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Swensen's Must Engage in Market Penetration and Diversification to Retain its Leading Position in the Thailand Market

Kailee Douglas

Abstract

This paper will determine ways in which Swensen's Ice Cream Parlour can retain its leading position in the premium ice cream market of Thailand. Analysis of the company, market, and customers determined that Swensen's must engage in market penetration and diversification growth strategies. Market penetration includes opening university locations, promoting beverages, engaging in customer relationship programs, increasing the experience, and reducing the delivery gap. Diversification growth strategies include offering souvenirs, food items and media. In conclusion, these recommendations will allow managers to improve the company's position against competitors, and maintain Swensen's as the most popular destination for all ice cream lovers.

Company Background

Swensen's Ice Cream Parlour was established in 1948 in San Francisco by Earle Swensen, and has grown into a global chain of over 300 ice cream outlets. Its international mission is "To be the Number 1 Franchisor in the World offering the ultimate ice cream dessert experience that will put a smile on every member of the family's face, both young and old." The company has evolved into two offerings, Swensen's Ice Cream Parlor and Swensen's Restaurant, although only Swensen's Ice Cream Parlor is only available in Thailand.

Today Swensen's Inc. is owned by the International Franchise Corporation of Ontario, Canada.¹ In Thailand, the Minor Food Group became the first Swensen's franchisee for the country twenty years ago. With over 90 outlets, it is the country's largest premium ice cream concept, and holds over 75% of the premium ice cream market. Minor Food Group also owns

¹ CoolBrands International Inc. *Form 6-K*. December 2005, Edgar Online. <http://sec.edgar-online.com/2005/12/29/0000950117-05-004950/Section5.asp> (accessed 1 December 2007).

The Pizza Company, Sizzler Restaurant, Burger King and Dairy Queen in Thailand.²

Analysis

1. Marketing Mix

A) Product

The main products of Swensen's Ice Cream Parlour are ice cream-based desserts and beverages. There are over 180 flavours of ice cream, sundaes, toppings, and ice cream cakes offered. Recently Swensen's introduced Yogen Fruz, a low-fat ice cream from Canada to target health conscious consumers in Thailand.³ Refer to Figure 1 for a sample Swensen's menu.

B) Price

Swensen's focuses its strategy on quality and quantity, and makes an effort to be a premium brand that provides ice cream at a reasonable price. The prices range from 35 baht for one scoop of ice cream to over 250 baht for large sundaes. Compared to other premium ice cream companies, Swensen's is priced at the lower-end to target the teenage market as well.

C) Placement

Swensen's has many channels to reach customers: full-service parlours, kiosks, internet orders, and phone orders. The store channels are found in malls and allow Swensen's to provide personalized service; customers can sample flavors; and most importantly, customers can enjoy the social experience. In addition to the store channel, Swensen's also has an internet channel and a phone line. In select areas customers can order Swensen's ice cream cake online or by phone for free delivery. Swensen's tries to reach customers that are not able to visit the

ice cream parlours by selling through kiosks, or small containers of ice cream at certain higher-end restaurants. The Pizza Company also asks customers if they would like to add Swensen's ice cream to their pizza order.

D) Promotion

Swensen's has a variety of ways to promote and advertise its products and brand name effectively. Advertising is done through TV commercials, website, magazines, flyers, and store banners. Promotional activities include reduced prices for festive ice cream, and a Privilege Card where at 129 baht, a customer can receive discounts from any Minor Food Group food company for a year. Swensen's also distributes coupons for discounts and offers a Swensen's gift voucher.

Figure 1- Sample Swensen's menu



² Minor Food Group Official website. www.minorfoodgroup.com (accessed December 14, 2007).

³ Esmerk. *Thailand: New Product, More Stores from Swensen's*. Frozen B2B. December 2005. <http://www.frozenb2b.com/News/Default.aspx?id=News&NewsNo=620#em5NZR82> (accessed 1 December 2007).

2. SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> -brand image -festive packaging to match occasion -promotes special flavours for seasons or holidays -order online or by phone -free delivery -support from franchisor -Minor Food Group as supplier <p>Opportunities</p> <ul style="list-style-type: none"> -university locations -food development -Thailand's warm climate -customer loyalty programs -diversification 	<p>Weaknesses</p> <ul style="list-style-type: none"> -high investment cost for franchisee -10 year contract with franchisor -poor customer service <p>Threats</p> <ul style="list-style-type: none"> -Thailand market saturated -competitors move into premium market
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3. Competitive Analysis

The competitor analysis can be categorized into two groups: direct and indirect competitors. Direct competitors include the retailers that specialize in premium ice cream, such as Haagen-Dazs and The Cream & Fudge Factory. Baskin Robbins has recently moved into the premium ice cream market, and copied Swensen's promotions for certain events and holidays.⁴ Dairy Queen is another close competitor that carries a large variety of ice cream desserts. Indirect competitors include the fast-food chains McDonald's, Burger King and KFC, all of which provide some small assortment of ice cream.

4. Segmenting, Targeting and Positioning

A) Segmenting

Swensen's relies on geodemographic and lifestyle segmentation to identify its main customers. Geodemographic characteristics include families and groups of friends that visit malls and can afford premium ice cream.

⁴ Jitpleecheep, S. *Nestle Takes on Swensen's in Top Segment*. June 2000. <http://www.siamfuture.com/ThaiNews/ThNewsTxt.asp?tid=168> (accessed 1 December 2007).

The lifestyle of this segment is recreational consumption - visiting the ice cream parlour for the experience.

B) Targeting

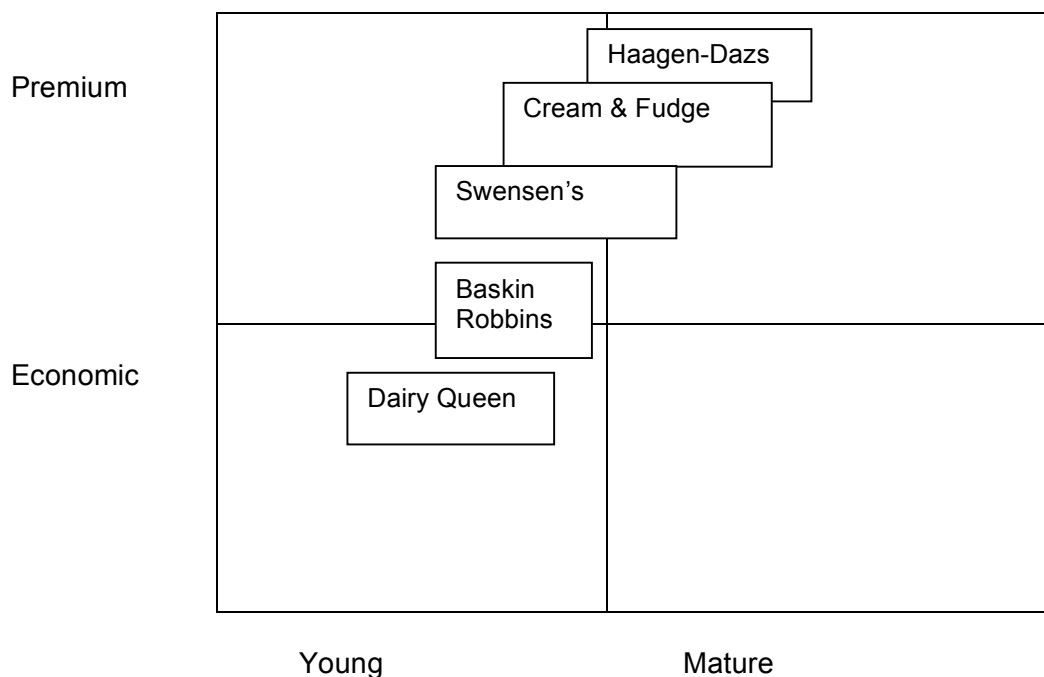
As identified in their mission statement, Swensen's caters to all members of the family. The company is now focusing its strategy on targeting the new generation by updating its storefront, while their secondary target market is family-oriented community.

C) Positioning

Positioning must be based on four concepts: clarity, consistency, credibility, and competitiveness.⁵ Swensen's competitive advantage comes from the innovative sundaes, great locations, value for money, social experience and established brand name.

⁵ Bruce, M., Moore, C. and Birtwistle, G. (2004) *International Retail Marketing: A Case Study Approach*, Elsevier Butterworth-Heinemann: Burlington, 190.

Figure 2: Swensen's positioning as compared to its competitors



5. Customer Buying Behavior

When consumers engage in a buying process, there are three types of buying decisions: extended problem solving, limited problem solving, and habitual decision solving.⁶ Swensen's consumers engage in habitual decision making because they give very little thought to visiting the store, mainly due to brand loyalty. Swensen's creates loyalty by providing cheap promotions and convenient locations in many malls across Thailand.

By selling the experience as well as the dessert, Swensen's attracts mainly recreational customers. It is shown that the customer's motivation orientation regulates the effect of arousal on pleasantness. Recreational customers are seeking intrinsic rewards, such as the atmosphere and social

experience.⁷ Therefore, recreational customers enjoy high arousal and high-energy environments. Swensen's creates high arousal with bright lighting, busy seating areas, and background music. Other colourful advertisements and pictures are present to increase arousal. Task-orientated customers that are just seeking the extrinsic reward of the product would find the high-energy environment distracting and that it takes their energy away from the task of obtaining the dessert. Swensen's satisfies these task-oriented customers by allowing them to order at the counter and take-away.

6. Market Evaluation

A) Industry Overview

Thailand ice cream producers are expanding with new innovative products, further establishing brand names, and expanding

⁶ Hasty, R. and Reardon, J. (1997) *Retail Management*. (McGraw-Hill: New York), 106

⁷ Kaltcheva, V. and Weitz, B. (2006) 'When Should a Retailer Create an Exciting Store Environment?' *Journal of Marketing*, 70(110).

their distribution channels. Thailand is emerging as an ice cream hub due to several regional factors. Due to Thailand's warm weather all year round, the country is motivated to produce ice cream to serve the continual demand. A new trend in producing healthy ice cream mainly made of fruits leads to the demand of more raw materials, which Thailand can supply. Furthermore, Thailand has many producers and suppliers to serve the growing demand of ice cream in neighbouring countries.

In addition to operating Swensen's parlors, the company owns its ice cream factories to assure a consistent supply of high quality products for its growing network. Minor Dairy and Minor Cheese, wholly owned subsidiaries of the Minor Food Group, were founded to provide a reliable supply of cheese and dairy to the Thai and international markets. Minor Dairy produces a variety of ice cream products for Swensen's, Dairy Queen and Burger King.⁸

B) Growth Opportunities

Swensen's has a global focus and is already established in North America, Asia and South America. While continuing to grow in the mature markets, the company is looking towards aggressive expansion in Central America, the Middle East and Europe.

In 2006, Swensen's business plan was to capture an 85% share of the 1.8 billion baht premium ice cream market in Thailand, and opened 10 company-run outlets and franchised another 20 outlets in the country.⁹ While Swensen's (Thai) Co Ltd is adding more franchises in the saturated Thai market, it has a market expansion growth strategy focused on having 250 outlets across Asia by 2010.¹⁰ The company holds a license to

operate the American ice cream chain in 16 Asian countries, and most outlets will be operated under franchise format.

Recommendations

1. Market Penetration

A) Location

Swensen's currently is the leading company in a saturated Thailand ice cream market but has no plans to stop opening more outlets. When selecting the location, it is important to consider the population characteristics, such as size, age, income level and buying needs. Other characteristics include competition, accessibility, banking, advertising, high demand, labour force, and legal issues.¹¹ Swensen's is currently located in malls, and targets all ice cream lovers.

It is recommended that Swensen's open new locations close to universities as young adults attending post-secondary can afford premium ice cream and enjoy social experiences. Locations near primary and middle schools could target younger markets, but children usually rely on parents to buy ice cream, and many cannot leave the schoolyard during breaks.

A study conducted at Mahidol University International College indicated that a high majority of students visit Swensen's at least once a month, and spend between 150 and 200 baht on themselves each visit. Please refer to Figure 2 for a copy of the survey. When asked how often they would visit a Swensen's across the street from Mahidol, responses showed the number of visits per month would double. University locations satisfy the issues of accessibility, banking, advertising, demand and labour force. There are ATMs located near all universities, and the company would have great selection of

⁸ Minor Food Group Official website, www.minorfoodgroup.com (accessed 12 November 2007).

⁹ Esmerk. *Thailand: New Product, More Stores from Swensen's*. Frozen B2B. December 2005. <http://www.frozenb2b.com/News/Default.aspx?id=News&NewsNo=620#em5NZR82> (accessed 1 December 2007).

¹⁰ Market New Zealand. *Food and Beverage: Global Update*. December 2006. Market New

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¹¹ Diamond, J. and Pintel, P. (1996) *Retail Buying*, Prentice Hall: New Jersey, 132-133.

employees from the demographic segment. Swensen's may come across legal issues about a location within the campus, but a

location near the institution will draw students regardless.

Figure 2 - Swensen's Survey, conducted by Kailee Douglas. Survey given to 30 Thai students at Mahidol International University College, Bangkok.

1) How often do you approximately visit Swensen's? (<i>circle one</i>)			
once a week	twice a week	once a month	twice a month
once a year	twice a year	never	other _____
2) If you visit Swensen's, what is the common reason why?			
3) If you do not visit Swensen's, then why not?			
4) What competitor's ice cream do you eat the most? (<i>circle one</i>)			
Haagen-Dazs	McDonald's	Burger King	Baskin Robbins
Dairy Queen	local ice cream stand		other _____
5) How much money do you usually spend on yourself each visit? _____			
6) What do you enjoy the most about your Swensen's visit?			
the dessert	the friends	the location	the experience
other _____			
7) If there was a Swensen's located across the street from MUIC, how often would you visit it?			
8) Would you be interested in any of these possible Swensen's products or promotions? (<i>circle as many that apply</i>)			
VIP card that gives discounts	burgers and fries	Asian food	
alcoholic drinks	breakfast	steak dinners	
souvenirs such as pens, pencils and toys			
9) Swensen's has two formats: Restaurant and Ice Cream Parlour. Would you be interested in seeing a Swensen's Restaurant in Thailand? Why or why not?			

B) Beverages

Swensen's already offers both regular and ice cream based beverages. A recommendation for Swensen's is to put more effort into promoting these beverages and developing the variety. Many Thai adults feel that ice

cream is too high in calories and a variety of premium teas, coffees and juices would draw this segment to Swensen's where they can also enjoy the experience. It would also encourage more money spent by parents during family visits.

C) Customer Relationship Management Programs
One way to increase customer loyalty and retain the best customers is by offering a VIP card for the most profitable shoppers. A customer loyalty program is an important CRM tool used to identify, reward and retain customers.¹² To implement a CRM program with Swensen's loyal customers, Swensen's requires an efficient IT system in order to collect and keep track of customer data. By monitoring each customer's visit and the transaction, the information retrieval system can identify gold customers through RFM (Recency, Frequency, and Monetary) analysis. A VIP promotion card could give rewards such as a free birthday voucher or free souvenirs. In addition, by implementing the IT system, Swensen's employees could engage in personalization and greet the customer by name, or remember their favorite dessert. A strong VIP program would enhance customer loyalty and convert good customers into best customers.

A second recommended CRM program is sponsorship of a local athletic team. This would also create customer retention and show support of the community. Both recommendations for CRM programs are related to market penetration, which increases the visits and money spent of existing customers.

D) Increasing Experience

As identified previously, many recreational shoppers visit Swensen's for the social experience. To increase arousal, it is recommended that when it is a customer's birthday, Swensen's employees gather around the table and sing a birthday song. This would also enhance the experience for the customer and entice others to celebrate their birthday at Swensen's.

E) Reducing the Delivery Gap

The delivery gap is the difference between the retailer's service standards and the actual

service provided.¹³ After approximately six visits to various Swensen's Ice Cream Parlours around Thailand, it was noted that the employees are relatively unenthusiastic and inefficient. The Swensen's franchisee is responsible for recruiting a store supervisor, unit manager, and servers, and it is recommended that the hiring process be stricter. The following is a job qualification for a Swensen's server:

Job Scope:

- Ability to get as many orders from the customers as possible
- To ensure 100% customer satisfaction
- Full Time or Part Time
- Baht 25/hr

Job Qualifications:

- Age above 18 years old, no degree is required
- Friendly, well mannered and likes to smile
- Good in handling things
- Able to work as a team under high pressure

Swensen's must re-state the importance of customer service to its employees, and train servers on how to be more efficient. It was observed that efficiency could improve if certain servers took the order, while designated servers behind the counter made the desserts. General personal characteristics for successful employees include level of creativity, interpersonal skills, communication style, decision-making style, ability to work under pressure, motivation level, energy level, and overall attitude.¹⁴ Swensen's needs to improve the motivation level, energy level and attitude of its employees to create a great experience for customers.

3. Diversification

A) Souvenirs

¹² Krafft, M. and Mantrala, M. (2006), *Retailing in the 21st Century*. Springer Berlin: Germany, 361

¹³ Hasty, R. and Reardon, J. (1997) *Retail Management*, McGraw-Hill: New York, 526.

¹⁴ Heil, G. and Thomas, C. (2006) *Employee Management and Customer Service in the Retail Industry*, John Wiley & Sons, Inc: New York, 3.

If Swensen's were to provide souvenirs for customers, it would allow Swensen's customers to spend more money with each visit. All souvenirs would have the Swensen's logo, and items such as toy figurines, playing cards, key chains, and school supplies would target the younger generation. This is comparable to the Hard Rock Café, but because customers visit Swensen's more frequently and spend less money, the souvenirs should be limited and not expensive. Customers who use these items would be reminded of Swensen's, and the souvenirs would act as marketing tools to other consumers as well. As a premium ice cream parlour, the souvenirs should be of high quality, but reasonably priced, reflecting the value and quality mission of the company.

B) Food

Swensen's in Singapore and Malaysia has shown great success with its ice cream and food offerings.¹⁵ Some of Singapore Swensen's Restaurants offers include Asian food, breakfast and steak dinners.¹⁶ A survey completed at MUIC indicated that approximately one-third of students would be interested in seeing food offered. These results may be due to the fact that many university students visit Swensen's with friends for dessert, while Swensen's Restaurants would cater to mainly families and the older generation. The success of Swensen's Restaurants in Singapore, Brunei, Malaysia and China can easily be replicated in Thailand.

C) Media

It is recommended that Swensen's diversify into music and game offerings. Swensen's usually has trendy background music playing, and the company could offer a selection of the latest albums that they play in the store. This would simply require the company to buy CDs in bulk and distribute them to the stores,

where the store would make a moderate profit margin. This diversification may be slightly risky due to the increase in downloaded music.

A second recommendation is to offer Swensen's computer games. Swensen's currently has two simple games on its website, and should offer customers the opportunity to purchase more complex computer games through the store. The computer games could be educational, and target primary school children whose parents feel they need to brush up on Math or Thai skills.

Swensen's already engages in vertical diversification by using the Minor Food Group subsidiary, Minor Dairy, as a supplier.

Conclusion

After examining Swensen's company background, several analyses were completed including the marketing mix, SWOT analysis, Competitive Analysis, Segmenting, Targeting and Position of the company, Customer Buying Behaviour, and Market Evaluation. Swensen's is the leading premium ice cream concept in a saturated Thai market with a market share of over 75%. The company must engage in market penetration and diversification to retain its leading position. Some of these growth activities include opening locations near universities, promoting a variety of beverages, implementing customer relationship management programs, increasing the experience, and reducing the delivery gap. Diversification growth strategies include offering souvenirs, food and media items. By implementing these recommendations, Swensen's can remain the leader of the premium ice cream market of Thailand.

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¹⁵ Darshini, Nathan. *Swensen Coming Back With A Bang*. Siam Future Development PLC. <http://www.siamfuture.com/asianews/asianewstxt.asp?aid=1381> (accessed 13 December 2007).

¹⁶ Official Swensen's Singapore website. www.swensens.com.sg/ (accessed 3 November 2007).

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