consumers are not usually thinking about your product category or your brand when they are going about their daily life. Hard to believe: we are not that important to them.

However, when they are in the store and shopping, product news is what they are looking for and this is where in-store marketing and promotion can have both an important impact on your business and help you achieve your profitability sooner.

There are two levels of in-store brand marketing:

- At the shelf, the daily quality presence you show (products displayed correctly, upright and in right position, clean, not damaged, fresh looking, rotated for freshness);
- Promotional features – the tactics you employ to get consumers to stop and think about your brand. This is often a store banner, a shelf tag, a demo or sampling event, a secondary display, etc.

This is the most important marketing/promotion investment you can make. 70% of the brand decisions are made in the store. People spend only 10-20 seconds making a brand decision and there are many brands to choose from. Because these products are not high on the consumers' importance list, they don't think very much about the different brands and usually buy the one they "usually buy."

Therefore it's really important that you give them "News". People are always interested in something new. You must call attention to your new product. The store environment is one in which people are used to seeing some news about new products, so you must do this to gain their attention.

<u>In-store Promotional Strategies and Tactics:</u>
There are a broad range of tactics (see separate presentation). The tactics will differ depending on your marketing goals. Promotion can achieve one of three objectives:

- Create brand trial
- Get consumers to buy more often
- Get consumers to buy larger sizes or multiple units

The tactics that are used to achieve these different objectives will sometimes vary. For example:

<u>Creating Brand Trial:</u>
- Sampling in-store
- "New" flags on the shelf
- Posters in store
- Advertising in the store parking lot, on billboards, on TV and radio (secondary priority after in-store marketing)
- Don't forget public relations. Send new products – especially innovative new products – to the TV stations and newspapers so they can write about it.

<u>Getting Consumers to Buy More Often</u>:
- Sampling in-store
- Secondary product display
- Featuring in the store's flyer (circular)
- Special price features
- Near-packs –"Buy this product, get this_____free"

<u>Getting Consumers to Buy Larger Sizes or Multiple Units:</u>
- Banding two products together and offering a special price
- Doing a bonus pack: "25% free" (a larger package)
- Case sales or Pallet Promotions – for products which can be displayed without refrigeration – build a big pallet display in the aisle
- Special promotions: "Buy two, Get One Free"
- Co-branded promotions: "Buy two and get this _____l free". An example of this is the free milk and cereal promotion in which the milk is free if one buys 3 boxes of cereal.
- Don't forget that you have an already existing brand franchise. Consumers are already buying your other products. Cross-promote with these products. Put a sticker on the existing product that offers a special price if they also buy the other product.

<u>Ongoing Evaluation and Plan Changes:</u>
It is important that one monitor the success of the plan on a daily and weekly basis. See what is working and what is not working and be prepared to modify your plans if you need to. Generally speaking the retailer will expect to see that sales commence immediately once the product is in the store. However, often the promotional activity does not commence immediately so consumers do not notice the new product.

It makes since to get the promotion activity done as soon as possible so you can begin to evaluate the sales progress of the new product.

Work with the retailer to track sales on a daily basis. After one month, see if the sales expectations are meeting your targets. If they are not, repeat the promotional activities. The first six months of a product's lifecycle are the most critical. It is when you have the most "Product News" and when you have the best chance to get consumers to be interested and buy you. Don't skimp on your investments at this point.

KCBS

In-Store Marketing

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Seminar Objective

- Help you implement a in-store marketing strategy to support your business
  - What you need to do to support your daily business
  - What you need to do on a special basis to increase your sales (consumer promotion)
- Help you understand the different types of promotions and point of sale materials that are available
  - What has been successful in other countries?

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What we'll cover today

- Definition of in-store marketing
  - Basic branding materials
  - Promotional options
- Review of marketing activity
- Why it's important
- What you need to do
- Getting started

What is In-Store Merchandising

- The purpose of in-store marketing is two-fold:
  – To present a high quality brand presence everyday
  – To stimulate a purchase – regular shopping, sudden purchase
- We want to capture consumers' interest in store when they make a product and/or a brand decision.
  – They make an unplanned <u>category</u> purchase: they buy an item/brand in a category (e.g., yogurt, butter, processed fruit) that they did not intend to buy (an impulse purchase)
  – They buy your <u>brand</u> when they are shopping for something in the <u>category.</u>
- Sometimes in-store marketing does not result in an immediate purchase but places the thought in the consumer's mind for a future purchase.

Why In-Store Merchandising Is Important

Consumer Reasons:

- Awareness is essential to brand trial
  - Whether it's a category or a brand
  - On an overall scale of importance, grocery products rank low in interest--buying a new car, baby clothes, candy for kids – all rank higher in importance
  - Many purchases are routine
    - Very many brands
- Quality is always most important

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Shopping Dynamics

- The average U.S. supermarket contains 45,000 items
- The average shopper fulfills 80-85% of their needs with only 150 items.
- Shoppers spend on average only 10-20 seconds making a purchase decision.
  - Studies have shown that shoppers don't even see one third of the brands on the shelf.*
  - Being seen quickly highly correlates with purchase.
- The shelf is the Point of Power (POP) for all brands.
  - 70% of brand decisions are made in the store

*PRS eye tracking *studies, Package Design* magazine

How to Reach Consumers

- Other media options are distant from the consumer purchase decision process
  - Television – in-home
  - Radio – driving, in-home
  - Billboards – out of home

The Retail Landscape

Why is In-Store Marketing Important

- The balance of power between brands/ manufacturers has shifted.
  - Led by scanner data, the retailer now has the information power.
    - He makes the decision on which brands/categories to stock in the store weekly
      - Controls access to the consumer

Retailer Consolidation

- Retailers are increasingly smart about what works and what does not work
  - They're consolidating stores across countries and adopting "Best Practices"
  - Your products are vulnerable:
    - That do not meet the retailers' sales rate expectations
    - Do not demonstrate a consumer loyalty base
      - If the consumer does not buy on a regular basis, the retailer will not continue to stock it

Retailers are Getting More Powerful

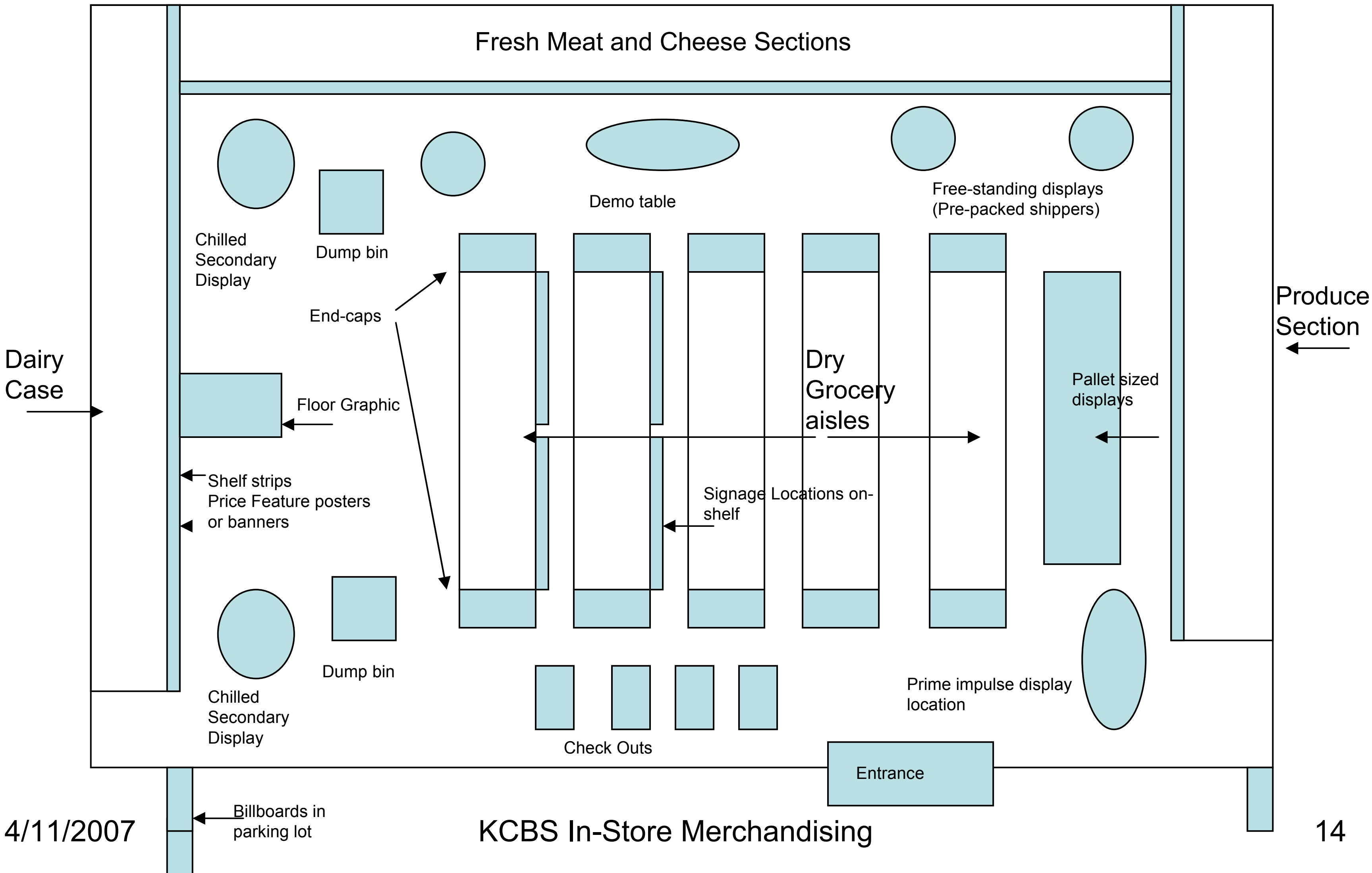
- Currently Kosovo retailers are not as experienced as those in other countries:
  - In charging for in-store merchandising
  - In restricting what can be done
  - Control of the shelf
    - Shelving options
- “Clean store policies” (no merchandising) not mandated
- We’ve interviewed over 25 retailers in Kosovo
  - Have information on their expectations; will share

Importance of In-store

- In-store marketing differentiates your brand from other competition
  - Expected by retailer
  - Especially if you have a compelling message
- It also helps differentiate the retailer
  - Making his store more appealing to the consumers
    - Really important as Kosovo evolves towards independence and expatriates leave
      - Consolidation expected

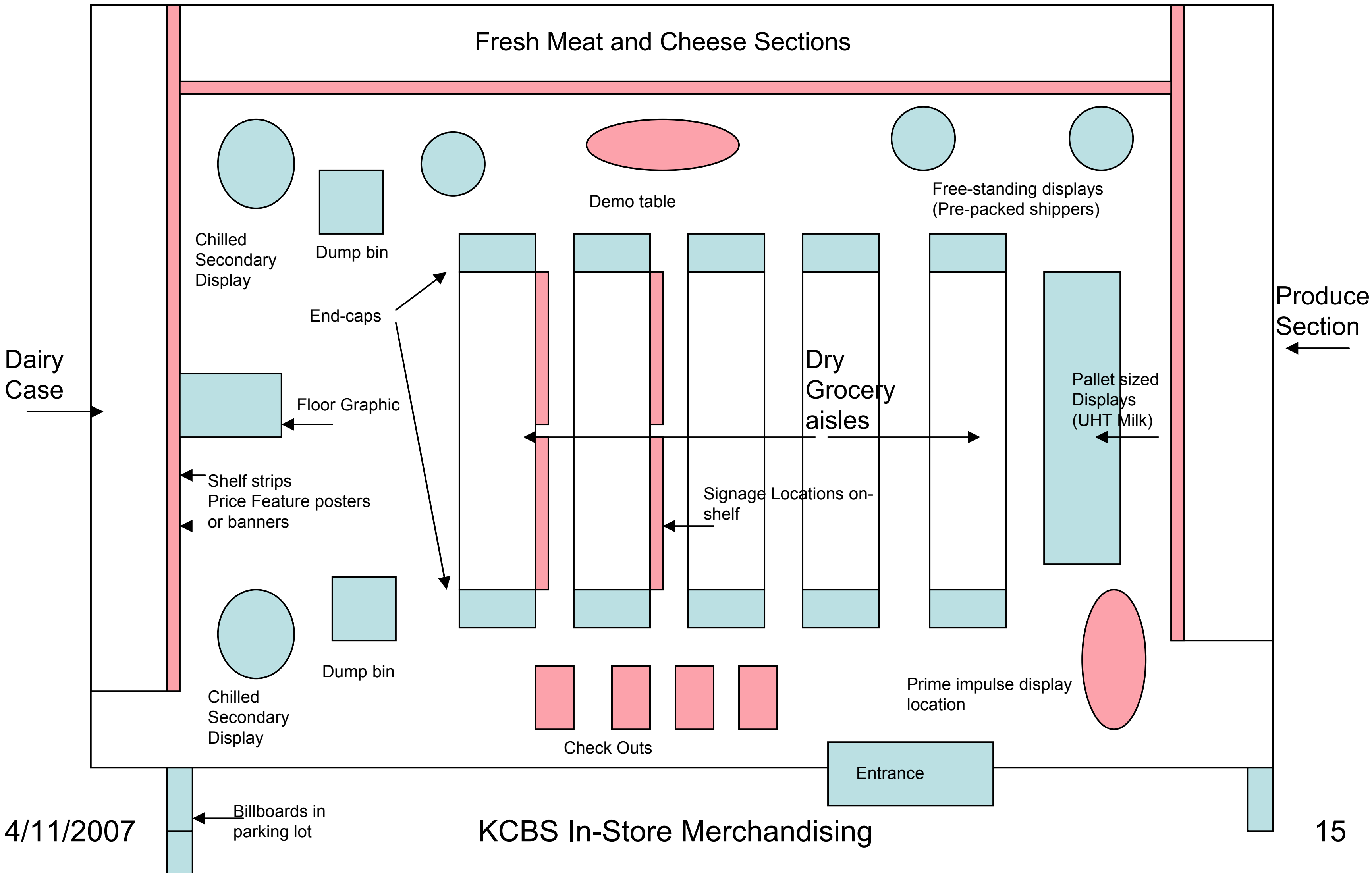
Store Marketing Locations

Marketing Opportunity Locations



Best Locations

Many of these locations are not available to us because dairy requires refrigeration.



What are some of the types of marketing materials?

What do you need for <u>everyday</u> brand marketing?

What are your shelf display goals?

- You need:
  - Best possible <u>quality</u> image on shelf
    - Clean product appearance, not dirty nor damaged
    - Appearance of full stock on shelf (no out of stocks)
  - Product displayed correctly
    - Front panel forward with logo clearly displayed
    - In proper section on shelf (aligned with shelf tag)
    - No other brands cluttering your space or blocking the consumers' view of your product.
  - Stock rotation; first in, first out

What are your shelf display goals?

- This is work your distributor should do <u>every time</u> the shelves are re-stocked
  – Consider hiring a separate shelf merchandiser to do this work for you if driver/distributor time/cost is an issue.
  – Better you should pick up damaged goods than damage your brand image with poor quality product on the shelf. This will leave a lasting impression with the consumers.

What are some branded marketing
tactics that can set your brand apart?

Shelf Signage

Branded shelf strips with your brand name:

- Repeating pattern
- Placeholder for your brand name
- Use a color system to help separate products and make re-stocking easier.

Branded price stickers

Shelf Signage

- You want to make the purchase decision easy for the consumer (they spend very little time deciding on the brand or category)
- For a minimal investment, you can “lock in” the display space
- Though we may think this expense should be the retailers’ cost, it is worth our investment to set our brand apart.
- Kosovo retailers are very flexible at this point of time and are not likely to charge us now.
- As they adopt practices from nearby countries, they will start to charge. In-store merchandising becomes a profit center for the store.

Whatever you do, you want to bring "NEWS!" to the shelf

- Offer branded shelf signs whenever we offer a new item, or when a product has high demand (e.g., yogurt in summer)

Create a recipe card that hangs right next to our dairy products or processed fruits/vegetables to encourage impulse purchase "Try this Recipe!"

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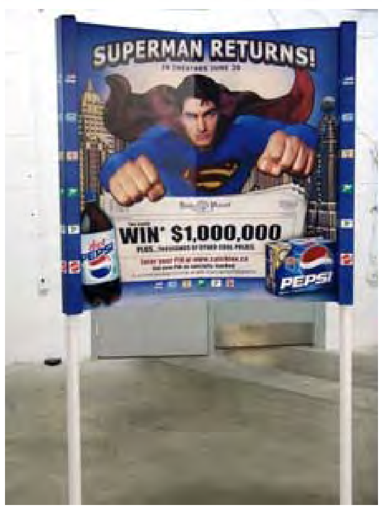
Shelf Mats

- Invest in shelf mats
- Helps better display your products
- Displayable case

Posters/Banners



Posters and banners are usually two types:

1) Featuring a single brand prominently
2) Featuring the category, with small brand mention

- A strong branded poster will help sell your product, but is unlikely to stay in the store very long.
- A poster which features the category (with a small logo on it) is likely to remain up longer

Opportunity: Category posters and banners which feature domestic Kosovo dairy products – "Made with Pride in Kosovo".

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Price flags that call attention to a special price

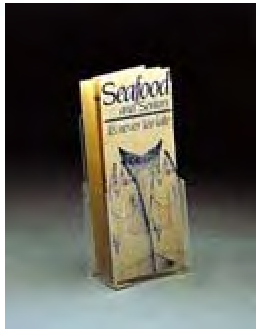
Shelf Danglers

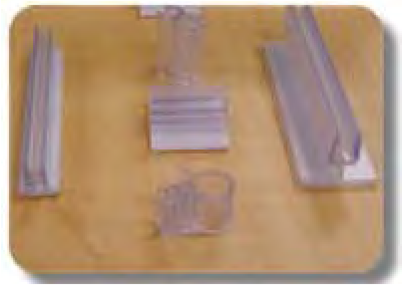
- Every time you offer a special discount on your brand to the trade, produce "Price Off" material and make sure it gets up in the store.

Education/Information Signage

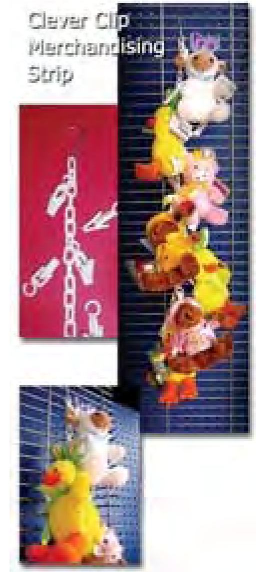
Don't neglect the opportunity to educate

Brochure Holde





Gripper Sign Holders



Clip Strip to hold recipes
or free premiums

Free standing frame sign

Educational Poster

Getting Started
Baseline Marketing

- Build in-store marketing/merchandising programs into your business plans
  - Evaluate cost-benefit and break-even analysis for investment. (“How much extra do I need to sell to cover the investment?”)
- Meet with KCBS to understand retailer expectations
  - KCBS can help with financial evaluations
  - KCBS will help with finding you resources
- Do a check-list of what you need to do first:
  - What are your critical shelf presence issues?

Critical Shelf Presence Issues

- Does my brand have a high quality appearance on the shelf?
  - Fresh, high quality
- Can people easily/always read my brand name and logo? Does it stand out?
  - Look at the package from all directions
- How can I give my brand a better position on shelf? What would I do differently?
- Are my different varieties stocked next to each other? Am I in the right section?

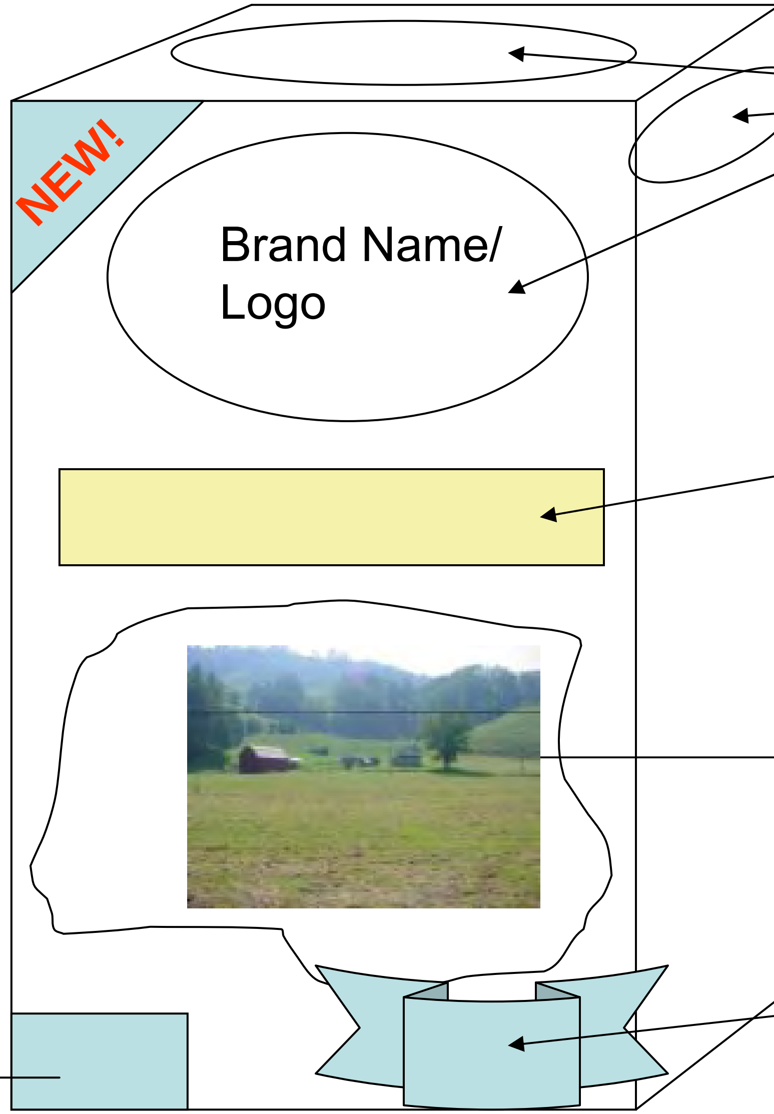
Let’s start with your brand packaging

STEPS IN THE PROCESS

- Understand the consumer choices:
  - Visit the store section
  - Assess which brands stand out and which ones do not.
  - Ask store personnel which brands sell the most.
  - Buy samples of those brands
  - Diagnose their packaging function and design
    - Strengths and weaknesses

An Effective Design System for Food (Principal panel)

6. "New" flag or special promotional offers



1. Brand Name Logo – largest design element on package

2. Variety/flavor designator – usually differentiated by color (type or background)

3. Visual of product or visualization that provides appetite appeal

4. Claims or positioning language

5. Legal package size/units description – net weight, etc.

Effective Packaging Sample

Color equities
Deep rich red
"Pops" in the dairy case

Logo –
brand name
Always in
same type
face, with
clear color
and size
standard
Always
most
prominent.

Emotional
imagery –
evocative of
family roots

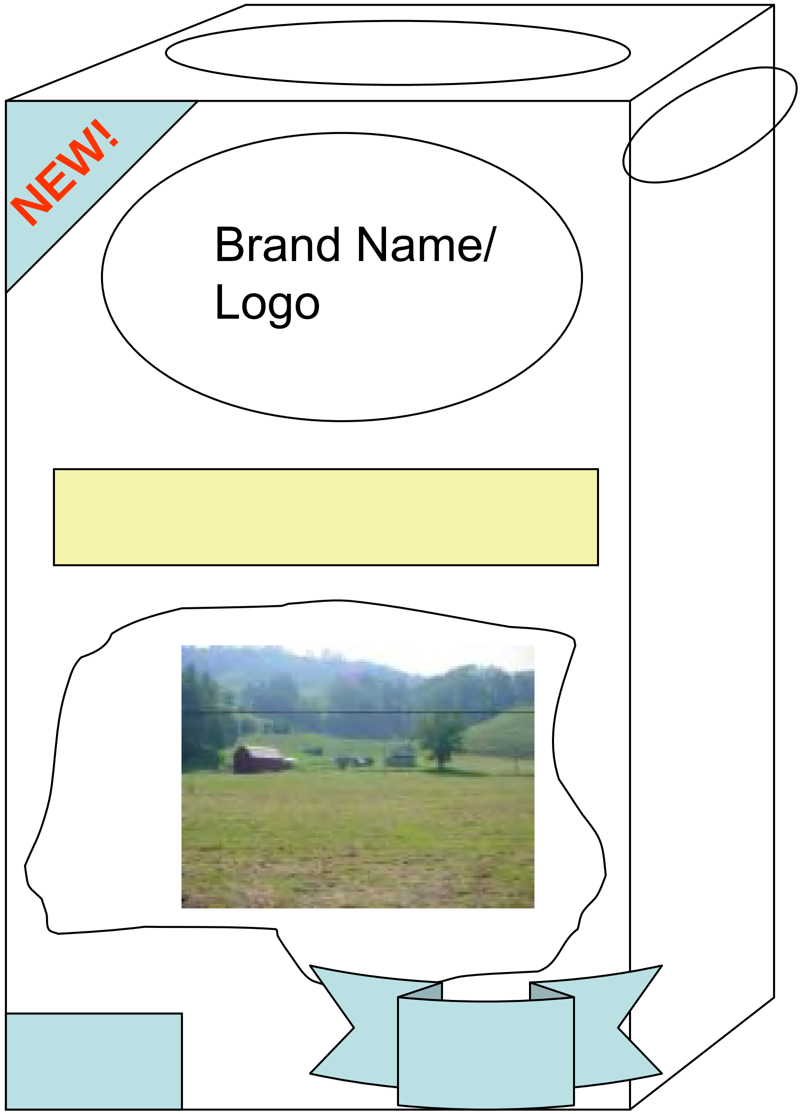
Consistent
treatment of
variety name
and type style
Colors
differentiate
variety

Ability to see
product. Adds
to appetite
appeal

Technical
information
(weight, units)

"Real cheese"
reassurance "flag"
- Always in consistent
position

What do you do when you have less space




SNICKERS
SNICKERS
SNICKERS


SNICKERS

BRAND NAME


BIG HUNK


Mars


m&m's
m&m's


Mars

Break/
Questions and Answers

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Review

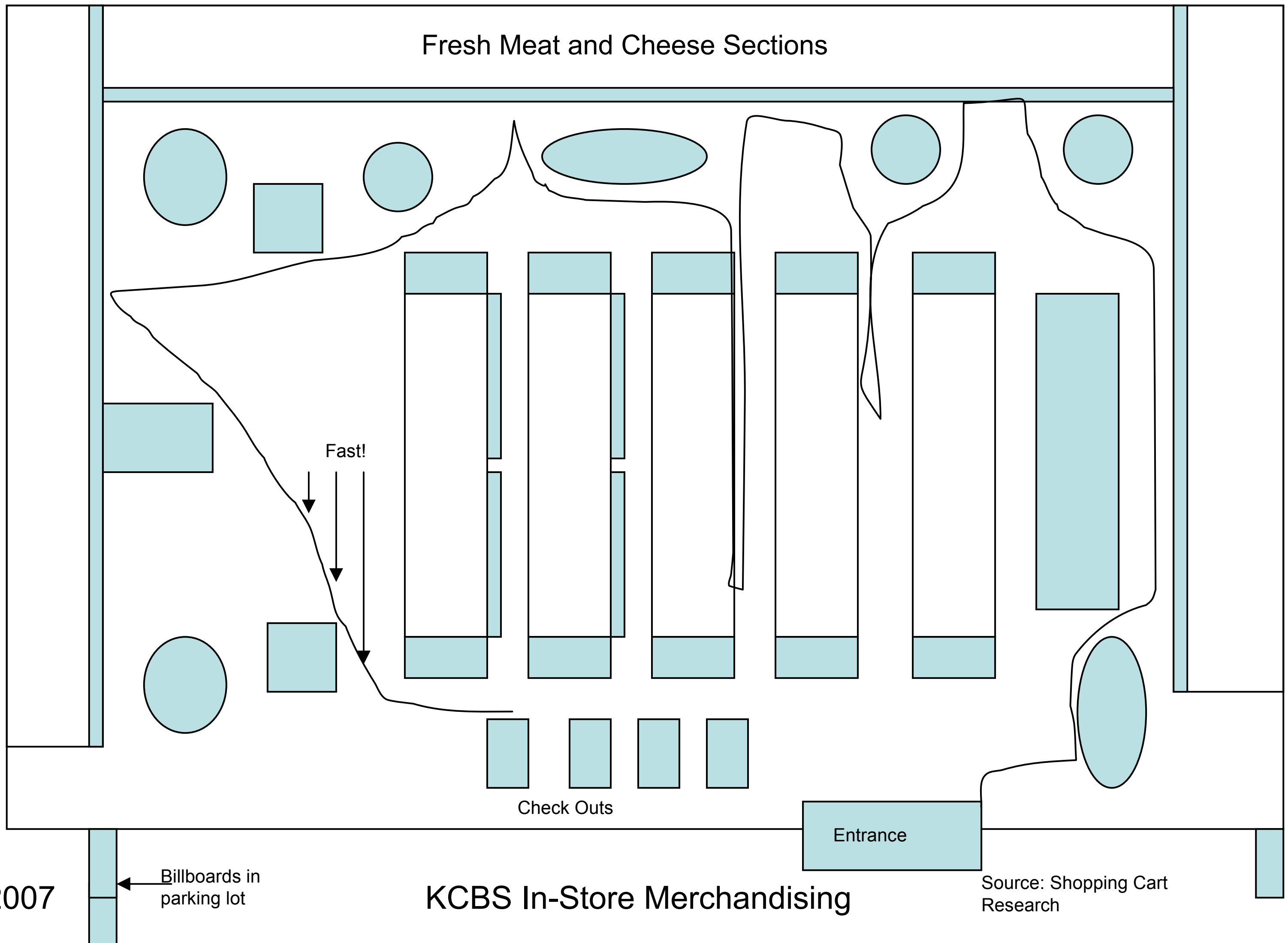
- Brand name and package is the most important selling tool you have
  - If you're not optimum, work on this first
- <u>Quality</u> is the way you win long term
- Doing the best job possible on in-store merchandising for daily sales is an <u>essential</u> marketing tool.
  - Increased sales will make it a valuable and worthwhile investment

Special Promotional Marketing

Why do special in-store marketing?

- Any time you disrupt the consumers usual shopping pattern, you have a chance to make a sale
  - Displays and in-store merchandising make consumers “think twice” about your brand
  - If it has a special display or signage, people think there is something new
    - People like new!
- If your merchandising is located at the start of the shopping trip, you have more chance to make the sale.

How the Consumer Shops the Stores



Source: Shopping Cart Research

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When/How to Do Promotional Marketing

In-store Promotions

- When you have <u>product or brand</u> news
  - New distribution
  - New varieties
  - New sizes
  - New packaging (“New look!”)
- When the <u>store</u> has news
  - New store opening
    - Capitalizes on their heavy traffic
- When the consumers are predisposed to buy more
  - Holidays and special celebrations

What are your Objectives?

- Get customers to try for the first time
  - Product/Brand awareness
- Get current customers to buy more often
- Get current customers to buy in larger amounts every shopping trip

  - Programs and tactics are different for each objective

Brainstorm session

- Brand Trial
- Shop more frequently
- Buy larger amounts

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Brainstorm

- Think about all the consumers who use you now
- Think about all the ways in which your product is used now
- Think about other usage occasions for which your product could be used
- Think about other products that are similar that are used differently or the same

Need for News!

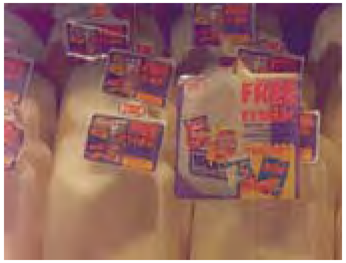
- Any reason to bring product news to your brand or the category should be considered
  - Develop an in-store promotion around the idea

Do a store wide promotion on products made in Kosovo:

“Made with Pride in Kosovo”

-June 28th
-banners
-demos/sampling
-signage in parking lot
-special prices “Buy two, get one free”
-Case sales UHT milk

Price Off Stickers Placed on Packages

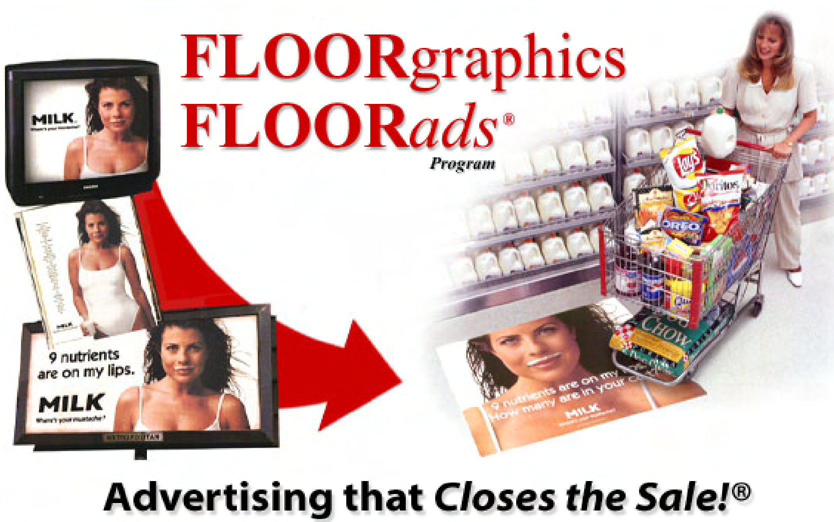


- These stickers call attention to a special price on the package itself.
- Placed on at the factory or by salesman/merchandiser

Floor mats
Floor graphics

Other Display Materials

Check Out Mat



Secondary Displays – Chilled/Refrigerated

Free Standing Display on ice

- Good opportunity to get extra impulse purchase
- Expensive
- Often left in store at retailers request and used for other products (Coke)

Pre-packed shippers

End cap Display

- Generally shipped to retailer and he sets up
- Extra secondary display for shelf stable products

Demos/ Sampling

Demo Sampling Stand

Branded Umbrella for sampling and demos

Demos/sampling can be used for:

- Awareness and trial for new products
- For special price promotions
- To get secondary display in store
- Whenever one has "news"

Parking Lot Signage

Inflatable (filled with air) plastic large attention getting display

Outdoor banners

Review

- In-store branding and merchandising is an essential marketing tool to increase sales
- There is a window of time in which Kosovo retailers are not so strict about what you can do – you have an advantage
- There are a lot of proven tactics to generate increased sales
- KCBS has knowledge about retailers and resources. We can help.

Questions?

Thank you!

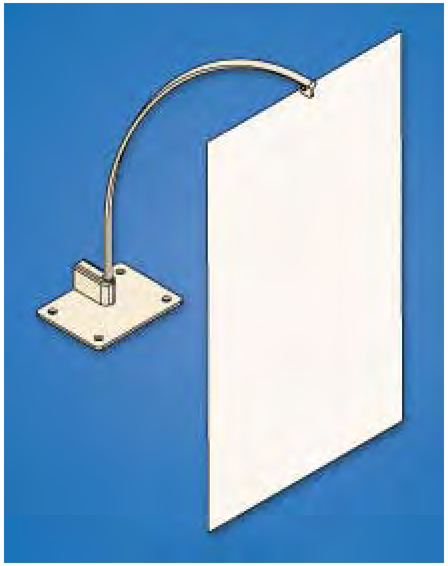
Appendix

Other Merchandising Ideas

High Quality branded clock placed in-store on a permanent basis

Other Display Materials

Branded Dump Bins

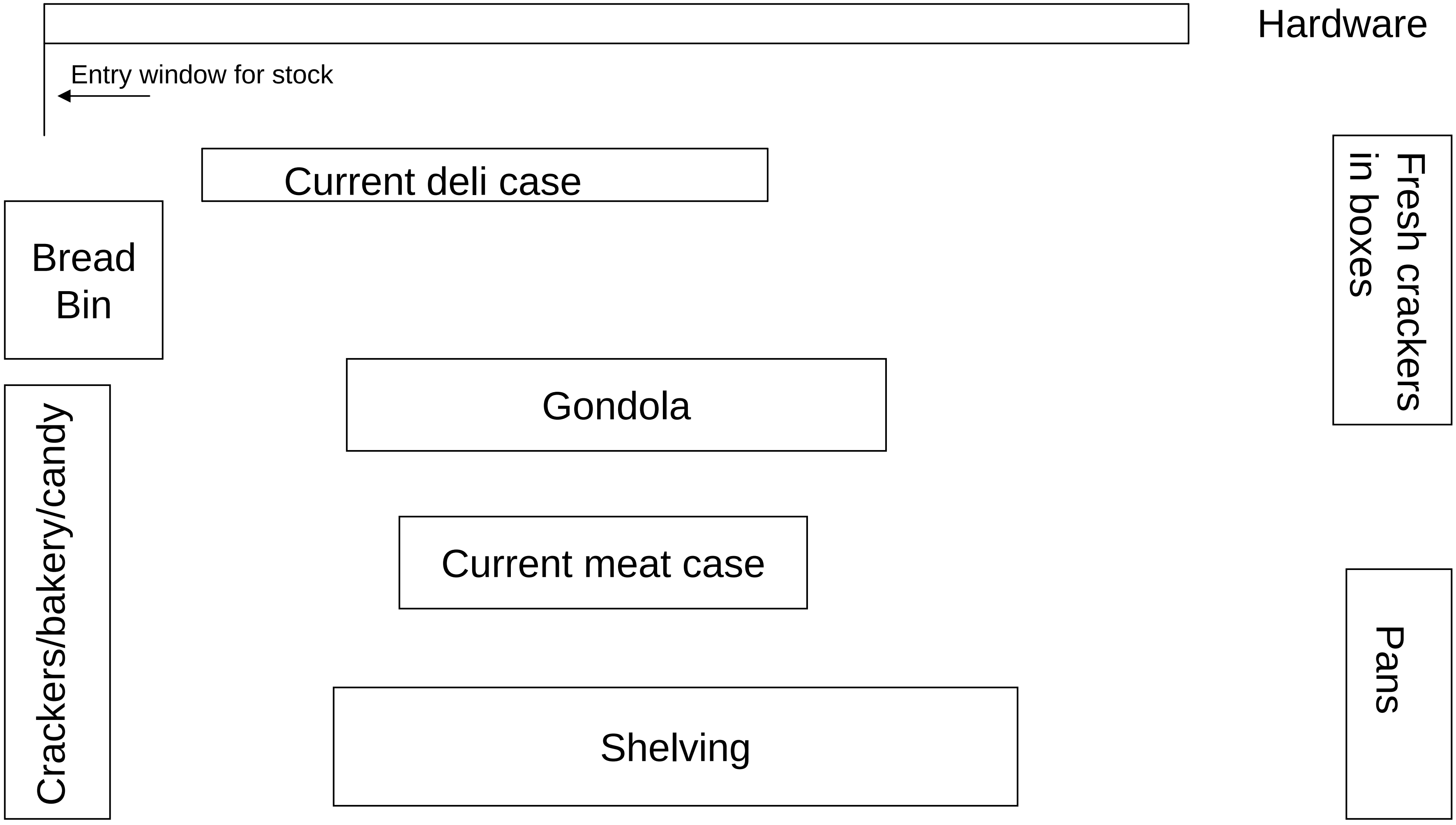


Shelf Wobbler

Ceiling Banner

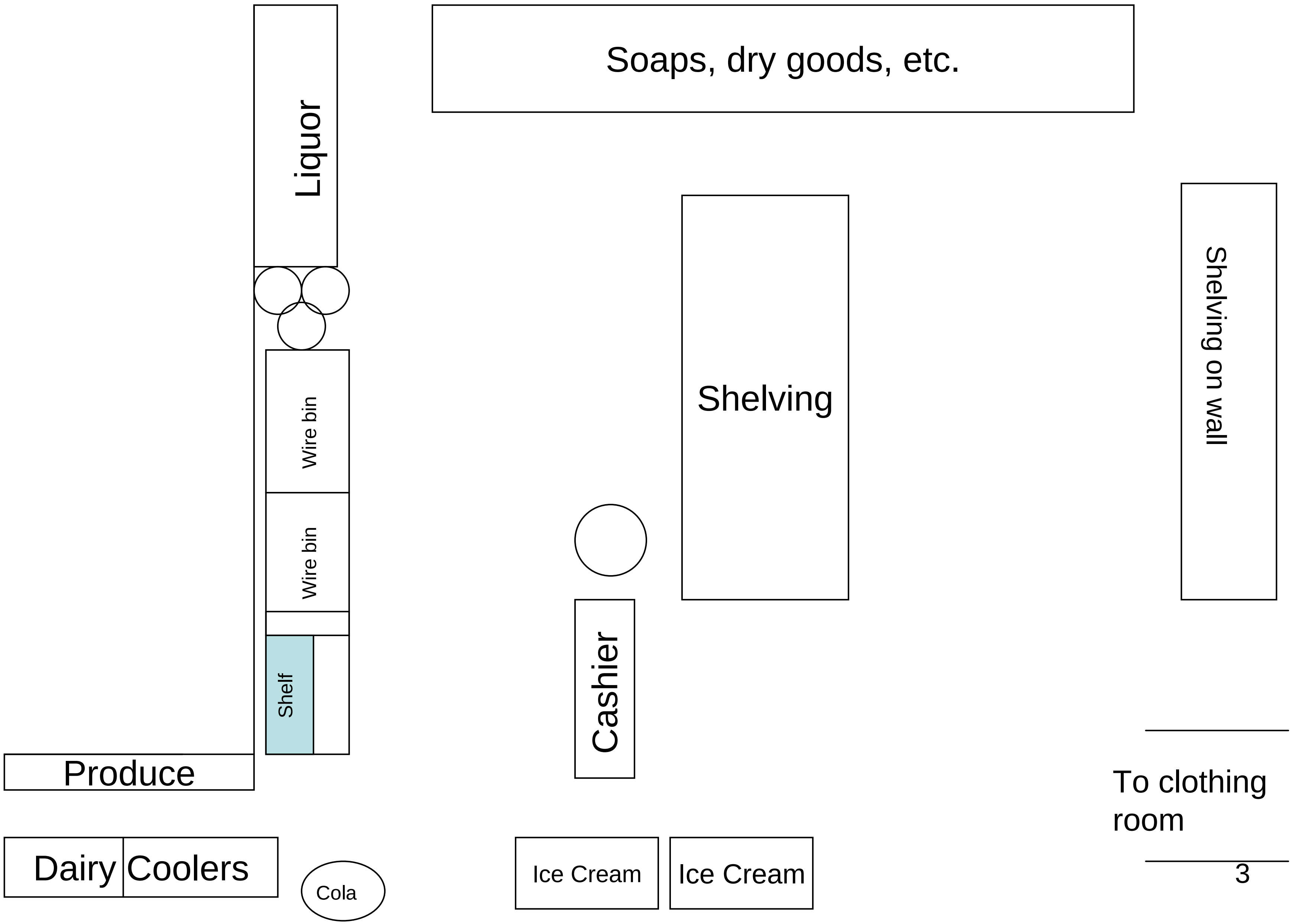
Retailer in Leposavic

Current Store Layout and Design



Current Layout – Back Room

Current Layout – Front Room



Recommended Changes

Principles

- Segment food products from non-food products
- Use the "highest value shopping area" near the cash register for your impulse purchases.
  - Batteries, individual portions of candy, gum, individual portions of snacks, etc.
- Put similar products together
  - Group by similar usage
    - Non-food example: bathroom products together, kitchen products together
    - Food products: baking products together; tea and coffee together
- Make sure all brand names are visible with packages placed right side up and stacked neatly, face forward.

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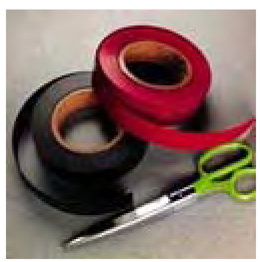
Principles

- Larger products on bottom shelves; smaller products on higher shelves.
  - Eye level stores shelves are prime position. Within a category, put the most popular products right at eye level if possible .
- Think about shelf strips on the shelves for price stickers.



- Put fast moving items on shelves where people can get at them easily
- Put less frequently purchased items on more difficult to reach shelves.

Giving a Good Impression

- Your fresh products give a good impression. Put them right by the entrance so people understand the freshness and quality of your products
  - Produce
  - Crackers
  - Bread
- Put your food products in the front part of the store
  - When people see them, they're more likely to buy them as an extra purchase.
- Be sure to remove any fruit or produce that has gone bad. You always want good quality.
  - Look for ways to display the fresh fruits and vegetables in a better way. Look at some of the examples on the following pages.

Think about using special price tags to get people to make an extra purchase

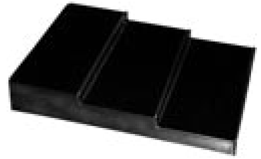
Try to make the produce as appetizing as possible – like it was all hand-picked.

If you have legumes, nuts, etc. , they can be displayed attractively.

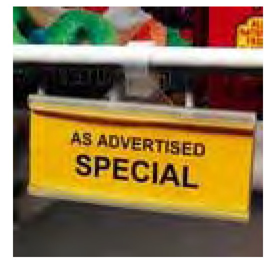
Making the Meat Case more effective

- Display the products which are likely to be sold along with the sausage
  - Ketchup, mayonnaise, pickles, etc.
- Move the butter/margarine to the cooler at the front of the store. Needs to be chilled more.
- Make the frozen case more attractive with plastic dividers between product sections.
  - Look at the samples on the following pages

Use black or colored background mats under meats to make them more appetizing

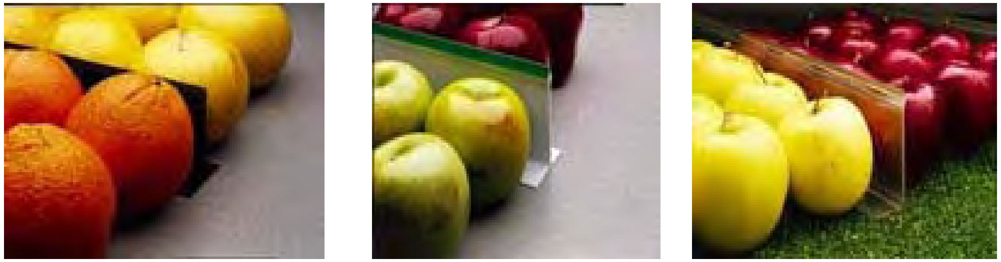


Wedge-shaped tray presents product well and makes your case look like it has more product in it than it does.



Hang price stickers on shelf to make purchase decision easier.

Divide products into sections to make more appealing



All Purpose Produce Dividers

Fake plastic vegetables/parsley to divide meat packages

IDEA: Why not make up ready lunches? Sandwich, pickle and piece of fruit in a bag – make it convenient for people to shop at your store for lunch?

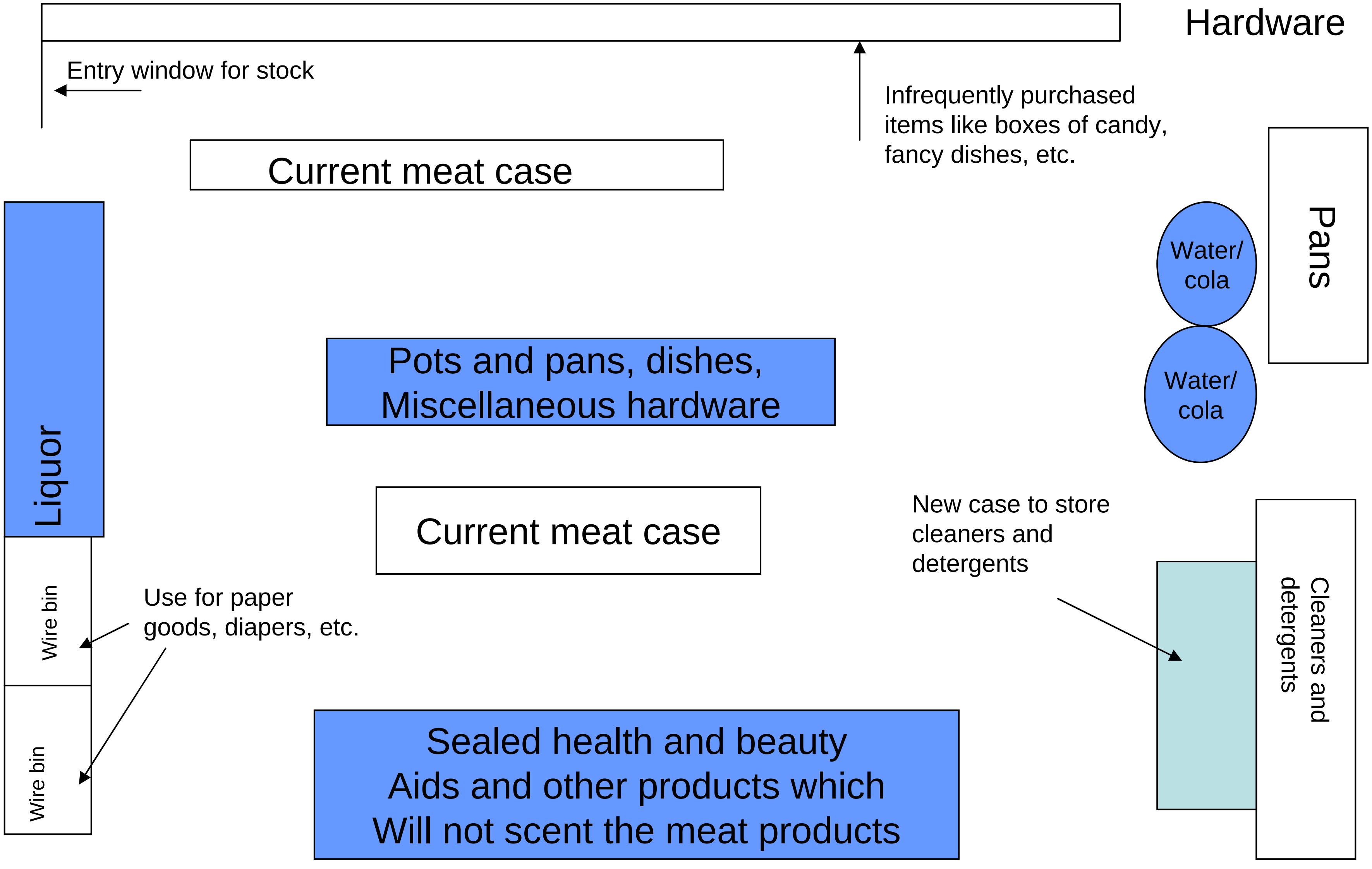
Find baskets or clear plastic shelves to attractively display bakery goods and crackers.

Display crackers in attractive see-through container

Use Promotional Labels to Stimulate Purchase

Thank your customers

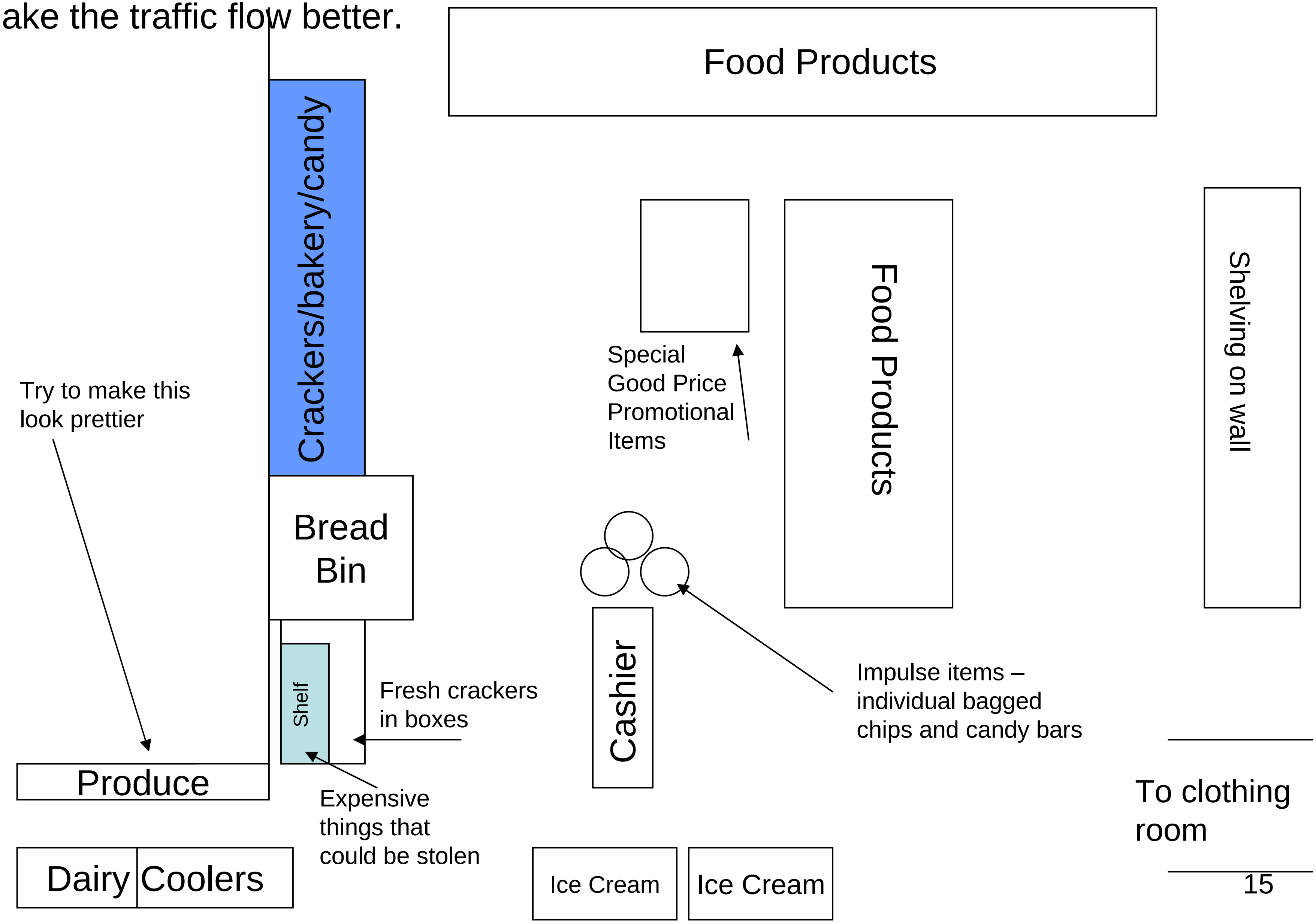
Use cents off coupon to stimulate impulse purchase



Recommended Revision – Back Room

Recommended Revision – Front Room

In general, try to keep the aisles clear and things off the floor to make the traffic flow better.



The Opportunity for Domestic Cream Cheese in Kosovo

Marketing Insights

Cream Cheese

- KCBS and USAID have invested in market research to evaluate the opportunity for a new cream cheese product:
  - Philadelphia Cream Cheese – the world's largest cream cheese brand – is currently imported into Kosovo
  - There are a wide range of other imported cream cheese/spreadable cheese products on the market from large European dairy marketers (Bayernland, Pinar, etc.)
  - There is no domestic cream cheese on the market.

Volume/Value

- The total imported cream cheese market is an estimated 19.4 tons on an annual basis, with an estimated 10-15% growth rate (2004-2006)
  - Projected (2010) volume: 26.8 tons.
    - Likely double that volume when other spreads added
  - Total value of 95,000€ (€4,896 per ton, wholesale imported basis)
    - Without domestic entrants in market

Opportunity

►Increase sales among consumers with the first-ever domestically produced cream cheese

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Category Defined

- Consumers do not have a precise definition of “cream cheese” but consider many products within this broad definition: “djathe I shkrire”, Krem Sir, Sole , vaj krem, etc.

Opportunity

►Define a new category for Kosovar consumers

►Include consumer information/education about usage on label and in-store marketing

Brands/Sizes

- Average 4 different brands carried in hypermarkets:
  - Much brand fragmentation
    - Exports state Exquisa and Bayernland are largest imported brands
      - Regular flavor: 200 gram size most popular size
      - Price: Buko 200 gr. at .99
      - Prices: Exquisa 100 gr. at 1.13
      - Prices: Bayernland: 200 gr. At 1.10
      - 70 gram portion size also growing and represent 1.74 tons.
    - Consumer study shows that Sole` and Pinar are frequently purchased brands

Opportunity:

►Offer 200 gram size at SRP (suggested price point) of 1.12-1.15

-Spend 10-15 cents of every unit (2.00/per 20 unit case) with in-store marketing program to increase trial and brand loyalty.

►Offer 70 gram size at 40 cents price point.

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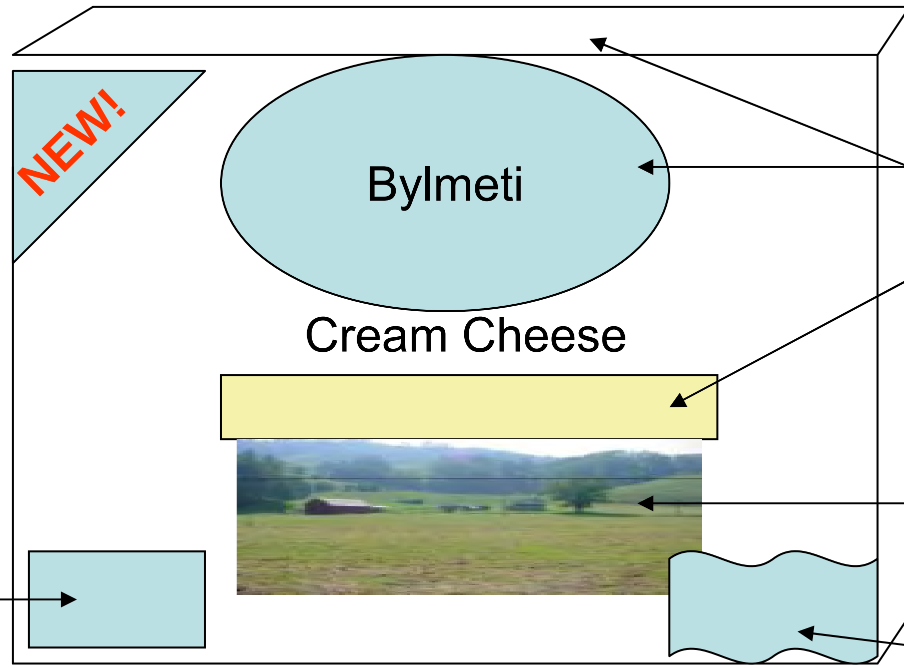
Marketing Communications Plan

Packaging Design Suggestions

- Packaging design:
  - “Made in Kosovo” – locally made
  - Use English word “Cream Cheese” as product descriptor
  - Include visual of usage suggestions to educate people about how to use
    - Spread on bread, crackers
- Freshness seal/re-sealable top
  - Claims:
    - New!
    - “Fresh creamy flavor your whole family will love!”

An Effective Design System for Food (Principal panel)

6. “New” flag or special promotional offers



1. Brand Name Logo – largest design element on package

2. Variety/flavor designator – usually differentiated by color (type or background)

3. Visual of product or visualization that provides appetite appeal

4. Claims or positioning language

5. Legal package size/units description – net weight, etc.

In-store Promotion Recommendations

- Explore pre-packed displayable case to preserve space on shelf (ala Philadelphia)
- Do shelf strips which feature brand name
- Do in-store marketing:
  – Sampling/demos
  – Shelf "flags"
  – Posters offering free recipe cards with purchase
    - How to make Cream cheese dips, cheese balls
  – Special introductory price – regular 1.15/now 99 cents!
  – Press release on new product
    - Send samples of product to newspapers/TV
    - Send with recipe books
    - Invite press to tour plant

Shelf Flags

Shelf Mats

Recipe Cards


NEW!
Try it now!
New from Kosovo
NEW!
Bylmeti Dairy
Cream Cheese
Regular
•"Fresh creamy flavor your whole family will love!"
Free Recipe
Book with
Purchase!

Smoked Whitefish Spread

Lemon Herb Yogurt Cheese Spread

Garlic Breadsticks

Vegetarian Appetizer

New Bylmeti Cream Cheese Recipe Book Free with Purchase

Cheesecake

Layered Mexican Spread

Product Test

- Use questionnaire from consumer test
- Hand out with samples for food service and restaurant customers
  - Ask them to participate in study and evaluate the samples

Appendix

Key Facts

Category Size:

- 19.4 tons, € 95,000 annual volume (10-15% annual growth)
  - Estimate double when including Sole`, krem sir
  - 85% sales in Pristina
  - Kosmonte largest distributor of imported products (over 50% of volume)

Consumer Buying Behavior:

- Everyone in the family buys cream cheese: father (55%, mother 28%, children 18%)
- 200 gram size most popular
  - 45% buy this size
    - 80% of consumers buy 200 gram package when it's available in the stores.
  - 25% under 100 grams
    - Dukatella is popular brand as is Philadelphia
- Regular is top selling flavor, followed by "Light"
- Consumers not familiar with "cream cheese" category
  - Confuse it with other melting cheeses
  - Only 40% knew what cream cheese is
- Outlets are interested in a domestic cream cheese
  - Need marketing to increase awareness and trial