

# DANONE DAIRY INDONESIA MILKUAT

www.milkuat.co.id

Dairy based beverage for children 3-14, sold via multiple channels in Indonesia



## KEY MARKETING, SALES AND COMPLIANCE INNOVATIONS

- **A comprehensive and coherent marketing strategy keeps the product top of mind.** The red color packaging for all SKUs, attracting the eye, and the mascot of the Milkuat Tiger (symbol of bravery in Indonesia) who promotes strong values, the use of above-the-line (media campaigns) with targeted messages for both potential buyers (mothers and children), the use of below-the-line in general trade, modern trade and schools with general educational message on issues surrounding nutrition and healthy lifestyle, have allowed Milkuat to reach the first rank in top of mind brands among 42% of children (2nd best: 18%) and preferred brand for 57% (2nd best: 14%) of them. 78% of calls on Milkuat hotline are children wanting to speak with the Milku tiger...
- **Product availability is ensured everywhere children and mothers go.** Available in general trade, modern trade, and school canteens, by surfing on existing distribution networks supported by a dedicated sales forces, the product is within reach of 80% of the 45 million children aged 3-14 in Indonesia (i.e., 36 million children).
- **Loyalty awards motivate repeat sales<sup>1</sup>.** An instant gratification and collectible promotion items in the form of letter stickers attached on every bottle of Milkuat, that the children can fill up a collection map/album with to win a trip, has resulted for three years in a row in a 30% increase of sales during the 3 months of the promotion (3,000-4,000 complete maps received by Danone in 2013).
- **Cross-subsidizing the main product with a premium product solves the affordability issue.** Tiger bottles sold in modern trade shops have a gross margin that is at least 15% higher than that of the main product. This allows the main product price to remain stable at IDR 1000 (the "magic price" that children can afford) in spite of the volatility of the price of key inputs (fresh milk, minimum wage, fuel, and electricity).
- **Cellphones are used for immediate feedback and best practice sharing.** All sales supervisors have access to Blackberry groups allowing them to connect, report on their daily work, send pictures, discuss competitor movements or level of sales, share best practices... Each regional director of Milkuat is part of the Blackberry group as well, which allows them to stay connected with the field and give immediate feedback on their team's work.
- **A comprehensive HR policy keeps employees' motivation high (and churn low).** In addition to a competitive salary (including bonus on sales), Danone Indonesia has a strong focus on employees' retention (from the supervisor level up, who are Danone employees while the direct sales force is employed by distributors). To strengthen team spirit, the top management involves the whole sales team in designing the strategy and conveys the message that attitude is at least as important as direct performance (variable incentives depend on both). In addition, every hierarchy level wears the same uniform when they are in the field and all have their director's direct phone number (they do not need to go through the hierarchy). Finally internal promotion is the norm: supervisors can become area supervisors, executives and regional managers. With this comprehensive strategy, Danone Indonesia sales team has achieved the highest motivation score of the company worldwide (in the Danone survey done every two years) and a turnover below 5% per year.

<sup>2</sup> Caveat: these marketing practices are forbidden in many countries for children up to 2 or 3 years.

# CASE STUDIES

## PROJECT DESCRIPTION

### History of organization

Danone Dairy Indonesia aims to provide products that fulfill the consumers' nutritional needs. Danone contributes to consumer research to gain information on the nutrition condition in Indonesia. The Nutripack Study and National Health Study (Riskesdas) is a large-scale research targeted to find out the health problems and nutritional conditions in Indonesia, conducted in collaboration with leading institutions in Indonesia. The research showed clear micronutrient deficiency, especially Iron and Zinc. Danone took initiative to contribute to reduce this micronutrient deficiency by fortification of Milkuat recipe with micronutrients such as Vitamins and Minerals. Danone Dairy launched Milkuat in 2004 to "Contribute everyday to healthier Indonesian children through nutritious dairy products and education". Milkuat's format as well as its marketing and sales strategy was specifically designed to answer the challenge of children's poor nutrition intake outside of home, where they consume 70% of their food and when the choices are fully in their hands. Indeed, in Indonesia, all children are given pocket money (in average less than \$0.5 per day) to buy snacks that will keep them going throughout the day, notably at school. A study of the Indonesian Food and Drug Administration (conducted in 2006-10) revealed that 45% of snacks offered at school presented some risks to health, from microbiological contamination to dangerous amounts of food additives or other substances. Hence Danone's idea to provide children with an affordable and healthy dairy based beverage, as safe snack in a sealed individual package, not necessitating a cold chain to avoid expiry issues: Milkuat.

### Product/service offering and value proposition

Danone Dairy Indonesia offers the following products:

- Milkuat original bottle of 70mL comes in different fruit flavors, sold in single bottles at IDR 1000 (less than \$0.1). The product is enriched with vitamins and minerals, and is now also available in pouch that can be frozen. 70mL pouches and bottles represent 80% of Milkuat sales, with volumes increasing consistently year on year since launch.
- In 2011, Danone launched Milkuat premium range: Tiger bottle (looking like the brand mascot) and Carton pack, fortified with iron, zinc and other micronutrients. Tiger bottle is available in two sizes: 95 mL for IDR 2000 and 170mL for IDR 3000. It grew from 0 to almost 15% of total sales in less than 3 years. In mid-2011, Danone launched 125mL carton box (tetra). It is now 5% of total sales.
- A 90 mL bottle was initially sold IDR 1500, but the product never took off in spite of 3 successive launches mainly because the price positioning of IDR 1500 was not right for children – it has now been discontinued.

### Promotion and compliance strategy

The main sources of awareness (shelf-display 83%; TV 71%; schools 61%; word-of-mouth 44%) can summarize the overall marketing effort of Milkuat. The product has a strong visual identity personified by Milkuat Tiger who promotes strong values and by red color of the packaging (a symbol of bravery in the local context). Danone provides Milkuat shelf displays or devices such as chiller and permanent acrylic display to retailers and school canteens in order to have strong visibility and attract children's eyes. Danone also uses above-the-line (media campaigns) with messages targeting each of the two potential buyers (mothers and children) and below-the-line marketing in schools with animations (games etc.) including general educational message on issues surrounding nutrition and healthy lifestyle.

### Sales and distribution

Danone Milkuat has the biggest ready-to-drink distribution network in Indonesia with 27% of numeric distribution where the product is available (canteens or small retailers where children are used to buying their snacking products everyday, as well as modern trade where mothers shop for their children). 80% of children in the target group are within reach of the distribution networks (36m out of 45m children aged 3-14 in Indonesia). Danone sales team is composed of over 900 sales people in contact with the various levels of the distribution chain: pre-sellers (covering wholesalers and large retailers in dense areas), canvassers (covering large retailers in less dense islands) and motorists (visiting school canteens and end outlets). They are supervised by a total of close to 100 supervisors and managers (who also help extend the distribution network even further). At all levels, sales people and their supervisors have a fixed salary plus a variable share, based on their sales results as well as their adherence to company processes (sending sales reports, wearing Milkuat uniform etc.).

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## Results

- **Scale:** In 2012, Milkuat achieved 1.75 billion “moments of consumption” (i.e., units sold). On the main product (Milkuat 70mL bottle), Milkuat has a 74% market share, in spite of competitors lower price per mL (IDR 1000 for 80 mL). Milkuat pouches represent 56% of the market (the next competitor is at 24% market share for a product of same volume and price).
- **Social impact:** Milkuat has 3.7 million daily users (out of 13.1 million monthly users) who get 30% of their RDA in essentials vitamins and minerals from Milkuat (while avoiding the risks linked to street or school food that they would have consumed otherwise). No health impact study has been conducted so far.

In partnership with the Ministry of Education, Persagi (Indonesia’s Nutrition Association) and BPOM (Indonesia’s National Food and Drug Administrator), Milkuat has set up a classroom Nutrition Education Program in 2,500 primary schools involving more than 500,000 children in 2012-2013 with the objective of raising awareness of healthy nutrition among the children, their parents, their teachers and canteen owners. Preliminary results of the impact study (comparing reported behavior 3 months before and 3 months after being exposed to the program) indicate that children lowered their consumption of ice-lolly (snack with much sugar) by over 30% overall, while milk based beverage consumption close to doubled (remaining at only a third of that of ice lolly, though). Children also reduced their fried food consumption and increased their higher protein product intake (e.g., soy cake sausages).

- **Financial sustainability:** Milkuat is profitable thanks to the premium products subsidizing the 70mL pouch and bottle (with a net margin of at least 15% more for the premium products).

## Future plans

- **Existing products:** Sales of Milkuat premium products are growing faster than those of the basic products – Milkuat expects that premium products, today 20% of sales, will represent 55% in volume in 2016.
- **New products:** Two new products are in the making: a 140mL bottle of the existing product to better answer the drinking need of a tasty refreshment (compared to a 70mL format), and a product specifically designed for breakfast with “slow release calories” to better sustain children energy throughout the day if taken at breakfast.

# CASE STUDIES

Nutritional information (provided by the manufacturer):

## MILKUAT TETRA

### NUTRITION INFORMATION

Serving Size : 180ml

Amount Per Serving		
Calories 150kcal	Energy From Fat 30kcal	
		%RDA
Total Fat	3.5g	5%
Protein	3g	5%
Total Carbohydrates	27g	9%
Sugar	24gr	-
Sodium	125mg	5%
Vitamin A		30%
Vitamin B2		30%
Vitamin B1		30%
Vitamin B3		30%
Vitamin B5		30%
Vitamin B6		30%
Vitamin B9		15%
Vitamin B12		30%
Vitamin D		30%
<b>Calcium</b>		<b>30%</b>
Phospor		30%
<b>Zink</b>		<b>20%</b>
<b>Iron</b>		<b>20%</b>
* Percent Daily values are based on a 2000 calories diet. Your daily values maybe higher or lower depending on your calories needs.		

## MILKUAT TIGER

### NUTRITION INFORMATION

Serving Size : 170ml

Amount Per Serving		
Calories 110kcal	Energy From Fat 15kcal	
		%RDA
Total Fat	2g	3%
Protein	3g	5%
Total Carbohydrates	19g	6%
Sugar	10g	-
Sodium	150mg	7%
Vitamin A		20%
Vitamin B2		20%
Vitamin B1		20%
Vitamin B3		20%
Vitamin B5		20%
Vitamin B6		20%
Vitamin B9		15%
Vitamin B12		20%
Vitamin D		20%
<b>Calcium</b>		<b>40%</b>
Phospor		35%
<b>Zink</b>		<b>20%</b>
<b>Iron</b>		<b>20%</b>
* Percent Daily values are based on a 2000 calories diet. Your daily values maybe higher or lower depending on your calories needs.		

Exchange rate for this case study: 1 USD = 10264 IDR

### Sources:

Interviews with Gift Samabhandhu, Marketing Director Danone Dairy Indonesia (until August 2013), August 1 and 26. Interview with Raimond Bing Lesnussa, September 6, Sales Director Danone Dairy Indonesia, 2013

*Milkuat: meeting the needs of Indonesia school children*, blogpost from May 24, available at:

<http://downtoearth.danone.com/2013/05/24/milkuat-meeting-the-needs-of-indonesias-schoolchildren/>

Internal Danone documentation

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